Heladiv®
TEA FROM PARADISE

H V A Foods PLC | Annual Report 2020/21

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

ABOUT US

HELADIV stems from the world 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 carry a guarantee of product quality. The Heladiv 'Pure Ceylon Tea' varieties are 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 symbol logo on its packs.

At the HVA production facility, we observe the 'good earth policy' focusing on the conservation of energy, nominal wastage, re-use of waste with zero emissions and therefore the protection of fauna and flora. These principles are inherent in all we do at Heladiv. The HVA cluster carefully adheres to the company ethics elaborated elsewhere in this annual report. The company 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 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, which is considered be wealthy in antioxidants. 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. 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 grown and harvested using environmentally and socially accountable practices. HVA works to conserve diversity and improve livelihoods by implementing globally recognised sustainability standards in its many business areas.

USDA organic is a labelling term that indicates that food or alternative agricultural products are created through approved mechanisms that integrate cultural, biological, and mechanical practices that recycle resources, promote ecological balances and conserve diverseness. Under this, 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 products bearing this brand have not originated through Genetically modified Organisms (GMO).

"Halal" is an Arabic word which suggests lawful or permissible. Any food or drink that carries this brand is permisible for Muslims' consumption. It additionally implies that meat comes from animals slaughtered in accordance with the shariah law. Therefore products of the HVA cluster are safe and suitable for the consumption by Muslim consumers anywhere as we do not use any non-permitted ingredient.

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 is free from physical, chemical and microbiological hazards by managing our supply chain. This is achieved through continuous observance of critical management points and maintaining the best degree of fine producing practices. The system is sporadically assessed internally as well as by an external certification establishment.

CHAIRMAN'S MESSAGE

> "The company had to contend with severe external constraints but remained positive, invigorated by the ownership changes that took place in December 2020. We are of the conviction that HVA Foods is well positioned to deliver sustained shareholder value."

It is with pleasure that I present the Annual Report and Financial Statements of your company for the year ended 31 March 2021.

The year under review was one like no other, with the COVID-19 pandemic casting an unprecedented impact across the world throughout the year. The company had to contend with severe external constraints but remained positive, invigorated by the ownership changes that took place in December 2020. We are of the conviction that HVA Foods is well positioned to deliver sustained shareholder value.

Your company recorded a major milestone during the 3rd quarter, when George Steuart & Company Limited acquired a controlling interest by purchasing 51.1% of the company's ordinary shares. George Steuarts and Company Limited has been synonymous with the Ceylon Tea industry and as major shareholder, has brought in synergies and economies of scale. While the extraordinary challenges of the year have not allowed us to fully explore these opportunities, we have set in motion several initiatives that will transform your company in the medium term.

As stated in my letter to you last year, our ambition remains building a global brand. In this endeavour, HVA Foods PLC and its tea business will benefit from the George Steuart Group's global and local networks, knowhow and the brand and communication expertise of its associate companies. In the months following the ownership change, your company took several measures to improve the liquidity position and to restructure the debt profile. I shall elaborate on those and the key strategies adopted in the following pages.

SRI LANKAN ECONOMY

Sri Lanka's economy was severely impacted through the year, as sporadic lockdowns and movement restrictions as well as increasing infection rates hampered economic activity. The government and Central Bank introduced several monetary easing measures and stimulus schemes to stabilize the economy, including three consecutive policy rate cuts and a reduction in the statutory reserve ratio as well as harsh import restrictions. Despite these interventions, the economy contracted by 3.6% in 2020, compared with a low growth of 2.3% the previous year. All three economic sectors recorded

CHAIRMAN'S MESSAGE

negative growth, with agriculture declining by 2.9%, industrial segment by 7.3% and services by 1.9%. The 12-month moving average inflation rate (as measured by the National Consumer Price Index) was at 5.3% at year-end compared to 4.9% the previous year.

The Sri Lanka rupee was under severe strain during the year, particularly burdened by the decimation of tourism earnings and lower remittances. The rupee, which slowly recovered from a sharp depreciation at the beginning of the financial year, crashed by the end of March 2021 – ending the year nearly ten rupees lower year on year against the US Dollar. The liquidity concerns have continued to grow well into the 2021/22 financial year as well.

Merchandise exports dropped by 17% during the year, from USD 11.9 billion to USD 9.9 billion, while tea exports slowed by 7.83% from USD 1.34 billion to 1.24 billion.

INDUSTRY PERFORMANCE

The Tea industry in Sri Lanka has experienced quality and volume drops during the past few years, due mostly to changes brought on by climate change and unpredictable weather patterns. This was exacerbated by the impact of Covid-19 on labour during the year. Tea output for the year 2020 totaled 278.4 MT, a drop of 7% year on year compared with the 300 MT produced in 2019. Higher auction prices however ensured that earnings from tea had a marginal drop to Rs 230.2 billion in 2020 from Rs 240.6 billion the previous year. Tea remained the second largest source of export income, while Turkey, Iraq, Russia, Iran and China were the top five buyers of Ceylon Tea.

COMPANY PERFORMANCE

HVA Foods PLC ended the year with a strong performance, enjoying revenue of Rs 1,164 Billion, a topline growth of 37% from Rs. 850 Million recorded the previous year. We also recorded a marginal (1pp) improvement in gross profit despite increases in both packaging and freight costs. Net profit stood at Rs 78.563 Million, amounting to 6% of turnover, driven mainly by the reversal of provisions. There was a 6% drop in finance cost as a percentage of turnover, due largely to exchange gains and the moratorium on loans.

The Middle East and Africa remained the major markets for our products, with sales growing by 35% year on year. The Far Eastern and Europe sectors recorded very satisfactory growths, the former expanding by 62% during the year while the latter, our second largest market, grew 50%.

The company was able to maintain steady operations with only a few interruptions, since the government's declaration of the export sector as an essential service in the early months of the pandemic. We have adopted extensive health and safety precautions to ensure minimal risk to our employees and those who physically interact with us during our operations. Mobility restrictions and social distancing recommendations did impact some functions, including the scheduled completion of audits and release of quarterly results.

The pandemic has caused disruption to global logistics operations and we too, have experienced drawbacks of not just higher freights costs, but also issues of vessel availability and delays. Furthermore, given the import restrictions now in place in Sri Lanka, there have been material shortages as well as drastic price increases in packing material, especially of the vital master cartons. Unfortunately, these conditions contribute to the reduced competitiveness of Sri Lanka's tea exports when compared with the exports from Africa, which involve far lower freight and packaging rates.

FUTURE DIRECTION

In all likelihood, the new financial year too would continue to be overshadowed by the Covid-19 pandemic; it is hoped that the government's vaccination drive that began during the first quarter of 2021 (and has rapidly picked up pace over the next two quarters) would allow a greater degree of normalcy to return to socioeconomic activities in the coming year. We have strengthened our capabilities to respond swiftly to changing conditions but remain optimistic of our prospects.

The debt restructuring exercise continues apace to strengthen our financial position, with the company having taken steps to convert our US Dollar loans to Sri Lanka Rupee loans in view of the current foreign exchange situation. Given the caution demanded by global conditions and the upgrade of our internal systems and processes, we have also adopted a prudent stance and have extended additional contingency provisioning, that may be drawn on if and when required.

Taking advantage of the George Steuart Group's synergies, we have targeted reducing costs and increasing efficiencies by adopting a shared services model. Similarly, we will enter a collaboration with GS Consumer (Pvt) Limited, the FMCG distribution arm of the George Steuart Group, to outsource the distribution of our ice teas and health supportive beverages locally, with a view to expanding our footprint in the local market with minimum risks, cost and overheads arising from distribution and marketing. This would allow us to focus on our core strengths of expanding our export market and developing new products. Outside of our shores, HVA Foods PLC is seeking to cross new boundaries into Central America and USA, which hold great potential for our portfolio.

As I write this, Heladiv ATAMUSU was launched in Sri Lanka as an immunity boosting beverage, in keeping with the increased awareness of the benefits of herbal teas in strengthening the immune system, and it is now being considered for exports.

APPRECIATIONS

I am deeply appreciative of the trust placed in me as Chairman of the Board, and wish to thank my fellow Board members for their counsel and support at all times.

On behalf of the Board, I place on record our appreciation of the management team and all employees of HVA Foods PLC, whose commitment is reflected in the improved performance of the company; their dedication in these difficult times has been extraordinary.

Heladiv is what it is today because of the vision and perseverance of Mr. Rohan Fernando. I extend him great appreciation on behalf of the Board, and pledge that this brand he created will be taken to even greater heights.

I would also like to thank the officials of the Tea Board, the BOI, as well as Export Development Board and all other public institutions who have extended yeomen support to us in the years past, and on whom we rely for continued support in future.

To you, our shareholders, I say Thank You for your belief in this company; and pledge that this exciting new phase of growth will create value for your investment.

B. S. M. De Silva
Chairman

3rd September 2021

BOARD OF DIRECTORS

MR B S M DE SILVA

Chairman
Non Executive/Independent Director

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 Splices and Allied products Trade Facilitation and the Ministry of Commerce and Industry Advisory Committee on Spices and Allied products and has been a member of the National Council of Economic Development (NCED) - Export Cluster and 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.

As founder Chairman of the Ceylon Cinnamon Association, Mr. De Silva 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, 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.

MS V S A FERNANDO

Non Executive/Non Independent Director

Ms. Fernando is a graduate of the Faculty of Law, University of Colombo and an Attorney-at-law by profession. She counts 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, Derana Network of Media Companies and George Steuart and Company Ltd.

MR M P D COORAY

Non-Executive/Independent Director

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 also serves as a Director of Hatton National Bank PLC , JAT Holdings (Pvt) Ltd and Life Insurance Corporation (Lanka) Ltd.

MR S A AMERESEKERE

Non Executive/Non Independent Director

Mr Ameresekere is Qualified in both business and engineering, has extensive local and foreign exposure in diverse areas of business.

Mr Ameresekere is a Director of George Steuart and Company Ltd, Sri Lanka's oldest business entity established in 1835. He plays a pivotal role in the management and strategic planning of the Group's diversified sectors including healthcare, tea exports, FMCG, financial services, industrial solutions and travel & leisure. Accordingly, he holds several key positions within the group including directorships of all of its listed entities - Citrus Leisure PLC and its subsidiaries, Colombo Land and Development Company PLC.

Mr Ameresekere also serves as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading creative communication companies. The Triad group integrates a cluster of specialized communications companies, which offer its clients an unmatched holistic and synchronized communication solution.

Mr Ameresekere holds a Master's degree 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 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).

Mr. Ranaweera currently holds the position of Group Chief Financial Officer of George Steuart & Company Limited and is a Director of several subsidiary companies of George Steuart Group, the oldest corporate house in Sri Lanka and one of the largest conglomerates in the country.

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

Mr. Ranaweera carries with him several years of experience in 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 Experiences in finance ranges from Banking, Financial Services, Manufacturing, Automative, Consumer Goods, Leisure, Pharmaceutical and Aviation sectors for both international and domestic clients.

MR C HETTIARACHCHI

Chief Executive Officer
Executive Director

Mr. Hettiarachchi counts over 18 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 of Sri Lanka and is the current Vice President of the Sri Lanka USA Business Council.

SENIOR MANAGEMENT

MR. C HETTIARACHCHI
CEO / Executive Director

MR. W R KURU-UTUMPALA
General Manager, Operations

MR. G S INDIKA
Finance Manager

HVA GROUP ETHICS AND PRINCIPLES OF ENGAGEMENT

LABOUR ETHICS

The HVA group ensures compliance with all legal parameters needed by the govt, in line with the recommendations of the International Labour Organisation (ILO). The HVA Group's labour recruitment policy is designed to avoid bias towards any gender, race or faith. Furthermore our recruitment policy includes provisions to engage differently- abled persons. We have a zero tolerance policy towards child labour while 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 company. Among our welfare ethics, we practice the following principles and programmes:

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 5 years, without any complaints from the workers. Each year workers are appraised face to face on a simple but extremely effective format for concurrence on performance and skills.

MEDICAL BENEFITS

The workers are provided medical insurance cover that provides for but in patients and out-patient treatment. A certified doctor makes regular visits to the company's premises in stipulated time intervals to address any medical attention need of employees.

STAFF MEALS

Improving on our previous approach 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 children of workers are supplied with school text books and accessories as well as medically recommended school bags, 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 point of waste and sold to recyclers. Human waste generated in washrooms is subject to aerobic and anaerobic activity to be transformed to 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 while 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 well-known 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 of procured tea mirrors 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, operative as a public quoted company, is transparent for public scrutiny. It is the policy of the HVA group to comply entirely 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 products 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 recognises that good corporate governance is the cornerstone of a successful organisation. 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 organisation.

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 six 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 06 and 07 of this Annual Report

As at the reporting date, the Board comprised of one (01) Executive and five (05) Non-Executive Directors.

NON-EXECUTIVE DIRECTORS/ EXECUTIVE DIRECTOR

Five members of the Board namely the Chairman - Mr. B. S. M. De Silva and Directors - Ms. V. S. A. Fernando, Mr. M. P. D. Cooray, Mr. S. A. Ameresekere and Mr. W. G. U. I. Ranaweera are Non- Executive Director and Mr C 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.

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.

BOARD MEETINGS

The Board meets regularly at quarterly intervals and more frequently whenever it is necessary, to ensure the effective discharge of its duties and any other matter directed to the Board which can be resolved by circular resolution, is decided by Resolutions in writing.

The Board reviews strategic and operational issues, approves interim and annual financial statements and annual budgets, assesses performance, internal controls and risk management and ensures compliance with all statutory and regulatory obligations. Further, procedures are in place for the Directors to seek professional advice at the Company's expense when it is requested by the Board members.

The Board met 7 times during the period under review and the attendance is given below:

Directors' Attendance at the Board Meeting from 01.04.2020 to 31.03.2021

Name of the Director	2020			2021			
	25.06.2020	26.08.2020	11.11.2020	22.01.2021	08.02.2021	12.02.2021	09.03.2021
Mr. B S M De Silva	✓	✓	✓	✓	✓	✓	✓
Ms. V S A Fernando	✓	✓	✓	✓	✓	-	✓
Ms. M P D Cooray	Appointed w. e. f. 22.01.2021				✓	✓	✓
Mr. S A Ameresekere	Appointed w. e. f. 22.01.2021				✓	✓	✓
Mr. W G U I Ranaweera	Appointed w. e. f. 22.01.2021				✓	✓	✓
Mr. C Hettiarachchi	Appointed w. e. f. 22.01.2021				✓	✓	✓
Mr A R H Fernando	✓	✓	✓	✓	✓	-	Resigned w. e. f. 24.02.2021
Mr D Hettiarachchi	✓	✓	✓	✓	Resigned w. e. f. 22.01.2021		

BOARD SUB COMMITTEES

The Board of Directors has formed three Sub Committees in compliance with the Listing Rules of the Colombo Stock Exchange.

Current composition of Board Sub Committees is set out in the Annual Report of the Board of Directors appearing on page 21. As required by the Listing Rules, the Report of the Audit Committee, the Report of the Remuneration Committee and the Related Party Transactions Review Committee Report appear on pages 13 to 17 respectively.

MEETINGS OF BOARD SUB COMMITTEES

The Audit Committee and Related Party Transactions Review Committee meet quarterly with provision to schedule additional meetings if required. The Remuneration Committee meets as and when necessary.

The attendance at Board Sub Committee Meetings held during the year was as follows:

Audit Committee

Name of Director	Status	Attendance
Mr. M P D Cooray (Chairman)	NED/ IND	1/4
Mr. B S M De Silva (Member)	NED/ IND	4/4
Mr. W G U I Ranaweera (Member)	NED	1/4
Mr D Hettiarachchi (Ceased w.e.f. 22.01.2021)	NED/ IND	3/3

Remuneration Committee

Name of Director	Status	Attendance
Mr. B S M De Silva (Chairman)	NED/ IND	2/2
Mr. M P D Cooray (Member)	NED/ IND	1/2
Mr. W G U I Ranaweera (Member)	NED	1/2
Mr D Hettiarachchi (Ceased w.e.f. 22.01.2021)	NED/ IND	1/1

Related Party Transactions Review Committee

Name of Director	Status	Attendance
Mr. M P D Cooray (Chairman)	NED/ IND	2/5
Mr. B S M De Silva (Member)	NED/ IND	5/5
Mr. S A Ameresekere (Member)	NED	2/5
Mr A R H Fernando (Ceased w.e.f. 24.02.2021)	NED	3/3
Mr D Hettiarachchi (Ceased w.e.f. 22.01.2021)	NED/ IND	3/3

COMPANY SECRETARY

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretary. The Company Secretary maintains minutes of all Board, Audit Committee, Related Party Transactions Review Committee, Remuneration Committee, meetings and attends to Shareholder related matters. The Company Secretary 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 matters 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. A strong focus on training and career development has created a committed and empowered workforce which continues to generate value and drive the Company towards high standards of achievement.

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.

CORPORATE GOVERNANCE

GOING CONCERN

The Directors have reviewed the Company's budgets, capital expenditure requirements and future cash flows and are satisfied that the Company has sufficient resources to continue in operations for the foreseeable future. Therefore, the Going concern principle has been adopted in the preparation of the Financial Statements.

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 77 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 the 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
HVA Foods PLC

P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

3rd September 2021

AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Audit Committee of HVA Foods PLC comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The Committee was reconstituted during the year under review following the change of majority shareholding. The Composition of the Committee since 22nd January 2021, is as follows:

Mr. M P D Cooray - Independent Non-Executive Director - Chairman of the Committee (appointed with effect from 22nd January 2021)

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

Mr. W G U I Ranaweera - Non-Independent Non-Executive Director – Member (appointed with effect from 22nd January 2021)

The Chairman of the Committee, Mr. M P D 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 an Associate Member of the Chartered Institute of Management Accountants, United Kingdom (ACMA, CGMA).

Mr. D Hettiarachchi served in the Committee up to 22nd January 2021.

Head of Finance also attend to meetings of the Audit Committee when required.

The Company Secretary acts as Secretary to the Audit Committee.

Messrs BDO Partners, Independent Auditors are requested to be present as and when required.

MEETINGS

The Committee met four times during the period under review.

Member's Attendance at the Audit Committee Meetings from 01.04.2020 to 31.03.2021 is as follows.

Name of the Director	2020			2021
	25.06.2020	26.08.2020	11.11.2020	03.02.2021
Mr. M P D Cooray (Chairman)	Appointed w. e. f. 22.01.2021			✓
Mr. B S M De Silva (Member)	✓	✓	✓	✓
Mr. W G U I Ranaweera (Member)	Appointed w. e. f. 22.01.2021			✓
Mr D Hettiarachchi	✓	✓	✓	Ceased w. e. f. 22.01.2021

THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to management on Risk Management, appropriate internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange. The proceedings of the Audit Committee are regularly reported to the Board of Directors through formal minutes.

» Monitoring the financial reporting process.

» Monitoring the statutory audit of the Group's Financial Statements.

» The Company's compliance with legal and regulatory requirements.

» Reviewing the Group's Financial Statements and the material financial reporting judgments contained therein.

» The Committee evaluates the internal control reports and compliance reports furnished by the management and are satisfied that an effective internal control system is in place.

» Ensure the independence of the External Auditors and recommend the appointment of Independent Auditors and their fees

» Identification of risks that would impact on the Company's business.

» Based on the proceedings of the Audit Committee meetings, recommendations and observations were reported to the Board for appropriate action.

» Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

FINANCIAL REPORTING

The Committee reviewed and discussed the unaudited Interim Financial Statements and the Financial Statements for the year with the management and the External Auditors ensuring that the Company's financial reporting gives a true ad fair view in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 prior to the recommendation of same to the Board.

AUDIT COMMITTEE REPORT

OPERATIONS OF THE AUDIT COMMITTEE

The Chairman of the Audit Committee is a Fellow Member of Institute of Chartered Accountants of Sri Lanka. The Statutory Auditors, the Internal Auditors, Chief Executive Officer, Finance Manager attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. Outsourced Internal Auditors, Messrs Ernst & Young are required to attend meetings as and when required.

The internal audit function is carried out by Messrs 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.

The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met five times during the financial year ended 31st March 2021.

EXTERNAL AUDITORS

The Committee held meetings with the External Auditors to review the nature, approach and scope of audit. The Committee also reviewed the Audited Financial Statements with the External Auditors.

The Audit Committee is satisfied that the independence of the External Auditors has not been influenced by any event that results in a conflict of interest. The fees pertaining to audit have been reviewed and recommended to the Board.

The Audit Committee has recommended to the Board of Directors that Messrs BDO Partners continue as Auditors for the ensuing financial year, subject to the approval of the shareholders at the next Annual General Meeting.

INDEPENDENCE OF AUDITORS

To the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

RE-APPOINTMENT OF AUDITORS

The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2022, subject to the approval of the shareholders at the next Annual General Meeting.

CONCLUSION

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the set rules and that systems are in place to minimise the impact of identifiable risks.

The Committee further assessed the future prospects of its business operations and is satisfied with the going concern assumption used in the preparation of the Financial Statements as being appropriate.

This report was approved by the Board and signed on its behalf by:

Mr. M P D Cooray
Chairman - Audit Committee

3rd September 2021
Colombo

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration Committee of HVA Foods PLC, appointed by and responsible to the Board of Directors, comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The Committee was reconstituted during the year under review following the change of majority shareholding. The Composition of the Committee since 22nd January 2021, is as follows:

Mr. B S M De Silva - Independent Non-Executive Director - Chairman of the Committee

Mr. M P D Cooray - Independent Non-Executive Director - Member (Appointed with effect from 22.01.2021)

Mr. W G U I Ranaweera - Non-Independent Non-Executive Director – Member (Appointed with effect from 22.01.2021)

Mr. D Hettiarachchi served in the Committee up to 22nd January 2021.

MEETINGS

The Committee met twice during the financial year under review. A Report of decisions approved and recommended by the Committee is reported to the Board of Directors.

Member's Attendance at the Remuneration Committee Meetings from 01.04.2020 to 31.03.2021 is as follows.

Name of the Director	2020	2021
	25.06.2020	03.02.2021
Mr. B S M De Silva (Chairman)	✓	✓
Mr. M P D Cooray (Member)	Appointed w. e. f. 22.01.2021	✓
Mr. W G U I Ranaweera (Member)	Appointed w. e. f. 22.01.2021	✓
Mr. D Hettiarachchi	✓	Ceased w. e. f. 22.01.2021

REMUNERATION POLICY

The Remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of 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 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 paid to the executive and non- executive Directors.

SCOPE

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision-making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Mr. B S M De Silva
Chairman - Remuneration Committee

3rd September 2021
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in 6th February 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

COMPOSITION OF THE COMMITTEE

The Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The Committee was reconstituted during the year under review following the change of majority shareholding. The Composition of the Committee since 22nd January 2021, is as follows:

The names of the members of the Related Party Transactions Review Committee are as follows :

Mr. M P D Cooray - Independent Non-Executive Director - Chairman of the Committee (appointed with effect from 22.01.2021)

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

Mr. S A Ameresekere - Non-Independent Non-Executive Director – Member (appointed with effect from 22.01.2021)

Messrs D Hettiarachchi and **A R H Fernando** served in the Committee up to 22nd January 2021 and up to 24th February 2021, respectively.

MEETINGS

The Committee met five times during the financial year under review.

The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

Member's Attendance at the Related Party Transactions Review Committee Meetings from 01.04.2020 to 31.03.2021 ;

Name of the Director	2020			2021	
	25.06.2020	26.08.2020	11.11.2020	12.02.2021	09.03.2021
Mr. M P D Cooray (Chairman)	Appointed w. e. f. 22.01.2021			✓	✓
Mr. B S M De Silva (Member)	✓	✓	✓	✓	✓
Mr. S A Ameresekere (Member)	Appointed w. e. f. 22.01.2021			✓	✓
Mr A R H Fernando	✓	✓	✓	-	Ceased w.e.f. 24.02.2021
Mr. D Hettiarachchi	✓	✓	✓	Ceased w.e.f. 22.01.2021	

RELATED PARTY TRANSACTIONS DURING THE YEAR UNDER REVIEW

- The Committee reviewed the disclosure requirements relating to both recurrent and non-recurrent transactions entered into by the Company during the year under review.
- The aggregate value of recurrent RPTs entered into by the Company during the year were below the threshold for disclosure in the Annual Report as per the Listing Rules.

DUTIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

- The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant statutes and regulations.
- The Committee reviews and pre-approves all proposed non-recurrent Related Party Transactions of the Company.
- The Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.
- Scheduling quarterly meetings to review and report to the Board, on matters involving RPT falling under its terms of Reference.
- To review the disclosures requirements relating to the Related Party Transactions.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- Ensure that all transactions with related parties are in the best interest of the Company and for all shareholders and adequate transparency is maintained.
- Establish guidelines and policies for the management and reporting of related party transactions.

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.

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.

DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 22 of the Annual Report.

Mr. M P D Cooray
Chairman - Related Party Transactions Review Committee

3rd September 2021
Colombo

RISK MANAGEMENT

The Company empowers workers at all levels to contribute to and be part of risk management and has recognized the following as key risks for HVA Foods PLC.

MARKET RISK

The Company operates globally and follows a policy of geographic diversification on exports sales. Each hub is supported by assigned managers who maintain close partnerships with foreign agents/buyers (inter alia) through periodic visits to those markets. Further, the company operates in domestic markets through native distributors, supermarkets and HTC cafés. In order to mitigate market risk, the company has in place mechanisms for constant and active awareness of changing conditions in each market.

SUPPLY RISK

Individual business units constantly monitor changes in actual and potential supplier sources and take acceptable action to scale back exposure to factors such as adverse movements in material value. In rare events of high price fluctuations, material inputs are managed to scale back the impact on customers.

CREDIT RISK

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

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 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 is HVA Foods PLC policy to not engage 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 M/s Ernst & Young, who report 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), which suggests 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 within the shortest possible time, and with minimal adverse impact on stakeholder value.

HUMAN RESOURCES

Risks connected to human resources are managed to mitigate operational risks for the corporate. Measures are in place for regular coaching of workers and key operational personnel, while 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 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 has achieved is primarily thanks to our high standards of integrity in all our activities. A series of rigorous quality controls are in place to confirm that customers receive merchandise and services that meet expected standards. The company strives to create unique merchandise which is extremely difficult to counterfeit.

LEGAL AND REGULATION RISK

The Company's policy is to conform to strict compliance with legal and regulatory necessities and to establish integrity in its dealings. Such policies are strictly enforced throughout the organisation by making certain that workers at all levels are responsive to the Company's commitment in this regard.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of H V A Foods PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary for the financial year ended 31st March 2021, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No.07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

GENERAL

H V A Foods PLC is a Public Limited Company which was incorporated under the Companies Act, No. 17 of 1982 as a Private Limited Company on 22nd August 1997 and re-registered as per the Companies Act, No. 07 of 2007 on 8th January 2008 with PV 1765 as the new number assigned to the Company. The Company was converted to a public limited liability company on 3rd November 2010 and it obtained a listing on the Colombo Stock Exchange on 15th February 2011.

Consequent to the listing on the Colombo Stock Exchange, the name of the Company was changed to "H V A Foods PLC" on 4th May 2011 with Company No PV 1765 PB/PQ as the new number assigned to the Company.

During the year under review up to 10th February 2021 the Company was a subsidiary of HVA Lanka Exports (Private) Limited, which was principally involved in exporting bulk tea. Consequent to the acquisition of 51.1% of the issued shares of the Company by George Steuart and Company Limited, the Company became a subsidiary of George Steuart and Company Limited which has a diverse range of businesses.

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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, HVA Holdings (Private) Limited is the owner of the worldwide franchise for the 'Heladiv' trademark and other brands used for the business of the Company.

REVIEW OF OPERATIONS

The Management discussion and Analysis cover the operations of the Company during the financial year under review.

The Company had recorded a consolidated revenue of Rs 1.16 Bn as against the 0.85 Bn achieved in the previous year. Exports to the Middle East, African and European regions performed satisfactorily when compared with the previous year's turnover. But Russia and the CIS states generated lower than the expected revenue. During the year, turnover of the Company increased by 37% compared to the previous year. The Company's gross profit margin increased to 11% compared to the level of 10% in the previous year. Distribution expenses were increased by 14% in comparison to the previous year. Reported profit before tax was Rs 73.3 Mn and the effect of relevant tax benefit for the period amounted to Rs 5.3 Mn. After all the aforementioned expenses and charges, the Company recorded an after-tax profit of Rs. 78.6 Mn and a positive comprehensive income of Rs. 78.6 Mn during the year. Statement of Comprehensive Income of the Company are set out on page 28 of the Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and the Sri Lanka Accounting Standards (LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act

No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The aforesaid Financial Statements, duly signed by the Chief Financial Officer, two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of the Annual Report of the Board of Directors.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements is given on pages 24 to 27

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 32 to 42 and are consistent with those of the previous period.

DIRECTORS

As at end of the financial year under review, the Board consisted of six Directors namely, one Executive Director and five Non-Executive Directors, two (02) of whom are Independent.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 06 to 07

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Executive Director

Mr. C Hettiarachchi

Non-Independent Non-Executive Directors

Ms. V S A Fernando

Mr S A Ameresekere

Mr. W G U I Ranaweera

Independent Non-Executive Directors

Mr. B S M De Silva

Mr. M P D Cooray

Directors of the subsidiary company, HVA Holdings (Private) Limited as at 31st March 2021

Ms. V S A Fernando

Mr S A Ameresekere

CHANGES IN THE DIRECTORATE OF THE COMPANY

Mr. M P D Cooray was appointed as an Independent Non-Executive Director with effect from 22nd January 2021.

Messrs S A Ameresekere and W G U I Ranaweera was appointed as Non-Independent Non-Executive Directors with effect from 22nd January 2021.

Mr Charithra Hettiarachchi was appointed as an Executive Director with effect from 22nd January 2021.

Mr B S M De Silva was appointed as the Chairman of the Board of Directors with effect from 22nd January 2021.

Mr A R H Fernando resigned as a Non-Independent Non-Executive Director with effect from 24th February 2021.

Changes in the Directorate of the Subsidiary Company

Consequent to the change of majority control of the Company, Mr A R H Fernando who was the Chairman of H V A Holdings (Private) Limited, tendered his resignation and Mr S A Ameresekere was appointed to the Board to fill the said casual vacancy.

Recommendation for re-election of Directors who retire by rotation

Mr M P D Cooray retires by rotation in terms of Article 88(i) of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Directors' Shareholding in the Company

Name of the Director	No. of shares as at 31.03.2021	No. of shares as at 31.03.2020
Mr. B S M De Silva/ Acuity Partners (Pvt) Ltd	800	800
Ms. V S A Fernando	Nil	Nil
Ms. 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

INDEPENDENCE OF DIRECTORS

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that two (02) Non-Executive Directors, namely, Messrs B S M De Silva and M P D Cooray are 'Independent' in terms of Rule 7.10.3 (a) of the Listing Rules.

DIRECTORS INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND INTEREST REGISTER

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

DIRECTORS' REMUNERATION

The Directors' Remuneration is disclosed under key management personnel compensation in Note 38.2.1 to the Financial Statements on page 70

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of their state of affairs.

The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 28 to 76. have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Director Responsibility for Financial Reporting is given on page 77. .

CORPORATE GOVERNANCE

The Directors place a high degree of importance on sound corporate governance practices and are committed to the highest standards of corporate governance within the organization.

The Directors confirm that, the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

The report on Corporate Governance is given on pages 10 to 12 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

Mr. M P D Cooray - Independent Non-Executive Director - Chairman of the Committee

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

Mr. W G U I Ranaweera - Non-Independent Non-Executive Director - Member

The Report of the Audit Committee is appears on page 13 to 14.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent;

Mr. B S M De Silva - Independent Non-Executive Director - Chairman of the Committee

Mr. M P D Cooray - Independent Non-Executive Director - Member

Mr. W G U I Ranaweera - Non-Independent Non-Executive Director - Member

The Report of the Remuneration Committee is appears on page 15

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent;

Mr. M P D Cooray - Independent Non-Executive Director - Chairman of the Committee

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

Mr. S A Ameresekere - Non-Independent Non-Executive Director - Member

The Report of the Related Party Transactions Review Committee is appears on pages 16 to 17.

Declaration - Compliance with Rule 9 of the Listing Rules

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2021.

AUDITORS

Messrs BDO Partners, Chartered Accountants served as the Auditors of the Company during the year under review. A provision of Rs.1,299,996/- is recorded as Audit Fee by HVA Foods PLC and Rs.16,400/- by HVA Holdings (Pvt) Ltd

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 3rd September 2021 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2021 was Rs. 333,857,588/- represented by 66,428,660 ordinary shares (Rs. 333,857,588/- represented by 66,428,660 ordinary shares as at 31st March 2020).

INVESTOR INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market value per share, earnings per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 78 to 79 under Shareholders' Information.

PUBLIC SHAREHOLDING PERCENTAGE

The percentage of public shareholding as at 31st March 2021 is 38.094% (25,305,264 shares held by public shareholders)

RISK MANAGEMENT AND INTERNAL CONTROL

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

EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2021, 54 persons were in employment (64. persons as at 31st March 2020). There were no material issues pertaining to employees and industrial relations during the financial year.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF, ETF and taxes as applicable have been made within the stipulated periods during the financial year.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

RESERVES

The reserves of the Company with the movements during the year are given on page 55 in the Financial Statements.

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given in Note 12 to the Financial Statements on pages 46 to 48

The revaluation details of the Land and Building are given in Note 12.6 on page 48. The revalued Land & Buildings were located at 39A, Linton Road, Kandana and were subsequently disposed of for a total consideration of Rs. 338mn

INVESTMENTS AND FINANCIAL INSTRUMENTS

Details of investments and financial instruments held by the Company are disclosed in Note 14 & 36 to the Financial Statements on pages 49 & 62

CAPITAL COMMITMENTS

There were no material capital expenditure commitments other than those disclosed in Note 40 to the Financial Statements on page 73

CONTINGENT LIABILITIES

Details of Contingent Liabilities as at 31st March 2021 are set out in Note 40 to the Financial Statements on page 73

DONATIONS

No Donations were made by the Company and the subsidiary during the year under review.

DIVIDENDS

Directors do not recommend a dividend for the year under review.

RELATED PARTY TRANSACTIONS/DISCLOSURES DURING THE YEAR

Non-Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(a) of the Listing Rules

The information pertaining to the non-recurrent Related Party Transaction that was concluded during the year under review is set out in Note 38.3.2 on page 72:

RECURRENT RELATED PARTY TRANSACTIONS – DISCLOSURE IN TERMS OF RULE 9.3.2(B) OF THE LISTING RULES

The information pertaining to the Recurrent Related Party Transaction that was concluded during the year under review is set out in Note 38.3.2 on page 72:

EVENTS OCCURRING AFTER THE REPORTING DATE

Details of Events after reporting date are set out in Note 39 on page 73.

GOING CONCERN

After making adequate enquiries from the management and from based on the Annual Budget approved by the Directors, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future as disclosed in Note 41 on page 73.

ENVIRONMENTAL PROTECTION

To the best of 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 environmental laws and regulations.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held by electronic means on Thursday, 30th September 2021 at 10.30 a.m. centered at the Registered Office of the Company at No.118, Braybrooke Place, Colombo 02.

The Notice of the Annual General Meeting appears on page 82.

This Annual Report is signed for and on behalf of the Board of Directors by

B S M De Silva
Chairman

M P D Cooray
Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

3rd September 2021
Colombo

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

BDO

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Website : www.bdo.lk

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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 2021, 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 32 to 76.

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 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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.

a) Carrying Value of Inventories

Refer to Note 3.9 for the accounting policies and Note 16 for notes to the financial statements on Inventories.

Risk Description	Our Responses
As shown in Note 16, the Group holds inventory of Rs. 154,793,112/- 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. 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.	Our audit procedures included; » 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: – 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.

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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
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.	» Comparing the quantities counted to the quantities recorded to ensure that accounting records have properly been updated for physical quantities existed 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 transactions to evaluate whether inventories are measured at lower of cost or net realizable value. » 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) Acquisition of the Business of HVA Lanka Exports (Pvt) Ltd

Refer to Note 3.5 for the accounting policies and Note 13 for notes to the financial statements on Intangible assets.

Risk Description	Our Responses
The Company has acquired the business and certain assets of HVA Lanka Exports (Pvt) Ltd for a total consideration of Rs.290,000,000/-, in March 2021. The acquisition is accounted for as a business combination as per the requirements of SLFRS 3 – Business Combination. The primary element of the valuation and purchase price allocation process was to assess the fair value of tangible and intangible assets in the form of land, inventories, and trademark. The resulting goodwill amounted to Rs. 263,849,498/-. The acquisition of aforementioned business is a key audit matter in the audit due to the high level of management judgement used in determining the fair value for the net assets acquired.	Our audit procedures included; » Review of the asset purchase agreements to determine whether the appropriate tangible and intangible assets have been identified and that no unusual terms exist that have not been accounted for. » For the intangible asset, we assessed the methodology adopted by management for calculating the fair value of trademark. We also audited the key assumptions in the valuation model including cash flow forecast and royalty rate applied. » Assessing the reasonableness of fair value estimation of tangible assets acquired, including land and inventories. » Testing the mathematical accuracy of the underlying calculations of fair value of tangible and intangible assets acquired and goodwill on acquisition. » Reviewing the adequacy of the disclosures made in the financial statements.

INDEPENDENT AUDITORS' REPORT

BDO

c) Impairment Assessment on the Intangible Assets of Trademark

Refer to Note 3.5 for the accounting policies and Note 15 for notes to the financial statements on Intangible assets..

Risk Description	Our Responses
The financial statements include intangible assets of Trademark 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. Trademark is subject to an annual impairment test using significant estimates as disclosed in Note 15 to the financial statements. We identified the assessment of potential impairment of Trademark as a key audit matter because such assessment involves certain judgemental assumptions which could be subject to management bias.	Our audit procedures included; » 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.

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 4291.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo.

03rd September, 2021

JD/dm

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Revenue	5	1,164,440,585	850,380,041	1,164,440,585	850,380,041
Cost of sales		(1,032,347,737)	(763,337,326)	(1,032,347,737)	(763,337,326)
Gross profit		132,092,848	87,042,715	132,092,848	87,042,715
Other operating income	7	6,274,176	19,868,890	6,193,976	19,868,890
Distribution expenses		(20,979,965)	(18,447,804)	(20,979,965)	(18,447,804)
Administration expenses		(275,596,387)	(135,717,204)	(275,547,187)	(135,703,004)
Reversal of impairment provision on related party receivables	19	322,813,036	21,296,692	322,813,036	21,296,692
Results from operating activities	8	164,603,708	(25,956,711)	164,572,708	(25,942,511)
Net finance expenses	9	(91,282,659)	(115,469,103)	(91,279,059)	(115,464,904)
Profit/(loss) before income tax		73,321,049	(141,425,814)	73,293,649	(141,407,415)
Income tax expense	10	5,269,058	15,797,559	5,269,058	15,797,559
Profit/(loss) for the year		78,590,107	(125,628,255)	78,562,707	(125,609,856)
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Actuarial gain on retirement benefit obligations	27	84,912	2,688,754	84,912	2,688,754
Tax on other comprehensive income	26	(11,888)	(293,372)	(11,888)	(293,372)
Total other comprehensive income		73,024	2,395,382	73,024	2,395,382
Total comprehensive income for the year		78,663,131	(123,232,873)	78,635,731	(123,214,474)
Profit/(loss) attributable to;					
Owners of the Company		78,590,107	(125,628,255)	78,562,707	(125,609,856)
Non-controlling interest		-	-	-	-
Profit/(loss) for the year		78,590,107	(125,628,255)	78,562,707	(125,609,856)
Total comprehensive income attributable to;					
Owners of the Company		78,663,131	(123,232,873)	78,635,731	(123,214,474)
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		78,663,131	(123,232,873)	78,635,731	(123,214,474)
Basic earning per share	11	1.18	(1.89)	1.18	(1.89)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 32 to 76 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	50,190,533	367,597,459	50,190,533	367,597,459
Goodwill	13	263,849,498	-	263,849,498	-
Investment in subsidiary	14	-	-	45,000,001	45,000,001
Other intangible assets	15	52,181,337	47,731,337	7,242,340	2,792,340
Deferred tax assets	30	14,776,364	9,201,726	14,776,364	9,201,726
Total non-current assets		380,997,732	424,530,522	381,058,736	424,591,526
Current assets					
Inventories	16	154,793,112	112,854,431	154,793,112	112,854,431
Financial assets - Fair value through profit or loss	17	2,236,894	1,383,406	2,236,894	1,383,406
Trade receivables	18	227,770,025	238,773,701	227,770,025	238,773,701
Amounts due from related parties	19	136,715	42,512,545	213,515	42,622,745
Pre-payments and other receivables	20	7,730,104	20,954,468	7,730,104	20,954,468
Deposits and advances	21	69,744,343	14,099,263	69,744,343	14,099,263
Income tax recoverable	35	-	375,545	-	375,545
Cash and cash equivalents	22	150,829,210	34,757,655	150,818,905	34,743,750
Total current assets		613,240,403	465,711,014	613,306,898	465,807,309
Non-current assets classified as held for sale	23	291,537,524	-	291,537,524	-
Total assets		1,285,775,659	890,241,536	1,285,903,158	890,398,835
EQUITY AND LIABILITIES					
Stated capital	24	333,857,588	333,857,588	333,857,588	333,857,588
Revaluation reserve	25	237,613,039	237,613,039	237,613,039	237,613,039
Accumulated losses	26	(555,691,982)	(634,355,113)	(555,548,083)	(634,183,814)
Total equity attributable to the equity holders of the Company		15,778,645	(62,884,486)	15,922,544	(62,713,187)
Non-controlling interest		-	-	-	-
Total equity		15,778,645	(62,884,486)	15,922,544	(62,713,187)
Non-current liabilities					
Retirement benefit obligations	27	6,502,105	18,344,855	6,502,105	18,344,855
Interest-bearing loans and borrowings - non current	28	246,540,477	262,955,966	246,540,477	262,955,966
Government grant - non current	29	9,984,526	11,093,926	9,984,526	11,093,926
Total non-current liabilities		263,027,108	292,394,747	263,027,108	292,394,747
Current liabilities					
Trade payables	31	33,001,613	42,195,910	33,001,613	42,195,910
Interest-bearing loans and borrowings - current	28	696,369,563	515,674,913	696,369,563	515,674,913
Government grant - current	29	1,109,400	1,109,400	1,109,400	1,109,400
Income tax payable	35	317,468	-	317,468	-
Deposits and advances	32	133,764,447	18,689,848	133,764,447	18,689,848
Accrued expenses and other payables	33	55,612,497	46,764,531	55,596,097	46,750,531
Amount due to related party	34	47,443,616	-	47,443,616	-
Bank overdrafts	22	39,351,302	36,296,673	39,351,302	36,296,673
Total current liabilities		1,006,969,906	660,731,275	1,006,953,506	660,717,275
Total liabilities		1,269,997,014	953,126,022	1,269,980,614	953,112,022
Total equity and liabilities		1,285,775,659	890,241,536	1,285,903,158	890,398,835

Figures in brackets indicate deductions.
The accounting policies and notes on pages 32 to 76 form 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. G S Indika
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
03rd September, 2021

STATEMENT OF CHANGES IN EQUITY

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 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 31st March 2020	333,857,588	237,613,039	(634,355,113)	(62,884,486)	-	(62,884,486)
Comprehensive income						
Profit for the year	-	-	78,590,107	78,590,107	-	78,590,107
Other comprehensive income						
Defined benefit plan actuarial gain	-	-	84,912	84,912	-	84,912
Tax on other comprehensive income	-	-	(11,888)	(11,888)	-	(11,888)
Total comprehensive income	-	-	78,663,131	78,663,131	-	78,663,131
Balance as at 31st March 2021	333,857,588	237,613,039	(555,691,982)	15,778,645	-	15,778,645

Company

For the year ended 31 March	Stated capital	Revaluation reserves	Accumulated losses	Total
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)
Comprehensive income				
Profit for the year	-	-	78,562,707	78,562,707
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	84,912	84,912
Tax on other comprehensive income	-	-	(11,888)	(11,888)
Total comprehensive income	-	-	78,635,731	78,635,731
Balance as at 31st March 2021	333,857,588	237,613,039	(555,548,083)	15,922,544

Figures in brackets indicate deductions.
The accounting policies and notes on pages 32 to 76 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash flow from operating activities				
Profit/(loss) before tax	73,321,049	(141,425,814)	73,293,649	(141,407,415)
Adjustments for:				
Depreciation on property, plant and equipment	16,780,034	17,042,712	16,780,034	17,042,712
Provision for defined benefit obligations - gratuity	2,812,234	3,282,091	2,812,234	3,282,091
Interest income on deposits and savings	(293,965)	(245,956)	(293,965)	(245,956)
Provision/(reversal) on inventories	(2,591,591)	28,104,460	(2,591,591)	28,104,460
Provision/(reversal) on trade receivables	123,269,309	14,745,071	123,269,309	14,745,071
Reversal of impairment provision on related party receivables	(322,813,036)	(21,296,692)	(322,813,036)	(21,296,692)
Income tax written off	375,545	-	375,545	-
Dividend income	(38,100)	(15,800)	(38,100)	(15,800)
Amortization of government grant	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Loss/(gain) on fair valuation of financial investments	(853,488)	285,501	(853,488)	285,501
Unrealized exchange loss on borrowings	19,484,733	26,611,781	19,484,733	26,611,781
Interest on lease	1,412,973	1,861,603	1,412,973	1,861,603
Interest expenses	73,433,333	76,248,698	73,433,333	76,248,698
Write back of other payables	(4,244,913)	(13,228,926)	(4,164,713)	(13,228,926)
Write off - other receivables	27,640,254		27,640,254	
Write off - trade receivables	5,904,074	-	5,904,074	-
Loss on disposal of property, plant and equipment	1,578,324	-	1,578,324	-
	(59,253,680)	132,285,143	(59,173,480)	132,285,143
Operating loss before working capital changes	14,067,369	(9,140,671)	14,120,169	(9,122,272)
Increase in inventories	(20,318,588)	(45,240,363)	(20,318,588)	(45,240,363)
(Increase)/decrease in trade receivables	(118,169,708)	80,660,240	(118,169,708)	80,660,240
Decrease in pre-payments and other receivables	13,224,364	1,104,283	13,224,364	1,104,283
Decrease in amounts due from related parties	365,188,866	45,868,595	365,222,266	45,824,395
(Increase)/decrease in deposits & advances receivables	(55,645,080)	19,781,658	(55,645,080)	19,781,658
Decrease in trade payables	(9,194,297)	(10,325,699)	(9,194,297)	(10,325,699)
Increase in amount due to related party	47,443,616	-	47,443,616	-
Increase/(decrease) in deposits & advances payables	87,434,345	(2,115,226)	87,434,345	(2,115,226)
Increase in accrued expenses & other creditors	13,092,879	24,254,243	13,010,279	24,284,243
Cash generated from operations	337,123,766	104,847,060	337,127,366	104,851,259
Interest paid	(73,433,333)	(76,248,698)	(73,433,333)	(76,248,698)
Gratuity paid	(14,570,072)	(895,016)	(14,570,072)	(895,016)
Net cash generated from operating activities	249,120,361	27,703,346	249,123,961	27,707,545
Cash flows from investing activities				
Acquisition of property, plant and equipment	(695,856)	(2,841,315)	(695,856)	(2,841,315)
Acquisition of intangible assets	-	(35,000)	-	(35,000)
Acquisition of business - HVA Lanka Exports (Pvt) Ltd	(290,000,000)	-	(290,000,000)	-
Interest received	293,965	245,956	293,965	245,956
Dividend received	38,100	15,800	38,100	15,800
Proceeds from sale of property, plant and equipment	10,878,900	-	10,878,900	-
Net cash used in investing activities	(279,484,891)	(2,614,559)	(279,484,891)	(2,614,559)
Cash flows from financing activities				
Payments of finance lease liabilities	(12,808,479)	(1,930,174)	(12,808,479)	(1,930,174)
Proceeds from interest bearing loans and borrowings	255,947,779	347,382,578	255,947,779	347,382,578
Repayment of interest bearing loans and borrowings	(99,757,844)	(450,379,733)	(99,757,844)	(450,379,733)
Net cash used in financing activities	143,381,456	(104,927,329)	143,381,456	(104,927,329)
Net increase/(decrease) in cash and cash equivalents	113,016,926	(79,838,542)	113,020,526	(79,834,343)
Cash and cash equivalents at the beginning of the year (Note A)	(1,539,018)	78,299,524	(1,552,923)	78,281,420
Cash and cash equivalents at the end of the year (Note B)	111,477,908	(1,539,018)	111,467,603	(1,552,923)
At the beginning (Note A)				
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
At the end (Note B)				
Cash in hand and balance at bank	150,829,210	34,757,655	150,818,905	34,743,750
Bank overdraft	(39,351,302)	(36,296,673)	(39,351,302)	(36,296,673)
	111,477,908	(1,539,018)	111,467,603	(1,552,923)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 32 to 76 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

George Steuart and Company Limited is the parent entity which owned 51.1% of ordinary shares 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 2021 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 the summary of significant accounting policies and other explanatory information 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 03rd September, 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 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 2021, 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 41 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
Property, plant and equipment	12
Inventories	16
Trade receivables	18
Retirement benefits obligations	27
Deferred taxation	30
Commitments and contingencies	40

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 Comparative information

The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.9 Changes in Accounting Policies

The Group has consistently applied the accounting policies to all periods presented in these financial statements, except for the changes arising out of the amendments to the Accounting Standards as set out below:

2.10 New Accounting Standards issued during the year/ changes to already existing Accounting Standards

The Group applied for the first time the following amendments to Accounting Standards, which are effective for annual period beginning on or after January 01, 2020. The Group has not early adopted any other accounting standards, interpretation or amendments that have been issued but not effective.

2.10.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to Sri Lanka Accounting Standard – LKAS 1 on “Presentation of Financial Statements” and Sri Lanka Accounting Standard – LKAS 8 on “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 the 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.’ These amendments had no impact on the financial statements of, nor is there expected to be any future impact on the financial statements of the Group.

2.10.2 Amendments to the conceptual framework for financial reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. 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.

These amendments had no impact on the financial statements of the Group.

2.10.3 Practical expedient: SLFRS 16 - COVID-19 Related Rent Concessions

This practical expedient provides relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a

NOTES TO THE FINANCIAL STATEMENTS

lease modification. This practical expedient applies to rent concessions for which any reduction in lease payments affects only the payments originally due on or before 30th June 2022.

This amendment is not expected to have a material impact on the financial statements of the Group in the foreseeable future.

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.

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 the 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 on consolidation

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 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 recognized 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 37 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.

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.

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,

NOTES TO THE FINANCIAL STATEMENTS

the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The intangible assets of the Group include following:

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill acquired in a business combination is tested annually for impairment and losses on impairment is recognized in arriving profit or loss for the period. Impairment losses on goodwill are not reversed.

b) Trademarks

Trademarks acquired as part of a business combination, are capitalised as part of intangible assets if the trademark meets the definition of an intangible asset and the recognition criteria are satisfied. Trademarks are reviewed for impairment, annually and losses on impairment is recognized in arriving profit or loss for the period.

c) 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.

The class of intangible assets	Useful life
Computer software	4 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.6 Non-current assets held for sale

The group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the group's control and the group remains committed to a sale.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.10.1 Employee benefits

3.10.1.1 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.

3.10.1.2 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 27 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.

3.10.1.3 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.

3.10.2 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.

NOTES TO THE FINANCIAL STATEMENTS

3.11 Revenue recognition

3.11.1 Revenue

3.11.1.1 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 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).

3.11.1.2 Interest income

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

3.11.1.3 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.

3.11.1.4 Other income

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

3.11.2 Expenditure

3.11.2.1 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.

3.11.2.2 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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 40 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.

NOTES TO THE FINANCIAL STATEMENTS

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. as disclosed in Note 3.3.1.1.(a)

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.

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.

5 REVENUE

Export sales	1,123,091,646	790,539,567	1,123,091,646	790,539,567
Local sales	28,346,313	35,085,378	28,346,313	35,085,378
Revenue from Heladive Tea Café	13,002,626	24,755,096	13,002,626	24,755,096
	1,164,440,585	850,380,041	1,164,440,585	850,380,041

6 SEGMENTAL INFORMATION

6.1 Geographical segment analysis (by location of customers)

Russia and the CIS States	74,741,930	90,927,116	74,741,930	90,927,116
Far East/Asia	220,372,386	136,300,731	220,372,386	136,300,731
Europe	302,872,587	201,800,163	302,872,587	201,800,163
USA /Canada	27,986,730	21,284,431	27,986,730	21,284,431
Middle East and Africa	538,466,953	400,067,600	538,466,953	400,067,600
	1,164,440,585	850,380,041	1,164,440,585	850,380,041

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 government grant (Note 29)	1,109,400	1,109,400	1,109,400	1,109,400
Dividend income -quoted investments	38,100	15,800	38,100	15,800
Rent income	-	1,201,014	-	1,201,014
Write back of other payable balances	4,244,913	13,228,926	4,164,713	13,228,926
Fair value gain on investments	853,488	-	853,488	-
Sundry income	28,275	350	28,275	350
	6,274,176	19,868,890	6,193,976	19,868,890

8 RESULTS FROM OPERATING ACTIVITIES

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

Auditor's remuneration	1,316,396	1,285,000	1,299,996	1,272,000
Directors' emoluments including non-executive directors' fees	17,360,800	12,768,000	17,360,800	12,768,000
Depreciation of property, plant and equipment	16,780,032	17,042,712	16,780,032	17,042,712
Legal and secretarial expenses	1,701,240	599,461	1,668,440	599,461
Salaries and wages	33,268,464	38,292,537	33,268,464	38,292,537
EPF	6,115,735	6,245,001	6,115,735	6,245,001
ETF	1,528,934	1,561,148	1,528,934	1,561,148
Provision for retirement benefit obligations	2,812,234	3,282,091	2,812,234	3,282,091
Bonus and incentives	24,800	897,444	24,800	897,444
Provision for fall in value of investment	-	285,501	-	285,501
Provision for impairment of trade receivables	123,269,309	14,745,071	123,269,309	14,745,071

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March	Note	Group		Company	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.

9. NET FINANCE EXPENSES

Finance income					
Interest income		293,965	245,956	293,965	245,956
		293,965	245,956	293,965	245,956
Finance expenses					
Loan interest - packing credit		(22,110,978)	(37,815,941)	(22,110,978)	(37,815,941)
Loan interest - term loan		(32,890,319)	(19,556,641)	(32,890,319)	(19,556,641)
Interest on lease rentals		(1,412,973)	(1,861,603)	(1,412,973)	(1,861,603)
Interest on bill discounts		(2,429,463)	(3,969,739)	(2,429,463)	(3,969,739)
Overdue interest		(11,403,647)	(11,305,607)	(11,403,647)	(11,305,607)
Loan Interest Related party		(595,460)	-	(595,460)	-
Bank overdraft interest		(4,003,466)	(3,542,476)	(4,003,466)	(3,542,476)
Bill discount charges		(1,794,901)	(1,226,972)	(1,794,901)	(1,226,972)
Bank charges		(2,365,190)	(3,749,624)	(2,361,590)	(3,745,425)
Others		-	(58,294)	-	(58,294)
Foreign exchange loss		(12,570,227)	(32,628,162)	(12,570,227)	(32,628,162)
		(91,576,624)	(115,715,059)	(91,573,024)	(115,710,860)
Net finance expenses		(91,282,659)	(115,469,103)	(91,279,059)	(115,464,904)

10. INCOME TAX EXPENSE

10.1 Current income tax expense

Income tax expense on current year's profit		317,468	131,083	317,468	131,083
Deferred tax expense					
Origination of deferred tax assets	30	(5,586,526)	(15,928,642)	(5,586,526)	(15,928,642)
Total income tax expense		(5,269,058)	(15,797,559)	(5,269,058)	(15,797,559)

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

For the year ended 31 March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Profit/(loss) before tax		73,321,049	(141,425,814)	73,293,649	(141,407,415)
Exempt income / other source of income		(293,965)	-	(293,965)	-
Aggregate disallowable expenses		11,126,690	170,592,019	11,126,690	170,573,620
Aggregate allowable expenses		(27,855,912)	(5,041,627)	(27,828,512)	(5,041,627)
Taxable profit for the year		56,297,862	24,124,578	56,297,862	24,124,578
Tax losses brought forward		(117,734,320)	(130,887,797)	(117,734,320)	(130,887,797)
Adjustment of opening tax brought forward		50,735	(10,339,836)	50,735	(10,339,836)
Utilization of tax losses		54,580,012	23,493,313	54,580,012	23,493,313
Tax losses carried forward		(63,103,573)	(117,734,320)	(63,103,573)	(117,734,320)
Total statutory income		56,297,862	24,124,578	56,297,862	24,124,578
Deductions; utilization of tax losses		(54,580,012)	(23,493,313)	(54,580,012)	(23,493,313)
Taxable income - other source of income		1,717,850	631,265	1,717,850	631,265
Tax on taxable income @ 24%		33,025	69,821	33,025	69,821
Tax on taxable income @ 18%		284,443	61,262	284,443	61,262
Total current tax for the year		317,468	131,083	317,468	131,083

10.3 Reconciliation of effective tax rate

Profit/(loss) before income tax		73,321,049	(141,425,814)	73,293,649	(141,407,415)
Income tax using the domestic tax rate		15,354,124	(29,363,434)	15,348,386	(29,363,434)
Non-deductible expenses		2,336,605	35,419,834	2,336,605	35,419,834
Deductible expenses		(5,849,726)	(1,046,900)	(5,843,988)	(1,046,900)
Tax exempt income		(61,733)	-	(61,733)	-
Tax loss utilized		(11,461,802)	(4,878,417)	(11,461,802)	(4,878,417)
Current tax on profits for the year	10.1	317,468	131,083	317,468	131,083
Charge to deferred tax liability on temporary differences		3,046,696	1,319,473	3,046,696	1,319,473
Charge to deferred tax asset on temporary differences		2,539,830	14,609,169	2,539,830	14,609,169
Total income tax expense		(5,269,058)	(15,797,559)	(5,269,058)	(15,797,559)

11. BASIC EARNING 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		78,590,107	(125,628,255)	78,562,707	(125,609,856)
Weighted average number of ordinary shares		66,428,660	66,428,660	66,428,660	66,428,660
Basic earnings/(loss) per share		1.18	(1.89)	1.18	(1.89)

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

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT

12.1 Group

	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 Vehicles	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At cost / valuation												
Balance at 01st April 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
Additions	2,672,000	52,780	603,566	-	-	-	-	11,600	27,910	-	-	3,367,856
Disposals / transfers	-	(4,789,442)	(17,383,880)	-	-	(704,696)	(2,160,003)	4,789,442	-	-	-	(20,248,579)
Transfer to non current assets held for sale	(227,200,000)	(73,162,098)	(1,380,264)	(44,112)	-	-	(720,177)	(5,750)	(718,567)	-	-	(303,230,968)
Balance at 31st March 2021	2,672,000	-	46,611,656	10,283,470	6,990,907	2,169,002	9,078,105	13,471,383	12,538,684	25,731,482	2,491,951	132,038,640
Depreciation and impairment losses												
Balance at 01st April 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
Depreciation	-	4,983,636	4,253,902	1,063,477	108,834	10,864	212,566	755,607	83,872	5,307,276	-	16,780,034
Disposals / transfers	-	(256,565)	(5,762,871)	-	-	(98,630)	(1,929,854)	256,565	-	-	-	(7,791,355)
Transfer to non current assets held for sale	-	(9,754,942)	(460,042)	(44,112)	-	-	(720,177)	(5,175)	(708,996)	-	-	(11,693,444)
Balance at 31st March 2021	-	-	16,242,961	8,517,617	6,967,241	500,767	9,078,105	7,108,538	12,124,125	21,308,753	-	81,848,107
Total carrying amount												
As at 31st March 2021	2,672,000	-	30,368,695	1,765,853	23,666	1,668,235	-	6,362,845	414,559	4,422,729	2,491,951	50,190,533
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

12 PROPERTY, PLANT & EQUIPMENT

12.2 Company

	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 Vehicles	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At cost / valuation												
Balance at 01st April 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
Additions	2,672,000	52,780	603,566	-	-	-	-	11,600	27,910	-	-	3,367,856
Disposals / transfers	-	(4,789,442)	(17,383,880)	-	-	(704,696)	(2,160,003)	4,789,442	-	-	-	(20,248,579)
Transfer to non current assets held for sale	(227,200,000)	(73,162,098)	(1,380,264)	(44,112)	-	-	(720,177)	(5,750)	(718,567)	-	-	(303,230,968)
Balance at 31st March 2021	2,672,000	-	46,611,656	10,283,470	6,990,907	2,169,002	9,078,105	13,471,383	12,538,684	25,731,482	2,491,951	132,038,640
Depreciation and impairment losses												
Balance at 01st April 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
Depreciation	-	4,983,636	4,253,902	1,063,477	108,834	10,864	212,566	755,607	83,872	5,307,276	-	16,780,034
Disposals / transfers	-	(256,565)	(5,762,871)	-	-	(98,630)	(1,929,854)	256,565	-	-	-	(7,791,355)
Transfer to non current assets held for sale	-	(9,754,942)	(460,042)	(44,112)	-	-	(720,177)	(5,175)	(708,996)	-	-	(11,693,444)
Balance at 31st March 2021	-	-	16,242,961	8,517,617	6,967,241	500,767	9,078,105	7,108,538	12,124,125	21,308,753	-	81,848,107
Total carrying amount												
As at 31st March 2021	2,672,000	-	30,368,695	1,765,853	23,666	1,668,235	-	6,362,845	414,559	4,422,729	2,491,951	50,190,533
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

NOTES TO THE FINANCIAL STATEMENTS

12.3 During the year, the Group acquired property, plant and equipment to the aggregate value of Rs.3,367,856/- (2019/20 - Rs.2,841,315). It was acquired by means of cash payments amounting to Rs.3,367,856/- (2019/20 - 2,814,315). The additions during the year include, acquisition of land amounting to Rs. 2,672,000/- as a part of business acquisition as disclosed in note 13 to the financial statements.

12.4 Property, plant & equipment of the Group includes fully-depreciated assets, the cost of which as at 31st March 2021 amounted to Rs.48,969,321/-. (2019/20 - Rs.36,180,085) and continue to be in use by the Group.

12.5 Assets pledged as security against borrowings are disclosed in Note no.42.

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 (Rs.)	Property valuer
a. Machinery - heavy duty at Linton Road, Kandana	Replacement cost method	31-03-2016	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	2,873,698	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor
c. Land situated at 39 A, Linton Road, Kandana	Direct capital comparison method	'31-03-2019	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)	Direct capital comparison method	31-03-2019	75,285,389	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor

12.7 The details of the Company's land holdings

	Extent of land	Cost of purchase Rs.	Year of purchase Rs.
(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

12.8 Details of leasehold assets

Carrying value as at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Motor vehicles	-	9,730,005	-	9,730,005
	-	9,730,005	-	9,730,005

The above lease hold assets were fully settled and being transferred to free hold assets

12.9 Expenses recognized in statement of comprehensive income

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Depreciation	16,780,034	17,042,712	16,780,034	17,042,712
	16,780,034	17,042,712	16,780,034	17,042,712

13. GOODWILL

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	-	-	-	-
On acquisition of the business of HVA Lanka Exports (Pvt) Ltd	263,849,498	-	263,849,498	-
Balance as at 31st March	263,849,498	-	263,849,498	-

On 10th March, 2021, the Company has acquired the business and certain assets of HVA Lanka Exports (Pvt) Ltd for a total consideration of Rs.290,000,000/-. This acquisition has accounted for as a business combination as per the requirements of SLFRS 3 – Business Combination.

The fair values of the net assets acquired and goodwill on acquisition are as follows:

	Rs.
Freehold land	2,672,000
Inventories	19,028,502
Trademark	4,450,000
Total identifiable assets	26,150,502
Total consideration paid	290,000,000
Goodwill on acquisition	263,849,498

14. INVESTMENT IN SUBSIDIARY

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Non - quoted investment				
HVA Holdings (Pvt) Ltd	-	-	45,000,001	45,000,001
	-	-	45,000,001	45,000,001

The Board of Directors have made an assessment on the impairment of the carrying amount of investment in subsidiary as at the reporting date and are confident that no impairment provision is required.

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER INTANGIBLE ASSETS

15.1 Trademark - "HELADIV"

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cost				
Balance as at 1st April	44,938,997	44,938,997	-	-
Balance as at 31st March	44,938,997	44,938,997	-	-

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 trade mark 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.

As of the reporting date, the Board of Directors has reviewed the valuation made on 31st December 2019 to assess whether there are any indicators that may warrant an impairment provision for the carrying value of trademark. Having considered the positive growth in revenue in 2020/2021 and future revenue forecast together with reasonableness of royalty rates applied, the Board of Directors is confident that trademark has not been impaired as at the reporting date.

15.2 Trademark - "INFINI-T"

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	-	-	-	-
On acquisition of the business of HVA Lanka Exports (Pvt) Ltd	4,450,000	-	4,450,000	-
Balance as at 31st March	4,450,000	-	4,450,000	-

Out of the total consideration paid for the acquisition of business of HVA Lanka Exports (Pvt) Ltd, Rs.4,450,000/- was attributed to the trademark which was determined based on a valuation carried out by an independent professional valuer.

Valuation methodology and principal assumptions used for the brand valuation

"Income approach" has been considered for the valuation of trademark and the following principal assumptions were used:

» Revenue growth - 18% p.a.
» Royalty rate - 4.6%
» Discount rate - 16%
» Terminal growth rate - 3%

15.3 **Software**

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Summary				
Cost				
Balance as at 1st April	323,000	288,000	323,000	288,000
Acquire / incurred during the year	-	35,000	-	35,000
Balance as at 31st March	323,000	323,000	323,000	323,000
Amortization				
Balance as at 1st April	288,000	288,000	288,000	288,000
Amortisation charge for the year	-	-	-	-
Balance as at 31st March	288,000	288,000	288,000	288,000
Carrying amount				
Balance as at 1st April	35,000	-	35,000	-
Acquired / incurred during the year	-	35,000	-	35,000
Balance as at 31st March	35,000	35,000	35,000	35,000

	For the year ended 31 March	Group		Company	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
15.4	**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
15.5	**Total**				
	Carrying amount				
	Trademark - "HELADIV"	44,938,997	44,938,997	-	-
	Trademark - "INFINI-T"	4,450,000	-	4,450,000	-
	Software	2,792,340	2,792,340	2,792,340	2,792,340
	Net carrying amount	52,181,337	47,731,337	7,242,340	2,792,340

NOTES TO THE FINANCIAL STATEMENTS

16. INVENTORIES

For the year ended 31 March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Raw materials - Tea		46,062,235	40,434,558	46,062,235	40,434,558
Flavours		13,272,854	7,162,432	13,272,854	7,162,432
Packing materials		74,974,120	61,894,947	74,974,120	61,894,947
Work-in-progress		2,890	309,838	2,890	309,838
Semi-finished goods		27,621,677	10,692,898	27,621,677	10,692,898
Finished goods		9,636,719	10,632,824	9,636,719	10,632,824
Tea café stocks		2,563,750	5,755,723	2,563,750	5,755,723
Other stocks		6,171,736	4,075,671	6,171,736	4,075,671
		180,305,981	140,958,891	180,305,981	140,958,891
Provision for impairment of inventories	16.1	(25,512,869)	(28,104,460)	(25,512,869)	(28,104,460)
		154,793,112	112,854,431	154,793,112	112,854,431

16.1 Provision for impairment

	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Balance as at 1st April		28,104,460	-	28,104,460	-
Provision/(reversal) for the year		(2,591,591)	28,104,460	(2,591,591)	28,104,460
Balance as at 31st March		25,512,869	28,104,460	25,512,869	28,104,460

17. FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 March	2021 No. of shares Rs.	2021 Cost Rs.	2021 Market value Rs.	2020 No. of shares Rs.	2020 Cost Rs.	2020 Market value Rs.
Group						
Muller & Phipps (Ceylon) PLC	105,040	115,544	115,544	105,040	115,544	63,024
Vallibel Finance PLC	3,950	232,645	415,738	3,950	232,645	197,500
Colombo Land Developments PLC	25,000	595,000	600,000	25,000	595,000	337,500
Sanasa Development Bank	19,465	1,638,756	1,105,612	17,453	1,638,756	785,382
		2,581,945	2,236,894		2,581,945	1,383,406
Company						
Muller & Phipps (Ceylon) PLC	105,040	115,544	115,544	105,040	115,544	63,024
Vallibel Finance PLC	3,950	232,645	415,738	3,950	232,645	197,500
Colombo Land Developments PLC	25,000	595,000	600,000	25,000	595,000	337,500
Sanasa Development Bank	19,465	1,638,756	1,105,612	17,453	1,638,756	785,382
		2,581,945	2,236,894		2,581,945	1,383,406

18. TRADE RECEIVABLES

For the year ended 31 March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Trade debtors		441,809,395	329,543,762	441,809,395	329,543,762
Provision for impairment losses	18.1	(214,039,370)	(90,770,061)	(214,039,370)	(90,770,061)
		227,770,025	238,773,701	227,770,025	238,773,701
18.1 Provision for impairment losses					
Balance as at 1st April		90,770,061	76,024,990	90,770,061	76,024,990
Provision for the year		123,269,309	14,745,071	123,269,309	14,745,071
Balance as at 31st March		214,039,370	90,770,061	214,039,370	90,770,061

19. AMOUNTS DUE FROM RELATED PARTIES

For the year ended 31 March	Nature of relationship	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
HVA Lanka Exports (Pvt) Ltd	Affiliate		-	365,188,867	-	365,255,067
HVA Holdings (Pvt) Ltd	Subsidiary		-	-	76,800	44,000
HVA Farms (Pvt) Ltd	Affiliate		36,715	36,714	36,715	36,714
Lake Drive Holdings (Pvt) Ltd	Affiliate		100,000	100,000	100,000	100,000
			136,715	365,325,581	213,515	365,435,781
Provision for impairment		19.1	-	(322,813,036)	-	(322,813,036)
			136,715	42,512,545	213,515	42,622,745

19.1 Provision for impairment - HVA Lanka Exports (Pvt) Ltd

			Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Balance as at 1st April			322,813,036	344,109,728	322,813,036	344,109,728
Provision/(reversal) for the year		(a)	(322,813,036)	(21,296,692)	(322,813,036)	(21,296,692)
Balance as at 31st March			-	322,813,036	-	322,813,036

(a) Provision for bad debts amounting to Rs.322,813,036/- has been reversed during the year due to settlements made by HVA Lanka Exports (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

20. PREPAYMENTS AND OTHER RECEIVABLES

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Other taxes recoverable	5,644,416	15,678,846	5,644,416	15,678,846
Interest receivable on outstanding	-	19,943	-	19,943
Prepayment	2,056,511	1,370,859	2,056,511	1,370,859
Other receivables	29,177	3,884,820	29,177	3,884,820
	7,730,104	20,954,468	7,730,104	20,954,468

21. DEPOSITS AND ADVANCES

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Advances	66,433,383	10,486,187	66,433,383	10,486,187
Deposits	3,310,960	3,613,076	3,310,960	3,613,076
	69,744,343	14,099,263	69,744,343	14,099,263

22. CASH AND CASH EQUIVALENTS

	For the year ended 31 March	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
22.1	**Short-term deposits**				
	Fixed deposits	59,700,000	-	59,700,000	-
	Exports bills saving accounts	3,264	3,111	3,264	3,111
	Exports margin accounts	37,691,633	11,927,360	37,691,633	11,927,360
		97,394,897	11,930,471	97,394,897	11,930,471
22.2	**Favorable balances**				
	Cash at banks (USD)	31,895,836	18,716,747	31,895,836	18,716,747
	Cash at banks (EUR)	2,496,731	129,651	2,496,731	129,651
	Cash at banks (LKR)	18,524,733	3,364,131	18,514,428	3,350,226
	Cash in hand and cheques in hand	517,013	616,655	517,013	616,655
	Total favourable balances	53,434,313	22,827,184	53,424,008	22,813,279
	Total short-term deposits and favourable balances	150,829,210	34,757,655	150,818,905	34,743,750
22.3	**Unfavourable balances/overdrafts**				
	Bank overdrafts	39,351,302	36,296,673	39,351,302	36,296,673
	Cash and cash equivalents for the purpose of statement of cashflows	111,477,908	(1,539,018)	111,467,603	(1,552,923)

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Group/Company

For the year ended 31 March	As at 31st March, 2021		
	Cost	Accumulated depreciation	Written down value
	Rs.	Rs.	Rs.
Land	227,200,000	-	227,200,000
Buildings	73,162,098	9,754,942	63,407,156
Plant & machinery - heavy duty	1,380,264	460,042	920,222
Plant & machinery - other	44,112	44,112	-
Stores equipment - other	720,177	720,177	-
Furniture & fittings	5,750	5,175	575
Office equipment	718,567	708,996	9,571
	303,230,968	11,693,444	291,537,524

Subsequent to the reporting date, on 22nd June 2021, the Company has disposed its properties (land and buildings and other equipment) situated at 43, Mahawatta Road, Ragama (also referred to as 39A, Linton Road, Kandana) for a consideration of Rs.338,000,000/-. Therefore, aforementioned properties have been recognised as "Non-current assets held for sale" as per the requirements of SLFRS 5 - Non-current Assets held for Sale and Discontinued Operations.

24. STATED CAPITAL

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	333,857,588	333,857,588	333,857,588	333,857,588
Balance as at 31st March	333,857,588	333,857,588	333,857,588	333,857,588
	Nos.	Nos.	Nos.	Nos.
Ordinary shares	66,428,660	66,428,660	66,428,660	66,428,660

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.

25. REVALUATION RESERVE

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	237,613,039	237,613,039	237,613,039	237,613,039
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.

NOTES TO THE FINANCIAL STATEMENTS

26. ACCUMULATED LOSSES

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	(634,355,113)	(511,122,240)	(634,183,814)	(510,969,340)
Profit/(loss) for the year	78,590,107	(125,628,255)	78,562,707	(125,609,856)
Other comprehensive income for the year	84,912	2,688,754	84,912	2,688,754
Deferred tax effect on other comprehensive income	(11,888)	(293,372)	(11,888)	(293,372)
Balance as at 31st March	(555,691,982)	(634,355,113)	(555,548,083)	(634,183,814)

27. RETIREMENT BENEFIT OBLIGATIONS

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	18,344,855	18,646,534	18,344,855	18,646,534
Interest cost for the year	1,834,486	2,116,382	1,834,486	2,116,382
Current service cost for the year	977,748	1,165,709	977,748	1,165,709
Gratuity paid during the year	(14,570,072)	(895,016)	(14,570,072)	(895,016)
Actuarial gain	(84,912)	(2,688,754)	(84,912)	(2,688,754)
Balance as at 31st March	6,502,105	18,344,855	6,502,105	18,344,855

27.1 Expenses recognized in profit/loss

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current service cost	977,748	1,165,709	977,748	1,165,709
Interest cost	1,834,486	2,116,382	1,834,486	2,116,382
	2,812,234	3,282,091	2,812,234	3,282,091

27.2 Actuarial (gain)/loss recognised in other comprehensive income

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Actuarial gain	(84,912)	(2,688,754)	(84,912)	(2,688,754)
	(84,912)	(2,688,754)	(84,912)	(2,688,754)

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;

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Discount rate	8.00%	10.00%	8.00%	10.00%
Future salary increases	8.00%	8.00%	8.00%	8.00%

27.3 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.

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
1% increase in discount rate	(185,777)	(187,854)	(185,777)	(187,854)
1% decrease in discount rate	198,397	195,882	198,397	195,882
1% increase in salary escalation rate	178,864	102,106	178,864	102,106
1% decrease in salary escalation rate	(170,583)	(97,997)	(170,583)	(97,997)

NOTES TO THE FINANCIAL STATEMENTS

28. INTEREST BEARING LOANS AND BORROWINGS

	For the year ended 31 March	Note	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
28.1	**Non-current liabilities**					
28.1.1	Secured term loans					
	Balance as at 1st April		492,460,803	133,490,316	492,460,803	133,490,316
	Loans obtained during the year		8,356,606	347,382,578	8,356,606	347,382,578
			500,817,409	480,872,894	500,817,409	480,872,894
	Repayments during the year		(41,328,272)	(15,023,872)	(41,328,272)	(15,023,872)
			459,489,137	465,849,022	459,489,137	465,849,022
	Effect of movements in foreign exchange		19,484,733	26,611,781	19,484,733	26,611,781
	Balance as at 31st March		478,973,870	492,460,803	478,973,870	492,460,803
	Transferred to current liabilities		(232,433,393)	(229,504,837)	(232,433,393)	(229,504,837)
	Secured term loans - Non-current borrowings	(a)	246,540,477	262,955,966	246,540,477	262,955,966
	Repayable within one year		232,433,393	229,504,837	232,433,393	229,504,837
	Repayable between one and five years		246,540,477	262,955,966	246,540,477	262,955,966
	Balance as at 31st March		478,973,870	492,460,803	478,973,870	492,460,803
28.1.2	Finance lease obligations					
	Balance as at 1st April		11,395,506	11,464,077	11,395,506	11,464,077
	Repayments during the year		(11,395,506)	(68,571)	(11,395,506)	(68,571)
	Balance as at 31st March		-	11,395,506	-	11,395,506
	Transferred to current liabilities		-	(11,395,506)	-	(11,395,506)
	Finance lease obligations - non-current borrowings	(b)	-	-	-	-
	Finance lease obligations repayable within one year					
	Gross liability		-	12,808,479	-	12,808,479
	Finance charges		-	(1,412,973)	-	(1,412,973)
	Net lease obligation		-	11,395,506	-	11,395,506
	Total non-current borrowings	(a)+(b)	246,540,477	262,955,966	246,540,477	262,955,966

For the year ended 31 March	Note	Group		Company	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
28.2 Current liabilities					
Bill discounting		37,686,778	96,116,351	37,686,778	96,116,351
Packing credit loans		426,249,392	178,658,219	426,249,392	178,658,219
Secured term loans - repayable within one year		232,433,393	229,504,837	232,433,393	229,504,837
Finance lease obligations - repayable within one year		-	11,395,506	-	11,395,506
		696,369,563	515,674,913	696,369,563	515,674,913

28.3 Assets pledged as security against borrowings and the facility details are disclosed in Note 42.

29. GOVERNMENT GRANTS

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	12,203,326	13,312,726	12,203,326	13,312,726
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	11,093,926	12,203,326	11,093,926	12,203,326
Amounts expected to be recognised after one year	9,984,526	11,093,926	9,984,526	11,093,926
Amounts expected to be recognised within one year	1,109,400	1,109,400	1,109,400	1,109,400
	11,093,926	12,203,326	11,093,926	12,203,326

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.

30. DEFERRED TAX LIABILITIES/(ASSETS)

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	(9,201,726)	6,433,546	(9,201,726)	6,433,546
Recognized in profit or loss	(5,586,526)	(15,928,643)	(5,586,526)	(15,928,643)
Recognized in other comprehensive income	11,888	293,371	11,888	293,371
Balance as at 31st March	(14,776,364)	(9,201,726)	(14,776,364)	(9,201,726)

NOTES TO THE FINANCIAL STATEMENTS

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			
	2021		2020	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligations	6,502,105	910,295	18,344,855	2,568,280
Carried forward tax losses	63,103,573	8,834,500	117,734,320	16,482,805
Adjustment on thin capitalization	307,313,950	43,023,953	222,783,723	31,189,721
Property, plant and equipment	4,920,096	688,813	-	-
	381,839,724	53,457,561	358,862,898	50,240,806
Deferred tax liabilities				
Property, plant and equipment	-	-	16,842,019	2,357,883
Revaluation reserve	276,294,265	38,681,197	276,294,265	38,681,197
	276,294,265	38,681,197	293,136,284	41,039,080
Net deferred tax (liability) / asset	105,545,459	14,776,364	65,726,614	9,201,726

For the year ended 31 March	Company			
	2021		2020	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligations	6,502,105	910,295	18,344,855	2,568,280
Carried forward tax losses	63,103,573	8,834,500	117,734,320	16,482,805
Adjustment on thin capitalization	307,313,950	43,023,953	222,783,723	31,189,721
Property, plant and equipment	4,920,096	688,813	-	-
	381,839,724	53,457,561	358,862,898	50,240,806
Deferred tax liabilities				
Property, plant and equipment	-	-	16,842,019	2,357,883
Revaluation reserve	276,294,265	38,681,197	276,294,265	38,681,197
	276,294,265	38,681,197	293,136,284	41,039,080
Net deferred tax (liability) / asset	105,545,459	14,776,364	65,726,614	9,201,726

Movement in deferred tax balance during the year

For the year ended 31 March	Balance as at 31st March 2020 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Balance as at 31st March 2021 Rs.
Retirement benefit obligations	2,568,280	(1,646,097)	(11,888)	910,295
Adjustment on thin capitalization	31,189,721	11,834,232	-	43,023,953
Property, plant and equipment	(2,357,883)	3,046,696	-	688,813
Revaluation reserve	(38,681,197)	-	-	(38,681,197)
Carried forward tax losses	16,482,805	(7,648,305)	-	8,834,500
Net deferred tax asset/ (liability)	9,201,726	5,586,526	(11,888)	14,776,364

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
31. TRADE PAYABLES				
Tea creditors	382,450	3,532,708	382,450	3,532,708
Packing material creditors	29,622,685	37,560,768	29,622,685	37,560,768
Flavour creditors	2,996,478	1,102,434	2,996,478	1,102,434
	33,001,613	42,195,910	33,001,613	42,195,910
32. DEPOSITS AND ADVANCES				
Advances and deposits from customers	133,764,447	18,689,848	133,764,447	18,689,848
	133,764,447	18,689,848	133,764,447	18,689,848
33. ACCRUED EXPENSES AND OTHER PAYABLES				
Salary and related expenses payables	265,820	265,946	265,820	265,946
Freight creditors	4,407,155	4,965,827	4,407,155	4,965,827
Other payables	50,939,522	41,532,758	50,923,122	41,518,758
	55,612,497	46,764,531	55,596,097	46,750,531

34. AMOUNT DUE TO RELATED PARTY

For the year ended 31 March	Nature of relationship	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
George Steuart & Company Ltd	Parent	47,443,616	-	47,443,616	-
		47,443,616	-	47,443,616	-

NOTES TO THE FINANCIAL STATEMENTS

35. INCOME TAX PAYABLE/(RECOVERABLE)

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 01st April	(375,545)	(506,628)	(375,545)	(506,628)
Provision for the year	317,468	131,083	317,468	131,083
Write off during the year	375,545	-	375,545	-
Balance as at 31st March	317,468	(375,545)	317,468	(375,545)

36. FINANCIAL INSTRUMENTS

36.1 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:

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Carrying amount				
Trade receivables	441,809,395	329,543,762	441,809,395	329,543,762
Cash and cash equivalents	150,829,210	34,757,655	150,818,905	34,743,750
	592,638,605	364,301,417	592,628,300	364,287,512
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	20,296,586	15,139,138	20,296,586	15,139,138
Russia & the CIS States	235,299,971	245,978,039	235,299,971	245,978,039
Far East /Asia	88,516,998	27,799,396	88,516,998	27,799,396
Europe	44,997,919	35,186,192	44,997,919	35,186,192
USA / Canada	13,784,631	1,495,290	13,784,631	1,495,290
Middle East & Africa	38,913,290	3,945,707	38,913,290	3,945,707
	441,809,395	329,543,762	441,809,395	329,543,762

Impairment losses

The aging of trade receivables at the reporting date was;

For the year ended 31 March	Group		Company	
	Gross 2021 Rs.	Impairment 2021 Rs.	Gross 2020 Rs.	Impairment 2020 Rs.
Group				
Not past due	132,586,603	2,474,036	67,639,460	936,181
Past due 0-90 days	58,755,587	390,606	31,801,947	3,026,246
Past due 90-120 days	14,455,437	661,934	21,703,048	3,093,384
Past due 120-365 days	6,493,653	1,180,501	22,816,113	300,236
Past due more than 365 days	229,518,115	209,332,293	185,583,194	83,414,014
	441,809,395	214,039,370	329,543,762	90,770,061
Company				
Not past due	132,586,603	2,474,036	67,639,460	936,181
Past due 0-90 days	58,755,587	390,606	31,801,947	3,026,246
Past due 90-120 days	14,455,437	661,934	21,703,048	3,093,384
Past due 120-365 days	6,493,653	1,180,501	22,816,113	300,236
Past due more than 365 days	229,518,115	209,332,293	185,583,194	83,414,014
	441,809,395	214,039,370	329,543,762	90,770,061

The movement in the allowance for impairment in respect of trade receivables during the year is given in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

36.2 Liquidity risk

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

For the year ended 31 March	Carrying amount Rs.	Contractual amount Rs.	Less than 01 year Rs.	More than 01 year Rs.
Group				
31st March 2021				
Non-derivative financial liabilities				
Trade and other payables	222,378,557	222,378,557	222,378,557	-
Amount due to related party	47,443,616	47,443,616	47,443,616	-
Bank overdraft	39,351,302	39,351,302	39,351,302	-
Loans and borrowings	942,910,040	942,910,040	696,369,563	246,540,477
	1,252,083,515	1,252,083,515	1,005,543,038	246,540,477
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	922,577,841	659,621,875	262,955,966
Company				
31st March 2021				
Non-derivative financial liabilities				
Trade and other payables	222,362,157	222,362,157	222,362,157	-
Amount due to related party	47,443,616	47,443,616	47,443,616	-
Bank overdraft	39,351,302	39,351,302	39,351,302	-
Loans and borrowings	942,910,040	942,910,040	696,369,563	246,540,477
	1,252,067,115	1,252,067,115	1,005,526,638	246,540,477
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

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

36.3 Market risk

36.3.1 Currency risk

Exposure to currency risk

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

Group

For the year ended 31 March	31 March 2021			
	LKR	USD	SGD	EURO
Trade receivables	20,296,585	1,809,166	122,139	186,496
Trade payables	26,506,629	31,613	-	875

For the year ended 31 March	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

Company

For the year ended 31 March	31 March 2021			
	LKR	USD	SGD	EURO
Trade receivables	20,296,585	1,809,166	122,139	186,496
Trade payables	26,506,629	31,613	-	875

For the year ended 31 March	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

The following significant exchange rates were applied during the year

For the year ended 31 March	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
USD	197.55	189.68	199.00	189.68
SGD	139.57	129.99	147.57	129.99
EURO	222.63	209.14	233.06	209.14

NOTES TO THE FINANCIAL STATEMENTS

Foreign currency sensitivity

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

For the year ended 31 March	2021		2020	
	Amount in foreign currency Rs.	LKR amount Rs.	Amount in foreign currency Rs.	LKR amount Rs.
Group				
USD assets	2,158,868	429,614,747	1,517,948	287,924,444
Euro assets	197,209	45,961,417	210,108	43,942,085
SGD assets	122,139	18,024,108	122,139	15,877,142
Total foreign currency denominated assets	2,478,216	493,600,272	1,850,196	347,743,671
Impact on PBT				
5% strengthening of Rupee		(24,680,014)		(17,387,184)
5% weakening of Rupee		24,680,014		17,387,184
Company				
USD assets	2,158,868	429,614,747	1,517,948	287,924,444
Euro assets	197,209	45,961,417	210,108	43,942,085
SGD assets	122,139	18,024,108	122,139	15,877,142
Total foreign currency denominated assets	2,478,216	493,600,272	1,850,196	347,743,671
Impact on PBT				
5% strengthening of Rupee		(24,680,014)		(17,387,184)
5% weakening of Rupee		24,680,014		17,387,184

36.3.2 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;

36.3 MARKET RISK

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Variable rate instruments				
Financial liabilities	478,973,870	492,460,803	478,973,870	492,460,803
	478,973,870	492,460,803	478,973,870	492,460,803

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.

For the year ended 31 March	2021 Effect on profit before tax	
	Group	Company
	Rs.	Rs.
100 bp increase	(4,975,089)	(4,975,089)
100 bp decrease	4,975,089	4,975,089

36.4 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 result 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	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
For the year ended 31st March				
Total liabilities	1,269,997,014	953,126,022	1,269,980,614	953,112,022
Less: Cash and cash equivalents	(150,829,210)	(34,757,655)	(150,818,905)	(34,743,750)
Net debt	1,119,167,804	918,368,367	1,119,161,709	918,368,272
Total equity	15,778,645	(62,884,486)	15,922,544	(62,713,187)
Debt to adjusted capital ratio as at 31st March	7093%	(1460%)	7029%	(1464%)

NOTES TO THE FINANCIAL STATEMENTS

37. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

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

Group

For the year ended 31 March	Financial assets fair value through profit or loss Rs.	Financial assets at amortized cost Rs.	Other financial liabilities at amortized cost Rs.	Total Rs.
2021				
Financial assets				
Financial investments	2,236,894	-	-	2,236,894
Trade receivables	-	227,770,025	-	227,770,025
Amounts due from related parties	-	136,715	-	136,715
Deposits	-	3,310,960	-	3,310,960
Cash and cash equivalents	-	150,829,210	-	150,829,210
	2,236,894	382,046,910	-	384,283,804
Financial liabilities				
Borrowings	-	-	942,910,040	942,910,040
Trade payables	-	-	33,001,613	33,001,613
Amount due to related party	-	-	47,443,616	47,443,616
Other payables	-	-	189,376,944	189,376,944
Bank overdraft	-	-	39,351,302	39,351,302
	-	-	1,252,083,515	1,252,083,515
2020				
Financial assets				
Financial investments	1,383,406	-	-	1,383,406
Trade receivables	-	238,773,701	-	238,773,701
Amounts due from related parties	-	42,512,545	-	42,512,545
Deposits	-	3,613,076	-	3,613,076
Cash and cash equivalents	-	34,757,655	-	34,757,655
	1,383,406	319,656,977	-	321,040,383
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

Company

For the year ended 31 March	Financial assets fair value through profit or loss Rs.	Financial assets at amortized cost Rs.	Other financial liabilities at amortized cost Rs.	Total Rs.
2021				
Financial assets				
Financial investments	2,236,894	-	-	2,236,894
Trade receivables	-	227,770,025	-	227,770,025
Amounts due from related parties	-	213,515	-	213,515
Deposits	-	3,310,960	-	3,310,960
Cash and cash equivalents	-	150,818,905	-	150,818,905
	2,236,894	382,113,405	-	384,350,299
Financial liabilities				-
Borrowings	-	-	942,910,040	942,910,040
Trade payables	-	-	33,001,613	33,001,613
Amount due to related party	-	-	47,443,616	47,443,616
Other payables	-	-	189,360,544	189,360,544
Bank overdraft	-	-	39,351,302	39,351,302
	-	-	1,252,067,115	1,252,067,115
2020				
Financial assets				
Financial investments	1,383,406	-	-	1,383,406
Trade receivables	-	238,773,701	-	238,773,701
Amounts due from related parties	-	42,622,745	-	42,622,745
Deposits	-	3,613,076	-	3,613,076
Cash and cash equivalents	-	34,743,750	-	34,743,750
	1,383,406	319,753,272	-	321,136,678
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

* 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.

NOTES TO THE FINANCIAL STATEMENTS

37.2 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.

For the year ended 31 March	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Group					
2021					
Financial assets - Fair value through profit or loss	17	2,236,894	-	-	2,236,894
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipments	12	-	-	32,036,930	32,036,930
2020					
Financial assets - Fair value through profit or loss	17	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
Company					
2021					
Financial assets - Fair value through profit or loss	17	2,236,894	-	-	2,236,894
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipments	12	-	-	32,036,930	32,036,930
2020					
Financial assets - Fair value through profit or loss	17	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

38. RELATED PARTY DISCLOSURE

38.1 Parent and ultimate controlling party

George Steuart and Company Limited has become the parent entity of the Company on 10th February 2021 by acquiring 51.1% shares of the Company, amounting to 33,946,105 shares at a consideration of Rs.3.50 per share.

38.2 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.

38.2.1 Key management personnel compensation

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Short- term employee benefits	31,610,800	12,768,000	31,610,800	12,768,000
Total	31,610,800	12,768,000	31,610,800	12,768,000

38.3 Transactions with group companies

38.3.1 Recurrent related party transactions

For the year ended 31 March		Transaction amount 2021 Rs.	Transaction amount 2020 Rs.	Balance due from / (due to) 2021 Rs.	Balance due from / (due to) 2020 Rs.
a. Company	**George Steuart & Company Ltd**				
Directors	Mr. S. A. Ameresekere				
	Ms. V.S.A. Fernando				
Relationship	Parent company				
Nature of transaction	Loan received	359,159,800	-	-	-
	Loan repayments	(312,000,000)	-	-	-
	Interest charge	595,460	-	(47,443,616)	-
	Interest paid	(311,644)			
b. Company	**HVA Lanka Exports (Pvt) Ltd**				
Directors	Mr. A.R.H. Fernando (resigned w.e.f 24th Feb 2021)				
	Ms. V.S.A. Fernando				
Relationship	Affiliate				
Nature of transaction	Sale of goods	11,471,366	13,758,148	-	-
	Purchases of goods	(7,743,760)	(18,007,919)	-	-
	Net Receipts & re-imbursement of expenses & other transactions	(82,001,774)	(86,898,382)	-	-
	Receipts	(286,980,898)			
	Direct payments received	-	128,517,006	-	365,255,067
c. Company	**HVA Farms (Pvt) Ltd**				
Directors	Mr. A.R.H. Fernando (resigned w.e.f 24th Feb 2021)				
	Ms. V.S.A. Fernando				
Relationship	Common directors				
Nature of transaction	Receipts for expenses & other transactions	-	-	36,715	36,714
d. Company	**Lake Drive Holdings (Pvt) Ltd**				
Directors	Mr. A.R.H. Fernando (resigned w.e.f 24th Feb 2021)				
	Ms. V.S.A. Fernando				
Relationship	Common directors				
Nature of transaction	Fund transfer	-	-	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March		Transaction amount 2021 Rs.	Transaction amount 2020 Rs.	Balance due from / (due to) 2021 Rs.	Balance due from / (due to) 2020 Rs.
e. Company	**HVA Holdings (Pvt) Ltd**				
Directors	Ms. V. S. A. Fernando				
	Mr. S. A. Ameresekere				
Relationship	Common directors				
Nature of transaction	Receipts for expenses & other transactions	32,800	-	76,800	44,000
f. Company	**George Steuart Optimize (Pvt) Ltd**				
Directors	Mr. W.G.U.I Ranaweera				
Relationship	Common directors				
Nature of transaction	IT services	(25,920)	-	-	-
	Payments	25,920	-	-	-

38.3.2 Recurrent/Non-recurrent related party transactions

The Group has entered in to following recurrent/non-recurrent related party transaction which is above the specified treashold as given under CSE listing rules.

Name of the Related Party	Relationship	Nature	Value of Related Party Transaction entered during the financial year Rs.	Aggregate value of related party transactions as a % of Total Assets and as a % of Equity	Aggregate value of Related Party Transactions as a % of Revenue	Terms and Conditions of the Related Party Transactions	The rationale for entering into the transaction
George Steuart & Company Ltd	Parent	Recurrent	359,159,800	n/a	31%	Normal Commercial Terms	Short-term loans obtained (Note 38.3.1a)
HVA Lanka Exports (Pvt) Ltd	Affiliate	Non-recurrent	290,000,000	23% of Total Assets / 1,821% of Equity	n/a		Acquisition of the business together with certain tangible and intangible assets (to be read together with the Disclosure made to the Colombo Stock Exchange on 12th March 2021)

38.4 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 and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

39. EVENTS AFTER THE REPORTING DATE

39.1 COVID-19 impact on operations of the Group

The Group has been closely monitoring the impact of the development of COVID-19 on the Group's business operations. The Group has taken numerous measures for the safety of staff employed, adhering to all Government and Health Authority rules and guidelines and also closely monitoring the liquidity positions and has been serving the existing debt requirements while managing the working capital requirements. As the situation evolves, the Group will keep its risk management measures under continual review, and proactively take measures to ensure that business operations continue as seamlessly as possible.

39.2 Settlement of Interest-Bearing Loans and Borrowings

The Company has fully settled loans of Seylan Bank PLC and DFCC Vardhana Bank PLC subsequently, as of the date of apprval of the financial statements.

39.3 Other events

Other events subsequent to the reporting date, which require disclosure or adjustments in the financial statements are discussed under Notes 23 and 41 to the financial statements.

40. 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.

41. 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 2021 is appropriate based on following factors.

41.1 Company

The Company has reported a net profit of Rs.78,562,707/- during the year ended 31st March 2021(2020: Net loss of Rs.125,609,856/-) and, as of that date, the Company's current liabilities exceeded its current assets by Rs.393,646,608/- (2020 - Rs 194,909,966/-).

However, having noted above position, 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 2021 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 03 months period ended 30th June 2021.

b) Furthermore, the net equity position has being already looked at and addressed as of the date of this report, resulting from the voluntary offer made by George Steuart & Co. Ltd. dated 30th December 2020 to acquire the majority control of HVA Foods PLC and the subsequent profits posted in the 2 quarters from the date of the acquisition.

c) With the takeover of the Company and the Group by the new shareholder, George Steuart & Company Limited (GS&CO) and the support extended by GS&CO, 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 has already made significant progress in restructuring its debt portfolio to ease the pressures on the cashflows and to minimise the impact of exchange losses due to currency deprecation. Furthermore, the Company has recovered a significant portion of dues provided for under bad debtors.

(e) The Company also has drawn up plans to expand its foot print in the local market while prioritizing minimizing risks, cost and overheads arising from distribution and marketing by strategically appointing George Steuart Consumer (Pvt) Ltd as it distributor in Sri Lanka. Through this the Company has already introduced Heladiv ATAMUSU a product to boost immunity and has plans to drive sales of Ice Tea in the coming months. This will result in increased revenue and profitability.

NOTES TO THE FINANCIAL STATEMENTS

41.2 Group

The Group has reported a net profit of Rs. 78,590,107/- during the year ended 31st March 2021 (2020: Rs. 125,628,255/-) and, as of that date, the Group's current liabilities exceeded its current assets by Rs. 393,729,503/- (2020 - Rs. 195,020,261/-).

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 41.1 above.

42. ASSETS PLEDGED AS SECURITIES & FACILITY DETAILS

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

Lender	Facility type	Security	Interest rate	Amount of facility limit as at 31st March 2021 Rs. /USD	Balance as at 31st March 2021 Rs.	Balance as at 31st March 2020 Rs.
Bank of Ceylon	Packing credit loans	a). Corporate guarantee of HVA Lanka Exports (Pvt) Ltd			60,794,500	38,235,044
	Discounted export bills	b). Bills of Exchange, shipping documents and underlying goods under Bank's constructive control			28,361,808	29,724,831
		c). General letter of indemnity	5.50%	USD 908,950		
		d). General letter of hypothecation				
		e). Corporate guarantee of HVA Lanka Exports (Pvt) Ltd and Mortgage over stock of tea at 39A, Linton Road, Kandana				
Seylan Bank PLC	Long term loan	a). 2.5% margin build-up of export proceeds	3 month LIBOR+4.5% p.a.		304,336,670	331,422,856
	Packing credit loans	b). Primary mortgage bond of LKR 34million over land and building	3 month LIBOR+4% p.a.		165,339,500	81,710,876
	Discounted export bills	c). Secondary mortgage bond for USD 1,200,000/- over the above property				57,883,370
		d). Mortgage over stocks & packing material for USD 600,000/-		USD 3,250,000		
		e). Corporate Guarantee of HVA Lanka Exports (Pvt) Ltd., for LKR 5million and USD 2.2million				
		f) Tertiary mortgage for USD 815,000/- over land & building in Kandana				

Lender	Facility type	Security	Interest rate	Amount of facility limit as at 31st March 2021 Rs. /USD	Balance as at 31st March 2021 Rs.	Balance as at 31st March 2020 Rs.
DFCC Vardhana Bank PLC	Long term loan	a). Mortgage bond for USD 1,000,000 over stocks at Kandana and book debts of the Company.	3 month LIBOR 3.5% p.a.	USD 1,500,000	104,191,200	95,330,572
	Packing credit loans	b). An agreement to Mortgage for USD 181,730/- over an allotment of land marked lot A in plan no 2233 dated 14/11/2003 owned by Lake Drive Holdings (Pvt) Ltd.	4.5% p.a.		55,847,467	52,277,721
	Discounted export bills		4.5% p.a.			
People's Bank	Long term loan	a). Letter of hypothecation	3 month LIBOR+4.5% p.a. or floor rate of 7.0% p.a. & 6.75% p.a. at disbursement	USD 550,000	70,446,000	65,707,372
	Packing credit loans	b). Deed of hypothecation over stocks and book debts	3 month LIBOR+3.5% p.a. or floor rate 6.0% p.a.		23,302,900	5,412,312
	Discounted export bills	c). General notice of assignment of book debts d). Agreement for revolving credit facilities e). 1% build up margin from each export proceed for entire credit package.	3 month LIBOR+3.5% p.a. or floor rate 6.0% p.a.		9,324,971	9,530,416
National Development Bank PLC	Packing credit loans	a). GS&CO corporate guarantee	10% p.a. and adjusted periodically whenever necessary	Rs. 100,000,000	120,965,025	-

NOTES TO THE FINANCIAL STATEMENTS

43. COMPARATIVE INFORMATION

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

43.1 Significant reclassifications

Statement of comprehensive income

	As disclosed in 2019/2020 Rs.	As reclassified in 2020/2021 Rs.	Note	Reclassificatio Rs.
Group				
Administration expenses	(114,420,512)	(135,717,204)	(a)	21,296,692
Reversal of impairment provision on related party receivables	-	21,296,692	(a)	(21,296,692)

(a) Reversal of impairment provision on related party receivables which was previously classified under administration expenses in the consolidated statement of comprehensive income have now been presented separately in the consolidated statement of comprehensive income.

	As disclosed in 2019/2020 Rs.	As reclassified in 2020/2021 Rs.	Note	Reclassificatio Rs.
Company				
Administration expenses	(114,406,312)	(135,703,004)	(a)	21,296,692
Reversal of impairment provision on related party receivables	-	21,296,692	(a)	(21,296,692)

(a) Reversal of impairment provision on related parties which was previously classified under administration expenses in the consolidated statement of comprehensive income have now been presented separately in the consolidated statement of comprehensive income.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Statement of Directors' Responsibility for Financial Reporting

The responsibilities of the Directors, in relation to the Financial Statements of the Company and its subsidiary differ from the responsibilities of the Auditors.

The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 24 to 27 of the Annual Report

As per the Sections 150(1), 151, 152(1) and (2), 153 (1) and (2) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiary as at the end of the financial year and of the results of its operations for the financial year, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that they are in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting.

The Directors consider that in preparing these Financial Statements set out on pages 28 to 76, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements as disclosed in Note 41.

Further, the Directors have a responsibility to ensure that the Company and its subsidiary maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and its subsidiary.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its subsidiary and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

COMPLIANCE REPORT

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

The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company and its subsidiary as at the reporting date have been paid or where relevant provided for .

By Order of the Board of
HVA Foods PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

3rd September 2021

INVESTOR INFORMATION

SHARE DISTRIBUTION

Shareholding as at 31st March 2021

From	To	No of Holders	No of Shares	%
1	I ,000	2,127	815,181	1.23
1,001	10,000	1,041	4,036,456	6.08
10,001	1 00,000	319	9,129,880	13.74
100,001	1 ,000,000	46	11,858,172	17.85
Over 1,000,000	-	02	40,588,971	61.10
		3,535	66,428,660	100.00

CATEGORIES OF SHAREHOLDERS

From	No of Holders	No of Shares	%
Local Individuals	3,404	22,073,570	33.23
Local Institutions	111	43,888,346	66.07
Foreign Individuals	19	241,133	0.36
Foreign Institutions	1	225,611	0.34
	3,535	66,428,660	100.00

DIRECTORS' SHAREHOLDING AS AT 31 ST MARCH 2021

From	No of Shares	%
Mr B S M De Silva	-	-
Shares held in the following manner		
Acuity Partners (Pvt) Limited / Mr B S M De Silva	800	0.001
Ms. V S A Fernando	-	-
Mr M P D Cooray (Appointed w.e from 22.01.2021)	-	-
Mr S A Ameresekere (Appointed w.e from 22.01.2021)	-	-
Mr W G U I Ranaweera (Appointed w.e from 22.01.2021)	-	-
Mr C Hettiarachchi (Appointed w.e from 22.01.2021)	-	-

SHARE PRICES FOR THE YEAR

Market price per share	As at 31/03/2021	As at 31/03/2020
Highest during the year	Rs 7.60 (04-12-2020)	Rs. 5.00 (18-11-2019)
Lowest during the year	Rs 1.60 (12-05-2020)	Rs. 1.80 (20-03-2020)
As at end of the year	Rs 5.00	Rs. 1.90

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2021

	Name	No of Shares 31.03.2021	% of holding	No of Shares 31.03.2020	% of holding
1	George Steuart and Company Limited	33,946,105	51.102	-	-
2	HVA Lanka Exports (Private) Limited	6,642,866	10.000	22,338,471	33.628
3	Mr D.G. Wijemanna	875,744	1.318	-	-
4	Mr R E Rambukwele	759,800	1.144	1,938,976	2.919
5	Mr P. G Piyasiri	598,975	0.902	1,599	0.002
6	Mr A R H Fernando	533,625	0.803	533,625	0.803
7	Miss S.S.P. Kandambi	525,780	0.791	-	-
8	Mr G.A.M.P. Chandana	500,000	0.753	74,100	0.112
9	Mr S. Gobinath	450,000	0.677	-	-
10	Mr T G Thoradeniya	444,636	0.669	444,636	0.669
11	Mr R.A.A.I. Perera	408,779	0.615	-	-
12	Mr S D Divakarage	385,193	0.580	210,193	0.316
13	Mr J.A.M. Jiffry	324,653	0.489	25,000	0.038
14	Mr P.D.S.P. Perera	321,800	0.484	7,500	0.011
15	Mr S.M. Nazeer & Mrs M.A.K. Samsunnisa	315,480	0.475	-	-
16	Merchant Bank of Sri Lanka & Finance PLC/S Gobinath	300,000	0.452	-	-
17	Mr K M S M Razeek	254,354	0.383	254,354	0.383
18	D Eassuwaren	237,968	0.358	237,968	0.358
19	Flyasia SDN.BHD	225,611	0.340	225,611	0.340
20	Mr N.J.P. Tavarayen	219,501	0.330	321,902	0.485
SUB TOTAL		48,270,870	72.666	26,613,935	40.064
OTHERS		18,157,790	27.334	39,814,725	59.936
TOTAL		66,428,660	100.000	66,428,660	100.000

PUBLIC HOLDING

Public Holding percentage as at 31st March 2021 = 38.094%

Number of Public shareholders representing the above percentage = 3,531

FLOAT ADJUSTED MARKET CAPITALIZATION

A float adjusted market capitalization of LKR 126,526,320. 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

For the year ended 31 March	2021	2020	2019	2018	2017
TRADING RESULTS (Rs.)					
Revenue	1,164,440,585	850,380,041	1,096,941,641	1,243,719,481	884,263,545
Cost of Sales	(1,032,347,737)	(763,337,326)	(998,050,035)	(1,079,898,211)	(774,187,612)
Other Operating Income	6,193,976	19,868,890	24,053,137	43,263,383	42,542,010
Profit before Finance charges	164,572,708	(25,942,511)	(302,481,100)	71,172,603	8,410,372
Finance Cost	(91,573,024)	(115,710,860)	(107,140,540)	(64,557,230)	(52,437,733)
Finance income	293,965	245,956	33,428,919	29,915,762	25,757,986
Profit before Income Tax	73,293,649	(141,407,415)	(376,192,721)	36,531,136	(18,269,375)
Income Tax on Profits	5,269,058	15,797,559	9,210,718	7,602,699	(2,569,439)
Profit after Income Tax	78,562,707	(125,609,856)	(366,982,003)	44,133,835	(20,838,814)
SHAREHOLDERS FUNDS (Rs.)					
Stated Capital	333,857,588	333,857,588	333,857,588	333,857,588	333,857,588
Reserves	(317,935,044)	(396,570,775)	(273,356,301)	217,340,328	198,771,098
NET ASSETS	15,922,544	(62,713,187)	60,501,287	551,197,916	532,628,686
ASSETS (Rs.)					
Property , Plant & Equipment	50,190,533	367,597,459	381,798,856	398,336,933	394,932,781
Goodwill	263,849,498	-	-	-	-
Intangible Assets	7,242,340	2,792,340	2,757,340	2,757,340	2,757,340
Investment in subsidiary	45,000,001	45,000,001	45,000,001	45,000,001	45,000,001
Deferred Tax Assets	14,776,364	9,201,726			
Current Assets	613,306,898	465,807,309	640,902,682	1,065,585,921	885,666,896
Non -Current Assets Classified as held for sale	291,537,524	-	-	-	-
LIABILITIES (Rs.)					
Non-current Liabilities	263,027,108	292,394,747	167,546,171	59,717,420	39,595,169
Current Liabilities	1,006,953,506	660,717,275	842,411,421	900,764,860	756,133,163
NET ASSETS (Rs.)	15,922,544	(62,713,187)	60,501,287	551,197,916	532,628,686
RATIOS & OTHER INFORMATION					
Current ratio	0.61	0.70	0.76	1.18	1.17
Quick Assets Ratio	0.46	0.53	0.65	1.09	1.01
Interest Cover (No. of times)	2.15	(0.22)	(2.51)	2.05	0.31
Debt Equity Ratio (%)	7029	(1464)	1669.32	57	53
Return on Equity (%)	493	(191.15)	(606.57)	8.01	(3.95)
Return on Total Assets (%)	6%	(14.11)	(34.28)	2.92	(1.58)
Net Asset Value per share	0.24	0.94	0.91	8.30	8.02
Earning Per Share (Rs.)	1.18	(1.89)	(5.52)	0.66	(0.32)
Revenue Growth (%)	36.93	(22.48)	(13.92)	40.65	13.35
Dividend per share	Nil	Nil	Nil	Nil	Nil
Dividend pay out	Nil	Nil	Nil	Nil	Nil

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh (11th) Annual General Meeting of the Company will be held by electronic means on 30th September 2021 at 10.30 a.m. centred at the Registered Office of the Company at No. 118, Braybrooke Place, Colombo 02 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 2021 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. M P D Cooray who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.
3. To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.

By Order of the Board
HVA FOODS PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries
3rd September 2021

Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

FORM OF PROXY

I/We* .... (NIC/Passport/Co. Reg. No...) of

.... being a shareholder / shareholders of HVA FOODS PLC hereby appoint ....

.... (NIC/Passport No..............................) of ....or failing him,

Mr. B S M De Silva	or failing him
Ms. V S A Fernando	or failing her
Mr. M P D Cooray	or failing him
Mr. S A Ameresekere	or failing him
Mr. W G U I Ranaweera	or failing him
Mr. C Hettiarachchi	

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Eleventh Annual General Meeting of the Company to be held by electronic means on 30th September 2021 at 10.30 a.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

		For	Against
1.	To re-elect as a Director Mr. M P D Cooray who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.		
2.	To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.		
3.	To authorize the Directors to determine donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.		

In witness my/our* hands this .... day of .... Two Thousand and Twenty One.

....
Signature of Shareholder/s

*Please delete what is inapplicable.

Notes: 1. A proxy need not be a shareholder of the Company
2. Instructions as to completion appear overleaf.

FORM OF PROXY

INSTRUCTIONS FOR 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 completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email hva.pwcs@gmail.com) by 10.30 p.m. on 28th September 2021.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

3. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his 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)

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

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
No 118, Braybrooke Place – Colombo 02

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

Ms 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)

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

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 - Chairman of the Committee

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

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

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

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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TEA FROM PARADISE

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