

Interim Financial Statements

Year Ended March 31, 2019

Hatton Plantations PLC



Dear Shareholder,

Hatton Plantations PLC (CSE: HPL)

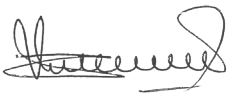
Hatton Plantations PLC reported a Loss of LKR 173mn for the quarter ended 31 March 2019 and LKR 112mn for the year then ended. Depressed tea market and extra provision for retirement benefit obligations severely affected the profitability of the Company.

The market and field conditions were not conducive for the tea industry throughout the year. Declined demand from Japan due to concerns regarding the Minimum Residual Level of the Sri Lankan Tea prevailed for the most part of the year affecting the prices. CTC tea prices also remained low during the year due to higher crop in Kenya. Heavy rains and droughts at different period of the year resulted in a lower crop. The extra provision for retirement benefit obligations amounted to LKR 147mn due to the increase of the daily basic wage from LKR 500 to LKR 700 from the new collective agreement signed in January 2019. Those were the main contributory factors for the losses made in Q4 and for the year.

However, the Company generated cash from operating activities to the tune of LKR 153mn which was utilised for the capital expenditure, Loan settlements and payment of dividends. Company invested LKR 53mn in replanting and property, plant and equipment. Also, settlement of loans and payment of dividend amounted to LKR 107mn and LKR59mn for the year respectively. The year-end cash and cash equivalent stood at LKR 185mn which largely comprise of term deposits with banks.

Outlook

On 28th May 2019, the Sunshine Group divested majority controlling stake of HPL to Lotus Renewable Energy Group (LREG) through the Colombo Stock Exchange at a Price of LKR 8.30 per share. The significant premium over its market value signals the company's strength and positive long term prospects, resulting from decades of sustainable agri practices employed by management. The Company can look forward to an exciting future under the new management of LERG who will be taking over the Company pursuant to their purchasing of the controlling interest of the Company.



Vish Govindasamy
Managing Director
29 May 2019

Statement Of Financial Position

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

	As at	As at
	31.03.2019	31.03.2018
ASSETS		
Non current assets		
Right to use of land	106,843	110,918
Immovable estate assets on finance lease (other than land)	53,878	62,369
Property, plant and equipment	1,042,488	1,153,612
Bearer plants	619,528	662,345
Biological assets - consumable	700,140	679,356
Equity investments at fair value through other comprehensive income	24,686	21,645
Total non-current assets	2,547,563	2,690,245
Current assets		
Inventories	440,351	678,439
Biological assets - un-harvested crops on bearer plants	14,612	19,891
Trade and other receivables	234,952	185,688
Cash and cash equivalents	185,224	255,493
Total current assets	875,139	1,139,511
Total assets	3,422,702	3,829,756
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	1,803,400	1,803,400
Reserve on rearrangement	-	52,798
Reserve on equity investments at FVOCI	3,041	-
Retained earnings	(242,754)	95,457
Total equity	1,563,687	1,951,655
Non-current liabilities		
Borrowings	50,541	151,878
Lease liability to - SLSPC and JEDB	188,664	193,024
Retirement benefit obligations	1,011,911	661,290
Deferred capital grants	127,588	133,857
Deffered tax liability	48,606	95,646
Total non-current liabilities	1,427,310	1,235,695
Current liabilities		
Borrowings	96,277	101,824
Lease liability to - SLSPC and JEDB	4,359	4,191
Trade and other payables	323,634	499,794
Current tax liability	7,435	36,597
Total current liabilities	431,705	642,406
Total liabilities	1,859,015	1,878,101
Total equity and liabilities	3,422,702	3,829,756
Net assets per share (LKR)	6.61	8.25

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

Prasanna Gamage

Deputy General Manager - Finance

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

[Signature]

Managing Director
29 May 2019

[Signature]
Director

Statement Of Income

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

	Quarter ended 31 March			Twelve month ended 31 March		
	2019	2018	Change %	2019	2018	Change %
Continuing operations						
Revenue	1,182,881	1,331,469	-11%	4,039,996	-	
Cost of sales	(1,308,585)	(1,108,692)	18%	(3,945,228)	-	
Gross profit	(125,704)	222,777	-156%	94,768	-	
Other operating income	19,435	23,419	-17%	105,372	-	
Administrative expenses	(84,069)	(47,608)	77%	(259,357)	-	
Other gains/(losses) - net	3,803	32,172	-88%	3,803	-	
Operating profit	(186,535)	230,760	-181%	(55,414)	-	
Finance income	2,339	(17,349)	-113%	16,072	-	
Finance costs	(18,419)	7,980	-331%	(78,460)	-	
Net finance costs	(16,080)	(9,369)	72%	(62,388)	-	
Profit before income tax	(202,615)	221,391	-192%	(117,802)	-	
Income tax expenses	29,713	(74,714)	-140%	5,213	-	
Profit for the period	(172,902)	146,677	-218%	(112,589)	-	
Profit/(loss) per share for losses attributable to the ordinary equity holders of the Company (expressed in LKR per share)						
- Basic earnings per share		0.62		(0.48)	-	

Statement Of Comprehensive Income

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

	Quarter ended 31 March			Twelve month ended 31 March		
	2019	2018	Change %	2019	2018	Change %
Profit for the period	(172,902)	146,677		(112,589)	-	
Other comprehensive income:						
Items that will not be reclassified to profit or loss	-	-		-	-	
Changes in the fair value of equity investments at fair value through other comprehensive income	3,041	-		3,041	-	
Remeasurements of post-employment benefit obligations	(254,945)	-		(254,945)	-	
Income tax relating to these items	35,692	-		(254,945)	-	
Other comprehensive income for the period	(216,212)	-		35,692	-	
Total comprehensive income for the period (net of tax)	(389,114)	146,677		(328,801)	-	

Statement Of Changes In Equity

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

	Stated capital	Reserve on equity instruments at FVOCI	Reserve on re-arrangement	Retained earnings	Total equity
Balance at 1 October 2017	1,803,400	-	52,798	-	1,856,198
Profit for the period	-	-		240,831	240,831
Other comprehensive income	-	-		-	-
Total comprehensive income for the period	-	-		240,831	240,831
Transactions with owners in their capacity as owners:					
Interim dividend paid for the period ended 31 March 2018	-	-		(118,333)	(118,333)
Opening stock adjustment	-	-		(27,041)	(27,041)
	-	-		(145,374)	(145,374)
Balance at 31 March 2018	1,803,400	-	52,798	95,457	1,951,655
Balance at 1 April 2018	1,803,400	-	52,798	95,457	1,951,655
Transferred to retained earnings	-	-	(52,798)	52,798	-
Loss for the year	-	-	-	(112,589)	(112,589)
Other comprehensive income	-	-	-	(219,253)	(219,253)
Total comprehensive income for the year		-	-	(331,842)	(331,842)
Transactions with owners in their capacity as owners:					
Final dividend for the year ended 31 March 2018	-	-		(59,167)	(59,167)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	3,041	-	-	3,041
	-	3,041	-	(59,167)	(56,126)
Balance at 31 March 2019	1,803,400	3,041	-	(242,754)	1,563,687

Statement Of Cash Flows

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

	For the year ended 31 March 2019	Six months ended 31 March 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(117,802)	390,545
Adjustments for :		
Depreciation & amortisation	201,913	74,550
Provision for retirement benefit obligations	200,228	20,618
Profit on sale of property, plant and equipment	(11,591)	(2,503)
Opening balance adjustment	2,317	(27,041)
Timber fair valuation gain	(9,082)	(25,673)
Biological assets-produce crop valuation (gain)/loss	5,279	(3,204)
Fair value adjustment of concessionary loan	-	(3,295)
Amortisation of leasehold right to land	4,075	2,038
Amortisation of capital grants	(6,269)	(3,134)
Finance income	(16,072)	(10,923)
Finance costs	78,460	36,985
Profit before working capital changes	331,456	448,963
Changes in working capital		
- Inventories	238,088	(179,702)
- Trade and other receivables	(39,540)	170,480
- Trade and other payables	(174,828)	140,094
Cash generated from operations	355,176	579,835
Cash flows from operating activities		
Tax paid	(35,297)	(17,471)
Retirement benefit obligations paid	(104,552)	(47,927)
Finance costs	(78,460)	(36,985)
Interest received	16,072	10,923
Net cash generated from operating activities	152,939	488,375
Cash flows from investing activities		
Additions to property, plant and equipment	(49,461)	(50,247)
Additions to Bearer plants	(12,438)	(3,826)
Additions to Consumable biological assets	(28,763)	(13,552)
Proceeds from sale of property, plant and equipment	20,635	2,503
Proceeds from sale of consumable biological assets	17,062	-
Net cash used in investing activities	(52,965)	(65,122)
Financing activities		
Repayment of bank borrowings	(106,884)	(51,215)
Repayment of lease principal	(4,192)	(1,946)
Dividends paid	(59,167)	(118,333)
Net cash used in financing activities	(170,243)	(171,494)
Net (decrease)/increase in cash & cash equivalent	(70,269)	251,759
Movement in cash and cash equivalents		
At the beginning of period	255,493	3,734
(Decrease)/increase for the period	(70,269)	251,759
At end of the period	185,224	255,493
Cash in hand and bank	185,224	255,493
At end of the period	185,224	255,493

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 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 year ended March 31, 2019 were authorised for issue by the Board of Directors on May 29, 2019.

03. Basis of preparation

These Interim Financial Statements of the Company have 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 period ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018.

The Company adopted SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments during the year 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 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 April 2018.

Accordingly available for sale investment were classified as equity investments at fair value through other comprehensive income. Equity investments have been remeasured at fair value and gain or loss recognised in other comprehensive income.

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 March 31, 2019.

- 06.** No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to the Interim Financial Statements.
- 07.** Consequent to the last audited financial statements as at and for the period ended 31 March 2018, bank guarantees amounting to LKR 16.8mn have been issued in favour of Sri Lanka State Plantation Corporation to facilitate purchase of green leaf.
- 08.** The interim financial statements include the gain arising from the valuation of biological assets and actuarial gain/loss on defined benefit plan arising from the year end valuation.
- 09.** The income tax and deferred tax has been calculated at the 14% as per the Inland revenue Act No. 24 of 2017.
- 10.** All amounts expressed are in Sri Lankan Rupees (LKR.) thousands unless otherwise stated.
- 11.** The Interim Financial Statements are not audited.

Share Trading Information

1 Directors' shareholdings

The shares held by the directors of the Company are as follows:

	As at	As at
	31.03.2019	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 Karunakaran (Alternate- T.Siddique)	Nil	Nil

2 Twenty (20) largest shareholders as at

Name	31st March 2019		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	11,732,930	4.96	-	-
P.Subasinghe	6,073,524	2.57	-	-
Ayenka Holdings Private Limited	6,000,000	2.54	-	-
K.C.Vignarajah	2,195,945	0.93	2,195,935	0.93
HSBC International Nominees Ltd-SSBT-Deutsche Bank	1,638,551	0.69	1,638,551	0.69
Vyjayanthi & Company Limited	1,000,000	0.42	1,000,000	0.42
Dr.T.Senthil Verl	640,027	0.27	22,953,410	9.70
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
D.S.D. De Lanerolle	268,720	0.11	-	-
S.Vignarajah	262,824	0.11	262,539	0.11
Union investments private Ltd	262,000	0.11	262,000	0.11
V.V Appoo	195,249	0.08	-	-
C M Holdings PLC	170,000	0.07	170,000	0.07
D.Dodanwela	169,500	0.07	-	-
M.M.A Ameen	162,000	0.07	-	-
Best Real Invest Co Services (Private) Limited	160,757	0.07	160,757	0.07
Sub Total	211,725,047	89.46	208,885,462	88.26
Others	24,941,624	10.54	27,781,209	11.74
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	As at
	31.03.2019	31.03.2018
Ordinary Shares	236,666,670	236,666,670
Golden Share	1	1

4 Market price per share

	As at	As at
	31.03.2019	31.03.2018
Highest during the period	8.00	10.70
Lowest during the period	6.20	6.70
Closing price	6.70	7.80
	Quarter ended 31st March	
	2019	2018
No. of transactions	686	1,984
No. of shares traded	1,530,855	3,358,954
Value of shares traded (LKR)	11,105,065	28,994,545

5 Public share holdings

	As at	As at
	31.03.2019	31.03.2018
The percentage of shares held by the public	24.35%	24.35%
Number of shareholders representing public share holdings	16,043	15,999

6 Minimum Public holding requirement

	Option	Float adjusted market capitalization	Public holding Percentage	No of public shareholders
Listing rule 7.13.1	5	Less than LKR 2.5 Bn	20.00%	500
Compliance by HPL	5	LKR 0.386 Bn	24.35%	16,043

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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