

Interim Financial Statements

Quarter Ended September 30, 2018

Hatton Plantations PLC



Managing Director's Message

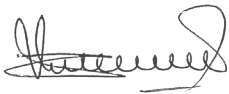
Dear Shareholder,

The performances of the Hatton Plantations Plc (CSE: HPL) were lower than expectation for the period ended 30th September 2018 resulting in a net loss of LKR 24 m. The reported loss is mainly due to the substantial reduction in crop and the drop in tea market, resulted in reduced Net Sales Averages (NSA) achieved at the tea auctions in comparison to the previous year. Other contributory factors were, less number of day light hours as a result of highest rain fall recorded in the last 10 years, industry faces issues relating to the minimum residual levels (MRL) recorded due to unavailability of weedicide, drop in demand from Middle East, Russia and CIS countries. The depreciation of the Sri Lanka Rupee has had both positive and negative effects for the tea industry.

Despite the challenges, HPL will continue to focus on quality with balanced nutrient intake to harness the best in quality parameters. Good agricultural practices put in place would ensure the retention of the tea plant's liquoring characteristics together with its flavour and quality. Our priority will be to ensure our product is fit for the domestic and international markets.

Outlook

Crop at the beginning of the Q3FY19 has been inline with expectation. HPL will endeavor to maintain the Net Sale Average at the highest levels for the remaining period. The wage agreement signed with the Unions has expired on 15th of October 2018 and the industry is in negotiation with the respective unions for a wage settlement that is sustainable.



V Govindasamy
Managing Director
7th November 2018

Statement Of Financial Position

All values are in LKR' 000s, unless otherwise stated
 Figures in brackets indicate deductions

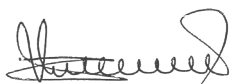
	As at 30.09.2018	As at 31.03.2018 (Audited)
ASSETS		
Non current assets		
Right to use land	108,881	110,918
Immovable estate assets on finance lease (other than land)	58,123	62,369
Property, plant and equipment	1,118,823	1,153,612
Bearer plants	651,541	662,345
Biological assets - consumable	675,039	679,356
Available for sale investments	21,645	21,645
	2,634,052	2,690,245
Current assets		
Inventories	484,378	678,439
Biological assets-crop on bearer plants	28,422	19,891
Trade and other receivables	167,956	185,688
Cash and cash equivalent	172,661	255,493
	853,417	1,139,511
Total assets	3,487,469	3,829,756
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Stated capital	1,803,400	1,803,400
Capital reserve	-	52,798
Retained earnings	64,674	95,457
Total equity	1,868,074	1,951,655
Non-current liabilities		
Borrowings	100,854	151,878
Lease Liability to - SLSPC and JEDB	191,456	193,024
Retirement benefit obligations	631,193	661,290
Deferred income and capital grants	130,723	133,857
Deferred tax liability	106,946	95,646
	1,161,172	1,235,695
Current liabilities		
Borrowings	101,824	101,824
Lease Liability to - SLSPC and JEDB	4,359	4,191
Trade and other payables	352,040	499,794
Current tax liability	-	36,597
	458,223	642,406
Total liabilities	1,619,395	1,878,101
Total equity and liabilities	3,487,469	3,829,756
Net assets per share (LKR.)	7.89	8.25

I certify that the financial statements comply with the requirements of the Companies Act No.7 of 2007.



Senior Manager-Finance

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



Managing Director
7th November 2018



Director

Statement Of Income

All values are in LKR' 000s, unless otherwise stated
Figures in brackets indicate deductions

	Quarter ended	Six months ended
	September 2018	September 2018
Continuing operations		
Revenue	755,897	1,926,751
Cost of sales	(809,436)	(1,862,905)
Gross profit / (loss)	(53,539)	63,846
Other operating income	41,143	64,120
Administrative expenses	(52,659)	(116,847)
Operating profit / (loss)	(65,055)	11,119
Finance cost	(18,356)	(35,740)
Finance income	4,538	10,207
Net finance cost	(13,818)	(25,533)
Profit / (loss) before tax	(78,873)	(14,414)
Income tax expenses	-	(10,000)
Profit / (loss) for the period	(78,873)	(24,414)
Earning per share (LKR.)	(0.33)	(0.10)

Statement Of Comprehensive Income

	Quarter ended	Six months ended
	September 2018	September 2018
Profit/(Loss) for the period	(78,873)	(24,414)
Total comprehensive income for the period	(78,873)	(24,414)
Total comprehensive income attributable to:		
Equity holders of the company	(78,873)	(24,414)
Total comprehensive income for the period (net of tax)	(78,873)	(24,414)

Company Statement Of Changes In Equity

All values are in LKR' 000s, unless otherwise stated
 Figures in brackets indicate deductions

	Stated capital	Capital reserve	Retained earnings	Total equity
Balance as per 1.10.2017	1,803,400	52,798	-	1,856,198
Net profit for the period	-		240,831	240,831
Total comprehensive income			240,831	240,831
Interim dividend paid for the period ended 31/03/2018			(118,333)	(118,333)
Opening stock adjustment			(27,041)	(27,041)
Balance as at 31 March 2018	1,803,400	52,798	95,457	1,951,655
Net profit / (loss) for the period			(24,414)	(24,414)
Dividend paid for the period ended 31/03/2018	-		(59,167)	(59,167)
Transfer to retained earnings	-	(52,798)	52,798	-
Balance as at 30 September 2018	1,803,400	-	64,674	1,868,074

Cash Flow Statement

All values are in LKR' 000s, unless otherwise stated
 Figures in brackets indicate deductions

As at	30.09.2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit / (loss) before tax	(14,414)
Adjustments for :	
Depreciation & amortisation	85,437
Provision for retirement benefit obligations	33,219
Profit on sale of property, plant and equipment	(6,600)
Profit on sale of consumable biological assets	(7,612)
Amortisation of capital grants	(3,134)
Net finance cost	25,533
Profit before working capital changes	112,429
Changes in working capital	
- Inventories	194,061
- Trade and other receivables	17,732
-Biological assets-crop on bearer plants	(8,531)
- Trade and other payables	(147,754)
Cash generated from operations	167,937
Cash flows from operating activities	
Net finance cost	(25,533)
Tax paid	(35,297)
Retirement benefit obligations paid	(63,316)
	(124,146)
Net cash generated from operating activities	43,791
Cash flows from investing activities	
Additions to property, plant and equipment	(17,113)
Additions to Bearer plants	(16,448)
Additions to Consumable biological assets	(263)
Proceeds from sale of PPE	6,600
Proceeds from sale of bearer plants-consumables	12,193
Net cash used in investing activities	(15,031)
Financing activities	
Dividend payment	(59,167)
Repayment of bank borrowings	(51,025)
Repayment of lease principal	(1,400)
Net cash used in financing activities	(111,592)
Net increase /(decrease) in cash & cash equivalent	(82,832)
Movement in cash and cash equivalents	
At the beginning of year	255,493
Increase/(decrease) for the year	(82,832)
At end of the period	172,661

Notes to the Interim Financial Statements

01. Corporate information

Hatton Plantations PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. It is listed on the Colombo Stock Exchange. The Company was incorporated on September 14, 2017 to carry out the existing upcountry tea business of Watawala Plantations PLC (WATA), where all the operational assets and liabilities of the upcountry tea business segment of WATA were segregated by 'arrangement' on September 30, 2017 in terms of the Section 256 of the Companies Act No. 7 of 2007. The company issued 236,666,671 ordinary shares to the existing shareholders of WATA at end of the trading on September 29, 2017. The shares were issued identical to the shareholding in WATA. The registered office of the Company is located at No 60, Dharmapala Mawatha, Colombo 03. The principal activities of the Company during the period continued to be cultivation, manufacture and sale of tea.

02. Approval of financial statements

The Interim Financial Statements of the Company for the period ended September 30, 2018 were authorised for issue by the Board of Directors on November 07, 2018.

03. Basis of preparation

These Interim Financial Statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). Further, provisions of the Companies Act No.7 of 2007 have been considered in preparing these Interim Financial Statements. These Interim Financial Statements have been prepared in compliance with the requirements of the Sri Lanka Accounting Standard - LKAS 34 on 'Interim Financial Reporting'

04. Changes in Accounting policies and Disclosures

The accounting policies adopted in the preparation of the Interim Condensed Financial Statements are consistent with those followed in the preparation of the Annual Financial Statements for the year ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018.

The Company applies SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments for the first time that require restatement of previous Financial Statements. As required by LKAS 34, the nature and effect of these changes are disclosed below.

(a) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS.

The Company adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Company concluded that SLFRS 15 does not have a material impact on the Company's Financial Statements.

(b) SLFRS 9 Financial Instruments

SLFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, paragraph 7.2.16 of SLFRS 9 permits an entity not to apply the requirements of this Standard to interim periods prior to the date of initial application, if it is impracticable.

Based on the "Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements" issued by The Institute of Chartered Accountants of Sri Lanka entities are granted with the option to prepare Interim Financial Statements continuing the application of LKAS 39 with disclosures on impact to the Income Statement and Statement of Profit or Loss and Other Comprehensive Income for the period if SLFRS 9 has been applied.

Accordingly, as permitted by the above SoAT, the Company has prepared the Interim Financial Statements for the quarter ended 30th September 2018 based on LKAS 39.

05. Net assets per share

Net assets per share have been calculated, based on the number of shares issued as per the statement of financial position as at September 30, 2018.

06. No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to the Interim Financial Statements.

07. There has been no change in the contingent liabilities at the quarter end as compared to 31 March 2018

08. All amounts expressed are in Sri Lankan Rupees (LKR.) thousands unless otherwise stated.

09. The Interim Financial Statements are not audited.

Share Trading Information

1 Directors' Shareholdings

The number of shares held by the Board of Directors are as follows:

	As at 30.09.2018	As at 31.03.2018
S G Wijesinha	1	1
V Govindasamy	Nil	Nil
G Sathasivam	Nil	Nil
A N Fernando	1	1
N B Weerasekara	Nil	Nil
L Ramanayake	Nil	Nil
S Mawzoon	Nil	Nil
Predeep Karunagaran (Alternate- T.Siddique)	Nil	Nil

2 TWENTY (20) LARGEST SHAREHOLDERS AS AT

Name	30th September 2018		31st March 2018	
	No of Shares held	% of the holding	No of Shares held	% of the holding
Estate Management Services (Pvt) Ltd	179,034,370	75.65	179,034,370	75.65
M.J.Fernando	11,742,930	4.96	-	-
P.Subasinghe	6,077,339	2.57	-	-
Ayenka Holdings Private Limited	6,000,000	2.54	-	-
K.C.Vignarajah	2,195,935	0.93	2,195,935	0.93
HSBC International Nominees Ltd-SSBT-Deutsche Bank	1,638,551	0.69	1,638,551	0.69
Dr.T.Senthil Verl	1,205,986	0.51	22,953,410	9.70
Vyjayanthi & Company Limited	1,000,000	0.42	1,000,000	0.42
N.Muljie	552,900	0.23	552,900	0.23
Alpex Marine (Pvt) Ltd	550,750	0.23	-	-
M.I.Abdul Hameed	350,000	0.15	350,000	0.15
Cocoshell Activated Carbon Company Limited	305,000	0.13	305,000	0.13
S.Vignarajah	262,539	0.11	262,539	0.11
Union investments private Ltd	262,000	0.11	262,000	0.11
D.S.D. De Lanerolle	210,000	0.09	-	-
D.Dodanwela	175,000	0.07	-	-
C M Holdings PLC	170,000	0.07	170,000	0.07
Best Real Invest Co Services (Private) Limited	160,757	0.07	160,757	0.07
S.Vasudevan	156,388	0.07	-	-
M.M.Hashim	151,900	0.06	151,900	0.06
Sub Total	212,202,345	89.66	209,037,362	88.32
Others	24,464,326	10.34	27,629,309	11.68
Grand Total	236,666,671	100.00	236,666,671	100.00

3 Stated capital

Stated capital is represented by shares in issue as given below:

	As at 30.09.2018	As at 31.03.2018
Ordinary Shares	236,666,670	236,666,670
Golden Share	1	1

4 Market price per share

	As at 30.09.2018	As at 31.03.2018
Highest during the period	8.10	10.70
Lowest during the period	6.60	6.70
Closing price	6.80	7.80
No. of Transactions	593	1,984
No. of Shares Traded	25,552,304	3,358,954
Value of Shares Traded (LKR)	189,898,565	28,994,545

5 Public share holdings

	As at 30.09.2018	As at 31.03.2018
The percentage of shares held by the public	24.35%	24.32%
Number of shareholders representing public share holdings	16,010	15,999

6 Minimum Public holding requirement

	Option	Float adjusted market capi- talization	Public hold- ing Percent- age	No of public shareholders
Listing rule 7.13.1	5	Less than LKR 2.5 bn	20.00%	500
Compliance by HPL	5	LKR 0.392 bn	24.35%	16,010

Corporate Information

Name of the Company

Hatton Plantations PLC

Legal form

Companies Act No. 07 of 2007 and listed on the Colombo Stock Exchange

Date of incorporation

14 September 2017

Registration No

PB 5414 PQ

Financial Period

31 March

Directors

S.G. Wijesinha - Chairman

G. Sathasivam

V. Govindasamy - Managing Director

A.N. Fernando

M.S. Mawzoon

L.D. Ramanayake

N.B. Weerasekera

Pratheepan Karunagaran (Alternate- T.Siddique)

Secretaries

Corporate Advisory Services (Pvt) Ltd.

47, Alexandra Place, Colombo 7, Sri Lanka

Auditors

PricewaterhouseCoopers (Chartered Accountants)

PO Box 918,100,

Braybrooke Place,

Colombo 02

Bankers

Hatton National Bank PLC

Commercial Bank of Ceylon PLC

Seylan Bank PLC

Nations Trust Bank PLC

Lawyers

FJ & G de Saram

(Attorneys-at-Law)

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