Madulsima
PLANTATIONS PLC
A MEMBER OF MELSTACORP

Annual Report 2021

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 million 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 Ninth 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 Tuesday, 28th June 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 2021 together with the Auditors' Report thereon.

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

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

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

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

6) To re-elect Mr. C R Jansz at the Annual General Meeting in terms of Articles 98 of the Articles of Association as a Director of the Company.

7) 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.

By Order of the Board of Directors

Sgd.
Pradeep A Jayatunga
Company Secretary
27th May 2022
Colombo

Note:

1. In the interest of protecting public health the Twenty Ninth (29th) 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 in the manner specified below:

   i) Attendance of the Chairman and the Board of Directors
   The Chairman/Managing Director, Board of Directors Certain Key Management Personnel, the Company Secretary, and the External Auditors will be available on the Virtual Platform on Tuesday, 28th June 2022 at 10.00 a.m

   ii) Shareholder participation

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

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

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

Notice of Meeting

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 he queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2021 will be available for perusal of the Company website **http://melsta.com/our-core-sectors/plantations-services** and the Colombo Stock Exchange website on **www.cse.lk**

   If you wish to receive a printed copy of the Annual Report for the year ended 2021, please complete and forward us the Form of Request attached here to ***(Annexure 1)*** by post to the registered address of the Company, Madulsima Plantations PLC, # 833, Sirimavo Bandaranayke Mawatha, Colombo 14, Sri Lanka or e-mail **bplmplcompanysecretary@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	Melstacorp PLC #110, Norris Canal Road, Colombo 10 Sri Lanka
Registered Office	833, Sirimavo Bandaranayke Mawatha Colombo 14 Sri Lanka.
Board of Directors	Mr. D. H. S. Jayawardena - Chairman/MD Dr. N. M. Abdul Gaffar - Non-Ex-Director Mr.C.R Jansz - Non-Ex-Director (w.e.f. 01.01.2022) 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, Kynsey 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	Mr. L. G. Sudantha Wijerathna
Financial Controller	Mr. D. M. Samantha K. Dissanayake
Senior Executive - IT	Mr. T. T. P. T. Gayan Fernando
Accountant	Mr. H. M. Nadeesha Jayasinghe

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. Kusal Weerasinhe (Acting Assistant Superintendent)	Galloola Estate
Mr. N. Randeniya	Mahadowa Estate
Mr. K. D. Senerath	Roebery Estate
Mr. W. M. H. E. Wijerathne	Uvakellie Estate
Mr. M. A. Ratnadason	Verellapatna Estate

BOGAWANTALAWA REGION

Deputy Geneneral Manager (w.e.f. 01.10.2021)	Mr. A. P. De Tissera

Name of Superintendent	Name of Estate
Mr. A. S. A. Madena	Kew Estate
Mr. N. P. Liyanage	Kirkoswald Estate
Mr. U. H. G. C. N. Chularathne	Theresia Estate
Mr. I. A. Bogahawatte	Venture Estate

Chairman's Review

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of the Madulsima Plantations PLC for the financial year ended 31st December 2021.

Global Economy

The year under review continued to be impacted by the COVID-19 pandemic as new variants of the disease emerged. As a result, many global economies persisted with lockdowns and remote working options. Global economic growth for the calendar year 2021 was recorded at 5.9% compared to a 3.3% contraction recorded in the calendar year 2020.

Sri Lankan Economy

The Sri Lankan economy went through intermittent lockdowns in the first half of the year, but the vaccination drive supported the reviving of the economy. The last quarter of the year, resulted in new challenges for Sri Lanka as the economy faced a fast depreciating currency against the U.S. dollar, high inflation levels, and depleting foreign currency reserves.

According to the Central Bank of Sri Lanka the economy grew by 3.7% to the 3.6% contraction recorded in 2020. The agriculture, forestry, and fishing sectors recorded a 2% growth compared to the 2.9% contraction recorded in 2020, the industry sector grew by 5.3% compared to the 7.3% contraction experienced in the previous calendar year, and the services sector grew by 3% compared to the decline of 1.9% in 2020. The depreciation of the Sri Lankan rupee and depleting foreign exchange reserves hindered the progress made and the second half of the year 2021 was challenging for economic recovery.

Tea Industry

The industry continues to be saddled with major issues such as climate change with its accompanying insecurity, arbitrary wage increases given by government intervention, fertilizer supply restrictions together with the withdrawal of subsidies, and a complete ban on agrochemical imports has adversely affected the industry and management of plantations.

Company Performance

The Company during the year under review recorded a loss after tax of Rs 238Mn compared with Rs. 201Mn previous Year. The loss before tax was Rs. 322 Mn. compared with before-tax loss of Rs 132Mn. in the previous year. The Company's consolidated revenue for the year under review recorded a 9.45% growth to Rs. 3.1Bn. compared to Rs. 2.8Bn. earned in the previous year.

Profit/ (Loss) Rs. (Mn)		
	2021	**2020**
Gross Profit/(Loss)	(205)	71
Loss before Taxation	(322)	(132)
Income Tax Benefit/(Expense)	84	(69)
Loss after Taxation	(238)	(201)

Further, the gross loss of the company is Rs. 205Mn in 2021 compared to a gross profit recorded of Rs. 71Mn in 2020, and this is mainly due to an increase of the gratuity provision by Rs. 248Mn in 2021 compared to 2020.

Company Performance	2021	2020	2019	2018	2017
Production ('000kg)	5,252	5,084	4,119	4,144	4,412
Yield (kg/ha)	1,191	1,077	900	847	860
Revenue (Rs. Mn)	3,100	2,832	2,007	2,144	2,605
NSA (Rs.)	541	539	481	531	572
COP (Rs.)	660	649	722	685	623
Loss (Rs/kg)	(119)	(110)	(241)	(155)	(51)

Despite many challenges, we had to face our estate achieved a satisfactory increase in production volume of 5.25 Mn. Kg and increase over the previous season by 168 thousand Kgs, this is, in fact, the highest production level achieved since 2015.

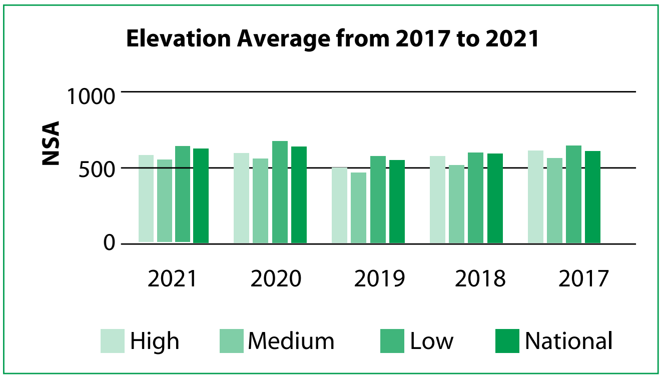
Increased production volumes are a result of continuously investing in the improvements of our tea fields and the development of our processing factories.

Chairman's Review

Gross Sale Average

Elevation Average (Rs. Per Kg)					
	2021	**2020**	**2019**	**2018**	**2017**
High	601	594	513	578	607
Medium	560	562	469	521	563
Low	656	683	577	602	638
National	**629**	**645**	**546**	**594**	**620**

Source: Sri Lanka Tea Board



The National Sale Average decreased by Rs. 16 per kg showing a negative variance of 2.48% during the year having recorded a sale average of Rs. 629 against Rs. 645 in 2020. Despite that fact, MPL has achieved an increase in Gross Sale Average over the previous season.

We continue to focus on developing the agricultural standard of our estates along with adopting strategies to consolidate core crop development and continue our efforts to mitigate losses by introducing reforms, systems & control procedures whilst developing our personnel with a view to achieving long-lasting success.

We are confident that by doing so that we can record an immediate turnaround in financial performance.

Dividends

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

Acknowledgment

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 of our stakeholders for their excellent service.

Sgd,
D. H. S. Jayawardena
Chairman/ Managing Director
Madulsima Plantations PLC.
27th May 2022

Board of Directors

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

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

Chairman
Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd, Ceylon Garden Coir (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Pattipola Livestock Company Ltd., United Dairies Lanka (Pvt) Ltd.,Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Melsta Health (Pvt) Ltd., Milford Holdings (Pvt) Ltd., 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
Non-Executive 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. C. R JANSZ
Non-Executive Director (w.e.f. 01.01.2022)

Mr Jansz is a Director of the Stassen Group, Melstacorp Group, Lanka Milk Foods Group and Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Hospitals Ragama (Pvt) Ltd., and Melsta Hospitals Colombo North (Pvt) Ltd.

He has been the Chairman of DFCC Bank PLC and the Sri Lanka Shippers Council.

Mr Jansz holds a Diploma in Banking and Finance from the London Metropolitan University – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

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

Director
Ambewela livestock company Ltd,Ambewela products (Pvt) Ltd, Melstacorp PLC, Distilleries Company of Sri Lanka PLC, Lanka Bell Ltd, Lanka Dairies (Pvt) Ltd, Lanka milk foods (CWE) PLC, Lanka power projects (Pvt) Ltd, Milford Holdings (Pvt) Ltd, Pattipola livestock company Ltd, periceyl (Pvt) Ltd, Indo Lanka Exports (Pvt) Ltd, Milford developers (Pvt) Ltd, C B D Exports (Pvt) Ltd, Ceylon garden coir (Pvt) Ltd, Stassen foods (Pvt) Ltd, Stassen international (Pvt) Ltd, Stassen natural foods (Pvt) Ltd, DCSL Brewery (Pvt) Ltd, Balangoda Plantations PLC, United dairies Lanka (Pvt) Ltd, Stassen exports (Pvt) Ltd, Milford exports (Ceylon) (Pvt) Ltd, Melsta health (Pvt) Ltd, Bogo power (Pvt) Ltd.

Board of Directors

MR. D. HASITHA S. JAYAWARDENA
Non-Executive Director

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

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

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

DR. A. SHAKTHEVALE
Independent Non - Executive Director

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

Director
Lanka Milk Foods (CWE) PLC, 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.,

Sustainability Report

Sustainability Report

As a Company engaged in Agriculture, we are always mindful that the long-term sustainability of our profitability depends on the sustainability of our internal & external environment with international policies and Natural principles, which include over 6,814 hectares of land spread across the Central province and Uva of Sri Lanka. The long-term productivity of our land, our people and financial capital are mutually dependent. Integrating the social, environmental and economic value creation has for many years been a strategic imperative for our Company. In our Vision "To be the Environmentally Sensitive Tea, rubber and other crops Producer of the World."Madulsima is complied with the UN's 18 SDGs and below 18 are the key Environmental Sustainability Initiatives of our Estates. There are many other initiatives those are directly and indirectly link to those major initiatives being implemented at ground level.

Economic Environment

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.

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.

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 environment 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 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

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 the company forestry replanting project which is parallel to the Five-year Forestry Master Plan of MPL 2020 - 2025.

Forestry Plantation Management Activities

Batawatta Tea Factory

Commercial Forestry Plantation in MPL Estates

Nursery Management

Crop Diversification and Sustainable Land Utilization

Madulsima Plantations PLC already completed an assessment of identification of existing low-yielding tea areas for diversification purposes. The company already planted Cinnamon, Pepper, Coffee, Cardamom and Mandarin as cash crops to improve land productivity through diversification. In 2021 company diversified and improved the existing low-yielding tea cultivated area of 5 Ha of land extent in to Coffee in Uvakellie and Roseberry Estates.

Also, land improvement practices for the 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)	20.00
Cinnamon	7.70
Pepper	3.00
Mandarin	1.00
Cardamom	2.00
Total	33.70

Madulsima Plantations PLC has been planted and maintenance initiatives of their crop diversification areas to uplift the land utilization from few years ago and generate additional income to the company cash flow.

Sustainability Report

Information Technology

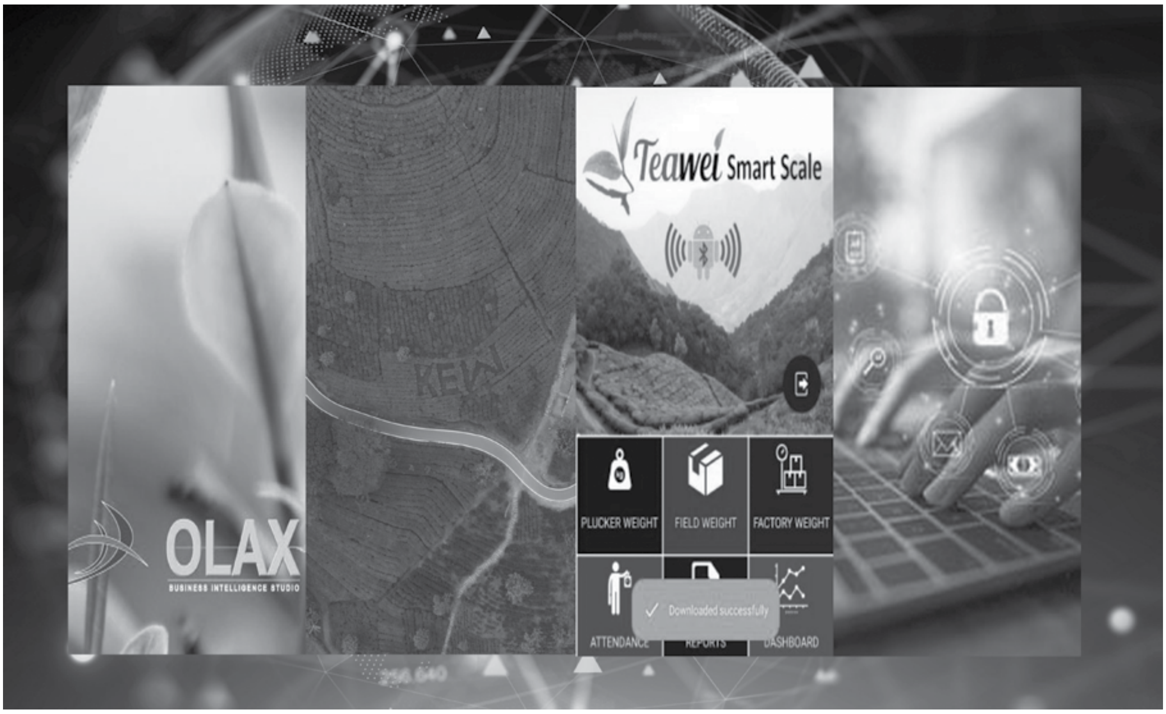
In this information age, technology plays a crucial role in coordinating, collecting, organizing, analyzing, and reporting necessary information in a timely manner to the organizations, which helps the organizations to improve the planning, and the decision-making process. When it comes to the agriculture industry, the industry is closely bonded with mother nature and some of the elements are beyond human control. With the help of Information Technology, some of the key variables such as Human resources, Land management, and data monitoring become much easier than in the good old days.

Madulsima Plantation PLC (MPL), one of the reputed plantation companies in Sri Lanka, has extensively invested in Information Technology Systems to automate the entire operational & management aspects of the organization to comply with industry technology trends, and obtain strategic benefits by obtaining timely information.

MPL has implemented an industrial-grade fully-fledged ERP (Enterprise Resource Planning) system, with extensive security controls and many other features to maintain the integrity and efficiency of the process, which automates end-to-end operational aspects, and financial and management information systems. Which provides timely information to the management for better operational control and improved management decision making.

Further, MPL has invested in technology security systems such as CCTV, Firewall, End-Point Security solutions, and IT Policies & Procedures to ensure the integrity & security of operation and information systems.

Field and factory operations are the heart of the industry. MPL is further investing in digital weighing scales at fields & factories which are automatically integrated with the ERP system. This will drastically minimize the mistakes, delays in consolidating estate information, frauds, etc., and provide accurate information on a real-time basis for the management to assist in the accurate & timely management decision-making process.

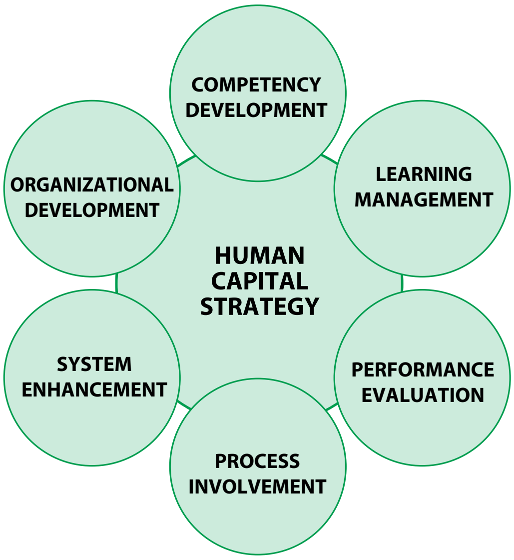


Ongoing IT Projects MPL

Sustainability Report

Human Capital Development

Retaining educated human capital is major challenge to any company. Human capital refers to the Economic value of a worker's experience and skills. It increases the people's level of productivity, innovation, efficiency and ultimately these all affect to economic growth. Though that is not listed on a company balance sheet it is an intangible asset to the company.



MPL company policies mainly focus on developing human capital and giving good living conditions to our workforce within the company. So that they won't have to look beyond our organization and they don't feel their efforts are not recognized. through that they are motivated to work and try to improve experience and skills. We use following strategies to boost our employee's knowledge, skills and experience.

- Create training and development programme
- Plan recruitment based on company needs
- Recognize employee achievements
- Job rotation
- Appraising and review employee performance

Addition to that MPL Board of directors have taken decision to improve and motivate our employees through financial benefits and as a result of that company population are improving their living conditions on our expectation.

	2021	2020	2019	2018	2017
Salaries and wages Rs. (Mn)	**1,709.31**	1,445.53	1,290.59	1,406.72	1,223.7
Defined contribution plan (EPF & ETF) Rs. (Mn)	**298.60**	262.67	220.73	153.22	132.26
Gratuity payment Rs. (Mn)	**82.09**	99.54	126.11	113.02	83.72
Social welfare building Rs. (Mn)	**7.30**	6.57	12.70	18.70	0.97

When comparing the total out goings with regard to Social Welfare Interventions and emoluments paid to all category of work force at MPL, from 2017 to 2021, MPL has incurred, Rs.1,709 Mn in 2021, comparing that of Rs. 1,223 Mn., in 2017, which is 39.74% increase. This has directly contributed to improving the quality of life of the resident population in our Estates.

Sustainability Report

Social environment

Community affects our agriculture process under different segments of climate. We always attempt to look internally and externally understand our community and give some beneficial thing to back them. MPL company policy is improving living condition of society. 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 combating climate & uplifting the lives of our tea harvesting community.

In our sustainability strategy we mainly focus on extending facilities for community development and establishing a social security system by investing in new housing - upgrading the existing housing and providing new latrines, developing child care and also mobilization of community.



Child Development Activities in MPL Estates


Implementation of plantation water supply schemes

Sustainability Report

We conducted the following awareness programs and social welfare activities during the year to drive progress on key social issues and raise awareness of them.

Awareness Programs/Clinics conducted in 2021

- EMA review meeting & nutrition programme
- Training programme on EWHCS.
- Account training programme.
- Awareness programme regarding prevention on spreading Covid-19
- Handling disaster situations
- Empowerment of women
- Gender based violence
- PHDT/ISD partnership programme

Social welfare activities.

- Child assessment programme
- Oral cancer screening programme
- Meeting with govern-er on Estate children
- Free grants drugs distribution
- Indian government grant housing infrastructure projects phase 2
- Establishment of super coop shops in Estates
- Disaster management programme.
- Construction of new CDC by ESDP
- Development of child centers

Social welfare activities in MPL

Management Discussion & Analysis

CHIEF EXECUTIVE OFFICER'S REVIEW

It is with pleasure, that I have the priviledge to share the highlights of the Annual Report and Financial Statements of Madulsima Plantations PLC for the year ended 2021.

ESTATE PRODUCTION

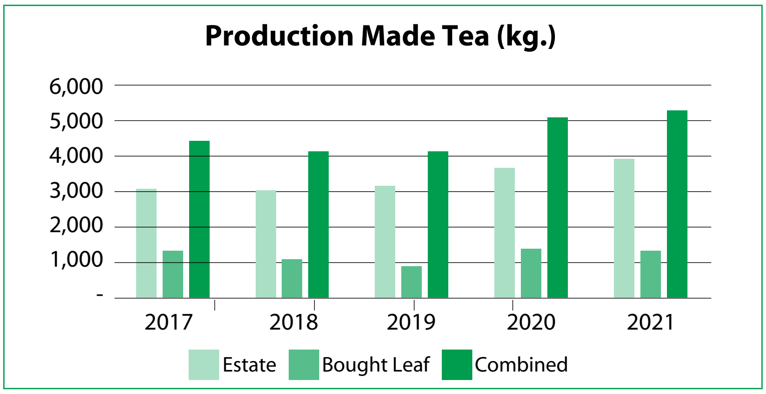
The Production of the 12 Estates of Madulsima Plantations PLC for the year 2021, is 5.25 Mn Kg of Made Tea.

This is in fact the highest production levels recorded since 2015.When comparing to last year's total production of 5.08mn Kgs total crop produced has increased by 168 thousand Kgs together with achieving a yield per hectare increase by 111 kgs.

What is reflected here bares a testimony to the sustainable interventions we as MPL management has been able to implement despite numerous restrictions with regard to procuring our requirements of fertilizers and obtaining the required weedicides to manage and control ground conditions.

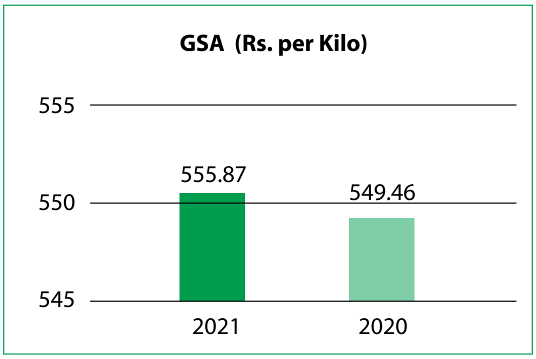
Production Made Tea (Kg.)

Year	Estate ('000)	Bought Leaf ('000)	Combined ('000)
2017	3,073	1,339	4,412
2018	3,025	1,119	4,144
2019	3,154	965	4,119
2020	3,672	1,412	5,084
2021	3,922	1,330	5,252



MARKET IMPROVEMENTS

The Company recorded a satisfactory Gross Sale Average (GSA) of 550.87 for the year compared to 549.46 in 2020.
A significant improvement in revenue is reported where almost Rs. 267 Mn. (an increase of 9.45%) is recorded for the season.



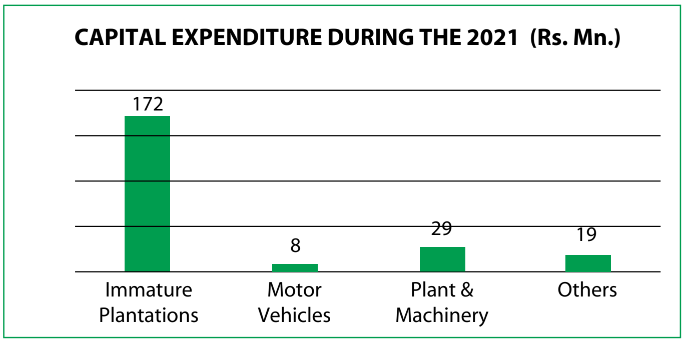
Sales Information

Description	2021	2020	Variance
Sold Qty (000):	**5,372**	4,976	396
GSA (Rs. Per Kilo)	**550.87**	549.46	1.41
Revenue (Rs. Mn)	**3,099**	2,832	267

The various grades of Tea manufactured by Battawatte, El-Teb, Mahadowa, Rathkelle/Uva, Uvakelle, Kew and Venture Estates obtained the top prices in 129 Occasions at the Colombo Auction during the year 2021.

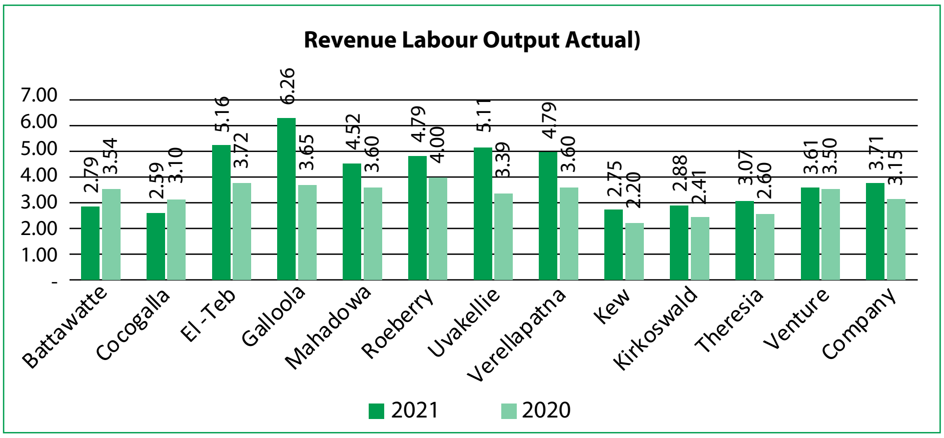
Management Discussion & Analysis

CAPITAL INVESTMENT



We have been able to establish a very high standard of the agricultural standards in our estates and we have continued to invest in developing our estates and our Tea fields. In the year 2021 company invested a total of Rs. 172 Mn. in re-planting tea/rubber/timber/ minor crops.

REVENUE LABOUR OUT PUT



One of our areas of focus has been the output per worker as this component is a key indicator where productivity is concerned, as a result of us implementing a very closely monitored worker deployments plans together with the fact that improvements recorded in the harvesting intakes we have able to achieve a very high- RLO of 3.71 for the year 22 and improvements being recorded in most of the estates.

SUSTAINABILITY AT MADULSIMA PLANTATIONS

As part of a conglomerate, we are deeply committed towards operating within a sustainable value chain where our core functions include the contribution towards the betterment of the environment within which we function and our community. We have set industry standards over the years in areas such as sustainable farming, quality control, renewable energy, green infrastructure, and carbon footprint management.

OUR COLLECTIVE EFFORT TOWARDS SOCIAL WELFARE

Remaining committed to the promise of an improved quality of life for all plantation workers, we focus on improving the social indicators such as housing, infrastructure, health and well-being of the community while enhancing livelihoods. We believe this commitment will directly contribute to the sustainable growth of the organization and our community at large.

Management Discussion & Analysis

Upgrading sanitation facilities, assisting authorities in implementing water supply schemes, and supporting the modernization of home units are some of our key tasks undertaken to improve the rural infrastructure and standard of living on the estates. Further, we continuously strive to ensure that the wellness and health of our employees remain key priorities and seek to ensure that they are adequately addressed through the creation of safe and comfortable work environments and through the provision of essential support systems. To ensure fair and much needed interventions are addressed in a timely manner, we have trained and appointed committees such as the Housing, Water, Child Development and Sports Committees to closely monitor and address the needs of our people and living standards where the organization could facilitate the developments. All the committee activities are duly monitored and spearheaded by the Estate Worker Housing Co-operative Society (EWHCS) of which the management is a part of along with the equal representation of worker and estate community members.

OUR FUTURE GENERATION

Providing inclusive childcare services to our estate community is an important activity that is carried out with a sense of keen responsibility. Our programs focus on provision of a safe and stable environment for the child within the Child Development Centers (CDCs) where infants and toddlers of working mothers are looked after during the daytime. The first five years of a child's life is the most important for physical and cognitive development. Keeping this in mind our trained Child Development Officers focus on improving infant and early childhood development of each child via nutrition, health and happiness indicators. Further, they also focus on the reduction of communicable and non-communicable diseases, awareness programs on nutrition and the reduction of infant mortality via regularly interventions with parents.

Expenditure incured for welfare activities

Welfare
46 Mn.

Medical and feeding
32Mn.

Creches
26 Mn.

Special projects and programs conducted during the financial period apart from the recurring programs.				
Environmental Programs	Education / Training & Development	Medical / Health & Safety	Nutrition & Health eating habits	Community Engagement & Development
14	23	35	14	32

The consolidated expenditure for social and environmental development in the estates for the period of 2021/2022 is over 104 million.

Sgd.
M.A. Fernando
Chief Executive Officer
27th May 2022

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

The Board of Directors of Madulsima Plantations PLC have the pleasure in presenting their Annual Report together with the Audited Financial Statement of the Company for the year ended 31st December 2021

PRINCIPLE ACTIVITIES

The Company's principal activities, which remained unchanged during the year were: the 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 3,293.85 ha under Revenue Tea Extent.

PARENT COMPANY

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

GOING CONCERN

Please refer to policy note 2.5.

REVIEW OF PERFORMANCE

The review of the Company's performance during the year 2021 is given in the Chairman's Review and the Management Discussion & Analysis in the page No 7, 8 & 18, 20 of the Annual Report.

DEVELOPMENT AND DIVERSIFICATION

Development and Diversification are covered in the page No 7 and 8 in this Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given in the pages 39 to 91 of this Annual Report.

AUDITORS' REPORT

The Auditors' Report on the financial Statements is given in the pages 35 to 38 of this Annual Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given in pages 44 to 61.

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	2021 Rs.'000	2020 Rs.'000
Revenue	**3,099,649**	2,832,067
Loss Before Tax	**(321,946)**	(132,077)
Income Tax Benefit/(Expense)	**83,758**	(68,818)
Loss After Tax	**(238,188)**	(200,895)
Retained Loss B.F.	**(5,077,361)**	(4,693,769)
Timber Reserve	**3,779,541**	3,594,121
Proposed Dividend	**-**	-
Retained Loss C.F.	**(5,690,592)**	(5,077,361)

FINANCIAL RATIOS	2021	2020
Debt Equity Ratio	**5.80**	3.94
Interest Cover	**0.29**	0.58
Quick Ratio	**0.09**	0.17

APPROPRIATION AND DIVIDEND

The directors have not recommended the payment of a dividend for the year ended 31st December 2021.

CAPITAL EXPENDITURE

The company incurred a capital expenditure of Rs.228 Mn. of which Rs.172 Mn. has been spent on field development and Rs. 56Mn. was invested on upgrading the factory, machinery, Motor vehicle, and other capital expenditure.

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

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;

Estate	Location	Extent (Ha.)	Total Number of Buildings	Re-Value
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	54.85	919	79,994
Uvakellie	Madulsima	8.49	303	12,144
Verellapathana	Madulsima	14.99	438	72,080
Kew	Bogawantalawa	57.35	613	52,044
Kirkoswald	Bogawantalawa	7.26	1,185	135,115
Theresia	Bogawantalawa	32.46	640	52,033
Venture	Norwood	28.95	573	77,422
Head office	Badulla	0.04	2	6,361
TOTAL		**297.56**	**7,555**	**784,861**

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. C. R. Jansz - 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 the Articles, 92 of the Articles of Association Mr. D. S. K. Amarasekara retires by rotation and is 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 36 to the Financial statements and have been declared at a meeting of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the company.

SHAREHOLDERS AND INVESTOR INFORMATION

Distribution of Shareholdings as at 31st December 2021, Analysis Report of Shareholders, Market Statistics of Company's share and the list of 25 major shareholders are given on pages 92 and 93 of this Annual Report.

EVENT OCCURING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Please refer Note 38 for events occurring after the date of the Statement of Financial Position, which would require disclosure in the Financial Statement.

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

MATTERS PERTAINING TO THE GOLDEN SHARE

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.

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.

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

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.

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.

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.

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.

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.
C. R. Jansz
Non - Executive Director

Sgd.
D. Hasitha S. Jayawardena
Non - Executive Director

Sgd.
P. A. Jayatunga
Secretary
27th May 2022

Audit Committee Report

Composition

With effect from 20th March 2020, the Audit Committee of the parent company, Melstacorp PLC commenced to function as the audit committee of the company.

Committee Members	
Chairman	Mr. R. Seevaratnam
Member	Dr. A. N. Balasuriya
Member	Mr. N.de S.Deva Aditya
Member	Mr. D. Hasitha S. Jayawardena
Secretary	Ms. N. C. Gunawardana

Meetings

The Board Audit Committee met four (4) 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 attendace of the other members at this meeting is as follows.

Mr. R. Seevaratnam	4/4
Dr. A. N. Balasuriya	4/4
Mr.D. Hasitha S. Jayawardena	3/4

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

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 the 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 Audit Committee Charter 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.

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

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

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG be reappointed as the External Auditors for the financial year ending 31st December 2022.

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 policies and that the Company assets are properly accounted for and adequately safeguard.

Sgd.
R. Seevaratnam
Chairman - Audit Committee
27th May 2022

Remuneration Committee Report

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

Composition

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

Policy

The Remuneration Committee is governed by the remuneration committee charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the remuneration policy of the Key management personnel of the company. The Remuneration Policy of the company is based on the evaluation of personal performance. An annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individual.

Sgd.
Dr. A.N.Balasuriya
Chairman
Remuneration Committee
27th May 2022

Related Party Transactions Review Committee Report

Composition

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

Committee Members	
Chairman	Mr. R. Seevaratnam
Member	Dr. A. N. Balasuriya
Member	Mr. D. Hasitha S. Jayawardena
Secretary	Ms. N. C. Gunawardana

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 completing the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

Meetings

The 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	3/4

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 circulating the minutes of the meeting of the committee to the Board of Directors.

Disclosures

During the year 2021, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. (Note 36.3)

Recurrent relating party transactions are disclosed in (Note 36.4)

Details of other related party transactions entered into by the Company during the above period is disclosed in Note 36 in the Financial Statements.

Sgd.
R. Seevaratnam
Chairman - Related Party Transactions Review Committee
27th May 2022

Corporate Governance Statement

Corporate Governance is the system by which companies are managed and controlled. Madulsima Plantations PLC is committed to comply with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICSL) & the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange.

A comprehensive view of the Government System in the Company is given below.

The Board of Directors and its Functions

The Company is governed by its Board of Directors who direct, lead, and supervise the business and affairs of the Company on behalf of its shareholders. The Board consists of the Chairman/Managing Director, 03 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:

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

Executive Committee

The Executive Committee, which consists of the Chairman/Managing Director and the Chief Executive Officer has delegated 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

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 (a)	Statement confirming compliance with the Corporate Governance Rules	Complied	Annual Report of the board of Directors
7.10.2(a)	**Non Executive Directors** ● At least two or one-third of the total number of Directors should be Non-Executive Directors	Complied	Three out of six Directors are Non-Executive Directors
7.10.2(a)	**Independent Directors Composition** ● Two or one third of Non-Executive Directors whichever is higher should be independent	Complied	Two out of five Non-Executive Directors are Independent.
7.10.2(b)	● Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations
7.10.2(a)	**Disclosure Relating to Directors** ● Names of Independent Directors should be disclosed in the Annual Report.	Complied	Refer Page 9-10
7.10.3(b)	● The basis for the Board to determine a Director is independent, if criteria specified for independence is not met	Complied	Refer Page 26
7.10.3(c)	● A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Refer Page 9-10
7.10.3(d)	● *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	Refer Page 3
7.10.5	**Remuneration Committee** ● A listed Company shall have a Remuneration Committee	Complied	Refer Page 25
7.10.5(a)	**Composition of Remuneration Committee** ● Shall comprise Non-Executive Directors a majority of whom will be independent.	Complied	Refer Page 25
7.10.5(b)	**Functions of Remuneration Committee** ● The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer.	Complied	Refer Page 25
7.10.5(c)	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	Refer Page 25
7.1	**Audit Committee** The Company shall have an Audit Committee	Complied	Refer Page 24
7.10.6(a)	**Composition of Audit Committee** ● Shall comprise of Non-Executive Directors, a majority of who will be independent? ● Non-Executive Director shall be appointed as the Chairman of the Committee ● Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings ● The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body	Complied Complied Complied	Refer Page 24
7.10.6(b)	● Audit Committee Functions	Complied	Refer Page 24
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee ● Names of the Directors comprising the Audit Committee ● Basis for determining the independence of the Auditors ● Report of the Audit Committee in the prescribed manner	Complied	Refer Page 24
7.13.1(a)	Minimum Public Holdings	Not	Refer Page 93
9.2	Related Party Transaction Committee		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 appropriate for the purpose of enabling them 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. Jayatunga
Secretary
27th May 2022

Risk Management

The Company operates in an evolving environment which exposes it to different types of risks especially being in the Agricultural Sector which is very sensitive to weather patterns. An effective risk management system is an important area of business management that would attempt to prevent many events which would otherwise have adverse effects on the business. Risk Management Process the Risk Management Process is designed to ensure identification of any circumstances that would adversely affect the goals of the Company. Our Risk Management Process ensures that we accept or manage unavoidable risks and that uncertainties are minimized. The Company has a systematic process of risk management that is aligned with its strategy.

Our Tea Plantations 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, the risk is inevitable in doing business. In broad, such risk factors can be two-fold, systematic risk and unsystematic risk.

MPL Board of Directors has taken the initiative to identify the organization's major risks and introduced several controls and measures to mitigate the risks faced by the Company's 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

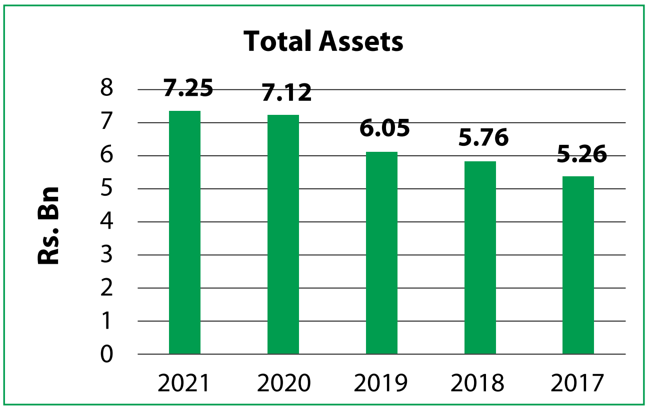
Risk Management

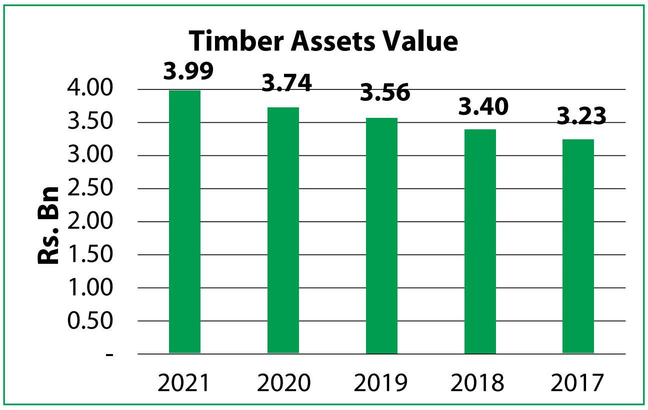
Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Investment Risk	Adequate return on investment heavily depends on global economic trends.	• Undertake proper evaluation and feasibility process • Continue replanting and infilling with a prudent policy and environmentally viable clones • Work 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

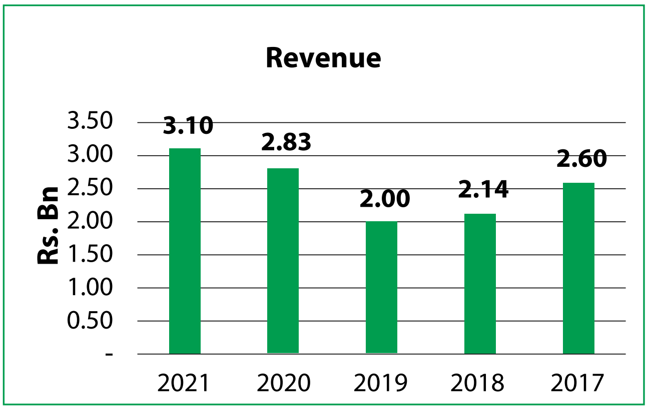
Financial Highlights

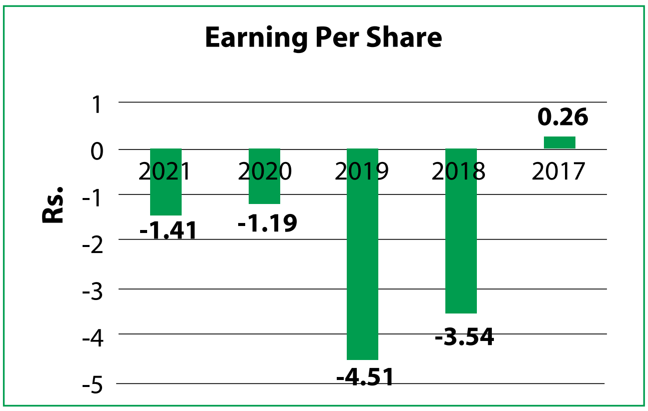
Performance Highlights 2021				
		2021	**2020**	**% of change**
Financial Performance				
Revenue	Rs. Mn.	**3,099**	2,832	9.43%
Gross profit/ (Loss)	Rs. Mn.	**(205)**	71	(388.73%)
Operating profit/ (Loss)	Rs. Mn.	**(39)**	186	(120.97%)
Net finance cost	Rs. Mn.	**(283)**	(318)	(11.01%)
Profit/(loss) before tax	Rs. Mn.	**(322)**	(132)	143.94%
Income tax benefits/expenses	Rs. Mn.	**84**	(68)	(223.53%)
Profit /(loss) for the period	Rs. Mn.	**(238)**	(201)	18.41%
Gross Margin	%	**(0.07)**	0.03	(362.57%)
Operating Margin	%	**(0.01)**	0.07	(119.16%)
Net profit Margin	%	**(0.08)**	(0.07)	8.21%
Return on total Assets	%	**(0.14)**	0.71	(119.21%)
Key Ratio				
Total assets	Rs. Mn.	**7,252**	7,123	1.81%
Long -term-interest-bearing borrowing	Rs. Mn.	**3,186**	2,909	9.52%
Total equity	Rs. Mn.	**1,066**	1,441	(26.02%)
Debt/total assets	Times	**0.17**	0.16	8.26%
Current ratio	Times	**0.35**	0.50	(29.36%)
Quick asset ratio	Times	**0.09**	0.17	(43.56%)
Shareholder Information				
Earning per share	Rs.	**(1.41)**	(1.19)	18.49%
Net asset value per share	Rs.	**6.29**	8.50	(26.00%)
Market price per share	Rs.	**12.60**	10.00	26.00%
Market capitalization	Rs. Mn.	**139.05**	110.35	26.01%
Value addition				
To lenders of capital as interest	Rs. Mn.	**283**	318	(11.01%)
To employees as remuneration	Rs. Mn.	**2,007**	1,593	25.99%
Provision for depreciation	Rs. Mn.	**157**	102	53.67%
Profit/(loss) Retained	Rs. Mn.	**(238)**	(201)	18.56%

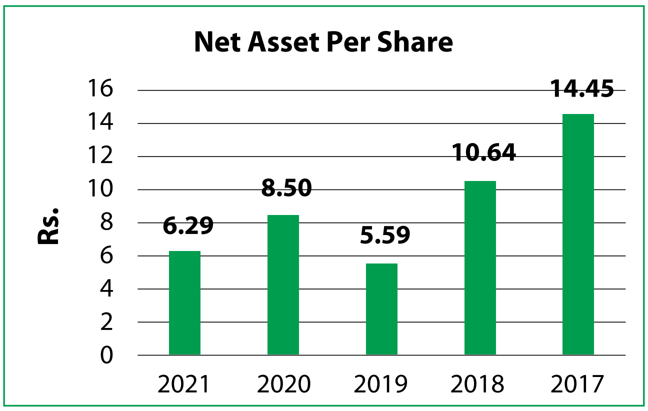
Financial Highlights











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 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 39 to 91.

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 2021, 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. Measurement of Consumable Biological Assets</th></tr>
<tr><th colspan="2">Refer to the significant accounting policy in Note 3.2.3.6 and explanatory Note 16 to the financial statements</th></tr>
<tr><th colspan="2">The Company has reported consumable biological assets carried at fair value less estimated cost to sell at harvest, amounting to LKR 3,996.6 Million as at 31st December 2021.</th></tr>
<tr><th>Risk Description</th><th>Our Response</th></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 consumable biological assets of the Company as at reporting date.

We considered measurement of consumable 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,
• Obtaining and understanding of the process of valuation and testing the design, implementation and operating effectiveness of the management key controls in 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

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02. 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. 1,266.9 Million as at 31st December 2021.	
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, mortality rates and future salary increases. • Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation. • Assessing the adequacy of the disclosures in financial statements

03. Management assessment of the Company's ability to continue as Going concern	
Refer to the significant accounting policy in Note 2.5 to the financial statements	
Risk Description	**Our Response**
The Company has recorded a loss of LKR 238.2 million during the year ended 31st December 2021 and as of that date, accumulated losses amounted to LKR 5,690.6 million. Further, current liabilities exceeded its current assets by LKR 789.8 million as at the reporting date. The Company has loans and borrowings of LKR 578.1 million due within 12 months from 31st December 2021. 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.	Our audit procedures included: • Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and evaluating these key assumptions used in preparing the projections. • Inspecting the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity. • 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 2.5) in relation to going concern.

Independent Auditor's Report

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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'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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
27th May 2022

Statement of Profit or Loss

For the year ended 31st December	Note	2021 Rs.	2020 Rs.
Revenue	6	**3,099,649,285**	2,832,067,026
Cost of Sales		**(3,304,157,415)**	(2,761,276,128)
Gross Profit/ (Loss)		**(204,508,130)**	70,790,898
Gain on Change in Fair Value of Biological Assets	18.1	**193,620,933**	220,038,560
Other Income	7	**100,790,778**	46,085,302
Administrative Expenses		**(128,669,345)**	(150,805,564)
Profit/ (Loss) From Operation		**(38,765,764)**	186,109,196
Finance Income		**39,576**	66,889
Finance Expense		**(283,220,010)**	(318,253,452)
Net Finance Costs	8	**(283,180,434)**	(318,186,563)
Loss Before Taxation	9	**(321,946,198)**	(132,077,367)
Income Tax Benefit/ (Expense)	10	**83,758,128**	(68,817,665)
Loss for the year		**(238,188,070)**	(200,895,032)
Basic Loss Per Share	11	**(1.41)**	(1.19)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 44 through 91 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the Year ended 31st December	Note	2021 Rs.	2020 Rs.
Loss for the year		**(238,188,070)**	(200,895,032)
Items that will not be reclassified to profit or loss			
Net Change in Fair Value Through OCI Financial Assets	17	**182,101**	(342,967)
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	28	**(211,869,361)**	40,375,212
Tax effect on Actuaril Gain/ (Loss) during the year	10.2	**22,246,283**	(5,652,530)
Revaluation Gain	14	**-**	767,309,540
Deferred tax Reversal / (Charge) on Revaluation Gain	10.2	**52,790,751**	(107,423,336)
Total other comprehensive income/(expense) for the year (net of tax)		**(136,650,226)**	694,265,919
Total Comprehensive Income /(Expense) for the year		**(374,838,296)**	493,370,887

Figures in brackets indicate deductions.

The accounting policies and notes on pages 44 through 91 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st December	Note	2021 Rs.	2020 Rs.
ASSETS			
Non-current Assets			
Right to use of Land	12	**105,276,095**	106,589,973
Immovable estate assets on financial lease (Other than bare land)	13	**360,171,022**	392,393,676
Tangible assets other than biological assets	14	**1,455,420,986**	1,506,959,560
Bearer Biological Assets	15	**898,051,255**	777,911,667
Consumable Biological Assets	16	**3,999,563,151**	3,784,249,791
Investment in Equity Securities-FVOCI	17	**4,013,835**	3,831,734
Total Non -Current Assets		**6,822,496,344**	6,571,936,401
Current Assets			
Produce of Bearer biological assets	18	**1,458,551**	4,671,767
Inventories	19	**314,467,088**	363,449,825
Trade and Other Receivables	20	**108,381,149**	155,520,829
Amounts due from Related Companies	21	**183,729**	296,732
Cash and Cash Equivalents	22	**5,412,702**	27,432,637
Total Current Assets		**429,903,219**	551,371,790
TOTAL ASSETS		**7,252,399,563**	7,123,308,191
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	23	**1,624,760,670**	1,624,760,670
Revaluation Reserve	24	**1,349,934,938**	1,297,144,187
Fair Value Through OCI Reserve	25	**2,797,752**	2,615,651
Timber Reserve	26	**3,779,541,004**	3,594,121,047
Retained Earnings		**(5,690,592,308)**	(5,077,361,203)
Total Equity		**1,066,442,056**	1,441,280,352
Non Current Liabilities			
Interest Bearing Loans & Borrowings	27	**3,186,776,933**	2,909,107,268
Retirement Benefit Obligations	28	**1,266,870,989**	992,866,524
Defferred Tax Liabilities	29	**301,351,003**	460,146,165
Deferred Income	30	**128,623,786**	132,710,114
Lease Liability to -SLSPC and JEDB	31	**82,658,216**	80,509,429
Total Non Current Liability		**4,966,280,927**	4,575,339,500
Current Liabilities			
Trade and Other Payable	32	**393,061,790**	384,326,892
Lease Liability to -SLSPC and JEDB	31	**12,236,681**	11,834,313
Amounts due to Related Companies	33	**81,353,609**	61,794,085
Interest Bearing Loans & Borrowings	27	**578,148,148**	547,055,078
Bank Overdraft	22	**154,876,352**	101,677,971
Total Current Liabilities		**1,219,676,580**	1,106,688,339
TOTAL LIABILITES		**6,185,957,507**	5,682,027,839
Total Equity and Liabilities		**7,252,399,563**	7,123,308,191
NET ASSETS PER SHARE		**6.29**	8.50

The accounting policies and notes on pages 44 through 91 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 presentation of these Financial Statements. Approved and signed for and on behalf of the board of directors of Madulsima Plantations PLC.

Sgd.
C. R. Jansz
Non-Executive- Director

Sgd.
D. Hasitha S Jayawardana
Non-Executive- Director

Colombo.
27th May 2022

Statement of Changes in Equity

For the year ended 31st December 2021	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 1 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
		-	659,886,204	(342,967)	-	(166,172,350)	493,370,887
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
Balance as at 1 January 2021		**1,624,760,670**	**1,297,144,187**	**2,615,651**	**3,594,121,047**	**(5,077,361,203)**	**1,441,280,352**
Total comprehensive income for the Year							
Loss for the year		-	-	-	-	(238,188,070)	(238,188,070)
Other comprehensive income/ (expense)							
Actuarial Loss on Retirement Benefit Obligation (net of tax)		-	-	-	-	(189,623,078)	(189,623,078)
Net Change in Fair Value Through OCI Financial Assets		-	-	182,101	-	-	182,101
Deferred tax liability adjustment on Revaluation Surplus		-	52,790,751	-	-	-	52,790,751
		-	52,790,751	182,101	-	(427,811,148)	(374,838,296)
		-					
Transferred to Timber Reserve	26	-	-	-	196,834,149	(196,834,149)	-
Transferred to Retained Earning	26	-	-	-	(11,414,192)	11,414,192	-
Balance as at 31st December 2021		**1,624,760,670**	**1,349,934,938**	**2,797,752**	**3,779,541,004**	**(5,690,592,308)**	**1,066,442,056**

Figures in brackets indicate deductions.

The accounting policies and notes on pages 44 through 91 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31st December	Note	2021 Rs.	2020 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss Before Taxation		**(321,946,198)**	(132,077,367)
Adjustments for :			
Depreciation	12,13,14,15	**157,457,307**	102,463,686
Interest Income	8	**(39,576)**	(66,889)
Interest Expenses	8	**283,220,010**	318,253,452
Provision for Defined Benefit Plan Cost	28	**144,224,224**	147,654,685
Gain on change in Fair Value of Biological Assets	18.1	**(193,620,933)**	(220,038,560)
ESC write off during the year	9	**10,767,884**	8,763,401
Dividend Income	7	**(87,500)**	(350,000)
Amortization of Grants	30	**(5,266,728)**	(5,362,631)
Provision for impairment of Immature Plantations	15.3	**8,352,536**	43,937,411
Write off of slow moving inventories	9	**-**	3,811
Profit on Sale of Timber	7	**(34,325,616)**	-
Operating Profit before Working Capital Changes		**48,735,410**	263,180,999
(Increase)/Decrease in Inventories		**48,982,737**	(109,896,440)
(Increase)/Decrease in Trade and Other Receivables		**36,371,796**	(18,736,515)
(Increase)/Decrease in Due from Related Companies		**113,003**	1,881,896
Increase/(Decrease) in Trade and Other Payable		**8,734,898**	112,934,758
Increase/(Decrease) in Due to Related Companies		**19,559,524**	4,208,194
Cash Generated from Operations		**162,497,368**	253,572,892
Interest Paid		**(22,580,788)**	(56,139,532)
Gratuity Paid	28	**(82,089,120)**	(99,547,082)
Net Cash Generated from Operating Activities		**57,827,460**	97,886,278
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	14	**(55,653,829)**	(15,403,937)
Investments in Immature Plantations	15	**(142,086,845)**	(109,434,591)
Investment in Timber Plantations -Biological Assets	16	**(29,893,403)**	(10,678,814)
Interest Received	8	**39,576**	66,889
Dividend Received	7	**87,500**	350,000
Proceeds from Timber sales		**45,739,808**	-
Net Cash used in Investing Activities		**(181,767,193)**	(135,100,453)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to Lease Creditor- JEDB/SLSPC	31	**(13,021,410)**	(12,629,285)
Loan Obtained	27	**548,000,000**	38,045,005
Loans Repayment	27	**(487,437,573)**	(82,048,228)
Grants Received	30	**1,180,400**	-
Net Cash Generated from /(Used in) Financing Activities		**48,721,417**	(56,632,508)
Net Decrease in Cash and Cash Equivalents		**(75,218,316)**	(93,846,683)
Cash and Cash Equivalents at the beginning of the Year	22	**(74,245,334)**	19,601,349
Cash and Cash Equivalents at the end of the Year	22	**(149,463,650)**	(74,245,334)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 44 through 91 form an integral part of the Financial Statements.

Notes to the Financial Statements
For the year ended 31st December 2021

1. CORPORATE INFORMATION

1.1 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.

1.2 Principal activities and nature of operations
The Company primarily is involved in the cultivation, manufacturing, and sale of BlackTea.

1.3 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.

1.4 Responsibilities for financial statements and approval of financial statements
The Board of directors are responsible for preparation and presentation of the financial statements of the Company as per the provision of Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The directors' responsibility over financial statements for the year ended 31st December 2021 is set out in detail in the statement of directors' responsibility.

The financial statements of the Company of the year ended 31st December 2021 were authorized for issue in accordance with resolution of the Board of Directors on 27th May 2022.

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 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:

Category	Items	Basis of measurement	Note
Assets	Building, Plant & Machinery and Motor Vehicles	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	13 & 14
	Consumable Mature Biological Assets	At fair value less costs to sell	16
	Agriculture produces harvested from biological assets	At fair value per	18
	Investment in Equity Securities are measured at FVOCI	At fair value per	17
Liabilities	Liability for Retirement Benefit Obligations	Actuarially valued and recognised at present value of the defined benefit obligation	28

Notes to the Financial Statements

For the year ended 31st December 2021

2.3 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. There was no change in the Company's presentation and functional currency during the year under review.

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.5 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 238.2 mn during the year ended 31st December 2021 (2020 - Rs. 201 mn.) and as of that date, accumulated losses amounted to LKR 5,690.6 mn. (2020 - Rs. 5,077 mn.). Further, the Company's current liabilities exceeded its current assets by LKR 789.8 mn (2020 - Rs. 544 mn.) as at the reporting date. The current liabilities of the Company include loans and borrowings amounting to LKR 578.1 mn which are due within 12 months from 31st December 2021. (2020 -Rs.547 mn.)

Notwithstanding this, the financial statements have been prepared on a going concern basis as at 31 December 2021 due to reliance on a letter of support, dated 27 May 2022, provided by the Directors of the parent entity, Melstacorp PLC. Through this letter of support, the Directors of the parent entity undertakes to provide financial assistance to the Company to ensure that it can pay its debts as and when they fall due and payable for a period of at least 12 months from the date of signing these financial statements.

The Parent Company has funded the Company for its financial needs during the year amounting to Rs. 548,000,000/- (2020 – Rs. 38,045,004/-).

In preparing these financial statements, the management has assessed the existing and anticipated effect of Current economic condition on the Company operations and appropriateness of the use of the going concern basis. Refer Note 38.1 to the Financial Statements for impact of Current economic condition on the Financial Statements of the Company.

2.6 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:

Notes to the Financial Statements
For the year ended 31st December 2021

Critical accounting assumptions and estimation uncertainties	Note
Fair value of Buildings, Plant & Machinery and Motor Vehicles	2.6.1
Useful lifetime of the property, plant, and equipment	2.6.2
Fair value of Consumable Biological Assets	2.6.3
Fair value of Agriculture Produce harvested from Biological Assets	3.2.4
Fair value of Investment in Equity Securities measured at FVOCI	17
Impairment on non-financial assets	3.2.5.6
Measurement of defined benefit obligation: key actuarial assumptions	2.6.4
Provisions for liabilities, commitments, and contingencies	2.6.5
Recognition of deferred tax asset	2.6.6
Going concern basis	2.5

2.6.1 Fair value of Buildings, Plant & Machinery and Motor Vehicles
The Company measures Buildings, Plant & Machinery and Motor Vehicles at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). Valuations are performed every five years to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. The Company engages independent professional valuer Mr. W.M. Chandrasena, Chartered Valuation Surveyor to assess fair value of Buildings, Plant & Machinery and Motor Vehicles in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, Buildings, Plant & Machinery and Motor Vehicles was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the Buildings, Plant & Machinery and Motor Vehicles, and sensitivity analysis are provided in Note 14.10 and 14.12.

2.6.2 Useful lifetime of the property, plant, and equipment
The Company reviews the residual values, useful lives, and methods of depreciation of property, plant, and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.2.2.7 for more details.

2.6.3 Fair value of Consumable Biological Assets
The Company measures Consumable Biological Assets at fair value with changes in fair value being recognised in Profit or Loss. Valuations are performed ever year. The Company engages independent professional valuer Mr. W.M. Chandrasena, Chartered Valuation Surveyor to assess fair value of Consumable Biological Assets in terms of Sri Lanka Accounting Standard on SLFRS13 and LKAS 41. Based on the valuation techniques and inputs used, Consumable Biological Assets was classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the Consumable Biological Assets, and sensitivity analysis are provided in Note 16.3.

2.6.4 Measurement of defined benefit obligation
The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 28 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 28.

2.6.5 Provisions for liabilities and contingencies
Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions. Refer Note 35.

2.6.6 Deferred tax assets
Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Notes to the Financial Statements

For the year ended 31st December 2021

2.7 Determination of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in 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 for the asset or liability that are not based on observable market data. (Unobservable inputs).

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

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

2.8 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclose in the accounting policies of the Company.

2.9 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company have consistently applied the accounting policies 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.

Notes to the Financial Statements
For the year ended 31st December 2021

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

Recognition

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.

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 standalone 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.

3.2.1.2 Right to use Assets
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.

Company applies the cost model for the subsequent measurement of the ROU asset and accordingly, the right-of use asset is 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.

3.2.1.3 Depreciation expenses
Depreciation expenses has been charged to income statement under other operating and administration expenses.

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

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.

Notes to the Financial Statements

For the year ended 31st December 2021

3.2.1.5 Interest expenses on lease liabilities

Interest expense is calculated by using the effective interest rate method and is recognised as finance expenses in the Income Statement.

Presentation of ROU asset and lease liabilities

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 to SLSPC and JEDB) ' 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.

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.

Notes to the Financial Statements

For the year ended 31st December 2021

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.

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.

Notes to the Financial Statements

For the year ended 31st December 2021

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.

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, fertilizing 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

Notes to the Financial Statements
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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.

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.

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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.

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.

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For the year ended 31st December 2021

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.

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.

Notes to the Financial Statements

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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.

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 to 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.

Notes to the Financial Statements
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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.

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.

Provisions are recognised when the Company has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the Company created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation, it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Non-current provisions are discounted if the impact is material.

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.

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Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

3.3.2 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. In the acquisition of subsidiaries by the Company under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

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.

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For the year ended 31st December 2021

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.

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 comprises both current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case is recognized in the statement of comprehensive income or statement of changes in equity, in which case it is recognized directly in the respective statements.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.4.2.4.1 Current Taxes

Current Tax expenses are accounted in the same period to which the revenue and expenses relate. Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act No 10 of 2021.

3.4.2.4.2 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.

Temporary differences in relation to a right-of-use assets and lease liability are regarded as a net package (Net Lease liability) for the purpose of recognising deferred tax.

Deferred Tax is not recognised for, temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary difference is insufficient to recognised a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. Differed tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reduction are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Notes to the Financial Statements

For the year ended 31st December 2021

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates in enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

3.4.2.4.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

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 geographical segments of the company.

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 36.

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.

4. 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.

5. 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 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

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For the year ended 31st December 2021

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

Annual Improvements to SLFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022

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. Key Aspects covered is as follows.

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. The Company does not anticipate this amended to have a significant impact.

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. The Company does not anticipate this amended to have a significant impact.

LKAS 41 Agriculture
This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in LKAS 41 with those in SLFRS 13 Fair Value Measurement.

SLFRS 16 Leases
The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

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 1 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.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022.

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 Company does not anticipate this amended to have a significant impact.

Definition of Accounting Estimates (Amendments to LKAS 8)
The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023

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 items.

Notes to the Financial Statements

For the year ended 31st December 2021

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 Company does not anticipate this amended to have a significant impact.

Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Company does not anticipate this amended to have a significant impact.

Notes to the Financial Statements

For the year ended 31st December	2021 Rs.	2020 Rs.
6 REVENUE		
Revenue from contracts with customers		
Sale of Produce Tea	**3,099,649,285**	2,832,067,026
Total Gross Revenue	**3,099,649,285**	2,832,067,026
6.1 Timing of Revenue Recognition		
Products & services transferred at a point in time	**3,099,649,285**	2,832,067,026
Total Revenue	**3,099,649,285**	2,832,067,026

6.1 Segmental Information

Geographical Segment	Madulsima Region – Uva High 2021 Rs.	Uva High 2020 Rs.	Uva Medium 2021 Rs.	Uva Medium 2020 Rs.	Bogowantalawa Region – Western High 2021 Rs.	Western High 2020 Rs.	Total 2021 Rs.	Total 2020 Rs.
(a) Segment Revenue								
Revenue	**1,251,555,403**	1,269,145,940	**740,565,947**	725,069,324	**1,107,527,935**	837,851,762	**3,099,649,285**	2,832,067,026
Cost of Sales	**(1,306,085,505)**	(1,161,418,517)	**(787,488,970)**	(647,006,949)	**(1,210,582,940)**	(952,850,662)	**(3,304,157,415)**	(2,761,276,128)
Segment Results	**(54,530,102)**	107,727,423	**(46,923,023)**	78,062,375	**(103,055,005)**	(114,998,900)	**(204,508,130)**	70,790,898
Other Operating Income	**10,153,529**	13,082,744	**10,555,797**	7,184,416	**6,716,990**	5,445,984	**27,426,316**	25,713,144
Administration & General Expenses	**(41,489,771)**	(37,504,620)	**(21,954,767)**	(19,969,596)	**(44,347,518)**	(38,187,436)	**(107,792,056)**	(95,661,652)
	(85,866,344)	83,305,547	**(58,321,993)**	65,277,195	**(140,685,533)**	(147,740,352)	**(284,873,870)**	842,390
Head Office								
Other Operating Income							**73,364,462**	20,372,158
Administrative Expenses							**(20,877,289)**	(55,143,912)
Gain on Change in Fair Value of Timber Stock							**193,620,933**	220,038,560
Profit/(Loss) from Operating Activities							**(38,765,764)**	186,109,196
Net Finance Cost							**(283,180,434)**	(318,186,563)
Loss before Income Tax Expense							**(321,946,198)**	(132,077,367)
Income Tax Benefit/ (Expense)							**83,758,128**	(68,817,665)
Net Loss for the Year							**(238,188,070)**	(200,895,032)
Net Change in Fair Value Through OCI Financial Assets							**182,101**	(342,967)
Actuarial Gain/ (Loss) on defined benefit plans, net of tax							**(189,623,078)**	34,722,682
Revaluation Gain, net of tax							**52,790,751**	659,886,204
Other Comprehensive Income/(Expense), net of tax							**(136,650,226)**	694,265,919
Total comprehensive income/(Expense) for the Year , net of tax							**(374,838,296)**	493,370,887

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			
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs	2021 Rs.	2020 Rs
Non Current Assets		**49,916,315**	3,561,041,084	**16,793,039**	1,639,178,614	**82,117,335**	1,304,241,135	**148,826,689**	6,504,460,833
Current Assets		**147,809,084**	165,490,034	**75,688,663**	97,126,964	**154,565,780**	182,781,991	**378,063,527**	445,398,989
		197,725,399	3,726,531,118	**92,481,702**	1,736,305,578	**236,683,115**	1,487,023,126	**526,890,216**	6,949,859,822
Unallocated									
Non Current Assets								**6,673,669,655**	67,475,568
Current Assets								**51,839,692**	105,972,801
Total Assets								**7,252,399,563**	7,123,308,191
Segment Liabilities									
Non Current Liabilities		**521,806,437**	415,282,997	**287,896,346**	235,337,805	**462,717,891**	520,707,525	**1,272,420,674**	1,171,328,327
Current Liabilities		**130,647,882**	151,030,853	**73,686,261**	72,837,793	**132,728,570**	135,244,943	**337,062,713**	359,113,589
Total Liabilities		**652,454,319**	566,313,850	**361,582,607**	308,175,598	**595,446,461**	655,952,468	**1,609,483,387**	1,530,441,916
Head Office									
Non Current Liabilities								**3,693,860,253**	3,415,276,299
Current Liabilities								**882,613,867**	736,309,624
Total Liabilities								**6,185,957,507**	5,682,027,839
Capital Expenditure	- Estate	59,514,747	40,298,773	65,778,028	25,056,558	96,837,754	67,160,893	**222,130,529**	132,516,224
	- Head Office							**5,503,548**	3,001,118
								227,634,077	135,517,342
Depreciation	- Estate	58,617,654	36,594,248	35,539,900	23,292,692	48,668,580	35,524,345	**142,826,134**	95,411,285
	- Head Office							**14,631,173**	7,052,401
								157,457,307	102,463,686

The Board of Directors of the Company has decided to manage Property, Plant and Equipment Centrally from this year onwards in order to improve efficiency of management of Property, Plant and Equipment. Therefore, Non Current Assets allocation for each Segment are reduced in this year compared to last year. However, depreciation has been allocated Segment wise on a systemic basis.

Notes to the Financial Statements

For the year ended 31st December		2021 Rs.	2020 Rs.
7. OTHER OPERATING INCOME			
Amortization of Capital Grant		**5,266,728**	5,362,631
Rent Income		**49,710,494**	39,209,172
Sundry Income		**11,400,441**	1,163,499
Profit from Sale of Trees		**34,325,615**	-
Dividend Income		**87,500**	350,000
		100,790,778	46,085,302
8 NET FINANCE COST		**2021 Rs.**	**2020 Rs.**
Finance Cost			
Overdraft Interest		**6,505,634**	4,827,193
Bank Loans Interest		**15,773,879**	27,278,910
Term Loan Interest		**248,501,583**	271,933,712
Interest Expense on ROU Liability		**12,438,914**	12,166,078
Interest Expense on Finance Lease		**-**	2,047,559
		283,220,010	318,253,452
Finance Income			
Interest income		**39,576**	66,889
		39,576	66,889
Net finance Cost		**283,180,434**	318,186,563
9 LOSS BEFORE TAXATION			
Is stated after charging all expenses including the following			
Auditors'remunuration	-Audit	**2,387,000**	2,170,000
	-Non Audit	**239,700**	225,000
Depreciation/ Amortization			
- Leasehold right to Bare Land of JEDB / SLSPC Estates		**4,447,529**	4,330,858
- Immovable Leased Assets of JEDB/SLSPC Estates		**32,222,654**	24,812,839
- Tangible Assets		**107,192,403**	60,168,045
- Mature Plantations		**13,594,721**	13,151,944
Impairment of immature plantation			
- Rubber		**8,352,536**	39,879,124
- Cinnamon		**-**	868,813
- Avacado		**-**	2,554,135
- Murunga		**-**	635,339
Write off of slow moving inventories		**-**	3,811
Write off of ESC Receivable		**10,767,884**	8,763,401
Personnel Cost			
- Salaries and Wages		**1,709,308,476**	1,445,535,711
- Defined Benefit Plan - Gratuity		**144,224,224**	147,654,685
- Defined Contribution Plans - EPF/ESPS/CPPS		**298,596,172**	262,666,374

Notes to the Financial Statements

For the year ended 31st December

10 INCOME TAX EXPENSE

10.1 Amounts recognised in Profit or Loss

	2021 Rs	2020 Rs
Current Tax Expense		
Income Tax charge for the year (Note 10.3)	**-**	-
Deferred Tax		
Deferred tax (reversal)/charge during the year (Note 29.3)	**(21,512,338)**	68,817,665
Reduction of Tax Rate (Note 29.3)	**(62,245,790)**	-
	(83,758,128)	68,817,665
Income Tax Expense/(Benefit) recognised in Statement of Profit or Loss	**(83,758,128)**	68,817,665

10.2 Amounts recognized in Other Comprehensive Income

For the year ended 31st December 2021	Value Before Tax	Tax (Expenses) / Benefit	Net of Tax
Item that will not be reclassified to profit or loss			
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	**(211,869,361)**	**22,246,283**	**(189,623,078)**
Revaluation Surplus on Land & Building	**-**	**52,790,751**	**52,790,751**
	(211,869,361)	**75,037,034**	**(136,832,327)**
For the year ended 31st December 2020			
Item that will not be reclassified to profit or loss			
Actuarial Gain/ (Loss) on Retirement Benefit Obligations	40,375,212	(5,652,530)	34,722,682
Revaluation Surplus on Land & Building	767,309,540	(107,423,336)	659,886,204
	807,684,752	(113,075,866)	694,608,886

10.3 Reconciliation of accounting profit to taxable income

	2021 Rs	2020 Rs
Accounting Loss before income tax expense	**(321,946,198)**	(132,077,367)
Aggregated Disallowed Items	**111,118,868**	388,006,739
Aggregated Allowable Items	**(224,947,868)**	(481,901,602)
Accounting Loss from Agro Farming	**490,282,555**	-
Statutory Income/(Loss) from Agro Processing	**54,507,357**	(225,972,230)
Other Source of Income	**87,500**	350,000
Total Statutory Income	**54,594,857**	-
Tax losses claimed during the year	**(54,594,857)**	-
Total Taxable Income	**-**	-
Income Tax Expense		
Tax at 14%		
	-	-

Notes to the Financial Statements

10.4 Applicable income tax rates as per the Department of Inland Revenue

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

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

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

10.5 Accumulated Tax losses

Tax losses brought forward	**3,937,086,379**	4,297,435,839
Adjustment in respect of previous years	**(289,716,102)**	(585,971,690)
Tax Losses During the Year	**-**	225,972,230
Tax losses claimed during the year	**(54,594,857)**	(350,000)
Tax losses carried forward	**3,592,775,420**	3,937,086,379

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:

	2021	2020
	Rs	Rs
Loss attributable to shareholders	**(238,188,070)**	(200,895,032)
Weighted average number of Ordinary Shares in issue	**169,501,097**	169,501,097
Basic Loss per share	**(1.41)**	(1.19)

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 Loss Per Share shown above.

Notes to the Financial Statements

As at 31st December

12 RIGHT TO USE OF LAND

	2021 Rs.	2020 Rs.
Cost/Revaluation		
Balance as at 1st January	**224,562,425**	222,567,308
Remeasurement During the Year	**3,133,651**	1,995,117
Balance as at 31st December	**227,696,076**	224,562,425
Accumulated Amortization		
Balance as at 1st January	**117,972,452**	113,641,594
Charge for the Year	**4,447,529**	4,330,858
Balance as at 31st December	**122,419,981**	117,972,452
Carrying value as at 31st December	**105,276,095**	106,589,973

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.
The Company has applied SLFRS 16 "Leases" with effect from 1st January 2019. As a result, the Company has changed its accounting policy for Leases.

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 No.28 of 1964, 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 2021

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

Notes to the Financial Statements

As at 31st December 2021

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 Statement of Financial Position 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/Revaluation							
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
As at 1st January 2021	146,663,085	4,417,562	29,980,829	369,825,000	3,346,579	9,292,578	563,525,633
As at 31st December 2021	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 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
As at 1st January 2021	126,304,368	2,375,533	29,980,829	-	3,178,649	9,292,578	171,131,957
Charge for the Year	5,863,513	83,350	-	26,164,238	111,553	-	32,222,654
As at 31st December 2021	132,167,881	2,458,883	29,980,829	26,164,238	3,290,202	9,292,578	203,354,611
Net Carrying Value							
As at 31st December 2020	20,358,717	2,042,029	-	369,825,000	167,930	-	392,393,676
As at 31st December 2021	14,495,204	1,958,679	-	343,660,762	56,377	-	360,171,022

13.1 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 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 14.12.1. The value of Buildings which are carried foward from JEDB/SLSPC agreement as per Note 13 and subsequent improvement thereon has not been seperately identified, due to inseperable 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.

As at 31st December 2021

14. FREEHOLD PROPERTY, PLANT & EQUIPMENTS

COST/REVALUATION

	Life of the Asset Year	As at 01st January 2021 Rs.	Additions/ Transfer in Rs.	Disposals/ Transfer out Rs.	Revaluation Gain Rs.	As at 31st December 2021 Rs.	As at 31st December 2020 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	66,552,130	4,173,032	-	-	70,725,162	66,552,130
Computer	4 Years	10,928,386	879,648	-	-	11,808,034	10,928,386
Furniture & Fittings	10 Years	5,455,916	253,907	-	-	5,709,823	5,455,916
		164,003,843	5,306,587	-	-	169,310,430	164,003,843
AT REVALUATION							
Improvements to Buildings	40 Years	777,543,926	7,316,846	-	-	784,860,772	777,543,926
Plant & Machinery	15/20 Years	446,258,000	28,218,214	-	-	474,476,214	446,258,000
Motor Vehicles	5 Years	173,580,000	8,153,472	-	-	181,733,472	173,580,000
		1,397,381,926	43,688,532	-	-	1,441,070,458	1,397,381,926
Capital Work-in-Progress		38,114,898	6,658,710	-	-	44,773,608	38,114,898
		1,599,500,667	55,653,829	-	-	1,655,154,496	1,599,500,667

DEPRECIATION

	As at 01st January 2021 Rs.	Charge/ Adjustments for the Year Rs.	On Disposals/ Transfer out Rs.	Acc. Depreciation As at 31st 2021 Rs.	Carrying Value As at 31st December 2021 Rs.	Carrying Value As at 31st December 2020 Rs.
AT COST						
Land Improvements	15,804,282	1,589,220	-	17,393,502	37,975,370	39,564,590
Water Projects & Sanitation	23,145,200	424,446	-	23,569,646	2,128,893	2,553,339
Equipment	38,789,409	4,805,984	-	43,595,393	27,129,769	27,762,721
Computer	9,928,369	723,095	-	10,651,464	1,156,570	1,000,017
Furniture & Fittings	4,873,847	74,701	-	4,948,548	761,275	582,069
	92,541,107	7,617,446	-	100,158,553	69,151,877	71,462,736
AT REVALUATION						
Improvements to Buildings	-	31,136,813	-	31,136,813	753,723,959	777,543,926
Plant & Machinery	-	32,262,825	-	32,262,825	442,213,389	446,258,000
Motor Vehicles	-	36,175,319	-	36,175,319	145,558,153	173,580,000
	-	99,574,957	-	99,574,957	1,341,495,501	1,397,381,926
Capital Work-in-Progress	-	-	-	-	44,773,608	38,114,898
	92,541,107	107,192,403	-	199,733,510	1,455,420,986	1,506,959,560

Notes to the Financial Statements

As at 31st December 2021

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 information. 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 2021. (2020 – Nil).

14.5 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2020 - 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 2021 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 (2020 - Nil).

14.7 Fully depreciated property, plant and equipment in use

Property, plant and equipment includes fully depreciated assets with a cost of Rs. 2.2 Mn (31 December 2020 - Rs. 1.48 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. 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. As per the valuer's opinion, there is no significant change in the fair value as at 31st December 2021.

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	999,897,386	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 2021.
Carrying value of revalued Motor Vehicles if carried at historical cost is Rs. 46.48 Mn as at 31st December 2021.
Carrying value of revalued Buildings if carried at historical cost is Rs. 185.98 Mn as at 31st December 2021.

Notes to the Financial Statements

As at 31st December 2021

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)	No.of Buildings	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	552	50,669,373	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3500	Positively correlated sensitivity
Cocogalla	Metigahatenne	303	49,419,438	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-4500	Positively correlated sensitivity
Galloola	Madulsima	260	40,692,764	Cost Approach	Estimated Replacement cost per Sq. Ft.	500-4500	Positively correlated sensitivity
Mahadowa	Madulsima	737	84,413,345	Cost Approach	Estimated Replacement cost per Sq. Ft.	800-3000	Positively correlated sensitivity
Uvakellie	Madulsima	303	12,144,942	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-2850	Positively correlated sensitivity
Verellapatna	Madulsima	438	71,839,795	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3250	Positively correlated sensitivity
El Teb	Passara	1,030	72,475,733	Cost Approach	Estimated Replacement cost per Sq. Ft.	1200-3500	Positively correlated sensitivity
Roeberry	Pitamaruawa	919	76,127,258	Cost Approach	Estimated Replacement cost per Sq. Ft.	1200-3000	Positively correlated sensitivity
Kew	Bogawantalawa	613	52,044,665	Cost Approach	Estimated Replacement cost per Sq. Ft.	1800-4000	Positively correlated sensitivity
Kirkoswald	Bogawantalawa	1,185	132,483,547	Cost Approach	Estimated Replacement cost per Sq. Ft.	500-4000	Positively correlated sensitivity
Theresia	Bogawantalawa	640	51,740,490	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3500	Positively correlated sensitivity
Venture	Norwood	573	77,131,361	Cost Approach	Estimated Replacement cost per Sq. Ft.	750-3750	Positively correlated sensitivity
Head Office	Badulla	02	6,361,215	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 2021

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	Depreciated Replacement Cost	Positively correlated sensitivity
	This reflects the amount that would be required currently to replace the service capacity of an asset	Rs. 7500 - 30,000,000	

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 3 fair Value based on the input to the valuation technique used.

Type of Asset	Significant other observable inputs 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 2021 Rs.	Additions/ Transfers in Rs.	Disposals/ Transfers out Rs.	As at 31st December 2021 Rs.	As at 31st December 2020 Rs.
- Tea	30 years	440,395,872	-	-	**440,395,872**	440,395,872
- Rubber	20 years	1,727,490	40,064,427	-	**41,791,917**	1,727,490
- Coffee	10 years	2,869,329	-	-	**2,869,329**	2,869,329
		444,992,691	40,064,427	-	**485,057,118**	444,992,691

	Accumulated Depreciation			Carrying Value	
	As at 1st January 2021 Rs.	Depreciation for the year Rs.	As at 31st December 2021 Rs.	As at 31st December 2021 Rs.	As at 31st December 2020 Rs.
- Tea	208,934,268	13,211,876	222,146,144	**218,249,728**	231,461,604
- Rubber	1,209,242	382,845	1,592,087	**40,199,830**	518,248
- Coffee	2,869,329	-	2,869,329	**-**	-
	213,012,839	13,594,721	226,607,560	**258,449,558**	231,979,852

Investments in bearer biological assets 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 impirment 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 2021

15. BEARER BIOLOGICAL ASSETS (Contd...)

15.2 Immature Plantations

	As at 1st January 2021 Rs.	Additions during the year Rs.	Transfers to Mature during the year Rs.	Provisions for Impairment Rs.	As at 31st December 2021 Rs.	As at 31st December 2020 Rs.
- Tea	434,010,913	128,106,356	-	-	**562,117,269**	434,010,913
- Rubber	98,188,579	11,047,122	(40,064,427)	(8,352,536)	**60,818,738**	98,188,579
- Coffee	2,545,870	879,422	-	-	**3,425,292**	2,545,870
- Cloves	184,552	-	-	-	**184,552**	184,552
- Citrus	80,512	-	-	-	**80,512**	80,512
- Avocado	-	24,417	-	-	**24,417**	-
- Pepper	1,876,647	90,653	-	-	**1,967,300**	1,876,647
- Cardamom	395,070	1,460,264	-	-	**1,855,334**	395,070
- Cinnamon	8,649,672	478,611	-	-	**9,128,283**	8,649,672
	545,931,815	142,086,845	(40,064,427)	(8,352,536)	**639,601,697**	545,931,815
Carrying Value	777,911,667				**898,051,255**	

15.3 Provision of Impairment of Immature Plantations

	2021 Rs.	2020 Rs.
Balance as at 1 January	**43,937,411**	-
Impairment Charge For the Year	**8,352,536**	43,937,411
Balance as at 31 December	**52,289,947**	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.

16 CONSUMABLE BIOLOGICAL ASSETS

	2021 Rs.	2020 Rs.
Balance as at 1st January	**3,784,249,791**	3,556,150,833
Increase due to New Planting	**29,893,403**	10,678,814
Decreased due to Harvesting/ Disposal	**(11,414,192)**	-
Gain on Change in Fair Value	**196,834,149**	217,420,144
Balance as at 31st December	**3,999,563,151**	3,784,249,791

16.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr.Weerssinghe Chandrasena,an indipendent incorporated valuation surveyor, using discounted cash flow (DCF) methods.The valuation report dated 31st December 2021 has been prepared based on the physically verified timber staistics provided by the Company.

The future cash flows are determined by referance 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 change and other risks

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

Notes to the Financial Statements

As at 31st December 2021

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 2021	Date of valuation	Level 1 Rs	Level 2 Rs	Level 3 Rs
Assets measured at fair value				
Consumable Biological Assets - Timber	31st December 2021	-	-	3,999,563,151

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.	14.5% 25-35 Years 25 to 85 lbs Cu. Ft. Rs. 315/- Rs.630/- 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. 250,000 - Rs. 350,000 Rs. 62,000 - Rs. 65,000	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 2021

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 appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber prices shows that an increase or decrease of 10% of the future selling prices has the following effect on the net present value of the Mature Consumable Biological Assets.

Managed Timber	-10% Rs.	+10% Rs.
As at 31st December, 2021	(399,956,315)	399,956,315
As at 31st December, 2020	(378,424,978)	378,424,978

Sensitivity variation discount rate

Values appearing in the Statement of Financial Position are sensitive to changes of discount rate applied. Simulations made for discount rate shows that an increase or decrease by 1% of the future discounting rate has the following effect on the net present value of the Mature Consumable Biological Assets.

Managed Timber	-1% Rs.	+1% Rs.
As at 31st December, 2021	139,082,586	(127,064,618)
As at 31st December, 2020	165,304,698	(149,189,870)

17. INVESTMENT IN EQUITY SECURITIES - FVOCI

Investment in unquoted companies	2021 Rs.	2020 Rs.
Investment in Bogo Power (Pvt) Ltd (3,500,000 Ordinary shares)	**3,831,734**	4,174,701
Fair Value Change during the year	**182,101**	(342,967)
	4,013,835	3,831,734

Investment in ordinary shares of Bogo Power (Pvt) Ltd

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

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

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

Balance as at 01st January	**4,671,767**	2,053,351
Change in fair value less cost to sell	**(3,213,216)**	2,618,416
Balance as at 31st December	**1,458,551**	4,671,767

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

	2021 Rs.	2020 Rs.
Change in fair value of consumable biological assets less cost to sell (Note No 16)	**196,834,149**	217,420,144
Change in fair value of produce on bearer biological assets less cost to sell (Note No 18)	**(3,213,216)**	2,618,416
Total change in fair value of biological assets	**193,620,933**	220,038,560

19. INVENTORIES

Input Materials	**23,290,534**	28,932,337
Biological Assets – Nurseries	**14,673,815**	10,319,696
Produce Stock (Tea)	**275,618,668**	319,166,490
Consumables & Spares	**884,071**	5,031,302
	314,467,088	363,449,825

Notes to the Financial Statements

As at 31st December

	2021 Rs.	2020 Rs.
20. TRADE AND OTHER RECEIVABLES		
Trade Receivables		
Produce Debtors	**2,580,382**	6,899,670
Other Receivables		
Employee Related Debtors	**48,040,892**	50,535,431
Value Added Tax Receivable	**10,850,996**	10,850,996
With Holding Tax Receivable	**11,018,951**	11,018,951
Income Tax Recoverable	**6,517,024**	6,517,024
ESC Receivable	**7,633,330**	18,401,214
Deposits and Prepayments	**7,612,391**	37,970,020
ACT Recoverable	**41,034,639**	41,034,639
Other Debtors	**37,068,831**	36,269,171
	172,357,436	219,497,116
Provision for Doubtful Debts		
	(63,976,287)	(63,976,287)
	108,381,149	155,520,829
20.1 Provision for impairment of Other receivables		
Balance at the begining of the year	**63,976,287**	63,976,287
Provision made during the year	**-**	-
Balance at 31st December	**63,976,287**	63,976,287
21. AMOUNTS DUE FROM RELATED PARTIES		
Melstacorp PLC	**183,729**	183,729
Lanka Milk Foods (Pvt) Limited	**-**	113,003
	183,729	296,732
22. CASH AND CASH EQUIVALENTS		
22.1 Favourable balance		
Cash at Bank and in Hand	**5,412,702**	27,432,637
	5,412,702	27,432,637
22.2 Unfavorable balance		
Bank Overdraft	**(154,876,352)**	(101,677,971)
Cash and Cash Equivalents for the Purpose of Cash Flows	**(149,463,650)**	(74,245,334)
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

24 REVALUATION RESERVE (NET OF TAX)

The revaluation reserve relates to Buildings, motor vehicles, plants & machinery which has been revalued by the company.

	2021 Rs	2020 Rs
Balance at the beginning of year	**1,297,144,187**	637,257,983
Revaluation Gain (net of tax)	**-**	659,886,204
Effect of change in Deferred Tax Rate	**52,790,751**	-
Balance at the end of year	**1,349,934,938**	1,297,144,187

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.

	2021 Rs	2020 Rs
Balance at the beginning of year	**2,615,651**	2,958,618
Changes in fair value	**182,101**	(342,967)
Balance at the end of year	**2,797,752**	2,615,651

26 TIMBER RESERVE

The timber reserve relates to valuation of consumable biological assets.

	2021 Rs	2020 Rs
Balance at the beginning of year	**3,594,121,047**	3,376,700,903
Transferred to timber reserve	**196,834,149**	217,420,144
Transferred to retained earning	**(11,414,192)**	-
Balance at the end of year	**3,779,541,004**	3,594,121,047

27. INTEREST BEARING LOANS AND BORROWINGS

27.1 Movement of borrowings during the year:

	Term Loans	Bank Loans	Related Party Loans	Finance Lease	2021 Rs. Total	2020 Rs. Total
Balance at the beginning of year	20,336,343	260,000,000	2,911,071,935	14,806,228	**3,206,214,506**	3,250,217,729
Obtained during the year	-	-	548,000,000	-	**548,000,000**	38,045,005
Repaid during the year	(20,336,343)	(80,000,000)	(372,295,002)	(14,806,228)	**(487,437,573)**	(82,048,228)
Balance as at 31st December	-	180,000,000	3,086,776,933	-	**3,266,776,933**	3,206,214,506
Interest payables as at 31 December	-	-	498,148,148	-	**498,148,148**	249,947,840
Total Balance as at 31st December	-	180,000,000	3,584,925,081	-	**3,764,925,081**	3,456,162,346

27.2 Analysis of borrowings by year of repayment

	2021 Rs	2020 Rs
Repayable within one year		
Term Loans	**-**	20,336,343
Bank Loans	**80,000,000**	80,000,000
Related Party Loans	**498,148,148**	445,160,253
Finance Lease	**-**	1,558,482
	578,148,148	547,055,078
Repayable after one year		
Bank Loans	**100,000,000**	180,000,000
Related Party Loans	**3,086,776,933**	2,715,859,522
Finance Lease	**-**	13,247,746
	3,186,776,933	2,909,107,268
Total Borrowings	**3,764,925,081**	3,456,162,346

Notes to the Financial Statements

As at 31st December 2021

27. INTEREST BEARING LOANS AND BORROWINGS (CONTD)

27.3 Related Party Loans	Facility Obtained	Interest rate one year	within one year	Repayable after one year	Balance as at 31 December	Repayment terms
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)	439,393,738	2,636,776,933	3,076,170,671	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)	58,754,410	200,000,000	258,754,410	Capital to be repaid after a moratorium of 03 years and interest payable monthly.
			498,148,148	3,086,776,933	3,584,925,081	
Bank Loans						
Hatton National Bank PLC	400,000,000	AWPLR+1.5% (Monthly Review)	80,000,000	100,000,000	180,000,000	20 equal quarterly installments of Rs 20.0Mn Commencing from 30.11.2018
			80,000,000	100,000,000	180,000,000	

Notes to the Financial Statements

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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).

As at 31st December	2021 Rs.	2020 Rs.
28. RETIREMENT BENEFIT OBLIGATIONS		
Retirement Benefit Obligations	**1,210,160,244**	933,488,065
Unclaimed Retiring Gratuity	**56,710,745**	59,378,459
Total Retirement Benefit Obligations	**1,266,870,989**	992,866,524
28.1 The movement in the retirement benefit obligation over the year is as follows:		
Balance at the beginning of the year	**933,488,065**	919,415,149
Interest cost	**83,861,308**	100,949,134
Current Service Cost	**60,362,916**	46,705,551
Actuarial (Gain)/ Loss during the year	**211,869,361**	(40,375,212)
	1,289,581,650	1,026,694,622
Less: Payments made during the year	**(79,421,406)**	(93,206,557)
	1,210,160,244	933,488,065
Unclaimed Retiring Gratuity		
Balance at the beginning of the year	**59,378,459**	65,718,983
Less: Payments made during the year	**(2,667,714)**	(6,340,524)
Total Unclaimed Retiring Gratuity	**56,710,745**	59,378,459
Balance at the end of the year	**1,266,870,989**	992,866,524
28.1.1 Provision recognized in the statement of Profit or Loss		
Interest cost	**83,861,308**	100,949,134
Current Service Cost	**60,362,916**	46,705,551
	144,224,224	147,654,685
28.1.2 Provision recognized in the statement of other comprehensive income		
Actuarial loss/(gain) during the year	**211,869,361**	(40,375,212)
	211,869,361	(40,375,212)

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2021 by Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 "Employee Benefits".

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

Notes to the Financial Statements

As at 31st December

28. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

	2021 Rs.	2020 Rs.
Within the next 12 months	**196,017,813**	183,257,311
Between 1- 2 years	**150,070,722**	122,447,216
Between 2 and 5 years	**224,398,626**	170,674,147
Beyond 5 years	**696,383,828**	516,487,850
	1,266,870,989	992,866,254

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

	2021	2020
(i) Rate of Interest	**11.50%**	9.00%
(ii) Rate of Salary Increase		
Staff (p.a.)	**7.50%**	7.50%
Workers	**9.00%**	5.68%
(iii) Retirement Age		
Workers	**60 years**	60 years
Staff	**60 years**	60 years
(iv) Staff Turnover	**10%**	10%
(v) The Company will continue as a going concern		
No of Employees		
Staff	**336**	332
Workers	**6,003**	6,085
Total	**6,339**	6,417

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 7.17 years and 8.89 years for staff and workers respectively.

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.

The actuarial present value of the accrued benefits as at 31st December 2021 is Rs. 1,210.2 Mn (2020: Rs.933.5 Mn). This item is grouped under Retirement Benefit Obligations in the Statement of Financial Position. The liability is not externally funded.

"Sensitivity Analysis of assumptions used"

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 retirment obligation show that a rise or decrease by 1% of the discount rate and salary/wage has the following effect on the retirment benefit obligation.

	2021		2020	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	**1%**	**1%**	1%	1%
Impact on defind benefit obligation Rs.	**(90,228,321)**	**103,581,482**	(67,890,639)	78,026,042

	2021		2020	
Future Salary Increment rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	**1%**	**1%**	1%	1%
Impact on defined benefit Obligation Rs.	**107,433,263**	**(94,925,002)**	81,469,827	(71,879,435)

Notes to the Financial Statements

As at 31st December	2021 Rs.	2020 Rs.
29. DEFERRED TAX		
Deferred tax assets (Note 29.1)	**(274,681,159)**	(443,585,429)
Deferred tax liability (Note 29.2)	**576,032,162**	903,731,594
Net Deferred tax liability	**301,351,003**	460,146,165
29.1 Deferred tax assets		
Balance at the Beginning of the year	**443,585,429**	458,062,234
Originated/ (reversed) during the year-recognized in profit or loss	**(80,254,196)**	(8,824,275)
Originated during the year recognized in other comprehensive income	**22,246,283**	(5,652,530)
Effect of rate change	**(110,896,357)**	-
Balance as at 31st December	**274,681,159**	443,585,429
29.2 Deferred tax liabilities		
Balance at the Beginning of the year	**903,731,594**	736,314,868
Originated/ (reversed) during the year-recognized in profit or loss	**(101,766,533)**	59,993,390
Originated during the year recognized in other comprehensive income	**-**	107,423,336
Effect of rate change	**(225,932,899)**	-
Balance as at 31st December	**576,032,162**	903,731,594
29.3 Provision for the year		
Deferred tax (reversal) / charged to profit or loss		
Due to change in the effective tax rate	**(62,245,790)**	-
Due to change in the temporary differences	**(21,512,338)**	68,817,665
	(83,758,128)	68,817,665
Deferred tax (reversal) / charged to other comprehensive income		
Due to change in the effective tax rate	**(52,790,751)**	-
Due to change in the temporary differences	**(22,246,283)**	113,075,866
	(75,037,034)	113,075,866

29.4 Deferred Taxation Reconciliation

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue Amendment act no 10 of 2021. The deferred tax liability is calculated at the rate of 10.5% (2020-14%) for the company as at 31st December 2021. The Corporate tax rate reduced from 14% to 10.5%. This change resulted in a gain of LKR 115,036,541/- related to the remeasurement of deferred tax liability of the Company.

	2021		2020	
	Temporary Differences Rs	Tax Effect Rs	Temporary Differences Rs	Tax Effect Rs
Deferred Tax Liability				
Temporary difference on PPE	**1,488,293,366**	**156,270,803**	1,874,146,217	262,380,470
Temporary difference on Bearer Biological Assets	**873,629,991**	**91,731,149**	777,911,667	108,907,633
Temporary difference on Consumable Biological Assets	**3,112,257,485**	**326,787,036**	3,784,249,791	529,794,972
Temporary difference on Produced on bearer Bilogical Assets	**1,458,551**	**153,148**	4,671,767	654,047
Temporary difference on Net Lease Liability	**10,381,198**	**1,090,026**	14,246,231	1,994,472
As at 31st December	**5,486,020,591**	**576,032,162**	6,455,225,673	903,731,594
Deferred Tax Assets				
Temporary difference on Provision for dabutful Debts	**(63,976,429)**	**(6,717,525)**	(63,976,287)	(8,956,680)
Temporary difference on retirement benefit obligation	**(1,266,870,989)**	**(133,021,454)**	(992,866,524)	(139,001,313)
Carried forward tax losses	**(1,285,163,620)**	**(134,942,180)**	(2,111,624,545)	(295,627,436)
As at 31st December	**(2,616,011,038)**	**(274,681,159)**	(3,168,467,356)	(443,585,429)
Net Deferred Tax Liability as at 31st December	**2,870,009,553**	**301,351,003**	3,286,758,317	460,146,165

29.5 Unrecognised deferred tax assets

The Deferred Tax assets have been recognised in the Financial Statements to the extent of forecasted profit. The Company has not recognized the deferred tax assets on following accumulated tax losses since it is not probable that future taxable profits will be available against which the Company can utilise the benefit therefrom.

	2021		2020	
	Temporary Differences Rs	Tax Effect Rs	Temporary Differences Rs	Tax Effect Rs
Carried forward tax losses	**2,307,611,800**	**242,299,239**	1,825,461,834	255,564,657
	2,307,611,800	**242,299,239**	1,825,461,834	255,564,657

Notes to the Financial Statements

As at 31st December

	2021 Rs.	2020 Rs.
30. DEFERRED GRANTS AND SUBSIDIES		
Balance at the beginning of the year	**132,710,114**	138,072,745
Grants Received during the year	**1,180,400**	-
	133,890,514	138,072,745
Amortization for the year	**(5,266,728)**	(5,362,631)
Balance at the end of the year	**128,623,786**	132,710,114

The Company has received funding from the Plantation Housing and Social Welfare Trust, Tea Board Subsidy Fund, Plantation Reform Project, Estate Infrastructure Development Programme and the Plantation Development Support Project for the development of workers' welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant received for such is reflected under Deferred Income. When the Company has complied with the conditions attached to the grants and subsidies, the grants will be credited to the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the respective assets.

31 NET LIABILITY TO LESSOR OF JEDB/SLSPC ESTATES

	2021 Rs.	2020 Rs.
Lease Liability		
At the beginning of the year	**92,343,742**	90,811,832
Remeasurement of Right-of-Use Asset	**3,133,651**	1,995,117
	95,477,393	92,806,949
Interest charges for the year	**12,438,914**	12,166,078
Payments made during the year	**(13,021,410)**	(12,629,285)
Total Net Liability	**94,894,897**	92,343,742
Maturity analysis of lease liability		
Current	**12,236,681**	11,834,313
Non Current	**82,658,216**	80,509,429
Total	**94,894,897**	92,343,742
31.1 Leasehold rights can be analysised as follows		
Amount Payable within One Year	**12,236,681**	11,834,313
Amount Payable after One Year and Less than Five Years	**35,647,798**	34,478,587
Amount Payable More than Five Years	**47,010,418**	46,030,842
Total Net Liability	**94,894,897**	92,343,742
Amounts recognised in statement of profit or loss and other comprehensive income		
Interest on lease liability	**12,438,914**	12,166,078
Amortization of Leasehold right to Bare Land of JEDB / SLSPC Estates	**4,447,529**	4,330,858
Amount recognized in statement of cashflows		
Total cash outflows for leases	**13,021,410**	12,629,285
Maturity analysis of contractual undiscounted cashflows		
Within one year	**13,129,340**	12,697,620
1-2 years	**13,129,340**	12,697,620
2-5 Years	**39,388,020**	38,092,860
More than 5 years	**239,610,455**	244,429,185
	305,257,155	307,917,285

Notes to the Financial Statements

As at 31st December	2021 Rs.	2020 Rs.
32. TRADE AND OTHER PAYABLES		
Trade Creditors	**71,406,684**	120,678,000
Others Creditors	**50,303,679**	27,673,457
Employee Related Creditors	**250,460,260**	222,585,576
Accrued Expenses	**20,891,167**	13,389,859
	393,061,790	384,326,892
33 AMOUNTS DUE TO RELATED PARTIES		
Stassen Exports (Pvt) Limited	**20,421,397**	739,462
Balangoda Plantations PLC	**6,295,583**	7,380,788
Distilleries Company of Sri Lanka Limited	**48,133,994**	45,047,051
Melsta Logistics (Pvt) Ltd	**3,236,851**	1,415,541
Belventage Pvt Ltd	**720,752**	3,248,326
Bogo Power (Pvt) Limited	**2,544,532**	3,033,080
Melsta Technologies Pvt Ltd	**500**	929,837
	81,353,609	61,794,085
34 CAPITAL COMMITMENTS		
Capital Commitments as at the reported date Budgeted, but not provided for	**260,693,376**	237,242,102
Total	**260,693,376**	237,242,102

35 CONTINGENCIES

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

Legal Proceedings on Labour and Other Disputes:

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

Gazetted increase in daily wage rate

In the past, wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazetted its decision on 5th 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 up for argument on 1st April 2022, Mr. Ramesh De Silva PC on behalf of RPCs concluded his submissions. The matter was fixed for judgment on 30th June 2022.

Taking into account the CIRCULAR No PMC/04 of 2022 by the Plantation Management Committee relating to valuation of retirement benefit obligations to be disclosed in the Audited Accounts at the year ended 31st December 2021, The company provides for gratuity liability at an incremental wage applicable for the year, as the matter relating to the wage increase is under the purview of the Court of Appeal at the time of approval of the Financial Statement, and to disclose the contingent liability by way of a note to the Financial Statements of the impact of a wage increase to Rs. 1000/- on the Company upon the conclusion of the said Court Case.

In the event the court of Appeal issues an unfavorable judgement to RPCs, the retirement Benefit obligation as at 31st December 2021 may be increased by Rs. 169.3 Mn resulting in an additional charge of Rs. 161.2 Mn to the other comprehensive income and additional charge of Rs 8.1 mn to the Profit or Loss for the year ended 31st December 2021.

Notes to the Financial Statements

As at 31st December 2021

36. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in accordance Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosure, the details of which are reported below:

36.1 Transactions with the Parent and Related entities.

Company	Relationship	Nature of Transaction	Transaction Amount		Balance as at 31 December	
			2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Melstacorp PLC	Parent Company	Loan & Interest	**781,599,764**	289,508,307	**3,326,170,671**	2,916,865,913
		Settlements	**(122,295,006)**	(17,250,253)	-	-
Other Related Parties						
Stassen Exports (Pvt) Ltd	Related Company	Rent of Colombo Office	**2,280,000**	2,280,000	**20,421,397**	739,462
		Reimbursement of expenses	**20,941,664**	11,323,068	-	-
		Settlements	**(3,539,729)**	(13,415,294)	-	-
Balangoda Plantations PLC	Related Company	Fertilizer supplied	-	-	**6,295,583**	7,380,788
		Reimbursement of expenses	**9,626,615**	1,863,913	-	-
		Settlements	**(10,711,820)**	-	-	-
Distilleries Company of Sri Lanka PLC	Related Company	Factory Machinery Purchase	-	-	**48,133,994**	45,047,051
		Vehicle expenses	**3,086,943**	8,694	-	-
Bogo Power (Pvt) Ltd	Related Company	Maintenance expenditure	-	3,485,653	**2,544,532**	3,033,080
		Rent & Dividend Income	**23,638,000**	23,812,366	-	-
		Settlements	**(24,126,548)**	(32,305,341)	-	-
Melsta Logistics (Pvt) Ltd	Related Company	Vehicle expenses	**1,945,567**	1,291,284	**3,236,851**	1,415,541
		Settlements	**(124,257)**	(3,310,463)	-	-
Milford Exports Ceylon (Pvt) Ltd	Related Company	Loan & Interest	**14,600,548**	17,820,438	**258,754,410**	244,153,862
		Loan Interest Paid	-	1,901,918	-	-
Melsta Technologies (Pvt) Ltd	Related Company	IT Services	-	701,912	**500**	929,837
		Settlements	**(929,337)**	-	-	-
Belventage Pvt Ltd	Related Company	Implementation Fee	-	7,717,326	**720,752**	3,248,326
		Settlement	**(2,527,574)**	(2,816,326)	-	-
Continental Insurance lanka Ltd	Related Company	Refunds-Debit Notes	-	94,720	-	-
		Credit Notes	-	74,063	-	-

This note should be read in conjunction with Notes 21, 27 and 33 to the Financial Statements.

Notes to the Financial Statements

As at 31st December 2021

36. RELATED PARTY DISCLOSURES (Contd…)

36.2 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 are unsecured and net settlement occurs in cash.

36.3 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 which ever is lower of the Company as per 31 December 2021 audited Financial Statements.

36.4 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 2021 audited Financial Statements. Details of related party disclosures are as follows,

Company	Relationship	Nature of transaction	Amount (Credited)/Debited	
			2021 Rs.	2020 Rs.
Melstacorp PLC	Parent Company	Loans & Interest	**781,599,764**	289,508,307
		Revenue as per latest audited financial statements	**3,099,649,285**	2,832,067,026
		Percentage on revenue	**25%**	10%

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

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

According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors (including Executive and Non Executive) has been classified as key management personnel of the Company.

	2021 Rs.	2020 Rs.
Short term employment Benefits	**10,618,750**	7,504,800

36.6 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

37. 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 2021 are disclosed below.

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

	2021 Rs.	2020 Rs.
Balance as at 01st January	**3,456,162,346**	3,250,217,728
Net Cash Flows from Financing Activities	**60,562,427**	(44,003,223)
Non Cash Changes	**248,200,308**	249,947,841
Balance as at 31st December	**3,764,925,081**	3,456,162,346

Notes to the Financial Statements

As at 31st December 2021

38 EVENTS AFTER THE REPORTING DATE

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

38.1 Impact from Rapid Change in Macro Economic Factors

The Macro Economic Environment of Sri Lanka

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

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

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

Impact on Internal Operations & Business Continuity

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

Impact on Assets & Impairments

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

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

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

39. 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 2021	Financial assets at amortised cost	FVTOCI - Equity Instruments	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment in Equity Securities- FVOCI	-	4,013,835	-	4,013,835	-	-	4,013,835	4,013,835
Financial assets not measured at fair value								
Trade and other receivables	108,381,149	-	-	108,381,149	-	-	-	-
Amounts due from related party	183,729	-	-	183,729	-	-	-	-
Cash at banks and in hand	5,412,702	-	-	5,412,702	-	-	-	-
Total financial assets	113,977,580	4,013,835	-	117,991,415	-	-	4,013,835	4,013,835
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	-	3,764,925,081	3,764,925,081	-	-	-	-
Trade and other payables	-	-	393,061,790	393,061,790	-	-	-	-
Amount due to related parties	-	-	81,353,609	81,353,609	-	-	-	-
Lease liability to SLSPC and JEDB	-	-	94,894,897	94,894,897	-	-	-	-
Bank overdrafts	-	-	154,876,352	154,876,352	-	-	-	-
Total financial liabilities	-	-	4,489,111,729	4,489,111,729	-	-	-	-
As at 31 December 2020	**Financial assets at amortised cost**	**FVTOCI - Equity Instruments**	**Other financial liabilities**	**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 party	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	-	-	-	-

Notes to the Financial Statements

As at 31st December 2021,

40 FINANCIAL RISK MANAGEMENT

40.1 Overview

The Company has exposure to the following risks from its use of financial instruments:
• Credit risk
• Liquidity risk
• Market risks
(including currency risk and interest rate risk)

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.
The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

40.2 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and from investments in Equity securities.

The Company is exposed to credit risk from its operating activities (primarily trade receivables), other advances including loans and advances to staff/workers, and from its financing activities, including deposits with banks and other financial instruments.
The carrying amount of financial assets represents the maximum credit exposure.

Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Maximum exposure to credit risk as the reporting date was as follows.

	2021 Rs.	2020 Rs.
Trade and Other Receivables	**108,381,149**	155,520,829
Amounts due from Related Companies	**183,729**	296,732
Cash and Cash Equivalents	**5,412,702**	27,432,637
	113,977,580	183,250,198

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

	2021 Rs.	2020 Rs.
Impairment losses on other receivables	**63,976,287**	63,976,287

Notes to the Financial Statements

As at 31st December 2021,

40 FINANCIAL RISK MANAGEMENT (Contd…)

40.2.1 Trade and Other Receivables

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 31st December 2021 is as follows.

Trade receivables		
Neither past due not impaired	**2,580,382**	6,899,670
Total not impaired trade receivables	**2,580,382**	6,899,670

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customer operates.

The Company limits the exposure to credit risk from the trade receivables due to the establishment of a maximum payment period of seven days from the tea brokers.

The Company's customers have been transacting with the Company for over the many years, and none of these customers' balances have been written off or are credit impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company trades only with recognised, credit-worthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the results that the Company's exposure to bad debts is not significant.

40.2.2 Amounts due from related companies

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

The Company does not require a provision for impairment in respect of amounts due from related parties.

40.2.3 Cash and Cash Equivalents

The Company held cash at bank of Rs. 5.4 Mn as at 31 December 2021 (31 December 2020 - Rs.27.4 Mn) which represent its maximum credit exposure on these assets. The cash at bank with counterparties, which are reted AA- /AAA, based on fitch ratings.

40.3 Liquidity Risk

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

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

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

Liquidity risk management

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

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

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

Notes to the Financial Statements

As at 31st December 2021,

40 FINANCIAL RISK MANAGEMENT (Contd...)

	Carrying Amount Rs.	Contractual Cash flows Rs.	On Demand Rs.	Less than 12 Months Rs.	1 to 2 years Rs.	2 to 5 years Rs.	More than 5 years Rs.
As at 31st December 2021							
Interest bearing loans & borrowing	3,764,925,081	4,886,244,761	-	898,791,767	393,179,619	3,594,273,375	-
Trade & other payables	393,061,790	393,061,790	393,061,790	-	-	-	-
Amount due to related companies	81,353,609	81,353,609	81,353,609	-	-	-	-
Bank Overdraft	154,876,352	154,876,352	154,876,352	-	-	-	-
Lease Liability to – SLSPC and JEDB	94,894,897	305,257,155	-	13,129,340	13,129,340	39,388,020	239,610,455
	4,489,111,729	5,820,793,667	629,291,751	911,921,107	406,308,959	3,633,661,395	239,610,455
As at 31st December 2020							
Interest bearing loans & borrowing	3,456,162,346	4,043,178,637	-	748,179,429	288,693,760	3,006,305,448	-
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 – SLSPC and JEDB	92,343,742	307,917,285	-	12,697,620	12,697,620	38,092,860	244,429,185
	4,096,305,036	4,898,894,870	547,798,948	760,877,049	301,391,380	3,044,398,308	244,429,185

Management of Liquidity Risk

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 has access to approved short-term financing facilities from commercial banks, if required.

The Company monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Company to meet its contractual obligations.

40.4 Market Risk

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

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 mainly arises as a result of the Company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

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

Notes to the Financial Statements

As at 31st December 2021,

40 FINANCIAL RISK MANAGEMENT (Contd…)

(a) Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows,

	As at 31st December 2021			As at 31st December 2020		
	Variable interest rate Rs.	**Fixed interest rate Rs.**	**Total Rs.**	Variable interest rate Rs.	Fixed interest rate Rs.	Total Rs.
Financial liabilities						
Loans and borrowings	**3,266,776,932**	**-**	**3,266,776,932**	3,201,987,866	4,226,640	3,206,214,506
Bank Overdraft	**154,876,352**	**-**	**154,876,352**	101,677,971	-	101,677,971
Maximum exposure	**3,421,653,285**	**-**	**3,421,653,285**	3,303,665,837	4,226,640	3,307,892,477

(b) Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates assuming that all other variables remain constant on the following financial assets. Floating rate instruments expose the Company to cash flow fluctuations.

	As at 31st December 2021 Variable-rate		As at 31st December 2020 Variable-rate	
	Impact on PBT Rs.	**Impact on equity Rs.**	Impact on PBT Rs.	Impact on equity Rs.
Increase in 100 basis points Financial liabilities				
Loans and borrowings	**(32,667,769)**	**(28,094,282)**	(32,019,879)	(27,537,096)
Bank Overdraft	**(1,548,764)**	**(1,331,937)**	(1,016,780)	(874,431)
	(34,216,553)	**(29,426,219)**	(33,036,659)	(28,411,527)
Decrease in 100 basis points Financial assets / liabilities				
Loans and borrowings	**32,667,769**	**28,094,282**	32,019,879	27,537,096
Bank Overdraft	**1,548,764**	**1,331,937**	1,016,780	874,431
	34,216,533	**29,426,219**	33,036,659	28,411,527

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 31.12.2021 Rs.	As at 31.12.2020 Rs.
Interest bearing borrowing		
Total Liabilities	**6,185,957,507**	5,682,027,839
Less:Cash and cash equivalents	**(5,412,702)**	(27,432,637)
Net Debt	**6,180,544,805**	5,654,595,202
Equity	**1,066,442,056**	1,441,280,352
Gearing ratio	**5.80**	3.92

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 2021 have been submitted to the Colombo Stock Exchange.

Distribution of shareholdings as at 31st December 2021				
No. of Shares Held	**No. of Share Holders**	**No. of Share Holders %**	**Total Holdings**	**Total Holdings %**
1-1,000	18,605	97.44	2,795,987	1.65
1,001-10,000	406	2.13	1,373,353	0.81
10,001-100,000	74	0.39	2,075,679	1.22
100,001-1,000,000	5	0.03	991,894	0.59
1,000,001-& Over	3	0.02	162,264,184	95.73
Grand Total	**19,093**	**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 %**
Individuals	18,969	99.35	6,358,905	3.75
Institutions	124	0.65	163,142,192	96.25
Grand Total	**19,093**	**100.00**	**169,501,097**	**100.00**
Residents	19,063	99.84	169,013,973	99.71
Non- residents	30	0.16	487,124	0.29
Grand Total	**19,093**	**100**	**169,501,097**	**100.00**

Market of Statistics		
	31st December 2021	**31st December 2020**
Number of shares	**169,501,097**	169,501,097
Earning/(Loss) per Share Rs	**(1.41)**	(1.19)
Net Asset Per Share Rs	**6.29**	8.50
Dividend Per Share Rs	**-**	-
Highest Share Price Rs	**17.10**	13.20
Lowest Share Price Rs	**7.40**	3.70
Closing Share Price Rs	**12.60**	10.00

Shareholder and Investor Information

Twenty Five Major Shareholders as at 31st December 2021			
No	**Name**	**No. of Shares**	**%**
1	Melstacorp PLC	94,767,483	55.910
2	Stassen Export (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	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**

1) The Percentage of ordinary shares held by the public was 6.51% (2020 - 6.51%) of the issued share capital as at 31st December 2021.
2) Total number of shareholders representing the public holds are 19,093.
3) The float adjusted market capitalization as at 31st December 2021 is Rs. 139,047,186.00
4) 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 2021 and 2020

Estate	Elevation	Year	Tea Extent ha	Total Crop kg	Yield kg/ha	COP Rs/kg	NSA Rs/kg *
Battawatte	Uva High	2021	181	585,197	1,237	598	523
		2020	209	554,620	1,054	591	539
Cocogalla	Uva High	2021	124	146,538	1,091	682	511
		2020	146	244,653	816	640	524
El Teb	Uva Medium	2021	318	694,339	1,176	624	548
		2020	320	703,660	1,208	585	556
Galloola	Uva High	2021	120	120,176	1,005	621	533
		2020	120	111,319	931	612	546
Mahadowa	Uva High	2021	444	558,932	1,026	651	522
		2020	439	594,714	903	636	513
Roeberry	Uva Medium	2021	408	578,179	1,088	620	508
		2020	425	646,629	1,098	628	498
Uvakellie	Uva High	2021	161	189,714	1,138	581	535
		2020	173	181,491	1,044	534	541
Verellapatna	Uva High	2021	224	608,100	1,956	538	530
		2020	227	625,930	1,786	518	536
Kew	Western High	2021	303	376,991	1,219	808	577
		2020	321	315,886	976	813	572
Kirkoswald	Western High	2021	481	657,118	1,051	784	576
		2020	487	509,393	1,002	865	568
Theresia	Western High	2021	295	375,085	1,217	731	558
		2020	299	283,051	948	795	547
Venture	Western High	2021	236	361,766	1,333	706	558
		2020	243	312,865	1,243	667	568
Company		2021	3294	5,252,135	1,191	660	541
		2020	3408	5,084,211	1,077	649	539

Statement of Value Addition

	Year ended 31.12.2021		Year ended 31.12.2020	
	%	Rs.'000	%	Rs.'000
REVENUE	**-**	**3,099,649**	-	2,832,067
Other Income	**-**	**100,790**	-	46,085
Total Revenue	**-**	**3,200,439**	-	2,878,152
Cost Of Materials and Services Bought	**-**	**1,148,457**	-	1,059,662
Value Addition	**100**	**2,210,373**	100	1,813,719
DISTRIBUTION OF VALUE ADDITION				
A To Employee as Remuneration	**91**	**2,007,904**	88	1,593,963
B To Government as taxes	**-**	**-**	-	-
C To Lenders of Capital as Interest	**13**	**283,220**	18	318,187
D To Shareholders as Dividends	**-**	**-**	-	-
E Retained in Business	**-**	**-**	-	-
E1 Provision for Depreciation	**7**	**157,457**	6	102,464
E2 Profit /(Loss) Retained	**(11)**	**(238,188)**	(11)	(200,895)
	100	**2,210,373**	100	1,813,719

Financial Information

	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue	**3,099,649**	2,832,067	2,006,977	2,144,945	2,605,104
Profit before income tax expense	**(321,946)**	(132,077)	(781,066)	(425,166)	108,658
income Tax Expense	**83,758**	(68,818)	17,358	(175,033)	(64,062)
Profit after income Tax Expense	**(238,188)**	(200,895)	(763,709)	(600,199)	44,596
Profit/(loss)brought forward	**(5,077,361)**	(4,693,769)	(3,740,607)	(2,900,407)	(2,817,538)
Dividend	**-**	-	-	-	-
Retained Earnings/(loss)	**(5,690,592)**	(5,077,361)	(4,693,769)	(3,740,607)	(2,900,407)
Non Current Assets	**6,822,496**	6,571,936	5,596,438	5,296,897	4,913,935
current assets	**429,903**	551,372	450,870	464,535	343,831
Current Liabilities	**1,219,677**	1,106,688	695,024	643,483	1,285,338
Defered income	**128,624**	132,710	138,073	143,390	148,546
Non current lliabilities	**4,966,281**	4,575,340	4,404,374	3,313,878	1,373,900
Net Assets	**1,066,442**	1,441,280	947,909	1,804,071	2,449,982
Share Capital	**1,624,761**	1,624,761	1,624,761	1,624,761	1,624,761
Timber Reserve	**3,779,541**	3,594,121	3,376,701	3,220,459	3,063,430
Revaluation Reserve	**1,349,934**	1,297,144	637,258	637,257	659,258
Retained Profit/(Loss)	**(5,690,592)**	(5,077,361)	(4,693,769)	(3,681,606)	(2,900,407)
fair value through OCI reserve	**2,798**	2,616	2,959	3,199	2,940
share holder's funds	**1,066,442**	1,441,280	947,909	1,804,072	2,449,982
Number of shares (000)	**169,501**	169,501	169,501	169,501	169,501
Earning/(Loss)per share (Rs)	**(1.41)**	(1.19)	(4.51)	(3.54)	0.26
Dividend per share (Rs)		-	-	-	-
Net Assets per shares (Rs)	**6.29**	8.50	5.59	10.64	14.45

District Wise Performance					
	2021	2020	2019	2018	2017
Total Production Kgs.					
Madulsima	**3,481,175**	3,663,016	2,668,868	2,750,106	3,105,439
Bogawantalawa	**1,770,960**	1,421,195	1,450,490	1,394,128	1,306,877
Total	**5,252,135**	5,084,211	4,119,358	4,144,234	4,412,315
Estate Crop Kgs					
Madulsima	**2,373,620**	2,285,484	1,718,233	1,653,172	1,798,370
Bogawantalawa	**1,547,992**	1,386,475	1,435,694	1,371,986	1,274,860
Total	**3,921,612**	3,671,959	3,154,197	3,025,158	3,073,229
Yield Kg/ha					
Madulsima	**1,199**	1,110	810	765	831
Bogawantalawa	**1,178**	1,027	1,037	973	903
Total	**1,191**	1,077	900	847	860
COP Rs/kg					
Madulsima	**608.00**	592.57	674.83	626.16	552.40
Bogawantalawa	**762.00**	796.11	804.17	771.30	708.76
Total	**660.00**	649.46	720.37	679.75	623.44
NSA Rskg					
Madulsima	**527.00**	528.97	458.98	519.19	546.50
Bogawantalawa	**569.00**	564.64	476.18	556.14	580.53
Total	**541.00**	539.11	464.90	531.59	572.39
Profit/(Loss)Rs/kg					
Madulsima	**(81.00)**	(63.60)	(215.85)	(106.97)	(5.90)
Bogawantalawa	**(193.00)**	(231.47)	(327.99)	(215.16)	(128.23)
Total	**(119.00)**	(110.35)	(255.47)	(148.16)	(51.05)

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
Cedric Royle Jansz	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 Ninth (29th) Annual General Meeting of the Company will be held as a **"Virtual Meeting" at 10.00 a.m. on Tuesday, 28th June 2022, at the "Mini Auditorium" DCSL, 110, Norris Canal Road, Colombo 10,** Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

- Please delete the inappropriate words

	For	**Against**
1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2021 together with the Auditors' Report thereon		
2) To re-elect Mr D H S Jayawardena who is above the age of 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr D H S Jayawardena who has attended the age of 79 and that he be re-elected a Director of the Company".		
3) To re-elect Dr N M Abdul Gaffar who is above the age of 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Dr N M Abdul Gaffar who has attended the age of 79 and that he be re-elected a Director of the Company".		
4) To re-elect Dr A Shakthevale who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Mr A Shakthevale who has attended the age of 70 and that he be re-elected a Director of the Company".		
5) To re-elect Mr D Hasitha S Jayawardena who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.		
6) To re-elect Mr C R Jansz at the Annual General Meeting in terms of Articles 98 of the Articles of Association as a Director of the Company.		
7) To authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.		

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

……………………………
Signature/s

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.

2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.

3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.

4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.

5. Duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to **bplmplcompanysecretary@gmail.com,** or facsimile on +94 11 2540333 or by post to the registered address of the Company, 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.**

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	: ....

Notes

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