

Heladiv[®]

TEA FROM PARADISE



Vision

Our Vision is to make HVA FOODS PLC a truly global company dealing in every kind of tea & tea based products.

Mission

To drive the flagship brand HELADIV to win customer confidence and loyalty in tea and tea based products in all corners of the world, thereby empowering HVA FOODS PLC to reach its objectives.

Contents

Heladiv - Symbolising Product Excellence and Customer Confidence	2
Chairman's Review	3
Board of Directors	5
Senior Management	7
HVA Group Ethics and Principles of Engagement	8
Corporate Governance	9
Audit Committee Report	11
Remuneration Committee Report	12
Related Party Transactions Review Committee Report	13
Risk Management	15
Report of the Board of Directors	16

FINANCIAL INFORMATION

Independent Auditors' Report	20
Statement of Profit or Loss and Other Comprehensive Income	24
Statement of Financial Position	25
Statement of Changes in Equity	26
Statement of Cash Flows	27
Notes to the Financial Statements	28
Statement of Directors Responsibilities	66
Investor Information	67
Five Year Summary	69
Notice of Meeting	70
Form of Proxy	71
Corporate Information	IBC

About Us

HELADIV stems from the word Heladiva, symbolising a product that is home grown and synonymous with Ceylon Tea. HELADIV also connotes taking pride and distinction in an indigenous product while serving the needs of the modern marketplace.

Registered as a brand in over 40 countries around the world, HELADIV has also been a pioneer in product development in keeping with the dynamic changes taking place in the global marketplace. So much so that it has carved out a special niche for itself in the international arena.

Symbolising Product Excellence and Customer Confidence

All teas packed under the HELADIV brand return with a guarantee of product quality. The Heladiv 'Pure Ceylon Tea' variety is also branded with the Lion emblem, the recognised seal of guarantee for single origin tea blends.

Sri Lanka is an identified 'ozone-friendly' nation compliant with all protocols associated with the reduction of harmful chemicals that consume the ozone layer as well as zero use of prohibited chemicals in Sri Lankan tea plantations. Ceylon tea is currently among the cleanest produced in the world and consequently, the Heladiv 'Pure Ceylon Tea' range proudly carries the ozone friendly Earth Lung logo on its packs.

At the HVA production facility, we have a tendency to observe the 'good earth policy' focusing on the conservation of energy, nominal wastage, usage of waste with zero emissions and therefore the protection of fauna and flora. These principles are inherent within Heladiv and in all we do.

HVA Foods PLC carefully adheres to the company ethics elaborated elsewhere in this annual report. The corporate has enjoyed excellent industrial harmony over the years; an affidavit to our continued application of moral values at each level and therefore the reason why we tend to term our products 'guilt-free'.

Tea could be a fine liquid that helps maintain a balanced life-style. New analysis has emerged on the therapeutic and curative properties of tea, that is taken into account to be wealthy in anti-oxidants. Our analysis and development department continuously analyses our teas to balance taste, observe chemical residue and guarantee purity. Our products are pure and health-supportive and aid in healthy living. this

is often an extra strength when promoting our product through major supermarkets and independent stores around the world. Clear and globally recognised certifications guarantee fair costs to customers and fair trade premiums to the manufacturer.

The Rainforest Alliance Certified seal assures customers that the merchandise they're getting has been fully grown and harvested using environmentally and socially accountable practices. HVA works to conserve diverseness and improve livelihoods by implementing globally recognised sustainability standards in a diversity of business areas.

USDA organic is a labelling term that indicates that food is an agricultural product which is created through approved mechanisms that integrate cultural, biological, and mechanical practices that provide recycling of resources, promote ecological balances and conserve diverseness. Artificial fertilizers, sewage sludge, irradiation and genetic engineering may not be used.

Organic EU adheres to the strictest EU legal provisions for sustainable farming and prime quality food product provision to EU market, responding to citizens growing expectations for food to be environmentally sustainable and healthy. It additionally confirms that the product bearing this logo is not originated through Genetically Modified Organisms (GMO).

"Halal" is an Arabic word which suggests lawful or permissible. Any food or drink that carries this logo is allowable for Muslim consumption. It additionally implies that meat comes from animals slaughtered in accordance with the Shariah law. Therefore products of the HVA cluster are appropriate

for the Muslim population spread around the globe as we don't use any non-permitted ingredients.

Our state-of-the-art producing facility complies with the ISO 22000:2005 food safety management international standards. This certification confirms that each nutrient created in our processes are free from physical, chemical and microbiological hazards through managing our supplier chain. This is achieved through continuous observance of critical control points and maintaining the best degree of fine producing Practices. The system is sporadically assessed internally in addition as by associate certification establishments.



Chairman's Statement



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“The many ambitions of the company are all designed to enhance the value delivered to shareholders and my Board and I trust that you will go on this exciting journey with us. I wish to conclude by quoting Benjamin Disraeli ‘Change is inevitable in a progressive society, Change is constant.’”

Dear shareholders

I am pleased to present the Annual Report and Financial Statements for the year ended 31 March 2020. It was a year of significant challenges for your company, given the external shocks that marked the beginning and end of the financial year.

At the outset, I wish to thank the shareholders for the confidence placed in me by appointing me as Chairman of the Board in January 2021. I accept this position with humility and pledge to carry out my duties with responsibility. I write this message against the backdrop of

the major shareholding of HVA Foods PLC changing hands and shall elaborate further on the strategic imperatives for your company going forward.

SRI LANKAN ECONOMY

We entered the financial year with the Easter Sunday terror attacks rattling the country and the economy, and by the close of the financial year, had entered a lockdown as an initial response to the COVID-19 pandemic, the impact of which has steadily expanded since. Given the economic volatility of the year under

review, it was little surprise that economic growth slowed down to 2.3% in 2019 from 3.3% the previous year. Of the three main economic sectors, the service sector slowed down to grow by 2.3% while agriculture posted a 0.6% growth and industries grew by 2.7%.

Export earnings stood at USD 16.4 Bn during the year under review, while the rupee appreciated 0.6% against the US dollar. The monetary authorities also took a slew of measures to control import expenditure which resulted in the trade deficit narrowing by USD 2,346 Mn to USD 7,997 Mn.

Chairman's Statement

INDUSTRY PERFORMANCE

The Tea Industry continued to face tough operating conditions during the year, particularly the erratic weather patterns which impacted the quality and volumes of leaf produced in the tea growing regions. Total output for 2019 was marginally lower at 300 million kilograms, while tea exports rose by 3.6% year on year to 292 million kilograms earning over USD 1.24 Bn, the second largest export earner contributing to 12.5% of total exports. The highest demand for Ceylon Tea was from Turkey, Russia, Iraq, Iran and China; of concern was the political volatility of the Middle Eastern region and in particular the US sanction on Iran, which resulted in exporters facing payments delays as well as a volume drop from that market.

COMPANY PERFORMANCE

HVA Foods PLC posted a stronger performance during the year ended 31 March 2020, improving profitability despite a drop in turnover to Rs 850 Mn from Rs 1,096 Mn recorded in the previous year. The bottomline improved from a negative Rs 366.9 Mn in 2018/19 to a negative Rs 125.6 Mn in the period under review.

It must be noted that the COVID-19 restrictions imposed a number of challenges for HVA Foods, especially in facilitating the presence of employees on premises. The government subsequently declared tea an essential service in a bid to facilitate smoother operations and business continuity. However, among the operations impacted by the COVID restrictions was the audit for the year ended 31 March 2020, which was delayed due to staff being unable to attend work. We regret the delay in releasing our financial results and resultantly, in the scheduling of this Annual General Meeting.

I also wish to reiterate that your Company resumed operations post-lockdown with all health and safety measures in place to ensure the safety of our employees as well as all other stakeholder we engage with.

CHANGE OF OWNERSHIP

The major ownership of HVA Foods PLC changed hands post-balance sheet date, when in December 2020, George Stuart & Company Limited invested in a controlling stake of 51.1% of ordinary shares. A voluntary offer

was made to shareholders of the company, the details of which have been communicated to the regulator as well as to all shareholders.

The major shareholder is Sri Lanka's oldest mercantile establishment which, during its history of 185 years, has been closely intertwined with Sri Lanka's tea industry from the nascent stages of the very first plantations to being among the top five exporters of Ceylon Tea even today. The Group's extensive operations lend synergies and economies of scale to your company, which will no doubt benefit from the local distribution strength of George Steuarts as well as the communications and branding expertise of its associate companies.

Building a strong global brand will be our overarching focus; this requires the dual inputs of a global network as well as marketing strength. The change in shareholding allows HVA Foods PLC to expand our footprint and amplify our presence, which would in the long term enhance shareholder value.

The Board's immediate priority will be to restructure your company's debt and to take measures to improve its liquidity position. We have formulated a plan of action for improved performance, which takes into cognisance the external realities of the present. I look forward to reporting on its key strategies and progress in my review for the next year.

Covid-19 continues to define the fortunes of economies the world over and the tea industry will share many of those uncertainties. We remain cautiously optimistic of the future, and will stay our course while staying agile to respond effectively to the evolving situation.

APPRECIATIONS

HVA Foods PLC is the brainchild of industry veteran Rohan Fernando, who founded the company and steered it in his uniquely intrepid manner. Rohan has been a true pioneer in the modernisation of the industry offering to suit modern beverage consumption patterns, being the innovator of many tea-based variants. It is his vision and diligence that has resulted in the recognition and respect that HVA enjoys today and I take this opportunity to extend our heartfelt appreciation to him.

His exit as Chairman marks the end of an era for the company but I am indeed pleased that he continues to be an Advisor to the Board to share his intimate knowledge of the tea industry with us as we embark on this next phase of growth.

I wish to extend my gratitude to Mr Dinuk Hettiarachchi who retired from the Board in January 2021 for his services to the company. I warmly welcome Messrs. M. P. D. Cooray, S. A. Ameresekere, W. G. U. I. Ranaweera and C. Hettiarachchi (Executive Director) who were appointed to the Board in January 2021.

PR Secretarial Services (Pvt) Limited will end its tenure as secretaries and registrars to the Company and I take this opportunity to thank them for services rendered.

It is also my duty to express our appreciation of the support always extended by the Tea Board and the many public officials who have facilitated our operations over the years. We look forward to their continued assistance.

Our employees have been the backbone of HVA Foods, working through these difficult times to ensure that the company has delivered on its promises. Their dedication and commitment has been the driving force and I thank each one of them for their contribution to our success.

Finally I wish to thank you, our valued shareholders, for your faith in the company and its management. The many ambitions of the company are all designed to enhance the value delivered to you and my Board and I trust that you will go on this exciting journey with us. I wish to conclude by quoting Benjamin Disraeli "Change is inevitable in a progressive society, Change is constant".



B. S. M. De Silva
Chairman

12th February 2021

Board of Directors

MR. B. S. M. DE SILVA

Chairman

Non Executive / Independent

Mr. De Silva counts over 41 years of experience in the Spice Industry, especially in the Cinnamon Industry and is the Founder Chairman of the Spice Council in Sri Lanka. He has held many positions in the Spice Industry including the Chairmanship of the Export Development Board Advisory Committee on Spices and Allied products, Trade Facilitation and the Ministry of Commerce and Industry Advisory Committee on Spices and Allied products. A member of the National Council of Economic Development (NCED), Export Cluster and member of the steering committee to form the National Competitiveness Council of the Ministry of Finance. Mr. De Silva is also the president of National Chamber of Exporters of Sri Lanka.

He is the Chairman and Managing Director of B. Darsin De Silva & Sons (Pvt) Ltd., and the Chairman of Cinnamon Trading Academy Limited and the Chairman of Ceylinco General Insurance Limited. He was the Chairman and the Managing Director of Intercom Group of Companies until his retirement in 2014.

Mr. De Silva as Founder Chairman of the Ceylon Cinnamon Association was instrumental in highlighting the importance of the Cinnamon Industry over the last three decades. Mr. De Silva counts over 26 years of experience in the Tourism and Leisure Industry with the Serendib Hotels group, and as a Director of Dolphin Hotels PLC and Hotel Sigiriya PLC and several other companies.

He was a Director of the Co-operative Wholesale Establishment (CWE) from 1994 to 2000 and Acting Chairman in 1998; and Chairman of the Committee appointed by the Minister of Trade and Commerce in drafting procurement of the CWE.

MR. A. R. H. FERNANDO

Non-Executive / Non independent

Director

Mr. Fernando has over 42 years of experience in the tea industry and has been successful in developing, promoting and marketing the traditional beverage of tea in many innovative variants over the last several years. Prior to founding his own Company, he began his career as a trainee Tea Taster at Carson, Cumberbatch & Co., Ltd. He was promoted to a Tea Executive in 1979. He joined Brooke Bond Ceylon Limited as a tea buyer where he was promoted to Tea Manager in 1985. In 1982 he spent one year with Brooke Bond Commodities Ltd. in the United Kingdom learning international tea blending and trading. He served on the Colombo Tea Traders Association as a member. He functioned as the President of the National Chamber of Exporters in 2008 and 2009. He is the past chairman and currently a council member of the Tea Exporters Association of Sri Lanka, and also a council member representing the board of the National Chamber of Exporters of Sri Lanka. He also serves as a Director in several organizations including Ceylinco General Insurance Ltd.

MRS. V. S. A. AMUNUGAMA FERNANDO

Director

Non Executive / Non Independent

Mrs. Fernando is a graduate of the Faculty of Law, University of Colombo and an Attorney-at-law by profession. She counts for over 26 years of experience in the field of communication and is the co-founder and Joint Managing Director of the TRIAD group of companies. She also serves on the board of Citrus Leisure PLC and Derana Network of Media Companies.

MR. M. P. D. COORAY

Director

Non-Executive / Independent

Appointed Director in January 2021. Mr. Cooray is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.

He has worked with Ernst & Young for over 40 years of which 30 years was as a Senior Assurance and Talent Partner. He functioned as the Deputy Managing Partner from 2016 to 2019 and served as a member of Ernst & Young's Management Committee from the time the Management Committee was established in 1998 until his retirement in 2019. Mr. Cooray was instrumental in establishing the Ernst & Young Practice in the Republic of Maldives in 1995 and functioned as the Partner responsible for the overall management of the Maldivian Practice from its inception. He represented Sri Lanka and Maldives for a number of years in the EY ASEAN Regional Partner Forum. He was seconded to EY USA for a year, where practical experience was gained by being part of assurance teams that performed audit engagements on several large enterprises.

Mr. Cooray also spearheaded the Ernst and Young Sri Lanka/ Maldives Family Business Centre for Excellence which was instrumental in sending several eminent second generation family members to business schools worldwide. He has also served as a member of the Council of the Chartered Institute of Management Accountants UK.

Mr. Cooray is the Managing Director of Management Systems (Pvt) Ltd and a Director of some of its Subsidiaries. He also serves on the directorates of Hatton National Bank PLC, JAT Holdings (Pvt) Ltd and Life Insurance Corporation (Lanka) Ltd.

Board of Directors

MR. S. A. AMERESEKERE **Non Executive / Non Independent** **Director**

Mr. Ameresekere is Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading communication companies. Triad together with its cluster of companies offer clients an unmatched integrated communication solution.

Mr. Ameresekere is also engaged in the macro management and strategic planning of the Group's diversified portfolio of investments. Accordingly, he plays a pivotal role as a Board Director of George Steuart & Company, Sri Lanka's oldest business entity, established in 1835. Furthermore, he holds several other key positions at Group level including on the boards of its listed entities such as Citrus Leisure PLC.

Qualified in both business and engineering, Sarva has extensive local and foreign exposure in the areas of business, fund management, operations, research and analysis. He holds a Masters in Engineering Management from the University of Southern California, Los Angeles and a Bachelor's Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

MR. C. HETTIARACHCHI **Chief Executive Officer / Executive** **Director**

Mr. Hettiarachchi counts over 17 years of experience in leading multinationals both in Sri Lanka and Australia, with a proven track record in the fields of Marketing and Business Administration as well as establishing and driving start-ups prior to joining HVA Foods PLC as the Chief Marketing Officer in 2018. Mr. Hettiarachchi started his career at Unilever Sri Lanka Ltd as a management trainee and has managed flagship brands such as Pears, Rin and Sunlight. He has also worked in senior management positions in SPC Ardmona (A subsidiary of Coca Cola Amatil Australia) and J H Heinz Co in Australia.

Mr. Hettiarachchi holds a Bachelor's Degree from Manchester Metropolitan University, UK and a Master of Business Administration from La Trobe University Australia.

He is currently serving as an advisory committee member to the Tea Exporters Association and is a council member of the Sri Lanka USA Business Council.

MR. W. G. U. I. RANAWEERA **Non Executive / Non Independent** **Director**

Mr. Ranaweera holds a BA (Hons) in Economics and Business from University of Kent in Canterbury United Kingdom and is an Associate Member of the Chartered Institute of Management Accountants, United Kingdom (ACMA, CGMA).

Currently Mr. Ranaweera holds the position of Group Chief Financial Officer of George Steuart & Company Limited and a Director of several subsidiary companies of George Steuart Group which is the oldest corporate house and one of the largest conglomerated in Sri Lanka diversified into almost every industry.

Prior to above appointment Mr. Ranaweera was the Director/Chief Executive Officer of George Steuart Finance PLC a registered Finance company now known as Prime Finance PLC.

Mr. Ranaweera carries with him several years of experience in the Financial Consultancy and Advisory where he has specialized in Mergers & Acquisitions, Buy side/Sell side Advisory and fund raising for Corporates and SMEs with Private Equity and Venture Capital Funds. His experience in Finance ranges from Banking, Financial Services, Manufacturing, Automative, Consumer Goods, Leisure, Pharmaceutical and Aviation sectors for both international and domestic clients.

Senior Management

CHARITHRA HETTIARACHCHI

CEO / Executive Director

RUKSHAN KURU-UTUMPALA

General Manager, Operations

MAHESH SUBASINGHE

Assistant Finance Manager

HVA Group Ethics and Principles of Engagement

LABOUR ETHICS

The HVA group ensures compliance with all legal parameters needed by the government, in line with the recommendations of the International Labour Organisation (ILO). The HVA Group's labour recruitment policy is unbiased towards gender, race or faith. Furthermore our recruitment policy has provisions to engage differently-abled persons, child labour isn't tolerated and a minimum age of eighteen is obligatory for those securing employment.

STAFF WELFARE ETHICS

At HVA, employees welfare is paramount as we believe our employees are the most vital asset of the corporate. Among our welfare ethics, the following principles and programmes are operational.

WAGES

Staff wages are higher than the minimum level suggested by statute. All workers are entitled to a profit bonus disbursed on a carefully designed format that has been operational for the past five years, without any complaints from the workers. Each year the workers is appraised face to face on an easy but extremely effective format for concurrence on performance and skills.

MEDICAL BENEFITS

The workers have medical insurance for indoor and outdoors treatment. Additionally, a certified doctor visits the Head Office at stipulated time intervals for any medical attention needed by them.

STAFF MEALS

Improving on our previous application of providing a subsidized mid-day meal to the workers, the company has currently extended this facility to cover all three meals to workers throughout their operating hours.

EXTENDED FAMILY BENEFITS

At the start of each year, all kids of workers members are supplied with school text books and accessories as well as medically recommended college baggage, lunch boxes and even shoes to assist and encourage the schooling of those youngsters.

STAFF DIGNITY

The dignity of all workers is secured through a staff access mechanism for the discussion of grievances at numerous levels, expedited by the Human Resource department.

WORKING ENVIRONMENT

All buildings are positioned in such a way as to generate natural light and climate management with a dust free and heat subtle operating surroundings. The massive extent of land in the compound is planted with trees in the manner of a forest garden.

RECYCLING WASTE

All man made waste is recycled at the point of waste generation. Bio-degradable waste is recycled in a large purpose engineered compost tank. Paper, aluminium, plastics and metallic element waste are separated at the purpose of waste and sold to recyclers. Human waste generated within the bathrooms is subject to aerobic and anaerobic activity to interrupt down to water and sludge for straightforward and safe disposal. The cluster operates an outsized organic farm growing fruits and vegetables as a part of its commitment to scale back its carbon footprint. The farm, initiated in 1996, is earmarked for growth into a mega project to supply organic fruits and vegetables for national and international markets. Most of the waste converted to compost within the cluster is used within the organic farm.

SHARP EYE ON DENGUE ERADICATION

The wipeout of dengue has currently become a national priority. In this regard, the corporate, led by the Board of Directors, has enforced an effective programme to regulate and eradicate the dengue epidemic. Daily, weekly and monthly programmes are enforced to examine for dengue breeding places as well as to apply prescribed treatment for wipeout of mosquito larvae.

ENERGY ETHIC

The energy policy of the company helps cut back energy prices in production whereas reducing the draw on the national power supply that is dependent mainly on fossil fuels such as oil and coal. In this regard,

all company buildings are positioned on the east-west solar path to facilitate most illumination throughout the day from 6am to 6pm, requiring very little or no lighting of bulbs. As a result the share of energy value in reference to the turnover of the cluster is less than 0.4%.

RAW MATERIAL SOURCING PRINCIPLES

As an HACCP compliant Company, all raw materials are sourced through a most well-liked supplier list. All teas are purchased through legal means specified and supervised by the Ceylon Tea Traders Association (CTTA) and the Ceylon Tea Board (SLTB). As a result the costs procured tea mirror true worth, thereby activating a trickledown result to the tea farmer and estate workers.

STATUTORY ETHICS

The HVA group together with one of its main subsidiaries, HVA Foods PLC, operate as a public quoted company, and is transparent for public scrutiny. It's the policy of the HVA Group to absolutely comply with all government taxes and levies, employee profit contributions to EPF and ETF funds as well as correct declaration of transactions to the internal and external auditors. By virtue of applying ethics and principles diligently in our day to day operations, the corporate is proud to declare that all our product are ethically produced and guilt-free.

Corporate Governance

The Directors acknowledge their responsibility for the Company's corporate governance and the need to ensure the highest standards of accountability to all stakeholders. HVA Foods PLC is fully committed to the principles of good governance and recognizes that good corporate governance is the cornerstone of a successful organization. The Company is committed to acting with integrity, transparency and fairness in all of its dealings and considerable emphasis is placed by the Board on the development of systems, processes and procedures to ensure the maintenance of high standards throughout the organization.

BOARD OF DIRECTORS

The Board is the highest authority and it provides leadership to achieve the Company's strategic goals and compliance with generally accepted corporate governance practices, the requirements under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka.

COMPOSITION OF THE BOARD

The Board comprises of seven Directors who possess a broad range of skills and experience across a range of skills and experience across a range of industries and functional areas. A detailed profile of each member of the Board appear on pages 05 and 06 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

With effect from 22nd January 2021, the roles of the Chairman and Executive Directors have been separated with a clear distinction of responsibilities, which ensures balance of power and authority.

Mr. B. S. M. De Silva who is an Independent Non-Executive Director is the Chairman of the Board of Directors and Mr. Charithra Hettiarachchi functions as the Chief Executive Officer / Executive Director.

NON-EXECUTIVE DIRECTORS / EXECUTIVE DIRECTORS

Six members of the Board namely the Chairman - Mr. B. S. M. De Silva and Directors - Mr. A. R. H. Fernando, Mrs. V. S. A. Fernando, Mr. M. P. D. Cooray, Mr. S. A. Ameresekere and Mr. W. G. U. I. Ranaweera, are Non-Executive Directors, whilst one Director, Mr Charithra Hettiarachchi, functions as an Executive Director.

INDEPENDENCE OF DIRECTORS

Based on declarations submitted by the Non-Executive Directors, the Board has determined that two Non Executive Directors out of six, namely, Mr. B. S. M. De Silva and Mr. M. P. D. Cooray are "Independent Directors" in terms of Rule 7.10.3 (a).

RETIREMENT OF DIRECTORS

At each Annual General Meeting one third of the Directors except those appointed to the office of Chairman, Deputy Chairman, Chief Executive, Managing or Joint Managing Director or other Executive Director, retire by rotation.

All Directors who are appointed as additional Directors or to fill causal vacancies retire at the next Annual General Meeting following their appointment and offer themselves for re-election by the Shareholders.

BOARD SUB COMMITTEES

In compliance with the Listing Rules of the Colombo Stock Exchange, the Board has formed three Sub Committees – an Audit Committee, a Remuneration Committee and a Related Party Transactions Review Committee.

AUDIT COMMITTEE

The Audit Committee consists of three Non-Executive Directors two of whom are Independent namely, Mr. M. P. D. Cooray (Chairman), Mr. B. S. M. De Silva and Mr. W. G. U. I. Ranaweera. The Chairman of the Committee, Mr. Cooray, is Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United

Kingdom. Mr. W. G. U. I. Ranaweera is a an Associate Member of the Chartered Institute of Management Accountants, United Kingdom (ACMA, CGMA).

The Report of the Audit Committee on page 11 describes the activities carried out by the Committee during the financial year.

REMUNERATION COMMITTEE

The remuneration Committee consists of three Non-Executive Directors two of whom are Independent namely, Mr. B. S. M. De Silva (Chairman), Mr. M. P. D. Cooray and Mr. W. G. U. I. Ranaweera.

The report of the Remuneration Committee on page 12 highlights its main activities.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEES

The Related Party Transactions Review Committee consists of three Non-Executive Directors two of whom are Independent namely, Mr. B. S. M. De Silva (Chairman), Mr. M. P. D. Cooray and Mr. S. A. Ameresekere.

The Report of the Related Party Transactions Review Committee appears on page 13

BOARD / SUB COMMITTEE MEETINGS

The Board of Directors has dedicated adequate time for the fulfillment of their duties as Directors of the Company and members of the Sub Committees.

The Board meets regularly at quarterly intervals and more frequently whenever it is necessary, to ensure the effective discharge of its duties.

The Board reviews strategic and operational issues, approves interim and annual financial statements and annual budgets, assesses performance, internal control risk management and ensures compliance with all statutory and regulatory obligations the Directors are responsible for the formulation of the Company's business strategy and for ensuring an adequate risk management framework.

Corporate Governance

The Board holds responsibility for ensuring that the senior management team possesses the relevant skills and expertise required for the management of the Company and that a suitable succession planning strategy is in place.

Further, procedures are in place for the Directors to seek professional advice at the Company's expense when it is requested by any Board member.

COMPANY SECRETARY

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretary. The Company Secretary maintains minutes of all Board and Sub Committee Meetings and assists in ensuring the Board procedures are followed.

The Company Secretary is also responsible for timely circulation of information and papers related to Board and Sub Committee meetings and advice on matter relating to corporate governance. Board procedures, rules and regulations. All Directors have access to the advice and services of the Company Secretary.

ADVICE AND GUIDANCE TO SENIOR MANAGEMENT

Advice and Guidance is provided to the Senior Management team at monthly performance review meetings which provide an opportunity to evaluate progress and ensure accountability of the Senior Management team. Performance targets for the Senior Management team are set at the beginning of the financial year by the Board which is in line with the short term, medium term and long term objectives of the Company. This is an ongoing process and is reviewed periodically.

INTERNAL CONTROLS

The Board is responsible for the Company's internal controls. In this respect controls are established for safeguarding the Company's assets, making available accurate and timely

information and imposing greater discipline on decision making. The process is strengthened by regular review by the Audit Committee on internal controls and procedures in the areas of finance, operations, human resources, and relevant legal and regulatory compliance.

The Company is ISO 22000:2005 certified. All systems are well documented with clearly defined processes, duties and responsibilities.

COMPLIANCE WITH LAWS AND REGULATIONS

All necessary steps have been taken by the Board and the Management to ensure compliance with all relevant laws and regulations. The services of Lawyers, Auditors and other Consultants are obtained whenever it is necessary, to provide assurance to the Board in this respect.

FINANCIAL REPORTING

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the Sri Lanka Accounting Standards (LKAS / SLFRS) and the relevant Statutes and has established formal and transparent processes for financial reporting and internal controls.

The Statement of Directors' Responsibilities for the Financial Reporting is given on page 66 of this Report.

CORPORATE DISCLOSURES AND SHAREHOLDER RELATIONSHIP

The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public.

Shareholders are provided with Annual Report and, the Company disseminates to the market, Interim Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange.

The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company and its subsidiaries.

COMPLIANCE

The Company has complied with Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on 'Corporate Governance'

By order of the Board of Directors of
HVA FOODS PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

12th February 2021

Audit Committee

The Audit Committee consisted of two independent non-executive directors, Mr. Dinuk Hettiarachchi (Chairman – Chartered Accountant) and Mr. B.S.M. De Silva.

Along with the Audit committee, Head of Finance also attended meetings of the Audit Committee when required.

The Internal audit function is carried out by Ernst & Young, Chartered Accountants. The scope is planned to cover all significant areas of operations in a twelve month cycle. The Internal Audit observations were discussed with Management and corrective action taken as appropriate.

Management is required to furnish a quarterly compliance certificate which provides confirmation of compliance with Company policies covering all operations of the Company including preparation of financial statements, the control and safeguarding of company assets (including adequate insurance cover) and maintenance of adequate liquidity. The Audit Committee reviewed the quarterly financial statements prepared by Management and recommended their publication and submission to the CSE.

The Audit Committee met with the external auditors, BDO Partners, Chartered Accountants and discussed the significant audit observations and recommendations. Compliance with SLFRS was achieved in consultation with BDO Partners. The Audit Committee is satisfied that BDO Partners maintains its independence as external auditors.

In addition to reviewing internal audit reports and compliance certificates on an ongoing basis and ensuring appropriate corrective action, the Audit Committee met twice during the accounting period.

APPOINTMENT OF THE NEW COMMITTEE MEMBERS

The new Audit Committee was appointed by the Board of Directors on 22nd January 2021 and reports directly to the Board. The Committee comprises of three

members: Two Non-Executive/ Independent directors (including the Chairman) and one Non-Executive/ Non Independent director.

Mr. M. P. D. Cooray - Non Executive/ Independent Director appointed as Chairman of the Committee w.e.f 22nd January 2021

Mr. B. S. M. De Silva - Non Executive/ Independent Director appointed to the Committee w.e.f 22nd January 2021

Mr. W. G. U. I. Ranaweera - Non Executive / Non Independent Director appointed to the Committee w.e.f 22nd January 2021

The Auditors were provided with the opportunity of meeting the Non-Executive Directors separately without any Executive Officer present, to ensure that the Auditors had the unrestricted opportunity to discuss and express their opinions on any relevant matter. This process assured the committee that the management has fully cooperated in providing the information and explanations requested by the Auditors.

CONCLUSION

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing the risks provide reasonable assurance regarding the reliability of financial reporting of the company, that the assets are safeguarded and that all relevant laws, rules, regulations, code of ethics and standards of conduct have been followed.



M. P. D. Cooray
Chairman – Audit Committee

Colombo, Sri Lanka
12th February 2021

Remuneration Committee

The Remuneration Committee consisted of two Non-Executive Independent Directors namely Mr. B. S. M. De Silva (Chairman) and Mr Dinuk Hettiarachchi. (till 22nd January 2021) The Committee, which was chaired by Mr. B. S. M. De Silva, and met twice during the financial year under consideration and has recommended to the Board of Directors revisions to the remuneration of the Board of Directors, the committees appointed by the Board, and advised on the policy with respect to staff increments. The Committee is mindful of the fact that the remuneration of the Executive and Non-executive Directors should reflect market expectations and should be sufficient to attract and retain the quality of staff needed to run the Company. The remuneration policy of the company is determined considering the following factors,

- Annual Increments are given to all confirmed employees (prorated less than one year) unless there is an issue of impropriety or misconduct that is being investigated
- The overall cost of the increments is treated as a guideline taking into the account the profitability of the company
- Increments are granted based on the performance of the staff and their contribution for which the views of the supervising staff are noted
- Annual bonuses are granted in line with industry norms and realized profits
- The remuneration was paid to the executive and non- executive directors.

APPOINTMENT OF THE NEW COMMITTEE MEMBERS

The New Remuneration Committee was appointed by the Board of Directors on 22nd January 2021 and reports directly to the Board. The Committee comprises of three members: Two Non-Executive/ Independent directors (including the Chairman) and one Non-Executive/ Non Independent director.

Mr. B. S. M. De Silva - Non Executive / Independent Director appointed as Chairman of the Committee w.e.f 22nd January 2021

Mr. M. P. D. Cooray - Non Executive / Independent Director appointed to the Committee w.e.f 22nd January 2021

Mr. W. G. U. I. Ranaweera- Non Executive / Non Independent Director appointed to the Committee w.e.f 22nd January 2021



B. S. M. De Silva
Chairman – Remuneration Committee

Colombo, Sri Lanka.
12th February 2021

Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) was appointed by the board of directors of the company on 6th February 2015 and report directly to the Board. The Committee comprise of three members. Two are non-executive Directors who are deemed independent.

The Composition of the members of Related Party Transaction Review Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed Companies.

The Members of the Related Party

Transactions Review Committee: (till 22nd January 2021)

- Mr. B. S. M. De Silva - Chairman
- Mr. A. R. H. Fernando
- Mr. Dinuk Hettiarachchi

SCOPE

- The RPTRC was formed by the Board to assist the Board in reviewing all related party Transactions (RPT) carried out by the Company. The Mandate of the Committee includes inter-alia the assurance of the following".
- Devolving and recommending for adoption by the Board of Directors of the Company and its subsidiaries, a RPT Policy consistent with what has been proposed by the CSE.
- Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing requirement of the CSE.
- Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirement of the CSE.

- The Committee will schedule quarterly meetings to review and report to the Board, on matters involving RPT falling under its terms of Reference.

POLICIES AND PROCEDURES

The related party transactions between HVA Foods PLC and HVA Lanka Exports (Pvt) Ltd during the accounting period were as follows;

HVA Lanka Exports (Pvt) Ltd exports teas in bulk to overseas buyers. Such teas are processed in facility owned by HVA Foods PLC. HVA Lanka Exports (Pvt) Ltd has no facilities of its own to carry out these tasks. The expenditure attributable to the processing of teas exported by HVA Lanka Exports (Pvt) Ltd is ascertained as follows,

Direct expenditure – cost of tea, packing materials and direct labor

Overheads – labor hours, volume basis or turnover basis as appropriate.

In addition, HVA Foods PLC charges interest from HVA Lanka Exports (Pvt) Ltd on its current account balance at the current repo rate. However Company has ceased the practice of charging interest between two parties w.e.f 01.01.2019.

MEETINGS

The Related Party Transaction Review Committee (RPTRC) held four meetings during the year under review. The Committee adopted policies and procedures for reviewing the related party transactions at each quarterly meeting and identifying & reporting on recurrent & Non recurrent transactions to be in line with the applicable CSE Rules.

The Committee noted that there were no changes to practices followed over the year and general Terms and Related Parties are similar to those entered into with non – related parties.

The Committee re-viewed the related party transactions and their compliances of HVA Foods PLC and communicated the same to board. The Committee in its re-view process recognized the adequacy of the content and quality of the information forwarded to its members by the management.

All details of such related party transactions entered in to during the year are given in Note

18 to the Financial Statements on page 49 of this Annual Report.

APPOINTMENT OF THE NEW COMMITTEE MEMBERS

The New Related Party Transactions Committee was appointed by the Board of Directors on 22nd January 2021 and reports directly to the Board. The Committee comprises of three members: Two Non-Executive/ Independent directors (including the Chairman) and one Non-Executive/ Non Independent director.

Mr. M. P. D. Cooray - Non Executive / Independent Director appointed as Chairman of the Committee w.e.f 22nd January 2021

Mr. B. S. M. De Silva - Non Executive / Independent Director appointed to the Committee w.e.f 22nd January 2021

Mr. S. A. Ameresekere - Non Executive / Non Independent Director appointed to the Committee w.e.f 22nd January 2021

RELATED PARTY TRANSACTIONS DURING THE YEAR

The activities and observations of the Committee are communicated to the Board. During the year, there were no non-recurrent Related Party Transactions and recurrent Related Party Transactions did not exceed 10% thresholds mentioned in the Listing Rules. Details of other Related Party

Related Party Transactions Review Committee

Transactions entered into by the Company during the year is disclosed in Note 18 to the Financial Statements.

DECLARATION

The Board of Directors confirm that the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

COMMITTEE EVALUATION

The Board conducted the annual evaluation of the Committee during the year and the review concluded that the Committee continues to operate effectively.



M. P. D. Cooray

Chairman – Related Party Transaction Review
Committee

Colombo, Sri Lanka
12th February 2021

Risk Management

The Company takes the foot up approach to risk administration, which empowers workers at all levels to contribute and be a portion of the risk administration handle. Outlined depiction of key hazard components recognized are specified below.

MARKET RISK

Company operates globally thus they created a policy of geographical diversification on exports sales. Managers assigned supported separate hubs that positions based on the world tea consumers of the Company. Such Managers confine closely in touch with foreign agents/buyers (inter alia) by creating periodic visits to foreign markets. Further, the company operates in domestic markets through native distributors, supermarkets and HTC cafés. Constant and active awareness of adjusting market conditions is the key to mitigating such risks.

SUPPLY RISK

Individual business units constantly monitor changes in actual and potential provide sources and take acceptable action to scale back exposure to factors like adverse movements in material value. every now and then of high price fluctuations material inputs are managed to scale back the impact on relationships with the customers.

CREDIT RISK

The main objective is to cut back the impact on the Company from potential default by outstanding debtors among the present competitive business atmosphere. the company evaluates the credit-worthiness of shoppers at the pre-shipment stage and maintains applicable credit administration, analysis and observance procedures. credit insurance policies obtained from the Sri Lanka Export Credit Insurance Corporation in addition cover the risks addressed under this category wherever requisite.

LIQUIDITY RISK

HVA Foods PLC manages liquidity by endeavouring to invariably have adequate liquidity to satisfy its liabilities when they fall due. It maintains cash and money equivalents at a level surpassing expected

cash outflows (other than on trade payables) in the immediate future, and closely monitors the quantity of expected assets and trade liabilities. in addition, it maintains unutilised lines of credit up to meet any unforeseen circumstance.

EXCHANGE RATE RISK

Most of HVA Foods PLC revenue is generated in foreign currency. Exposure to fluctuations within the relative values of these currencies is substantial. Company's exchange payments are matched against export receipts making a natural hedge. it's the HVA Foods PLC policy to not have interaction in foreign currency speculation.

OPERATIONAL RISK

This class of risk arises as a results of business process errors, systems and procedural failures, natural disasters, human error, non-compliance with internal policies and external laws and rules and fraud. although such risks cannot be completely avoided, HVA Foods PLC strives to reduce them by actively evaluating and refining its internal controls and reviewing its operational processes.

At HVA Foods PLC, audits on internal controls are carried out by internal auditors ernst & Young, that reports findings relating to control weaknesses and non-compliance to the Audit Committee. The Audit Committee oversees the effectiveness of the Company's internal controls HVA Foods PLC is committed to 'Business Continuity Planning' (BCP), by suggests that of that operational risks flowing from a disaster are managed by early preparation. The BCP process at HVA Foods PLC considers every division on an individual basis, with the aim of facilitating business recovery among the shortest possible time, and with decrease of any adverse impact on stakeholder worth.

HUMAN RESOURCES

Risks connected to human resources are managed to mitigate operational risks for the corporate. coaching of workers and key operational personnel and structured performance appraisal processes are in place.

IT SYSTEMS

Geographically separate locations from the head office are given on-line systems access for observance and controlling functions. Such access is subject to adequate controls to prevent unauthorised access.

The Company has taken measures for on-line and offline backup procedures for application information storage. additionally alternative security measures have also been enforced through firewall and virus protection.

REPUTATION RISK

The name of HVA Foods PLC is of utmost importance in maintaining and increasing business. HVA Foods PLC strongly believes that the success it's achieved is primarily thanks to our concentrate on high standards of integrity altogether activities. A series of rigorous quality control are in place to confirm that customers receive merchandise and services that are up to expected standards. the company strives to create merchandise unique and as tough as possible to counterfeit.

LEGAL AND REGULATION RISK

The Company's policy is to confirm strict compliance with legal and regulative necessities and to establish a name for integrity altogether its dealings. Such policies are strictly enforced throughout the organisation by making certain that workers at all levels are created responsive to the Company's commitment during this regard.

Report of the Board of Directors

The Directors of HVA Foods PLC, have pleasure in submitting their Report together with the audited Financial Statements of the Company for the year ended 31st March 2020 and the Auditors' Report thereon.

PRINCIPAL ACTIVITIES

During the year under review the principal activities of the Company were processing, packing and export of value added teas. The Company was also engaged in the development, manufacture and distribution of tea extract-based products, contract packing of teas and franchise operations of tea cafes. The Company's wholly owned subsidiary is the owner of the worldwide franchise for the 'HeladiV' trademark. During the year under review the Company was a subsidiary of the HVA Lanka Exports (Pvt) Ltd, which is principally involved in exporting bulk tea.

COMPANY PERFORMANCE

Company recorded consolidated revenue of Rs 0.8 Bn as against the 1 Bn achieved in the previous year. USA/Canada and Middle East & Africa regional exports performed satisfactorily when compared with previous year turnover. But Russia & the CIS states, Far East/Asia and Europe region generated lower than the expected revenue. During the year turnover of the company decreased by 14% compared to the previous year. The company has decreased Gross profit margin to 10% compared to the level of 9% previous year. Distribution expenses were increased by 55.1 % in comparison to the previous year. Reported loss before tax was Rs 141.4 Mn and the effect of relevant tax for the period amounted to positive Rs 15.7 Mn. After all the aforementioned expenses and charges, the company recorded an after-tax loss of Rs. 125.6 Mn and a negative comprehensive income of Rs. 123.2 Mn during the year. Statement of Profit or Loss and Other Comprehensive Income of the company are set out on page 24 of the Annual Report.

FINANCIAL STATEMENTS

The complete Financial Statements of the Company duly signed by two Directors of the Company are given on pages 24 to 65.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 20 to 23.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of financial statements are given on pages 28 to 65.

STATED CAPITAL

The stated capital of the Company as at 31st March 2020 is Rs. 333,857,588/- (66,428,660 ordinary shares). There were no changes in the Stated Capital of the Company during the year.

DIRECTORS' INTEREST REGISTER

The Company maintains a Directors' Interest Register as required by the Companies Act No. 07 of 2007. The information pertaining to Directors' interest in contracts and their share ownership are disclosed in the Interest Register.

- a) Directors' Remuneration and Other Benefits
Directors' Remuneration in respect of the Company for the financial year ended 31st March 2020 is Rs.12,768,000 /- (2018/2019 – Rs. 15,803,655/-).
- b) Related Party Disclosures Directors have disclosed Related Party transactions in terms of the Sri Lanka Accounting Standards – LKAS 24 and such transactions are given in Note 35 on pages 62 to 63 of the Annual Report.

TRANSFERRING OF COMMON EXPENSES

Expenses common to both HVA Lanka Exports (Pvt) Ltd and HVA Foods PLC are apportioned on the basis set out in para. 35.3.1. Interest on the balances owing to HVA Foods PLC charged at the current repo rate.

MATERIAL ISSUES PERTAINING TO EMPLOYEES

There are no material issues pertaining to employees.

PROPERTY, PLANT AND EQUIPMENT

Analysis of the Property, Plant and Equipment of the Company is disclosed in Note 12 to the Financial Statements on pages 43 to 46.

The valuation details of the Land and Building are given in Note 12.7 on page 45. The revalued Land & Buildings are located at 39A, Linton Road, Kandana.

MATERIAL FORESEEABLE RISK FACTOR

Foreseeable trading risk has been addressed and covered adequately. A separate report on risk management is disclosed on page 15.

INVESTMENTS AND FINANCIAL INSTRUMENTS

Details of investments and financial instruments held by the Company are disclosed in Note 13 & 16 to the Financial Statements on pages 46 to 48.

DIRECTORS

The Directors of the Company as at 31st March 2020 were as follows:

Mr. A. R. H. Fernando
Mrs. V. S. A. Fernando
Mr. B. S. M. De Silva - Non Executive / Independent Director
Mr. Dinuk Hettiarachchi

RESIGNATION OF DIRECTORS

Mr. Dinuk Hettiarachchi resigned from the Board of the Company on 22nd January 2021.

APPOINTMENT OF DIRECTORS

The following directors were appointed with effective from 22nd January 2021

Mr. M. P. D. Cooray - Non Executive / Independent Director
Mr. S. A. Amarasekera - Non Executive / Non Independent Director
Mr. W. G. U. I. Ranaweera - Non Executive / Non Independent Director
Mr. C. Hettiarachchi-CEO - Executive Director

These directors will retire at the Annual General Meeting in terms of Article 95 of Articles of Association and being eligible are recommended by Board for re-election.

RETIREMENT BY ROTATION

Mrs. V. S. A. Fernando who retires by rotation in terms of Article 88(1) of the Articles of Association of the Company and being eligible, is recommended by Directors for re-election as a Director of the Company.

CHANGE OF CHAIRMAN

Mr. A.R.H. Fernando relinquished his office as the Chairman of the Company and as an Executive Director with effect from 22nd January 2021 and remains as Non-Executive/ Non Independent Director. And Mr B S M De Silva (Non Executive/ Independent Director) was appointed as the Chairman of the Company with effect from 22nd January 2021.

DIRECTORS INTEREST IN SHARES OF THE COMPANY

(a) Direct Interest

Name of the Director	31/03/2020	31/03/2019
Mr. B. M. S. De Silva (with Acuity Partners (Pvt.) Ltd)	800	800
Mr. A. R. H. Fernando	533,625	37,257
Mrs. V. S. A. Fernando	Nil	Nil
Mr. M. P. D. Cooray	Nil	Nil
Mr. S. A. Ameresekere	Nil	Nil
Mr. W. G. U. I. Ranaweera	Nil	Nil
Mr. C. Hettiarachchi	Nil	Nil

(b) Indirect Interest

During the year under review 61.1% of the shares of HVA Foods PLC were held by HVA Lanka Exports (Pvt) Ltd. The Shares of HVA Lanka Exports (Pvt) Ltd are owned by Mr. A. R. H. Fernando (Chairman) and Mrs. V. S. Amunugama Fernando (Non – Executive Director) with 7,602,029 shares and 01 shares respectively. As at the reporting date HVA Lanka Exports (Pvt) Ltd shareholding in the Company has reduced to 10%.

DONATIONS

The Company did not make any donations during the year under review (2018/2019 – Rs. 147,855/-).

SHAREHOLDERS

The distribution and analysis of shareholdings, Categories of Shareholders and 20 Largest Shareholders of the company as at 31st March 2020 are disclosed with investor information on page 67.

PUBLIC HOLDING PERCENTAGE

The percentage of public shareholding as at 31st March 2020 is 38.095% (25,761,932 shares).

AUDITORS

The accounts for the year ended 31st March 2020 have been audited by Messrs. BDO Partners Chartered Accountants, who offers themselves for re-appointment. In accordance with the Companies Act No.7 of 2007 a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs. BDO Partners Chartered Accountants were paid Rs. 1,272,000/- as audit fees by the Company.

As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors also do not have any interest in the Company.

CAPITAL COMMITMENTS

There were no material capital expenditure commitments other than those disclosed in Note 37 on page 64 to the Financial Statements.

CONTINGENT LIABILITIES

Details of Contingent Liabilities as at 31st March 2020 are set out in Note 37 on page 64 to the Financial Statements.

DIVIDEND

The Board of Directors of the Company do not recommend a dividend for the year under review.

EVENTS AFTER THE REPORTING DATE

In the opinion of the Directors, except for the matters mentioned in note 36 on page 64, no item, transaction or event of an unusual nature has taken place between the financial year ended and the date of the report that would materially affect the results of the Company for the financial year in respect of which this report is made.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risk faced by the Company.

GOING CONCERN

The Board of directors after considering the financial position, operating conditions, regulatory and other factors has a reasonable expectation that the company and its subsidiary possess adequate resources to continue its operations without any disruptions in the foreseeable future. Accordingly, the financial statements of the company and its subsidiary are prepared based on the going concern concept.

ENVIRONMENTAL PROTECTION

To the best of the knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment. The directors also confirm that to the best of their knowledge and belief that the Company has complied with the relevant environment laws and regulations.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange. An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board Sub Committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows:

Report of the Board of Directors

AUDIT COMMITTEE

Mr. M. P. D. Cooray - Non Executive / Independent Director appointed as Chairman of the Committee w.e.f 22nd January 2021

Mr. B. S. M. De Silva - Non Executive / Independent Director appointed to the Committee w.e.f 22nd January 2021

Mr. W. G. U. I. Ranaweera - Non Executive / Non Independent Director appointed to the Committee w.e.f 22nd January 2021

REMUNERATION COMMITTEE

Mr. B. S. M. De Silva - Non Executive / Independent Director appointed as Chairman of the Committee w.e.f 22nd January 2021

Mr. M. P. D. Cooray - Non Executive / Independent Director appointed to the Committee w.e.f 22nd January 2021

Mr. W. G. U. I. Ranaweera - Non Executive / Non Independent Director appointed to the Committee w.e.f 22nd January 2021

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. M. P. D. Cooray - Non Executive / Independent Director appointed as Chairman of the Committee w.e.f 22nd January 2021

Mr. B. S. M. De Silva - Non Executive / Independent Director appointed to the Committee w.e.f 22nd January 2021

Mr. S. A. Ameresekere - Non Executive / Non Independent Director appointed to the Committee w.e.f 22nd January 2021



B. S. M. De Silva
Chairman



M. P. D. Cooray
Non Executive/ Independent Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo, Sri Lanka
12th February 2021

Financial Information

Independent Auditors' Report	20
Statement of Profit or Loss and Other Comprehensive Income	24
Statement of Financial Position	25
Statement of Changes in Equity	26
Statement of Cash Flows	27
Notes to the Financial Statements	28

Independent Auditors' Report



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

TO THE SHAREHOLDERS OF HVA FOODS PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HVA Foods PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 28 to 65.

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

a) Carrying Value of Inventories

Refer to the accounting policies in "Note 3.8 to the financial statements: Inventories", "Note 15 to the financial statements: Inventories"

Basis for Opinion

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

Key Audit Matters

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

Risk Description	Our responses
<p>As shown in Note 15, the Group holds inventory of Rs. 112,854,431/- and management judgment is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs.</p> <p>A risk surrounding the carrying value of inventory when compared to the net realizable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete, and damaged inventory involves estimates and judgments, considering forecast sales and historical usage of information.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none">Evaluating the design and implementation of the Group's key controls relating to the existence of inventory quantities and assessment of inventory valuation and inventory provisioning.Attending to the inventory physical count conducted by the management and performing the following procedures:<ul style="list-style-type: none">Observing management's inventory count procedures to assess compliance with Group's policy and proper conduct of the count.Making inquiries regarding obsolete inventory items and inspecting the condition of items counted.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA.
R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCSI (UK). M.N. Mohamed Nabeel ACA. D. Jerad N. Dias ACA.
Madhura V. De Silva FCA, MSc.

Risk Description	Our responses
<p>Further, determination of whether inventories will be realized at the stated amounts, especially considering the COVID 19 outbreak, requires management to exercise judgments and apply assumptions relating to realization of inventories considering the markets where inventories are sold.</p>	<ul style="list-style-type: none"> ▪ Comparing the quantities counted to the quantities recorded including, testing the accuracy of roll-back computations carried out to arrive at the quantities as of the reporting date. ▪ On a sample basis, testing the accuracy of valuation of raw materials, work in progress and finished goods, bearing in mind the appropriateness of costing methods used and absorption rates applied. ▪ Inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory provision by the Group. ▪ Inquiring from the management with regards to the impact of COVID 19 outbreak on the sales and verify whether there have been inventories not sold or sold at a lesser price due to COVID 19 outbreak. ▪ Assessing whether the Group's policies had been consistently applied and the adequacy of the financial statements disclosures in respect of the judgment and estimation made for inventory provisioning.

b) Impairment Assessment on the Intangible Assets of Trademark

Refer to the accounting policies in "Note 3.5 to the financial statements: Intangible assets of trade mark", "Note 14 to the financial statements: Intangible assets".

Risk Description	Our responses
<p>The financial statements include intangible assets of Trade mark on consolidation with infinite useful life. It represents the excess of the cost of the business combination over the fair value of identifiable net assets of the subsidiary company.</p> <p>Trade mark is subject to an annual impairment test using significant estimates as disclosed in Note 14 to the financial statements.</p> <p>We identified the assessment of potential impairment of trademark as a key audit matter because the year-end impairment assessment performed by the management contains certain judgemental assumptions which could be subject to management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> ▪ Assessing the accuracy of royalty rates for the respective market segment based on valuation report given by the external specialist at the time of acquisition. ▪ Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Group and experience of the industry in which it operates. ▪ Challenging management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the subsidiary operations and compared them against historical forecasts and performance and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied. ▪ Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models. ▪ Assessing whether the impact of COVID 19 outbreak has been considered when preparing impairment assessment and evaluating the reasonableness of assumptions and judgments made in this regard. ▪ Assessing the adequacy of the disclosures in the financial statements.

Independent Auditors' Report



c) Management's Assessment of impact of COVID-19 pandemic on the Group

Risk Description	Our responses
<p>Management has assessed the impact of the COVID-19 pandemic on its business and financial statements of the Group as disclosed in Notes 36 and 38.</p> <p>Such events presented a unique set of circumstances, which preparers and those charged with governance must ensure are sufficiently disclosed in the financial statements.</p> <p>We considered such management's assessment in the wake of COVID-19 pandemic as a key audit matter, since it involved the use of significant management judgments and estimates considering future events, circumstances, and impact on cash flows.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> ▪ Obtaining the management's assessment on the COVID 19 impact on the Group operations and evaluated the mitigative actions suggested by the Group to overcome the unfavourable conditions and circumstances. ▪ Analysing and assessing the future cash flow forecast of the Company/Group considering the future orders secured by the Company/Group and cost minimization strategies implemented, subsequent to the reporting date. ▪ Reviewing the interim financial statements and ensuring that financial performance and financial position have reasonably been improved from the reporting date. ▪ Inspecting the facility agreements for the Group's interest-bearing loans and assessed the Group's compliance with the covenants in understanding the availability of adequate funding. ▪ Discussing with the management of George Steuart and Company Limited, the major share holder / parent entity of the Company to ensure that they will provide their commitment towards the progress of the Group. ▪ Assessing the adequacy of the disclosures in the financial statements associated with the implications of COVID 19 on the operations of the Group.

Other Information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as the 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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant 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 3890.



CHARTERED ACCOUNTANTS

Colombo

08th February, 2021

Statement of Profit or Loss and Other Comprehensive Income

All amounts in Sri Lanka Rupees

For the year ended 31 March	Note	Group		Company	
		2020	2019	2020	2019
Revenue	5	850,380,041	1,096,941,641	850,380,041	1,096,941,641
Cost of sales		(763,337,326)	(998,050,035)	(763,337,326)	(998,050,035)
Gross profit		87,042,715	98,891,606	87,042,715	98,891,606
Other operating income	7	19,868,890	24,053,137	19,868,890	24,053,137
Distribution expenses		(18,447,804)	(12,170,785)	(18,447,804)	(12,170,785)
Administration expenses		(114,420,512)	(413,266,058)	(114,406,312)	(413,255,058)
Results from operating activities	8	(25,956,711)	(302,492,100)	(25,942,511)	(302,481,100)
Net finance expenses	9	(115,469,103)	(73,712,721)	(115,464,904)	(73,711,621)
Loss before income tax		(141,425,814)	(376,204,821)	(141,407,415)	(376,192,721)
Income tax expense	10	15,797,559	9,210,718	15,797,559	9,210,718
Loss for the year		(125,628,255)	(366,994,103)	(125,609,856)	(366,982,003)
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Actuarial gain on retirement benefit obligations	25	2,688,754	593,246	2,688,754	593,246
Revaluation gain of property, plant and equipment	23	-	29,395,856	-	29,395,856
Tax on other comprehensive income	23 & 24	(293,372)	(3,071,442)	(293,372)	(3,071,442)
Total other comprehensive income		2,395,382	26,917,660	2,395,382	26,917,660
Total comprehensive income/(expense) for the year		(123,232,873)	(340,076,443)	(123,214,474)	(340,064,343)
Loss attributable to;					
Owners of the Company		(125,628,255)	(366,994,103)	(125,609,856)	(366,982,003)
Non-controlling interest		-	-	-	-
Loss for the year		(125,628,255)	(366,994,103)	(125,609,856)	(366,982,003)
Total comprehensive income/(expense) attributable to;					
Owners of the Company		(123,232,873)	(340,076,443)	(123,214,474)	(340,064,343)
Non-controlling interest		-	-	-	-
Total comprehensive income/(expense) for the year		(123,232,873)	(340,076,443)	(123,214,474)	(340,064,343)
Basic earning/(loss) per share	11	(1.89)	(5.52)	(1.89)	(5.52)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 28 to 65 are an integral part of these financial statements.

Statement of Financial Position

All amounts in Sri Lanka Rupees

As at 31 March	Note	Group		Company	
		2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment	12	367,597,459	381,798,856	367,597,459	381,798,856
Investment in subsidiary	13	-	-	45,000,001	45,000,001
Intangible assets	14	47,731,337	47,696,337	2,792,340	2,757,340
Deferred tax assets	28	9,201,726	-	9,201,726	-
Total non-current assets		424,530,522	429,495,193	424,591,526	429,556,197
Current assets					
Inventories	15	112,854,431	95,718,528	112,854,431	95,718,528
Financial assets - Fair value through profit or loss	16	1,383,406	1,668,907	1,383,406	1,668,907
Trade receivables	17	238,773,701	334,179,012	238,773,701	334,179,012
Amounts due from related parties	18	42,512,545	67,084,448	42,622,745	67,150,448
Pre-payments and other receivables	19	20,954,468	22,058,751	20,954,468	22,058,751
Deposits and advances	20	14,099,263	33,880,921	14,099,263	33,880,921
Income tax recoverable	32	375,545	506,628	375,545	506,628
Cash and cash equivalents	21	34,757,655	85,757,591	34,743,750	85,739,487
Total current assets		465,711,014	640,854,786	465,807,309	640,902,682
Total assets		890,241,536	1,070,349,979	890,398,835	1,070,458,879
EQUITY AND LIABILITIES					
Stated capital	22	333,857,588	333,857,588	333,857,588	333,857,588
Revaluation reserve	23	237,613,039	237,613,039	237,613,039	237,613,039
Accumulated losses	24	(634,355,113)	(511,122,240)	(634,183,814)	(510,969,340)
Total equity attributable to the equity holders of the Company		(62,884,486)	60,348,387	(62,713,187)	60,501,287
Non-controlling interest		-	-	-	-
Total equity		(62,884,486)	60,348,387	(62,713,187)	60,501,287
Non-current liabilities					
Retirement benefit obligations	25	18,344,855	18,646,534	18,344,855	18,646,534
Interest-bearing loans and borrowings - non current	26	262,955,966	130,262,765	262,955,966	130,262,765
Government grant - non current	27	11,093,926	12,203,326	11,093,926	12,203,326
Deferred tax liabilities	28	-	6,433,546	-	6,433,546
Total non-current liabilities		292,394,747	167,546,171	292,394,747	167,546,171
Current liabilities					
Trade payables	29	42,195,910	52,521,609	42,195,910	52,521,609
Interest-bearing loans and borrowings - current	26	515,674,913	724,822,057	515,674,913	724,822,057
Government grant - current	27	1,109,400	1,109,400	1,109,400	1,109,400
Deposits and advances	30	18,689,848	20,805,074	18,689,848	20,805,074
Accrued expenses and other payables	31	46,764,531	35,739,214	46,750,531	35,695,214
Bank overdrafts	21	36,296,673	7,458,067	36,296,673	7,458,067
Total current liabilities		660,731,275	842,455,421	660,717,275	842,411,421
Total liabilities		953,126,022	1,010,001,592	953,112,022	1,009,957,592
Total equity and liabilities		890,241,536	1,070,349,979	890,398,835	1,070,458,879

Figures in brackets indicate deductions.

The accounting policies and notes on pages 28 to 65 are an integral part of these financial statements.

These financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Mr. Mahesh Subasinghe
Assistant Finance Manager

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.



Mr. M. P. D. Cooray
Director



Mr. B. S. M. De Silva
Director

Colombo
08th February, 2021

Statement of Changes in Equity

All amounts in Sri Lanka Rupees

Group

For the year ended 31 March	Attributable to equity holders of the company				Non-controlling interest	Total
	Stated capital	Revaluation reserves	Accumulated losses	Total		
Balance as at 31st March 2018	333,857,588	219,255,803	(2,056,277)	551,057,114	-	551,057,114
Impact on adoption of SLFRS 9						
Recognition of SLFRS 9 ECLs	-	-	(150,632,284)	(150,632,284)	-	(150,632,284)
Balance as at 01st April 2018	333,857,588	219,255,803	(152,688,562)	400,424,830	-	400,424,830
Comprehensive income						
Loss for the year	-	-	(366,994,103)	(366,994,103)	-	(366,994,103)
Realisation of revaluation surplus		(8,050,233)	8,050,233	-	-	-
Other comprehensive income						
Defined benefit plan actuarial gain	-	-	593,246	593,246	-	593,246
Revaluation surplus during the year		29,395,856	-	29,395,856	-	29,395,856
Tax on other comprehensive income	-	(2,988,388)	(83,054)	(3,071,442)	-	(3,071,442)
Total comprehensive income	-	18,357,235	(358,433,678)	(340,076,443)	-	(340,076,443)
Balance as at 31st March 2019	333,857,588	237,613,039	(511,122,240)	60,348,387	-	60,348,387
Comprehensive income						
Loss for the year	-	-	(125,628,255)	(125,628,255)	-	(125,628,255)
Other comprehensive income						
Defined benefit plan actuarial gain	-	-	2,688,754	2,688,754	-	2,688,754
Tax on other comprehensive income	-	-	(293,372)	(293,372)	-	(293,372)
Total comprehensive income	-	-	(123,232,873)	(123,232,873)	-	(123,232,873)
Balance as at 31 March 2020	333,857,588	237,613,039	(634,355,113)	(62,884,486)	-	(62,884,486)

Company

For the year ended 31 March	Stated capital	Revaluation reserves	Accumulated losses	Total
Balance as at 31st March 2018	333,857,588	219,255,803	(1,915,477)	551,197,914
Impact of adoption of SLFRS 9				
Recognition of SLFRS 09 ECLs	-	-	(150,632,284)	(150,632,284)
Balance as at 01st April 2018	333,857,588	219,255,803	(152,547,762)	400,565,630
Comprehensive income				
Loss for the year	-	-	(366,982,003)	(366,982,003)
Realisation of revaluation surplus	-	(8,050,233)	8,050,233	-
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	593,246	593,246
Revaluation surplus during the year	-	29,395,856	-	29,395,856
Tax on other comprehensive income	-	(2,988,388)	(83,054)	(3,071,442)
Total comprehensive income	-	18,357,235	(358,421,578)	(340,064,343)
Balance as at 31st March 2019	333,857,588	237,613,039	(510,969,340)	60,501,287
Comprehensive income				
Loss for the year	-	-	(125,609,856)	(125,609,856)
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	2,688,754	2,688,754
Tax on other comprehensive income	-	-	(293,372)	(293,372)
Total comprehensive income	-	-	(123,214,474)	(123,214,474)
Balance as at 31st March 2020	333,857,588	237,613,039	(634,183,814)	(62,713,187)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 28 to 65 are an integral part of these financial statements.

Cash Flow Statement

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
Cash flow from operating activities				
Loss before taxation	(141,425,814)	(376,204,821)	(141,407,415)	(376,192,721)
Adjustments for:				
Depreciation on property, plant and equipment	17,042,712	18,591,718	17,042,712	18,591,718
Provision for defined benefit obligations - gratuity	3,282,091	3,544,049	3,282,091	3,544,049
Interest income from long-term and current investments	-	(1,884,932)	-	(1,884,932)
Interest income on related party receivable	(245,956)	(31,543,987)	(245,956)	(31,543,987)
Provision on inventories	28,104,460	33,458,547	28,104,460	33,458,547
Provision for trade receivables	14,745,071	59,467,803	14,745,071	59,467,803
Provision/(reversal) on related party receivables	(21,296,692)	209,404,146	(21,296,692)	209,404,146
Dividend income	(15,800)	(55,224)	(15,800)	(55,224)
Amortization of ice tea grant	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Loss on fair valuation of financial investments	285,501	1,048,707	285,501	1,048,707
Unrealized exchange (gain)/loss on borrowings	26,611,781	(1,513,870)	26,611,781	(1,513,870)
Interest on lease	1,861,603	1,861,603	1,861,603	1,861,603
Interest expenses	76,248,698	61,353,398	76,248,698	61,353,398
Write back of other payables	(13,228,926)	(10,281,053)	(13,228,926)	(10,281,053)
Loss on disposal of property, plant and equipment	-	11,906,652	-	11,906,652
	132,285,143	354,248,157	132,285,143	354,248,157
Operating loss before working capital changes	(9,140,671)	(21,956,664)	(9,122,272)	(21,944,564)
Decrease/(increase) in inventories	(45,240,363)	(41,008,633)	(45,240,363)	(41,008,633)
Decrease in trade receivables	80,660,240	37,811,975	80,660,240	37,811,975
Decrease in pre-payments and other receivables	1,104,283	2,589,822	1,104,283	2,589,822
Decrease/(increase) in amount due from related party	46,114,551	(43,783,949)	46,070,351	(43,783,949)
Decrease in deposits & advances receivables	19,781,658	16,701,893	19,781,658	16,701,893
Decrease in trade payables	(10,325,699)	(214,400)	(10,325,699)	(214,400)
Decrease in deposits & advances payables	(2,115,226)	(11,631,064)	(2,115,226)	(11,631,064)
Increase in accrued expenses & other creditors	24,254,243	10,669,324	24,284,243	10,658,326
Cash generated from/(used in) operations	105,093,016	(50,821,696)	105,097,215	(50,820,594)
Interest paid	(76,248,698)	(61,353,398)	(76,248,698)	(61,353,398)
Gratuity paid	(895,016)	(7,283,109)	(895,016)	(7,283,109)
Tax paid	-	(3,549,939)	-	(3,549,939)
Net cash generated from/(used in) operating activities	27,949,302	(123,008,142)	27,953,501	(123,007,040)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,841,315)	(4,157,333)	(2,841,315)	(4,157,333)
Acquisition of intangible assets	(35,000)	-	(35,000)	-
Interest received	-	1,884,932	-	1,884,932
Dividend received	15,800	55,224	15,800	55,224
Proceeds from sale of property, plant and equipment	-	19,592,895	-	19,592,895
Net cash from/(used in) investing activities	(2,860,515)	17,375,718	(2,860,515)	17,375,718
Cash flows from financing activities				
Payments of finance lease liabilities	(1,930,174)	(1,930,174)	(1,930,174)	(1,930,174)
Proceeds from interest bearing loans and borrowings	347,382,578	133,725,000	347,382,578	133,725,000
Repayment of interest bearing loans and borrowings	(450,379,733)	(4,882,114)	(450,379,733)	(4,882,114)
Net cash from/(used in) financing activities	(104,927,329)	126,912,712	(104,927,329)	126,912,712
Net increase/(decrease) in cash and cash equivalents	(79,838,542)	21,280,289	(79,834,343)	21,281,391
Cash and cash equivalents at the beginning of the year (Note A)	78,299,524	57,019,235	78,281,420	57,000,029
Cash and cash equivalents at the end of the year (Note B)	(1,539,018)	78,299,524	(1,552,923)	78,281,420
At the beginning (Note A)				
Cash in hand and balance at bank	85,757,591	116,169,951	85,739,487	116,150,745
Bank overdraft	(7,458,067)	(59,150,716)	(7,458,067)	(59,150,716)
	78,299,524	57,019,235	78,281,420	57,000,029
At the end (Note B)				
Cash in hand and balance at bank	34,757,655	85,757,591	34,743,750	85,739,487
Bank overdraft	(36,296,673)	(7,458,067)	(36,296,673)	(7,458,067)
	(1,539,018)	78,299,524	(1,552,923)	78,281,420

Figures in brackets indicate deductions.

The accounting policies and notes on pages 28 to 65 are an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity

HVA Foods PLC (the "Company") is a public quoted company domiciled in Sri Lanka. The Company was incorporated on 02nd August, 1997 and the registered office of the Company is located at No. 118, Braybrooke Place, Colombo 02.

Ordinary shares of the Company are listed on the Colombo Stock Exchange and the Company became a public quoted Company on 04th May 2011.

1.2 Principal activities and nature of operations

The principal activity and nature of operations of the Company are processing, packing and exporting of value-added teas. The Company also engages in the development, manufacture and distribution of tea extract-based products and franchise operation of tea cafes.

1.3 The parent entity

HVA Lanka Exports (Pvt) Ltd was the parent entity of the Company which owned 61.1% of ordinary shares.

On 30th December 2020, George Steuart and Company Limited has made a voluntary offer to purchase all of the issued ordinary shares of the Company. In responding to this offer, HVA Lanka Exports (Pvt) Ltd has sold 51.1% of the ordinary shares owned by them as of the date of approval of the financial statements. Therefore, George Steuart and Company Limited is the new parent entity of the Company.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements of HVA Foods PLC, as at and for the year ended 31st March 2020 comprise the Company and its subsidiary company (together referred to as the "Group" and individually as "Group entities").

The financial statements of all Companies in the Group are prepared for a common financial year, which ends on 31st March.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS), and the requirements of the Companies Act, No 07 of 2007 and provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

The financial statements were authorized for issue by the Board of Directors on 08th February, 2021.

2.2 Responsibility for the financial statements

The Board of Directors take responsibility for the preparation of these financial statements in accordance with the requirements of Companies Act No.07 of 2007 and Sri Lanka Accounting Standards.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following account balances:

- The liability for defined benefit obligation recognized is actuarially valued and recognized at the present value of the defined benefit obligation.
- Land and buildings, machinery and stores equipment are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Financial instruments classified as fair value through profit and loss are measured at fair value.

2.4 Going concern

The Group has reported a net loss of Rs.125,628,255 (2019 – Rs.366,994,103) during the year ended 31st March 2020 and this resulted in a negative equity of Rs.62,884,486 as at that date.

However, the negative equity position has being already looked at and addressed as of the date of this report, result in from the voluntary offer made by George Steuart and Company Limited dated 30th December 2020 to acquire the majority control of HVA Foods PLC.

The Directors have assessed the Group's ability to continue as a going concern and they are satisfied that it has the resources to continue in the business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Groups ability to continue as a going concern and they do not intend either to liquidate or cease operations of the Group. Therefore, the financial statements continue to be prepared on the going concern basis.

Further, in determining the basis of preparing the financial statements for the year ended 31st March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis. As at reporting date, the Group evaluated the resilience of its business considering a wide range of factors under multiple scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing service to ensure businesses continue as least impacted as possible.

The going concern of the Group is discussed in detail under Note 38 to the financial statements.

2.5 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the functional currency of the Company and the Group. All amounts have been rounded to the nearest rupee, unless stated otherwise.

There was no change in the Group's presentation and functional currency during the year.

2.6 Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies of the Group and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In determining significant management judgments, estimates and assumptions the impact of the COVID 19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

Critical Accounting Estimate/judgment	Disclosure Note	Reference Page
Property, plant & equipment	12	43
Inventories	15	48
Trade receivables	17	48
Retirement benefits obligations	25	50
Deferred taxation	28	53
Commitments and contingencies	37	64

2.7 Materiality and aggregation

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

2.8 New standards and interpretations adopted by the Group

New standards and interpretations impacting the Group that have been adopted in the annual financial statements for the year ended 31st March 2020, and which have given rise to changes in the Group's accounting policies are:

2.8.1 Sri Lanka Accounting Standard – “Leases” (SLFRS 16)

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases other than short-term leases (lease term is identified as 12 months or less) and leases for which the underlying asset has a low value although accounting for lessors remains substantially similar to the current practice. This standard is effective for the financial periods beginning on or after 01st January 2019.

The Group did not have any agreements or arrangement which come under the purview of SLFRS 16. Thus, the adoption of SLFRS 16 did not have any impact on these financial statements.

2.8.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group does not have a material impact on adoption of IFRIC 23 since it does not have any uncertainty over income tax as at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies of the Company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

Notes to the Financial Statements

3.1 Basis of consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Company and its subsidiary Company.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidated financial statements are prepared to the common financial year end of 31st March. There are no significant restrictions on the ability of the subsidiary company to transfer its funds to the parent entity in the form of cash dividends or to repay loans and advances.

HVA Holdings (Pvt) Limited. – the subsidiary company which is incorporated in Sri Lanka, has been consolidated with the Company.

3.1.2 Acquisition of non-controlling interest

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

3.1.3 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. The goodwill is initially recognized at cost. Such goodwill is identified into a cash generating unit and is annually tested for impairment. After initial recognition, the goodwill is stated at cost less accumulated impairment losses. The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition of the entity, it is recognized immediately in the consolidated statement of comprehensive income.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency, at exchange rates at the dates of the

transactions. Export sales contracts which were transacted in foreign currency are converted to functional currency at the rates of exchange prevailing at the date when revenue is recognized.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are generally recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.3 Financial instruments – initial recognition and subsequent measurement

3.3.1 Financial assets

3.3.1.1 Initial recognition and subsequent measurement

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

a) Amortised cost

These assets arise principally from the provision of goods and services to customers (trade and receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within SLFRS 9 – Financial Instruments, using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the

trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a generally expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve months' expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, amounts due from related parties and cash and cash equivalents.

Cash and cash equivalents include cash in hand and demand deposits held with banks.

b) Fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

c) Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognised in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and presented in "finance income" or "finance cost" in the statement of income for the reporting period in which it arises.

Financial assets at fair value through profit or loss of the Group include investment in quoted and non-quoted shares.

3.3.1.2 De-recognition

The Group de-recognises a financial asset when, and only when:

- a) the contractual rights to the cash flows from the financial asset expire, or
- b) it transfers the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When the Group transfers a financial asset, the Group evaluates the extent to which it retains the risks and rewards of the ownership of the financial asset. In this case:

- a) if the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset and recognises separately as assets or liability any rights and obligations created or retained in the transfer.
- b) if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset.
- c) if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset.

Notes to the Financial Statements

3.3.1.3 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost or at fair value through other comprehensive income. The Group, at each reporting date measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since the initial recognition. For trade and other receivables, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

3.3.2 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3.3.3 Financial liabilities

3.3.2.1 Initial recognition and measurement

All financial liabilities are recognized initially at fair value. This includes directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost or fair value through profit or loss, as discussed below.

3.3.2.2 Classification of financial liabilities

a) Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

b) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognized as profit or loss.

The financial liabilities of the Group include trade and other payables, and interest-bearing borrowings. Those financial liabilities are measured at amortized cost.

3.3.2.3 De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same

lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.3.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments that are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in the Note 34 to the financial statements.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Land and buildings, machinery and store equipment are stated at fair value less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their 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 part of that asset.

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.

3.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are expensed as incurred.

3.4.3 Depreciation

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 recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Lease assets are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives are as follows.

	2019/20
Building	20 years
Motor vehicles	04 to 06 years
Stores equipment	05 to 20 years
Furniture and fittings	10 years
Plant and machinery	05 to 20 years
Tea room equipment	04 years
Office equipment	04 years
Irrigation equipment	04 years
Tea cafe assets	05 years
Ice tea equipment and others	04 years

3.4.4 De-recognition

The carrying amount of an item of property, plant and equipment are de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising on derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the item is de-recognized.

When replacement costs are recognized in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is de-recognized. Major

inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspection is de-recognized.

3.4.5 Gain and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income/ other expenses" in the statement of profit or loss and other comprehensive income. When re-valued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.4.6 Revaluation of Property, plant and equipment

A revaluation of an item of property, plant and equipment (PPE) is carried out when there is substantial difference between the fair value and the carrying amount. Valuation of the land and buildings, machinery and store equipment are undertaken by professionally qualified valuers at a minimum of 04--05 years.

On revaluation of an item of PPE, any increase in the carrying amount is recognized in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same item of PPE, which was charged to profit or loss. In this circumstance, the increase is recognized as income to the extent of the previous write down. Any decrease in the carrying amount is recognized as an expense in profit or loss or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that item of PPE. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an item of PPE is transferred directly to retained earnings on retirement or disposal of the item of PPE.

3.4.7 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.4.7.1 Finance leases

Finance leases – Group as a lessee:-

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Notes to the Financial Statements

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with LKAS 38 - Intangible Assets. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. These assets are stated at cost less accumulated amortization and accumulated impairment losses in the statement of financial position.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are year-end reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is recognized in profit or loss on a straight-line basis over the estimated useful lives, from the date they are available for use.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized.

The class of intangible assets	Useful life
Computer software	4 years
Trade mark	Infinite

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit and loss.

Details of intangible assets are given in Note 14.

a) Computer software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Intangible assets are amortized on a straight line basis in profit or loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Group. Expenditure on an intangible item that was initially recognized as an expense by the Group in previous financial years is not recognized as part of the cost of an intangible asset at a later date. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.7 Government grants

A government grant is recognized in the statement of financial position initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the Group for expenses incurred are recognized as revenue in the income statement on a

systematic basis in the periods in which the expense is incurred. Grants that compensate the Group for the cost of an asset are recognized in the income statement as revenue on a systematic basis over the useful life.

3.8 Inventories

Inventories are measured at the lower of cost and net realizable value, after making the due allowances for obsolete and slow-moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less than estimated cost of completion and the estimated cost necessary to make the sale.

The cost of inventory is determined on the basis of the Weighted Average Cost (WAC) and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

3.9 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 the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

3.9.1 Employee benefits

3.9.1.1 Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

The Group contributes 12% and 3% of gross salary to the Employees Provident Fund and Employees Trust Fund respectively, in terms of Employees' Provident Fund Act No15 of 1958 as amended and to Employees' Trust Fund in terms of the Employees' Trust Fund Act No.46 of 1980 as amended. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognized as an expense in the statement of comprehensive income, as incurred.

3.9.1.2 Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method, as recommended by LKAS 19

“Employee Benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the Note 25 to the financial statements. This liability is not externally funded, and the item is grouped under non-current liabilities in the statement of financial position. However, under The Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Group recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income and expenses related to defined benefit plans in staff expenses in statement of profit or loss.

3.9.1.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.9.2 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognized as finance cost.

3.10 Revenue recognition

3.10.1 Revenue

3.10.1.1 Sale of goods

a) Revenue recognition

The Group recognizes revenue when the Group satisfies a performance obligation transferring promised goods or services to a customer. Goods are transferred when the customer obtains the control of that.

b) Performance obligations and timing of revenue recognition

The Group's revenue is mainly derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgment

Notes to the Financial Statements

needed in identifying the point at which control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods.

c) Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

d) Allocating amounts to performance obligations

For contracts with customers, there is a fixed unit price for each product sold. Therefore, there is no judgment involved in allocating the contract price to each unit in such contracts. Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's stand-alone selling prices (all product lines are capable of being, and are, sold separately).

3.10.1.2 Interest income

Interest income is recognized based on the effective interest rate method and it is accrued in profit or loss.

3.10.1.3 Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established, which in the case of quoted securities is the ex-dividend date.

3.10.1.4 Other income

Other income consists of income from sources other than the main operational activities. Other income is recognized on an accrual basis.

3.10.2 Expenditure

3.10.2.1 Expenses recognition

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

3.10.2.2 Finance expenses

Finance expenses comprise interest expenses on borrowings which are recognized in the profit or loss using the effective interest method, except to the extent that they are directly attributable to the acquisition, construction or production of a

qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.11 Taxation

a) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or other comprehensive income.

b) Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

c) Deferred tax

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future, and differences measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.12 Events occurring after the reporting date

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

3.13 Comparative information

Except when a standard permit or requires otherwise, comparative information is disclosed in respect of the previous year. Where the presentation or classification of items in the financial statements are amended in the current year, comparative amounts are also reclassified unless it is impracticable.

3.14 Segmental information

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Board of Directors believes that it is not practical to provide segmental disclosures relating to segment costs and expenses and subsequently segment profits and losses, since a realistic allocation cannot be made. The fixed assets used in the Group's business are not identifiable to any particular reportable segment and can be used interchangeably among segments. Consequently, management believes that it is not practical to provide segmental disclosures relating to total assets since a realistic analysis among the various operating segments is not possible.

3.16 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 a price is charged.

3.17 Statement of cash flows

The cash flows of the Group have been presented in using "indirect method" in accordance with LKAS-7: Statement of Cash Flows.

3.18 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. Contingent liabilities and commitments are disclosed in Note 37 to the financial statements.

3.19 New accounting standards issued but not effective at the reporting date

Several amendments to Sri Lanka Accounting Standards are effective for annual financial periods beginning on or after 1st January, 2020, and earlier application is permitted. However, the Group has not early adopted the following amendments to Sri Lanka Accounting Standards in preparing these financial statements as they are not expected to have a significant impact on the Group's financial statements.

Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The Group shall apply those amendments prospectively for annual financial periods beginning on or after 1st April 2020.

Amendments to the conceptual framework for financial reporting

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on de-recognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current Sri Lanka Accounting Standards. However, if the Group relies on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under Sri Lanka Accounting Standards, will need to apply the revised framework from 1st April, 2020. The Group will need to consider whether those accounting policies are still appropriate under the revised framework.

Notes to the Financial Statements

4 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group is exposed to credit risk on trade receivables and other receivables, investment securities and bank balances.

4.1.1 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the SLFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates

are based on the payment profiles of similar trade and other receivables over a period of 48 months before 1st April 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer(s) to settle the receivables.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of Group-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

4.3 Market risk

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

4.3.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are USD, SGD and Euro. To manage foreign exchange risk arising from those transactions, the Group ensures that it keeps adequate funds in foreign currency in its bank accounts and negotiates terms and conditions in the agreements with the suppliers. Foreign exchange risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The uncertainty caused by the COVID 19 pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, the management has implemented various policies and strategies over foreign activities to minimize anticipated currency risk, if any.

4.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

With the prolonged impact from the disruptive waves of the pandemic, the Group has heightened the importance of having robust governance, processes and system and controls to mitigate the potential operational losses.

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
5 REVENUE				
Export sales	790,539,567	1,043,394,632	790,539,567	1,043,394,632
Local sales	35,085,378	22,527,107	35,085,378	22,527,107
Revenue from Heladive Tea Café	24,755,096	31,019,902	24,755,096	31,019,902
	850,380,041	1,096,941,641	850,380,041	1,096,941,641

6 SEGMENTAL INFORMATION

6.1 Geographical segment analysis (by location of customers)

Russia and the CIS States	90,927,116	133,479,127	90,927,116	133,479,127
Far East/Asia	136,300,731	145,837,510	136,300,731	145,837,510
Europe	201,800,163	243,150,755	201,800,163	243,150,755
USA /Canada	21,284,431	35,482,882	21,284,431	35,482,882
Middle East and Africa	400,067,600	538,991,367	400,067,600	538,991,367
	850,380,041	1,096,941,641	850,380,041	1,096,941,641

6.2 There are no separately distinguishable expenses, assets and liabilities for the above segments.

7 OTHER OPERATING INCOME

Disposal of packing materials/ scrap sales income	4,313,400	-	4,313,400	-
Amortization of Ice Tea project grant (Note 27)	1,109,400	1,109,400	1,109,400	1,109,400
Dividend income -quoted	15,800	55,224	15,800	55,224
Rent income	1,201,014	11,029,900	1,201,014	11,029,900
Write back of other payable balances	13,228,926	10,281,053	13,228,926	10,281,053
Sundry income	350	1,577,560	350	1,577,560
	19,868,890	24,053,137	19,868,890	24,053,137

8 RESULTS FROM OPERATING ACTIVITIES

The results from operating activities are stated after charging all expenses including the following:

Auditor's remuneration	1,285,000	1,211,000	1,272,000	1,200,000
Directors' emoluments including non-executive directors' fees	12,768,000	15,803,655	12,768,000	15,803,655
Depreciation of property, plant and equipment	17,042,712	14,873,479	17,042,712	14,873,479
Legal and secretarial expenses	599,461	917,591	599,461	917,591
Salaries and wages	51,060,537	53,233,489	51,060,537	53,233,489
EPF	6,245,001	6,395,079	6,245,001	6,395,079
ETF	1,561,148	1,628,359	1,561,148	1,628,359
Provision for retirement benefit obligations	3,282,091	3,544,049	3,282,091	3,544,049
Bonus and incentives	897,444	1,563,745	897,444	1,563,745
Inventory write off	-	44,904,336	-	44,904,336
Provision for fall in value of investment	285,501	1,048,707	285,501	1,048,707
Provision for impairment of trade receivables	14,745,071	59,467,803	14,745,071	59,467,803
Provision/(reversal) for impairment of related party receivables	(21,296,692)	209,404,146	(21,296,692)	209,404,146

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
9 NET FINANCE EXPENSES				
Finance income				
Interest income	245,956	33,428,919	245,956	33,428,919
	245,956	33,428,919	245,956	33,428,919
Finance expenses				
Loan interest - packing credit	(37,815,941)	(37,553,977)	(37,815,941)	(37,553,977)
Loan interest - term loan	(19,556,641)	(162,792)	(19,556,641)	(162,792)
Interest on lease rentals	(1,861,603)	(1,861,603)	(1,861,603)	(1,861,603)
Interest on bill discounts	(3,969,739)	(10,818,564)	(3,969,739)	(10,818,564)
Overdue interest	(11,305,607)	(7,318,734)	(11,305,607)	(7,318,734)
Bank overdraft interest	(3,542,476)	(5,203,095)	(3,542,476)	(5,203,095)
Bill discount charges	(1,226,972)	(2,610,836)	(1,226,972)	(2,610,836)
Bank charges	(3,749,624)	(4,392,957)	(3,745,425)	(4,391,857)
Others	(58,294)	(296,236)	(58,294)	(296,236)
Foreign exchange loss	(32,628,162)	(36,922,846)	(32,628,162)	(36,922,846)
	(115,715,059)	(107,141,640)	(115,710,860)	(107,140,540)
Net finance expenses	(115,469,103)	(73,712,721)	(115,464,904)	(73,711,621)

10 INCOME TAX EXPENSES

10.1 Current income tax expenses

Income tax expense on current year's profit	131,083	-	131,083	-
Deferred tax expense				
Reversal of deferred tax expense (Note 28)	(15,928,642)	(9,210,718)	(15,928,642)	(9,210,718)
Total income tax expense	(15,797,559)	(9,210,718)	(15,797,559)	(9,210,718)

10.2 Reconciliation between the taxable profit/(loss) and accounting profit/(loss)

Business loss before tax	(141,425,814)	(376,204,821)	(141,407,415)	(376,192,721)
Exempt income / other source of income	-	(1,164,624)	-	(1,164,624)
Realisation of depreciable assets	-	19,592,898	-	19,592,898
Aggregate disallowable expenses	170,592,019	430,469,735	170,573,620	430,469,735
Aggregate allowable expenses	(5,041,627)	(6,310,052)	(5,041,627)	(6,310,052)
Taxable profit / (loss) for the year	24,124,578	66,383,135	24,124,578	66,395,235
Tax losses brought forward	(130,887,797)	(197,275,859)	(130,887,797)	(197,275,859)
Adjustment of opening tax brought forward	(10,339,836)	(7,174)	(10,339,836)	(7,174)
Tax loss incurred during the year	-	-	-	-
Utilization of tax losses	23,493,313	66,395,235	23,493,313	66,395,235
Tax losses carried forward	(117,734,320)	(130,887,797)	(117,734,320)	(130,887,797)
Total statutory income - other source of income	24,124,578	66,395,235	24,124,578	66,395,235
Deductions; utilization of tax losses	(23,493,313)	(66,395,235)	(23,493,313)	(66,395,235)
Taxable income - other source of income	631,265	-	631,265	-
Tax on taxable income @ 24%	69,821	-	69,821	-
Tax on taxable income @ 18%	61,262	-	61,262	-
Total current tax for the year	131,083	-	131,083	-

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
10.3 Reconciliation of effective tax rate				
Loss before income tax	(141,425,814)	(376,204,821)	(141,407,415)	(376,192,721)
Income tax using the domestic tax rate	(29,363,434)	(52,668,675)	(29,363,434)	(52,666,981)
Non-deductible expenses	35,419,834	63,008,768	35,419,834	63,008,768
Deductible expenses	(1,046,900)	(881,713)	(1,046,900)	(883,407)
Tax exempt income	-	(163,047)	-	(163,047)
Tax loss utilized	(4,878,417)	(9,295,333)	(4,878,417)	(9,295,333)
Tax loss incurred during the year	-	-	-	-
Current tax on profits for the year (Note 10.1)	131,083	-	131,083	-
Charge to deferred tax liability on temporary differences	1,319,473	20,630,924	1,319,473	20,630,924
Charge to deferred tax asset on temporary differences	14,609,169	(11,420,207)	14,609,169	(11,420,207)
Total income tax expense	(15,797,559)	(9,210,718)	(15,797,559)	(9,210,718)

11 BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the net profit/(loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Profit/(loss) attributable to ordinary shareholders	(125,628,255)	(366,994,103)	(125,609,856)	(366,982,003)
Weighted average number of ordinary shares	66,428,660	66,428,660	66,428,660	66,428,660
Basic earnings/(loss) per share	(1.89)	(5.52)	(1.89)	(5.52)

The diluted earnings per share is as same as computed above.

All amounts in Sri Lanka Rupees

12 PROPERTY, PLANT & EQUIPMENT
12.1 Group

Description	Freehold Assets										Lease Hold		Capital work in progress	Total	
	Land	Buildings	Plant & Machinery - Heavy Duty	Plant & Machinery - Other	Ice Tea Equipment & Others	Stores equipment - Heavy Duty	Stores equipment - Other	Furniture & fittings	Office Equipment	Motor Vehicle					
At cost / valuation															
Balance at 01st April 2019	227,200,000	75,285,389	63,728,744	10,327,582	6,872,157	2,873,698	11,958,285	8,273,091	12,923,651	25,731,482	4,134,937	449,309,016			
Additions	-	2,613,371	1,043,490	-	118,750	-	-	403,000	305,690	-	(1,642,986)	2,841,315			
Balance at 31st March 2020	227,200,000	77,898,760	64,772,234	10,327,582	6,990,907	2,873,698	11,958,285	8,676,091	13,229,341	25,731,482	2,491,951	452,150,331			
Depreciation and impairment losses															
Balance at 01st April 2019	-	44,235	13,625,822	6,755,042	6,829,323	507,123	11,176,800	5,318,953	12,558,661	10,694,201	-	67,510,160			
Depreciation	-	4,983,636	4,586,150	743,210	29,084	81,410	338,770	782,588	190,588	5,307,276	-	17,042,712			
Balance at 31st March 2020	-	5,027,871	18,211,972	7,498,252	6,858,407	588,533	11,515,570	6,101,541	12,749,249	16,001,477	-	84,552,872			
Total carrying amount															
As at 31st March 2020	227,200,000	72,870,889	46,560,262	2,829,330	132,500	2,285,165	442,715	2,574,550	480,092	9,730,005	2,491,951	367,597,459			
As at 31st March 2019	227,200,000	75,241,154	50,102,922	3,572,540	42,834	2,366,575	781,485	2,954,138	364,990	15,037,281	4,134,937	381,798,856			

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

12.2 Company

Description	Freehold Assets										Lease Hold		Capital work in progress	Total	
	Land	Buildings	Plant & Machinery - Heavy Duty	Plant & Machinery - Other	Ice Tea Equipment & Others	Stores equipment - Heavy Duty	Stores equipment - Other	Furniture & fittings	Office Equipment	Motor Vehicle					
At cost / valuation															
Balance at 01st April 2019	227,200,000	75,285,389	63,728,744	10,327,582	6,872,157	2,873,698	11,958,285	8,273,091	12,923,651	25,731,482	4,134,937	449,309,016			
Additions	-	2,613,371	1,043,490	-	118,750	-	-	403,000	305,690	-	(1,642,986)	2,841,315			
Balance at 31st March 2020	227,200,000	77,898,760	64,772,234	10,327,582	6,990,907	2,873,698	11,958,285	8,676,091	13,229,341	25,731,482	2,491,951	452,150,331			
Depreciation and impairment losses															
Balance at 01st April 2019	-	44,235	13,625,822	6,755,042	6,829,323	507,123	11,176,800	5,318,953	12,558,661	10,694,201	-	67,510,160			
Depreciation	-	4,983,636	4,586,150	743,210	29,084	81,410	338,770	782,588	190,588	5,307,276	-	17,042,712			
Balance at 31st March 2020	-	5,027,871	18,211,972	7,498,252	6,858,407	588,533	11,515,570	6,101,541	12,749,249	16,001,477	-	84,552,872			
Total Carrying Amount															
As at 31st March 2020	227,200,000	72,870,889	46,560,262	2,829,330	132,500	2,285,165	442,715	2,574,550	480,092	9,730,005	2,491,951	367,597,459			
As at 31st March 2019	227,200,000	75,241,154	50,102,922	3,572,540	42,884	2,366,575	781,485	2,954,138	364,990	15,037,281	4,134,937	381,798,856			

All amounts in Sri Lanka Rupees

- 12.3** During the year, the Group acquired property, plant and equipment to the aggregate value of Rs.2,841,315/- (2018/19 - Rs.4,157,333). It was acquired by means of cash payments amounting to Rs.2,841,315/- (2018/19 - Rs.4,157,333).
- 12.4** Property, plant & equipment of the Group includes fully-depreciated assets, the cost of which as at 31st March 2020 amounted to Rs.36,180,085/-. (2018/19 - Rs.32,243,934) and continue to be in use by the Group.
- 12.5** Assets pledged as security against borrowings are disclosed in Note no.39.
- 12.6** The details of freehold land & buildings and other properties which are stated at revalued amounts are as follows;

Company property	Method of valuation	Last valuation date	Revalued amount	Property valuer
a. Machinery - heavy duty at Linton Road, Kandana	Replacement cost method	31-03-2016	Rs.104,017,420	Mr. P. B. Kalugalagedara Chartered Valuation Surveyor
b. Stores equipment - heavy duty at Linton Road, Kandana	Replacement cost method	31-03-2016	Rs.2,873,698	Mr. P. B. Kalugalagedara Chartered Valuation Surveyor
c. Land situated at 39 A, Linton Road, Kandana	Open market value method	31-03-2019	Rs.227,200,000	Mr. P. B. Kalugalagedara Chartered Valuation Surveyor
d. Building situated at 39 A, Linton Road, Kandana (04 buildings - 38,900 square feet)	Open market value method	31-03-2019	Rs.75,285,389	Mr. P. B. Kalugalagedara Chartered Valuation Surveyor

- 12.7** The details of previous revaluations and revaluation surplus are as follows:

Date of revaluation	Company property	Revaluation surplus (Rs.)
31-03-1998	Freehold land	6,212,450
31-03-2007	Freehold land	69,874,033
	Buildings	20,050,371
31-03-2010	Freehold land	22,800,000
	Buildings	15,064,094
31-03-2012	Machinery - heavy duty	15,485,535
	Stores equipment - heavy duty	218,720
31-03-2014	Freehold land	34,087,027
	Buildings	7,293,164
31-03-2016	Machinery - heavy duty	5,298,579
	Stores equipment - heavy duty	88,573
31-03-2017	Freehold land	45,580,000
	Buildings	13,114,788
31-03-2019	Freehold land	22,800,000
	Buildings	6,595,856

The above valuations were carried out by Mr. P.B. Kalugalagedara, Chartered Valuation Surveyor.

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

- 12.8** The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows;

	Cost 31.03.2020	Accumulated depreciation if assets were carried at cost 31.03.2020	Net carrying amount 31.03.2020	Net carrying amount 31.03.2019
Freehold land	25,846,460	-	25,846,460	25,846,460
Buildings	55,726,959	50,763,028	4,963,931	5,558,636
Machinery - heavy duty	98,457,081	98,457,081	-	16,970,093
Stores equipment - heavy duty	3,192,998	1,258,245	1,934,753	2,200,836

12.9 The details of the Company's land holdings

	Extent of land	Cost of purchase Rs.	Year of purchase
(i) Land situated at 39 A, Linton Road, Nagoda, Kandana	2A 2R 36P (436 perches)	13,617,550	1997/98
(ii) Land situated at 39 A, Linton Road, Nagoda, Kandana	20 perches	6,010,000	2010/11

12.10 Details of leasehold assets

Carrying value as at 31 March	Group		Company	
	2020	2019	2020	2019
Motor vehicles	9,730,005	15,037,281	9,730,005	15,037,281

As at 31 March	Group		Company	
	2020	2019	2020	2019

12.11 Expenses recognized in statement of comprehensive income

Depreciation	17,042,712	18,591,718	17,042,712	18,591,718
Transferred to HVA Lanka Exports (Pvt) Ltd	-	(3,718,239)	-	(3,718,239)
	17,042,712	14,873,479	17,042,712	14,873,479

13 INVESTMENT IN SUBSIDIARY

Non - quoted investment				
HVA Holdings (Pvt) Ltd	-	-	45,000,001	45,000,001
	-	-	45,000,001	45,000,001

The Company has acquired 100% of the equity of HVA Holdings (Pvt) Ltd. HVA Holdings (Pvt) Ltd is an investment company which owns the Heladiv Brand.

14 INTANGIBLE ASSETS

14.1 Trademark

Summary				
Cost				
Balance as at 01st April	44,938,997	44,938,997	-	-
Net carrying amount as at 31st March	44,938,997	44,938,997	-	-

All amounts in Sri Lanka Rupees

Trademark represents the excess of the cost of the business combination over the fair value of identifiable net assets of the subsidiary i.e. HVA Holdings (Pvt) Ltd as at the date of acquisition.

The Company acquired HVA Holdings (Pvt) Ltd on 29th September 2010 in order to use the international brand, "HELADIV" owned by HVA Holdings (Pvt) Ltd., as per the valuation report of Pricewaterhouse Coopers on 01st October 2010.

For the purpose of purchasing the subsidiary, the "HELADIV" trademark has been valued by royalty method, based on the five-year forecast sales projects provided by the management and the below-mentioned royalty rates have been assessed by the indicative value of the trademark as at 31st December 2009 to be in the order of USD 1.08mn to USD 1.24mn (with a mid-point of USD 1.16mn).

Royalty rates for the respective markets segments served by the Company.

- Russia & the CIS states - 6% royalty rate on net sales generated from the region.
- Far East / Asia - 6% royalty rate on net sales generated from the region.
- Europe, Americas, & Africa - 4% royalty rate on net sales generated from the region.
- New Markets & products - 3% royalty rate on net sales generated from the region.
- Brand related expenses- 1.5% of revenue from revenue generated from Heladiv sales generated.

An impairment assessment has been carried out as at the reporting date. Method used in estimating recoverable amount was based on value in use determined by discounting the future cash flows generated from the continuing use of the asset using the following assumptions.

- Revenue generated from Heladiv trademark for 2020/21 forecasts at the same level for future years.
- Royalty rates and brand related expenses are as same as above.
- Discount rate at 16%.
- Tax rate at 14%.

Based on the impairment assessment carried out, there had been no impairment of trademark that requires a provision as at 31st March 2020.

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019

14.2 Software

Summary				
Cost				
Balance as at 1st April	288,000	288,000	288,000	288,000
Acquire / incurred during the year	35,000	-	35,000	-
Balance as at 31st March	323,000	288,000	323,000	288,000
Amortization				
Balance as at 1st April	288,000	288,000	288,000	288,000
Balance as at 31st March	288,000	288,000	287,999	288,000
Carrying amount				
Balance as at 1st April	-	-	-	-
Acquired / incurred during the year	35,000	-	35,000	-
Balance as at 31st March	35,000	-	35,000	-

14.3 Software - WIP

Balance as at 1st April	2,757,340	2,757,340	2,757,340	2,757,340
Balance as at 31st March	2,757,340	2,757,340	2,757,340	2,757,340

14.4 Total

Carrying amount				
Trademark	44,938,997	44,938,997	-	-
Software	2,792,340	2,757,340	2,792,340	2,757,340
Net carrying amount	47,731,337	47,696,337	2,792,340	2,757,340

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
15 INVENTORIES				
Raw materials - Tea	40,434,306	19,259,742	40,434,306	19,259,742
Raw materials - Ice tea concentrate & fruit base	252	64,671	252	64,671
Flavours	7,162,432	5,888,140	7,162,432	5,888,140
Packing materials	61,894,947	43,513,541	61,894,947	43,513,541
Work-in-progress	309,838	-	309,838	-
Semi-finished goods	10,692,898	7,829,398	10,692,898	7,829,398
Finished goods	10,632,824	17,903,513	10,632,824	17,903,513
Tea café stocks	5,755,723	1,259,523	5,755,723	1,259,523
Other stocks	4,075,671	-	4,075,671	-
	140,958,891	95,718,528	140,958,891	95,718,528
Provision for Impairment of inventories (Note 15.1)	(28,104,460)	-	(28,104,460)	-
	112,854,431	95,718,528	112,854,431	95,718,528

15.1 Provision for impairment

Balance as at 1st April	-	11,445,789	-	11,445,789
Provision for the year	28,104,460	33,458,547	28,104,460	33,458,547
Write off during the year	-	(44,904,336)	-	(44,904,336)
Balance as at 31st March	28,104,460	-	28,104,460	-

16 FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 March	2020			2019		
	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
Group						
Muller & Phipps (Ceylon) PLC	105,040	115,544	63,024	105,040	115,544	73,527
Vallibel Finance PLC	3,950	232,645	197,500	3,950	232,645	260,700
Colombo Land Developments PLC	25,000	595,000	337,500	25,000	595,000	287,500
Sanasa Development Bank	17,453	1,638,756	785,382	17,453	1,638,756	1,047,180
		2,581,945	1,383,406		2,581,945	1,668,907
Company						
Muller & Phipps (Ceylon) PLC	105,040	115,544	63,024	105,040	115,544	73,527
Vallibel Finance PLC	3,950	232,645	197,500	3,950	232,645	260,700
Colombo Land Developments PLC	25,000	595,000	337,500	25,000	595,000	287,500
Sanasa Development Bank	17,453	1,638,756	785,382	17,453	1,638,756	1,047,180
		2,581,945	1,383,406		2,581,945	1,668,907

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019

17 TRADE RECEIVABLES

Trade debtors	329,543,762	410,204,002	329,543,762	410,204,002
Provision for impairment losses (Note 17.1)	(90,770,061)	(76,024,990)	(90,770,061)	(76,024,990)
	238,773,701	334,179,012	238,773,701	334,179,012

17.1 Provision for impairment under SLFRS 09

Balance as at 1st April	76,024,990	16,557,187	76,024,990	16,557,187
Provision for the year	14,745,071	59,467,803	14,745,071	59,467,803
Balance as at 31st March	90,770,061	76,024,990	90,770,061	76,024,990

All amounts in Sri Lanka Rupees

For the year ended 31 March	Relationship	Group		Company	
		2020	2019	2020	2019
18 AMOUNTS DUE FROM RELATED PARTIES					
HVA Lanka Exports (Pvt) Ltd	Parent company	365,188,867	411,057,462	365,255,067	411,123,462
HVA Holdings (Pvt) Ltd	Subsidiary company	-	-	44,000	-
HVA Farms (Pvt) Ltd	Related company/ common directors	36,714	36,714	36,714	36,714
Lake Drive Holdings (Pvt) Ltd	Related company/ common directors	100,000	100,000	100,000	100,000
		365,325,581	411,194,176	365,435,781	411,260,176
Provision for impairment (Note 18.1)		(322,813,036)	(344,109,728)	(322,813,036)	(344,109,728)
		42,512,545	67,084,448	42,622,745	67,150,448

18.1 Provision for impairment - HVA Lanka Exports (Pvt) Ltd (Under SLFRS 09)

Balance as at 1st April	344,109,728	134,705,582	344,109,728	134,705,582
Provision/(reversal of provision) for the year (Note a)	(21,296,692)	209,404,146	(21,296,692)	209,404,146
Balance as at 31st March	322,813,036	344,109,728	322,813,036	344,109,728

HVA Lanka Exports (Pvt) Ltd has provided a negative covenant not to pledge its shareholding in HVA Foods PLC as collateral to any other party to the extent of the above outstanding amount.

(a) Provision for bad debts amounting to Rs.21,296,692 has been reversed due to settlements made by HVA Lanka Exports (Pvt) Ltd during the year.

19 PREPAYMENTS & OTHER RECEIVABLES

Other taxes recoverable	15,678,846	10,330,836	15,678,846	10,330,836
Interest receivable on outstanding	19,943	104,896	19,943	104,896
Prepayment	1,370,859	1,802,041	1,370,859	1,802,041
Other receivables	3,884,820	9,820,978	3,884,820	9,820,978
	20,954,468	22,058,751	20,954,468	22,058,751

20 DEPOSITS & ADVANCES

Advances	10,486,187	26,266,961	10,486,187	26,266,961
Deposits	3,613,076	7,613,960	3,613,076	7,613,960
	14,099,263	33,880,921	14,099,263	33,880,921

21 CASH AND CASH EQUIVALENTS

21.1 Short term deposits

Exports bills saving accounts	3,111	2,888	3,111	2,888
Exports margin accounts	11,927,360	14,339,840	11,927,360	14,339,840
	11,930,471	14,342,728	11,930,471	14,342,728

21.2 Favourable balances

Cash at banks (USD)	18,716,747	15,715,537	18,716,747	15,715,537
Cash at banks (EUR)	129,651	163,973	129,651	163,973
Cash at banks (LKR)	3,364,131	55,208,611	3,350,226	55,190,507
Cash in hand and cheques in hand	616,655	326,742	616,655	326,742
Total favourable balances	22,827,184	71,414,863	22,813,279	71,396,759
Total short-term deposits and favourable balances	34,757,655	85,757,591	34,743,750	85,739,487

21.3 Unfavourable balances/overdrafts

Total unfavourable balance	36,296,673	7,458,067	36,296,673	7,458,067
Cash and cash equivalents for the purpose of statement of cashflows	(1,539,018)	78,299,524	(1,552,923)	78,281,420

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019

22 STATED CAPITAL

Balance as at 1st April	333,857,588	333,857,588	333,857,588	333,857,588
Balance as at 31 March	333,857,588	333,857,588	333,857,588	333,857,588

Ordinary shares (Nos.)	66,428,660	66,428,660	66,428,660	66,428,660
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The holders of ordinary shares are entitled to receive dividend from time to time and entitled to one vote per individual present at the meeting of shareholders or one vote per share in case of a poll.

23 REVALUATION RESERVE

Balance as at 1st April	237,613,039	219,255,803	237,613,039	219,255,803
On revaluation during the year	-	29,395,856	-	29,395,856
Tax on revaluation surplus	-	(2,988,388)	-	(2,988,388)
Realisation of revaluation surplus	-	(8,050,233)	-	(8,050,233)
Balance as at 31st March	237,613,039	237,613,039	237,613,039	237,613,039

The above revaluation surplus consist of gains resulting from the revaluation of land, building, machinery - heavy duty & stores equipment - heavy duty as described in Note No. 12.6 to these financial statements.

24 ACCUMULATED LOSSES

Balance as at 1st April	(511,122,240)	(2,056,278)	(510,969,340)	(1,915,477)
Impact of adoption of SLFRS 9	-	(150,632,284)	-	(150,632,284)
Loss for the year	(125,628,255)	(366,994,103)	(125,609,856)	(366,982,003)
Other comprehensive income for the year	2,688,754	593,246	2,688,754	593,246
Deferred tax effect on other comprehensive income	(293,372)	(83,054)	(293,372)	(83,054)
Realisation of revaluation surplus	-	8,050,233	-	8,050,233
Balance as at 31st March	(634,355,113)	(511,122,240)	(634,183,814)	(510,969,340)

25. RETIREMENT BENEFIT OBLIGATIONS

Balance as at 1st April	18,646,534	22,978,840	18,646,534	22,978,840
Interest cost for the year	2,116,382	2,412,780	2,116,382	2,412,780
Current service cost for the year	1,165,709	1,131,269	1,165,709	1,131,269
Gratuity paid during the year	(895,016)	(7,283,109)	(895,016)	(7,283,109)
Actuarial gain	(2,688,754)	(593,246)	(2,688,754)	(593,246)
Balance as at 31st March	18,344,855	18,646,534	18,344,855	18,646,534

25.1 Expenses recognized in profit/loss

Current service cost	1,165,709	1,131,269	1,165,709	1,131,269
Interest cost	2,116,382	2,412,780	2,116,382	2,412,780
Transferred to HVA Lanka Exports (Pvt) Ltd	-	(238,620)	-	(238,620)
	3,282,091	3,305,429	3,282,091	3,305,429

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
25.3 Actuarial (gain) / loss recognised in other comprehensive income				
Actuarial gain	(2,688,754)	(488,458)	(2,688,754)	(488,458)
Transferred to HVA Lanka Exports (Pvt) Ltd	-	(104,788)	-	(104,788)
	(2,688,754)	(593,246)	(2,688,754)	(593,246)

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messers. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

The principal assumptions used in determining the cost of employee benefits as at the reporting date were;

Discount rate	10.00%	11.35%	10.00%	11.35%
Future salary increases	8.00%	7.50%	8.00%	7.50%

25.4 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

1% increase in discount rate	(187,854)	(129,429)	(187,854)	(129,429)
1% decrease in discount rate	195,882	134,896	195,882	134,896
1% increase in Salary Escalation rate	102,106	257,624	102,106	257,624
1% decrease in Salary Escalation rate	(97,997)	(253,268)	(97,997)	(253,268)

26 INTEREST BEARING LOANS AND BORROWINGS

26.1 Non-current liabilities

26.1.1 Secured term loans

Balance as at 1st April	133,490,316	2,808,113	133,490,316	2,808,113
Loans obtained during the year	347,382,578	133,725,000	347,382,578	133,725,000
	480,872,894	136,533,113	480,872,894	136,533,113
Repayments during the year	(15,023,872)	(1,528,927)	(15,023,872)	(1,528,927)
	465,849,022	135,004,186	465,849,022	135,004,186
Effect of movements in foreign exchange	26,611,781	(1,513,870)	26,611,781	(1,513,870)
Balance as at 31st March	492,460,803	133,490,316	492,460,803	133,490,316
Transferred to current liabilities	(229,504,837)	(14,623,057)	(229,504,837)	(14,623,057)
Secured term loans - Non-current borrowings	262,955,966	118,867,259	262,955,966	118,867,259
Repayable within one year	229,504,837	14,623,057	229,504,837	14,623,057
Repayable between one and five years	262,955,966	118,867,259	262,955,966	118,867,259
Balance as at 31st March (Note a)	492,460,803	133,490,316	492,460,803	133,490,316

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
26.1.2 Finance lease obligations				
Balance as at 1st April	11,464,077	11,532,648	11,464,077	11,532,648
Repayments during the year	(68,571)	(68,571)	(68,571)	(68,571)
Balance as at 31st March	11,395,506	11,464,077	11,395,506	11,464,077
Transferred to current liabilities	(11,395,506)	(68,571)	(11,395,506)	(68,571)
Finance lease obligations - non-current borrowings (Note b)	-	11,395,506	-	11,395,506
Finance lease obligations repayable within one year				
Gross liability	12,808,479	1,930,174	12,808,479	1,930,174
Finance charges	(1,412,973)	(1,861,603)	(1,412,973)	(1,861,603)
Net lease obligation	11,395,506	68,571	11,395,506	68,571
Finance lease obligations repayable between one and five years				
Gross liability	-	12,808,480	-	12,808,480
Finance charges	-	(1,412,974)	-	(1,412,974)
Net lease obligation	-	11,395,506	-	11,395,506
Total non-current borrowings (Note a+b)	262,955,966	130,262,765	262,955,966	130,262,765

26.2 Current liabilities

Bill discounting	96,116,351	238,704,233	96,116,351	238,704,233
Packing credit loans	178,658,219	471,426,196	178,658,219	471,426,196
Secured term loans - repayable within one year	229,504,837	14,623,057	229,504,837	14,623,057
Finance lease obligations - repayable within one year	11,395,506	68,571	11,395,506	68,571
	515,674,913	724,822,057	515,674,913	724,822,057

26.3 Assets pledged as security against borrowings and the facility details are disclosed in Note 39.

27. GOVERNMENT GRANTS

Balance as at 1st April	13,312,726	14,422,126	13,312,726	14,422,126
Recognised in profit or loss during the year	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Balance as at 31st March	12,203,326	13,312,726	12,203,326	13,312,726
Amounts expected to be recognised after one year	11,093,926	12,203,326	11,093,926	12,203,326
Amounts expected to be recognised within one year	1,109,400	1,109,400	1,109,400	1,109,400
	12,203,326	13,312,726	12,203,326	13,312,726

The Asian Development Bank offered a grant on 30th September 2009 to construct a tea concentrate plant and the project was completed on 31st March 2011. The grant is recognised as deferred income in profit or loss on a systematic basis over the useful life of the related assets.

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
DEFERRED TAX LIABILITIES				
The movement of deferred tax				
Balance as at 1st April	6,433,546	12,572,822	6,433,546	12,572,822
Recognized in profit or loss	(15,928,643)	(9,210,718)	(15,928,643)	(9,210,718)
Recognized in other comprehensive income	293,371	3,071,442	293,371	3,071,442
Balance as at 31st March	(9,201,726)	6,433,546	(9,201,726)	6,433,546

Deferred tax provision / reversal for the year

Deferred tax assets/(liabilities) are attributable to the following:

Reversal and (origination) of temporary differences

For the year ended 31 March	Group			
	2020		2019	
	Temporary Difference	Tax	Temporary Difference	Tax
Deferred tax assets				
Retirement benefit obligations	18,344,855	2,568,280	18,646,534	2,610,515
Tax losses	117,734,320	16,482,805	130,887,798	18,324,292
Adjustment on thin capitalization	222,783,723	31,189,721	107,072,863	14,990,201
	358,862,898	50,240,806	256,607,195	35,925,007
Deferred tax liabilities				
Property, plant and equipment	16,842,019	2,357,883	26,266,830	3,677,356
Revaluation reserve	276,294,265	38,681,197	276,294,265	38,681,197
	293,136,284	41,039,080	302,561,095	42,358,553
Net deferred tax (liability) / asset	65,726,614	9,201,726	(45,953,900)	(6,433,546)

For the year ended 31 March	Company			
	2020		2019	
	Temporary Difference	Tax	Temporary Difference	Tax
Deferred tax assets				
Retirement benefit obligations	18,344,855	2,568,280	18,646,534	2,610,515
Tax losses	117,734,320	16,482,805	130,887,798	18,324,292
Adjustment on thin capitalization	222,783,723	31,189,721	107,072,863	14,990,201
	358,862,898	50,240,806	256,607,195	35,925,007
Deferred tax liabilities				
Property, plant and equipment	16,842,019	2,357,883	26,266,830	3,677,356
Revaluation reserve	276,294,265	38,681,197	276,294,265	38,681,197
	293,136,284	41,039,080	302,561,095	42,358,553
Net deferred tax (liability) / asset	65,726,614	9,201,726	(45,953,900)	(6,433,546)

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

Movement in deferred tax balance during the year

	Balance as at 31st March 2019	Recognised in Profit or Loss	Recognised in OCI	Balance as at 31st March 2020
Retirement benefit obligations	2,610,515	251,136	(293,371)	2,568,280
Adjustment on thin capitalization	14,990,201	16,199,520	-	31,189,721
Property, plant and equipment	(3,677,356)	1,319,473	-	(2,357,883)
Revaluation reserve	(38,681,197)	-	-	(38,681,197)
Tax losses	18,324,292	(1,841,487)	-	16,482,805
Net deferred tax asset/ (liability)	(6,433,546)	15,928,643	(293,371)	9,201,726

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019

29 TRADE PAYABLES

Tea creditors	3,532,708	21,317,398	3,532,708	21,317,398
Packing material creditors	37,560,768	29,072,015	37,560,768	29,072,015
Flavour creditors	1,102,434	2,132,196	1,102,434	2,132,196
	42,195,910	52,521,609	42,195,910	52,521,609

30 DEPOSITS & ADVANCES PAYABLES

Advances and deposits from customers	18,689,848	20,805,074	18,689,848	20,805,074
	18,689,848	20,805,074	18,689,848	20,805,074

31 ACCRUED EXPENSES & OTHER CREDITORS

Salary and related expenses payables	265,946	440,765	265,946	440,765
Freight creditors	4,965,827	7,039,496	4,965,827	7,039,496
Other payables	41,532,758	28,258,953	41,518,758	28,214,953
	46,764,531	35,739,214	46,750,531	35,695,214

32 INCOME TAX PAYABLES / (RECEIVABLES)

Balance as at 01st April	(506,628)	3,043,311	(506,628)	3,043,311
Provision for the year	131,083	-	131,083	-
Payment made during the year - for current year	-	(3,005,835)	-	(3,005,835)
Payment made during the year - for previous year	-	(544,104)	-	(544,104)
Balance as at 31st March	(375,545)	(506,628)	(375,545)	(506,628)

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019

33 FINANCIAL INSTRUMENTS

33.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount				
Trade receivables	329,543,762	410,204,002	329,543,762	410,204,002
Cash and cash equivalents	34,757,655	85,757,591	34,743,750	85,739,487
	364,301,417	495,961,593	364,287,512	495,943,489

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Domestic	150,156,367	13,812,916	150,156,367	13,812,916
Russia & the CIS States	110,960,810	196,155,971	110,960,810	196,155,971
Far East /Asia	27,799,396	30,590,527	27,799,396	30,590,527
Europe	35,186,192	55,526,802	35,186,192	55,526,802
USA / Canada	1,495,290	1,009,459	1,495,290	1,009,459
Middle East & Africa	3,945,707	113,108,327	3,945,707	113,108,327
	329,543,762	410,204,002	329,543,762	410,204,002

Impairment losses

The aging of trade receivables at the reporting date was;

For the year ended 31 March	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
Group				
Not past due	67,639,460	936,181	171,827,159	-
Past due 0-90 days	31,801,947	3,026,246	24,032,451	-
Past due 90-120 days	21,703,048	3,093,384	25,318,096	-
Past due 120-365 days	22,816,113	300,236	61,737,742	15,634
Past due more than 365 days	185,583,194	83,414,014	127,288,554	76,009,356
	329,543,762	90,770,061	410,204,002	76,024,990
Company				
Not past due	67,639,460	936,181	171,827,159	-
Past due 0-90 days	31,801,947	3,026,246	24,032,451	-
Past due 90-120 days	21,703,048	3,093,384	25,318,096	-
Past due 120-365 days	22,816,113	300,236	61,737,742	15,634
Past due more than 365 days	185,583,194	83,414,014	127,288,554	76,009,356
	329,543,762	90,770,061	410,204,002	76,024,990

The movement in the allowance for impairment in respect of trade receivables during the year is given in Note 17.

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

33.2 Liquidity risk

The following are the contractual maturities of financial liabilities of the Group and the Company

	Carrying amount	Contractual amount	Less than 01 year	More than 01 year
Group				
31st March 2020				
Non-derivative financial liabilities				
Trade and other payables	107,650,289	107,650,289	107,650,289	-
Bank overdraft	36,296,673	36,296,673	36,296,673	-
Loans and borrowings	778,630,879	778,630,879	515,674,913	262,955,966
	922,577,841	922,577,840	659,621,875	262,955,966
31st March 2019				
Non-derivative financial liabilities				
Trade and other payables	109,065,897	109,065,897	109,065,897	-
Bank overdraft	7,458,067	7,458,067	7,458,067	-
Loans and borrowings	855,084,822	855,084,822	724,822,057	130,262,765
	971,608,786	971,608,786	841,346,021	130,262,765
Company				
31st March 2020				
Non-derivative financial liabilities				
Trade and other payables	107,636,289	107,636,289	107,636,289	-
Bank overdraft	36,296,673	36,296,673	36,296,673	-
Loans and borrowings	778,630,879	778,630,879	515,674,913	262,955,966
	922,563,841	922,563,841	659,607,875	262,955,966
31st March 2019				
Non-derivative financial liabilities				
Trade and other payables	109,021,897	109,021,897	109,021,897	-
Bank overdraft	7,458,067	7,458,067	7,458,067	-
Loans and borrowings	855,084,822	855,084,822	724,822,057	130,262,765
	971,564,786	971,564,786	841,302,021	130,262,765

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

33.3 Market risk

Currency risk

Exposure to currency risk

The exposure to foreign currency risk was as follows based on notional amounts

Group

	31 March 2020			
	LKR	USD	SGD	EURO
Trade receivables	14,328,136	1,342,988	122,139	209,482
Trade payables	36,212,564	67,865	-	1,534
31 March 2019				
	31 March 2019			
	LKR	USD	SGD	EURO
Trade receivables	13,812,823	1,835,933	132,139	282,645
Trade payables	41,468,029	62,224	-	485

All amounts in Sri Lanka Rupees

Company

	31 March 2020			
	LKR	USD	SGD	EURO
Trade receivables	14,328,136	1,342,988	122,139	209,482
Trade payables	36,212,564	67,865	-	1,534

	31 March 2019			
	LKR	USD	SGD	EURO
Trade receivables	13,812,823	1,835,933	132,139	282,645
Trade payables	41,468,029	62,224	-	485

The following significant exchange rates were applied during the year

For the year ended 31 March	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
USD	189.68	165.85	189.68	176.10
SGD	129.99	124.25	129.99	129.88
EURO	209.14	194.85	209.14	197.85

Foreign currency sensitivity

The table below summarizes the Group's total exposure and sensitivity to currency risk

For the year ended 31 March	2020		2019	
	Amount in Foreign Currency	LKR Amount	Amount in Foreign Currency	LKR Amount
Group				
USD assets	1,517,948	287,924,444	2,006,622	353,366,087
Euro assets	210,108	43,942,085	283,474	56,084,975
SGD assets	122,139	15,877,142	132,139	17,162,355
Total foreign currency denominated assets	1,850,196	347,743,671	2,422,235	426,613,417
Impact on PBT				
5% strengthening of Rupee		(17,387,184)		(21,330,671)
5% weakening of Rupee		17,387,184		21,330,671

Company

USD assets	1,517,948	287,924,444	2,006,622	353,366,087
Euro assets	210,108	43,942,085	283,474	56,084,975
SGD assets	122,139	15,877,142	132,139	17,162,355
Total foreign currency denominated assets	1,850,196	347,743,671	2,422,235	426,613,417
Impact on PBT				
5% strengthening of Rupee		(17,387,184)		(21,330,671)
5% weakening of Rupee		17,387,184		21,330,671

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

33.3.2 Interest rate risk

The principal risk to which non-trading portfolios are exposed to is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

At the end of the reporting period, the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Company was as follows;

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
Variable rate instruments	492,460,803	133,490,316	492,460,803	133,490,316
Financial liabilities	492,460,803	133,490,316	492,460,803	133,490,316

A change of 100 basis points in interest rates at the end of the reporting period would have increased /(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Increase/decrease in interest rate	Group		Company	
	Effect on profit before tax		Effect on profit before tax	
	2020	2019	2020	2019
100 bp increase	(93,216)	(25,268)	(93,216)	(25,268)
100 bp decrease	93,216	25,268	93,216	25,268

33.4 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital, reserves and non-controlling interests of the Group. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
Total liabilities	953,126,022	1,010,001,592	953,112,022	1,009,957,592
Less: Cash and cash equivalents	(34,757,655)	(85,757,591)	(34,743,750)	(85,739,487)
Net debt	918,368,367	924,244,001	918,368,272	924,218,105
Total equity	(62,884,486)	60,348,387	(62,713,187)	60,501,287
Debt to adjusted capital ratio as at 31 March	(1460%)	1532%	(1464%)	1528%

All amounts in Sri Lanka Rupees

34 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

34.1 The fair values of financial assets and liabilities together with carrying amounts shown in the Statement of Financial Position, are as follows.

	Financial assets fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities at amortized cost	Total
Group				
2020				
Financial assets				
Financial investments	1,383,406	-	-	1,383,406
Trade receivables	-	238,773,701	-	238,773,701
Deposits	-	3,613,076	-	3,613,076
Cash and cash equivalents	-	34,757,655	-	34,757,655
	1,383,406	277,144,432	-	278,527,838
Financial liabilities				
Borrowings	-	-	778,630,879	778,630,879
Trade payables	-	-	42,195,910	42,195,910
Other payables	-	-	65,454,379	65,454,379
Bank overdraft	-	-	36,296,673	36,296,673
	-	-	922,577,841	922,577,841
Group				
2019				
Financial assets				
Financial investments	1,668,907	-	-	1,668,907
Trade receivables	-	334,179,012	-	334,179,012
Deposits	-	7,613,960	-	7,613,960
Cash and cash equivalents	-	85,757,591	-	85,757,591
	1,668,907	427,550,563	-	429,219,470
Financial liabilities				
Borrowings	-	-	855,084,822	855,084,822
Trade payables	-	-	52,521,609	52,521,609
Other payables	-	-	56,544,288	56,544,288
Bank overdraft	-	-	7,458,067	7,458,067
	-	-	971,608,786	971,608,786

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

	Financial assets fair value through profit or loss	Financial assets at amortized cost	Other financial liabilities at amortized cost	Total
Company				
2020				
Financial Assets				
Financial investments	1,383,406	-	-	1,383,406
Trade receivables	-	238,773,701	-	238,773,701
Deposits	-	3,613,076	-	3,613,076
Cash and cash equivalents	-	34,743,750	-	34,743,750
	1,383,406	277,130,527	-	278,513,933
Financial Liabilities				
Borrowings	-	-	778,630,879	778,630,879
Trade payables	-	-	42,195,910	42,195,910
Other payables	-	-	65,440,379	65,440,379
Bank overdraft	-	-	36,296,673	36,296,673
	-	-	922,563,841	922,563,841
Company				
2019				
Financial assets				
Financial investments	1,668,907	-	-	1,668,907
Trade receivables	-	334,179,012	-	334,179,012
Deposits	-	3,613,076	-	3,613,076
Cash and cash equivalents	-	85,739,487	-	85,739,487
	1,668,907	423,531,575	-	425,200,482
Financial liabilities				
Borrowings	-	-	855,084,822	855,084,822
Trade payables	-	-	52,521,609	52,521,609
Other payables	-	-	56,500,288	56,500,288
Bank overdraft	-	-	7,458,067	7,458,067
	-	-	971,564,786	971,564,786

*The Group does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact on as being not material for the disclosure.

All amounts in Sri Lanka Rupees

34.2 Fair value hierarchy for assets carried at fair value

The table below analyses financial instruments and non-financial assets measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

	Note	Level 1	Level 2	Level 3	Total
Group					
2020					
Financial assets - Fair value through profit or loss	16	1,383,406	-	-	1,383,406
Freehold land and building	12	-	-	300,070,889	300,070,889
Machinery and stores equipments	12	-	-	48,845,427	48,845,427
2019					
Financial assets - Fair value through profit or loss	16	1,668,907	-	-	1,668,907
Freehold land and building	12	-	-	302,441,154	302,441,154
Machinery and stores equipments	12	-	-	52,469,497	52,469,497
Company					
2020					
Financial assets - Fair value through profit or loss	16	1,383,406	-	-	1,383,406
Freehold land and building	12	-	-	300,070,889	300,070,889
Machinery and stores equipments	12	-	-	48,845,427	48,845,427
2019					
Financial assets - Fair value through profit or loss	16	1,668,907	-	-	1,668,907
Freehold land and building	12	-	-	302,441,154	302,441,154
Machinery and stores equipments	12	-	-	52,469,497	52,469,497

34.3 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of property, plant and equipment, as well as the significant unobservable inputs used.

	Location	Valuation technique	Significant observable and unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Property plant and equipment				
Land	Kandana	Direct capital comparison method	Considering the current land values in the area, it is adjusted for time, nature of land, size and location. The land value is determined by adopting rates from Rs.450,000 to Rs.550,000 per perch.	The estimated fair value would increase/ decrease if expected market rentals get high / low.
Buildings	Kandana	Direct capital comparison method	Considering the current cost of construction of similar buildings were obtained from the cost of construction of the subject buildings, compared with information available in respect of other buildings. The building value is determined by adopting rates from Rs.1,000 to Rs.2,900 per sq.ft.	The estimated fair value would increase/ decrease if expected market rentals get high / low.
Machinery & Stores equipment - Heavy duty	Kandana	Replacement cost method	Open market value for exiting use will normally be the net current replacement cost in order to reflect the value attributable to the remaining portion of the total useful economic working life of the asset, taking due account of age, condition, obsolescence and other relevant factors.	The estimated fair value would increase/ decrease if expected market rentals get high / low.

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

35. RELATED PARTY DISCLOSURE

35.1 Parent and ultimate controlling party

HVA Lanka Exports (Pvt) Ltd was the parent entity of the Company as of 31st March 2020. However, subsequent to reporting date, George Steuart and Company Limited has become the parent entity of the Company as disclosed in note 36 to the financial statements.

35.2 Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the Company having authority and responsibilities for planning, directing and controlling the activities of the Company.

35.2.1 Key management personnel compensation

Key management personnel compensation comprised,

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
Short- term employee benefits including salaries	12,768,000	15,803,655	12,768,000	15,803,655
Total	12,768,000	15,803,655	12,768,000	15,803,655

35.2.2 Key management personnel and director transactions

Details of the Directors & their spouses' shareholding as of the reporting date are as follows

Name of the director	No. of shares 2020	No. of shares 2019
Mr. A. R. H. Fernando*	237,778	237,778
Mrs. V. S. A. Fernando	Nil	Nil
Mr. B. M. S. De Silva (with Acuity Partners (pvt) Ltd)	800	800
Mr. Dinuk Hettiarachchi*	Nil	Nil

*Those directors have resigned on 22nd January 2021 and a new board of directors were appointed on the same date.

35.3 Transactions with group companies

For the year ended 31 March		Transaction amount		Balance (due to)/ due from	
		2020	2019	2020	2019
a. Company	HVA Lanka Exports (Pvt) Ltd.				
Directors	Mr. A. R. H. Fernando				
	Mrs. V. S. A. Fernando				
Relationship	Parent company				
Nature of transaction	Sale of goods	13,758,148	10,013,525		
	Purchases of goods	18,007,919	7,897,111		
	Net Receipts & re-imbusement of expenses & other transactions	86,898,382	119,456,682		
	Direct payments received	128,517,006	91,589,457		
	Interest on current account balance	-	31,543,987	365,255,067	411,123,462

All amounts in Sri Lanka Rupees

For the year ended 31 March		Transaction amount		Balance (due to)/ due from	
		2020	2019	2020	2019
b. Company	HVA Farms (Pvt) Ltd.				
Directors	Mr. A. R. H. Fernando				
	Mrs. V. S. A. Fernando				
	Mr. W. I. H. J. Fernando (Resigned w.e.f. 15.8.2018)				
Relationship	Common directors				
Nature of transaction	Receipts for expenses & other transactions	-	10,820	36,714	36,714
c. Company	Global Hannazono (Pvt) Ltd				
Directors	Mr. W. I. H. J. Fernando				
Relationship	Common directors				
Nature of transaction	Sale of tea	-	501,720	-	82,752
d. Company	Triad (Pvt) Ltd.				
Directors	Mrs. V. S. A. Fernando				
Relationship	Common directors				
Nature of transaction	Sales of tea	-	997,781	-	570,131
e. Company	Emagewise (Pvt) Ltd				
Directors	Mrs. V. S. A. Fernando				
Relationship	Common directors				
Nature of transaction	Annual report printing charges and other related cost	-	780,300	-	-
f. Company	Lake Drive Holdings (Pvt) Ltd				
Directors	Mr. A. R. H. Fernando				
	Mrs. V. S. A. Fernando				
	Mr. W. I. H. J. Fernando (Resigned w.e.f. 15.08.2018)				
Relationship	Common directors				
Nature of transaction	Fund transfer	-	100,000	100,000	100,000
g. Company	Citrus Vacations Ltd.				
Directors	Mrs. V. S. A. Fernando				
Relationship	Common directors				
Nature of transaction	Professional service	-	247,500	-	-

35.4 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free (except parent company where interest is charged at month end Repo rate) and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

Notes to the Financial Statements

All amounts in Sri Lanka Rupees

36. EVENTS AFTER THE REPORTING DATE

36.1 COVID 19 impact on operations of the Group

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a "Global Pandemic," which continues to spread throughout the world and has adversely impacted it. Many countries around the world, including Sri Lanka, have implemented significant governmental measures to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people. Island – wide curfew was imposed by the government on 20th March 2020, however, the Group along with several other players were able to get the immediate permission to continue operations using a digital platform where tea auctions were carried out online (e-auction). At the same time, the Group enacted "work from home" measures for all employees ensuring their safety and well-being in the period of uncertainty and most of the back office functions were carried out remotely.

Even though the emergence and spread of the coronavirus has resulted adversely in many businesses due to operational disruptions arising from significant drop in demand, the Group was able to improve their operational performance with the higher demand for tea as an immunity for COVID - 19 and due to continuation of operations via e-auction. The financial performance and working capital were further strengthened through the various Government's relief measures and cost minimization strategies implemented by the management.

Considering the above, the management is confident that there will be no material impact on COVID - 19 on the financial results and position of the Group for the year ended 31st March 2020 that may require adjustments to, or disclosures in the financial statements.

36.2 Voluntary offer to acquire shares - George Steuart and Company Limited

On 30th December 2020, George Steuart and Company Limited has made a voluntary offer to purchase all of the issued ordinary shares of the Company. In responding to this offer, HVA Lanka Exports (Pvt) Ltd, the majority shareholder, has sold 51.1% shares of the Company, amounting to 33,945,605 shares at a consideration of Rs.3.50 per share as of the date of approval of the financial statements.

37. COMMITMENTS AND CONTINGENCIES

There have been no material commitments and contingencies as at the reporting date that require adjustments to, or disclosure in the financial statements.

38. GOING CONCERN

The Board of Directors of the Company / Group has determined that the use of going concern assumption in the preparation of financial statements as at 31st March 2020 is appropriate based on following factors.

38.1 Company

The Company has incurred a net loss of Rs.125,609,856/- during the year ended 31st March 2020 (2019: Rs. 366,982,003/-) and, as of that date, the Company's total liabilities exceeded its total assets by Rs. 62,713,187/- and the current liabilities exceeded its current assets by Rs.194,909,966/- (2019 - Rs 201,508,739/-).

These factors raised concerns over the appropriateness of the use of the going concern assumption for the preparation of financial statements of the Company. However, the Board of Directors of the Company has determined that the use of going concern assumption in the preparation of financial statements of the Company for the year ended 31st March 2020 is appropriate based on following factors.

- a) The Company has initiated plans to increase its revenue and to implement cost minimization measures with the objective of improving efficiencies, and thereby increasing profitability and cash flows. This is evident from its improved interim financial results for the 06 months period ended 30th September 2020.
- b) Furthermore, the negative equity position has being already looked at and addressed as of the date of this report, result in from the voluntary offer made by George Steuart & Co. Ltd. dated 30th December 2020 to acquire the majority control of HVA Foods PLC.
- c) With the takeover of the Company and the Group by the new shareholder, George Steuart & Company Limited (GSCL) and the support extended by GSCL, the Company expects to enter into new markets to improve the business volumes and to initiate cost minimization measures in certain areas of operations via synergy benefits anticipated from the takeover.
- d) Management of the Company is confident that the existing borrowing facilities can be restructured when need arises, so that settlements can be made according to its anticipated cash flow generation pattern.

All amounts in Sri Lanka Rupees

38.2 Group

The Group has incurred a net loss of Rs. 125,628,255/- during the year ended 31st March 2020 (2019: Rs. 366,994,103/-) and, as of that date, the Group's total liabilities exceeded its total assets by Rs.62,884,486/- and the current liabilities exceeded its current assets by Rs.195,020,261/- (2019 - Rs 201,600,635/-).

HVA Foods PLC is the significant component in the Group. Hence, the Directors of the Group are confident that the financial position of the Group will improve in the future as a result of steps taken by the Company as outlined in Note 38.1 above.

39 ASSETS PLEDGED AS SECURITIES & FACILITY DETAILS

The following assets of the Company have been pledged as securities for liabilities as at the reporting date.

Lending institution	Security	Nature of facility	Amount of Facility Rs.
Bank of Ceylon	Fixed deposits, bills of exchange, Export Margin, packing material stock & machinery	Packing credit loans, export bills, overdraft	269.084 Mn
Peoples Bank	Stocks and debtors , bills of exchange	Short term loans, export bills	148.092 Mn
Seylan Bank PLC	Fixed deposits, export margin, packing material stock, vehicles & land & building	Term loan, packing credit loans, export bills, overdraft	886.867 Mn
DFCC Vardhana Bank PLC	Stocks & debtors	Term loan, exports bills & export loan	183.842 Mn

Lender		Balance as at 31st March 2020	Balance as at 31st March 2019	Interest Rate	Installment
Bank of Ceylon	Packing credit loans	38,235,044	-	5.50%	
	Discounted export bills	29,724,831	20,267,121	5.50%	
Seylan Bank PLC	Long term loan	331,422,856	132,075,000	3 month LIBOR+4.5% p.a.	USD 6,250
	Packing credit loans	81,811,376	278,234,716	3 month LIBOR+4% p.a.	
	Discounted export bills	58,028,627	106,611,095	3 month LIBOR+4% p.a.	
DFCC Vardhana Bank PLC	Long term loan	95,330,572	1,415,316	3 month LIBOR+5.75% p.a.	USD 504
	Packing credit loans	53,299,986	150,938,223	4.5% p.a.	
	Discounted export bills	-	27,952,603	4.5% p.a.	
Peoples Bank	Long term loan	65,707,372	-	3 month LIBOR+3.5% p.a.	USD 4,000
	Packing credit loans	5,412,312	42,253,258	3 month LIBOR+3.5% p.a.	
	Discounted export bills	10,154,060	83,873,364	3 month LIBOR+3.5% p.a.	

40. COMPARATIVE INFORMATION

Comparative figures and phrases have been re arranged and reclassified wherever necessary to conform with the current year presentation.

Statement of Directors Responsibilities

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiary as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiary, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiary and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board of Directors of
HVA FOODS PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

12th February 2020

Investor Information

SHARE DISTRIBUTION

SHAREHOLDING AS AT 31ST MARCH 2020

From	To	No of Holders	No of Shares	%
1	1,000	2,204	872,174	1.31
1,001	10,000	1,159	4,424,004	6.66
10,001	1 00,000	339	10,122,445	15.24
100,001	1,000,000	37	7,254,228	10.92
Over 1,000,000	-	4	43,755,809	65.87
		3,743	66,428,660	100.00

CATEGORIES OF SHAREHOLDERS

From	No of Holders	No of Shares	%
Local Individuals	3,588	20,578,751	30.98
Local Institutions	133	45,340,449	68.25
Foreign Individuals	21	283,849	0.43
Foreign Institutions	1	225,611	0.34
	3,743	66,428,660	100.00

DIRECTORS' SHAREHOLDING AS AT 31 ST MARCH 2020

From	No of Shares	%
Mr. B. S. M. De Silva	-	-
Mr. A. R. H. Fernando	533,625	0.803
Mrs. V. S. A. Fernando	-	-
Mr. M. P. D. Cooray	-	-
Mr. S. A. Ameresekere	-	-
Mr. W. G. U. I. Ranaweera	-	-
Mr. C. Hettiarachchi	-	-
Mr. D. Hettiarachchi	-	-
Shares held in the following manner		
Acuity Partners (Pvt) Limited / Mr. B S M De Silva	800	0.001

SHARE PRICES FOR THE YEAR

Market price per share	As at 31/03/2020	As at 31/03/2019
Highest during the year	Rs. 5.00 (18-11-2019)	Rs. 6.90 (27-04-2018)
Lowest during the year	Rs. 1.80 (20-03-2020)	Rs. 1.80 (14-03-2019)
As at end of the year	Rs. 1.90	Rs. 2.90

Investor Information

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2020

Name	No of Shares 31.03.2020	% of holding	No of Shares 31.03.2019	% of holding
HVA Lanka Exports (Private) Limited	22,338,471	33.628	22,338,471	33.628
Seylan Bank PLC / HVA Lanka Exports (Pvt) Ltd (Collateral)	18,250,000	27.473	18,250,000	27.473
Mr. R. E. Rambukwella	1,938,976	2.919	1,493,387	2.248
Associated Electrical Corporation Ltd	1,228,362	1.849	600,000	0.903
Mr. A. R. H. Fernando	533,625	0.803	237,778	0.358
Mr. T. G. Thoradeniya	444,636	0.669	444,636	0.669
Mr. N. J. P. Tavarayen	321,902	0.485	327,301	0.493
Mr. S. A. A. Latheef	299,361	0.451	0	0.000
Mr. L. M. A. N. Lekamge	274,000	0.412	274,000	0.412
Peoples's Leasing & Finance PLC / Mr. S. Sivarasa & Mrs. M. Sivarasa	266,197	0.401	0	0.000
Mr. K. M. S. M. Razeek	254,354	0.383	254,354	0.383
Merchant Bank of Sri Lanka PLC / V. S. Edirisinghe	247,910	0.373	247,910	0.373
D. Eassuwaren (Deseaced)	237,968	0.358	237,968	0.358
People's Merchant Finance PLC / R. M. Samarakkody	234,981	0.354	0	0.000
Mr. M. H. A. Kamil	227,652	0.343	202,752	0.305
Flyasia SDN.Bhd	225,611	0.340	225,611	0.340
Mr. S. Gnanasekaran & Mrs. M. Gnanasekaran	216,751	0.326	0	0.000
Mr. S. D. Divakarage	210,193	0.316	183,916	0.277
People's Merchant Finance PLC / A. R. S. C. Sugathasiri	203,000	0.306	218,293	0.329
Mr. S. M. P. K. Dissanayake	193,527	0.291	217,357	0.327
SUB TOTAL	48,147,477	72.480	45,753,734	68.876
OTHERS	18,281,183	27.520	20,674,926	31.124
TOTAL	66,428,660	100.000	66,428,660	100.000

PUBLIC HOLDING

Public Holding percentage as at 31st March 2020 - 38.095% (2019 – 38.54%)

No of shareholders representing the above percentage - 3,739 (2019 – 3,786)

FLOAT ADJUSTED MARKET CAPITALIZATION

A float adjusted market capitalization of LKR 48,080,951.60. In terms of Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option 5 of the minimum public holding requirement.

Five Year Summary

	2020	2019	2018	2017	2016
TRADING RESULTS (Rs.)					
Revenue	850,380,041	1,096,941,641	1,243,719,481	884,263,545	780,144,527
Operating Expenses	(1,423,475,878)	(1,010,220,820)	(1,094,373,389)	(918,395,183)	(816,048,188)
Other Operating Income	19,868,890	24,053,137	43,263,383	42,542,010	52,307,942
Profit before Finance charges	(25,942,511)	(302,481,100)	71,172,603	8,410,372	16,404,280
Finance Cost	(115,710,860)	(107,140,540)	(64,557,230)	(52,437,733)	(61,584,505)
Finance income	245,956	33,428,919	29,915,762	25,757,986	34,868,791
Profit before Income Tax	(141,407,415)	(376,192,721)	36,531,136	(18,269,375)	(10,311,435)
Income Tax on Profits	15,797,559	9,210,718	7,602,699	(2,569,439)	(5,725,892)
Profit after Income Tax	(125,609,856)	(366,982,003)	44,133,835	(20,838,814)	(16,037,327)
SHAREHOLDERS FUNDS (Rs.)					
Stated Capital	333,857,588	333,857,588	333,857,588	333,857,588	333,857,588
Reserves	(396,570,775)	(273,356,301)	217,340,328	198,771,098	165,185,581
NET ASSETS	(62,713,187)	60,501,287	551,197,916	532,628,686	499,043,169
ASSETS (Rs.)					
Property , Plant & Equipment	367,597,459	381,798,856	398,336,933	394,932,781	354,361,030
Intangible Assets	2,792,340	2,757,340	2,757,340	2,757,340	-
Financial Investment	1,383,406	1,668,907	2,717,615	2,924,833	3,376,161
Investment in subsidiary	45,000,001	45,000,001	45,000,001	45,000,001	45,000,001
Current Assets	465,807,309	640,902,682	1,065,585,921	885,666,896	863,549,435
LIABILITIES (Rs.)					
Non-current Liabilities	292,394,747	167,546,171	59,717,420	39,595,169	44,684,184
Current Liabilities	660,717,275	842,411,421	900,764,860	756,133,163	722,559,274
NET ASSETS (Rs.)	(62,713,187)	60,501,287	551,197,916	532,628,686	499,043,169
RATIOS & OTHER INFORMATION					
Current ratio	0.70	0.76	1.18	1.17	1.19
Quick Assets Ratio	0.53	0.65	1.09	1.01	1.06
Interest Cover (No. of times)	(0.22)	(2.51)	2.05	0.31	0.46
Debt Equity Ratio (%)	(15.20)	1669.32	57	53	53
Return on Equity (%)	(191.15)	(606.57)	8.01	(3.95)	(4.01)
Return on Total Assets (%)	(14.11)	(34.28)	2.92	(1.58)	(1.57)
Net Asset Value per share	(0.94)	0.91	8.30	8.02	7.45
Earning Per Share (Rs.)	(1.89)	(5.52)	0.66	(0.32)	(0.30)
Revenue Growth (%)	(22.48)	(13.92)	40.65	13.35	(5.34)
Dividend per share	Nil	Nil	Nil	Nil	Nil
Dividend pay out	Nil	Nil	Nil	Nil	Nil

Notice of Meeting

NOTICE OF THE 10TH ANNUAL GENERAL MEETING OF HVA FOODS PLC

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting of HVA Foods PLC will be held at Ground Floor Auditorium, The Ceylon Chamber of Commerce, No. 50, Navam Mawatha, Colombo 02 on the 13th day of March 2021 at 9.30am for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2020 and the Report of the Auditors thereon.
2. To re-elect Ms. Varuni Sonali Amunugama Fernando who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company and being eligible, offers herself for the re-election as a Director of the Company.
3. To re-elect Mr. Mututantrige Parakrama Devaka Cooray as a Director of the Company in terms of Article 95 of the Articles of Association of the Company
4. To re-elect Mr. Sharvajana Anandaraj Ameresekere as a Director of the Company in terms of Article 95 of the Articles of Association of the Company
5. To re-elect Mr. Widana Gamachchige Uditha Ishanka Ranaweera as a director of the Company in terms of Article 95 of the Articles of Association of the Company
6. To re-elect Mr. Charithra Hettiarachchi as a Director of the Company in terms of Article 95 of the Articles of Association of the Company
7. To re-appoint Messrs BDO Partners, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine and make donations.
9. To transact any other business of which due notice has been given.

By order of the Board of Directors of
HVA FOODS PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo,
12th February 2021

Notes:

- 1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited at the Registered Office of Company at No 39A Linton Road , Kandana not less than 36 hours before the meeting .

Form of Proxy

*I/We..... holder of NIC No.....of
being a *Shareholder /Shareholders of HVA FOODS PLC, do hereby appoint.....
holder of NIC No..... ofor failing him/her

- Mr Bodahandi Sarada Mohanjith De Silva or failing him
- Mr. Anthony Rohan Harsha.Fernando or failing him
- Ms. Varuni Sonali Amunugama Fernando or failing her
- Mr. Mututantrige Parakrama Devaka Cooray or failing him
- Mr. Sharvajana Anandaraj Ameresekere or failing him
- Mr. Widana Gamachchige Uditha Ishanka Ranaweera or failing him
- Mr. Charithra Hettiarachchi

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 13th March 2021 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2020 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Ms. Varuni Sonali Amunugama Fernando who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company and being eligible, offers herself for the re-election as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re- elect Mr. Mututantrige Parakrama Devaka Coorayas a director of the Company in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Sharvajana Anandaraj Ameresekere as a Director of the Company in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To re- elect Mr. Widana Gamachchige Uditha Ishanka Ranaweera as a director of the Company in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr. Charithra Hettiarachchi as a director of the Company in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Messrs BDO Partners, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>
9. To transact any other business of which due notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

Signed thisday of.....Two Thousand and Twenty One.

.....
 Signature of shareholder

.....
 N.I.C. No

Note:

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

Instructions as to completion

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Registered Office of the Company NO 39A Linton Road, Kandana not less than 36 hours before the meeting.

Corporate Information

NAME OF COMPANY

HVA Foods PLC

LEGAL FORM

Public Limited Liability Company
Incorporated in Sri Lanka in 1997

REGISTERED OFFICE OF THE COMPANY

39 A, Linton Road, Kandana

COMPANY REGISTRATION NO.

PB/PV 1765 PQ

STOCK EXCHANGE LISTING

The Ordinary Shares are listed on
Colombo Stock Exchange

DIRECTORS

Mr. B. S. M. De Silva - Chairman-Non
Executive/ Independent Director

Mr. A. R. H. Fernando - Non-Executive /
Non Independent Director

Mrs. V. S. A. Fernando - Non-Executive /
Non Independent Director

Mr. M. P. D. Cooray - Non Executive /
Independent Director
(appointed w.e.f. 22nd January 2021)

Mr. S. A. Ameresekere - Non-Executive /
Non Independent Director
(appointed w.e.f. 22nd January 2021)

Mr. W. G. U. I. Ranaweera - Non
Executive / Non Independent Director
(appointed w.e.f. 22nd January 2021)

Mr. C. Hettiarachchi-CEO - Executive
Director
(appointed w.e.f. 22nd January 2021)

Mr. D. Hettiarachchi –
(resigned w.e.f. 22nd January 2021)

AUDIT COMMITTEE

Mr. M. P. D. Cooray - Non Executive /
Independent Director
*(appointed as Chairman of the Committee
w.e.f 22nd January 2021)*

Mr. B. S. M. De Silva - Non Executive /
Independent Director
*(appointed to the Committee w.e.f 22nd
January 2021)*

Mr. W. G. U. I. Ranaweera - Non
Executive / Non Independent Director
*(appointed to the Committee w.e.f 22nd
January 2021)*

REMUNERATION COMMITTEE

Mr. B. S. M. De Silva - Non Executive /
Independent Director
*(appointed as Chairman of the Committee
w.e.f 22nd January 2021)*

Mr. M. P. D. Cooray - Non Executive /
Independent Director
*(appointed to the Committee w.e.f 22nd
January 2021)*

Mr. W. G. U. I. Ranaweera - Non Executive
/ Non Independent Director
*(appointed to the Committee w.e.f 22nd
January 2021 Member)*

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. M. P. D. Cooray - Non Executive/
Independent Director
*(appointed as Chairman of the Committee
w.e.f 22nd January 2021)*

Mr. B. S. M. De Silva - Non Executive /
Independent Director
*(appointed to the Committee w.e.f 22nd
January 2021)*

Mr. S. A. Ameresekere - Non Executive /
Non Independent Director
*(appointed to the Committee w.e.f 22nd
January 2021)*

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.
3/17 Kynsey Road, Colombo 08.
Registrars

LAWYERS

Nithi Marugesu Associates,
28 (Level 2) W.A.D.Ramanayake
Mawatha, Colombo 02.

EXTERNAL AUDITORS

BDO Partners,
Chartered Accountants,
"Charter House"
65/2, Sri Chittampalam A Gardiner
Mawatha,
Colombo 02.

INTERNAL AUDITORS

Ernst & Young Advisory Services
(Pvt) Ltd
201, De Seram Place, P.O.Box 101,
Colombo 10.

BANKERS

Bank of Ceylon
DFCC Bank PLC
National Development Bank PLC
Hatton National Bank PLC
People's Bank
Seylan Bank PLC

INVESTOR RELATIONS

HVA Foods PLC
No.118, Braybrooke Place,
Colombo - 02.
Tel : 011 442 7600
Fax : 011 483 2802
Web : www.Heladiv.com

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