



BOGAWANTALAWA

THE GOLDEN VALLEY OF CEYLON TEA
SINCE 1869

PASSIONATE GROWERS WITH
SUSTAINABILITY AT HEART

LEADING THE WAY TO A SUSTAINABLE FUTURE



ANNUAL REPORT 2020/2021





VISION

“Bogawantalawa Tea Estates PLC aspires to be the world’s best tea growing and marketing company”



MISSION

“To be a company where people share the responsibility and commitment to attain excellence in managing the resources on a sustainable basis by providing customers with high –quality products and services whilst developing our employees and protecting the environment”

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FINANCIAL CALENDAR 2020/2021

FINANCIAL STATEMENTS

DATE

1st Quarter	13/08/2020
2nd Quarter	10/11/2020
3rd Quarter	09/02/2021
4th Quarter	25/05/2021

ANNUAL REPORT 2020/2021

27th Annual General Meeting	04/12/2020
28th Annual General Meeting	30/09/2021

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of Bogawantalawa Tea Estates PLC will be held by way of electronic means on 30th September 2021 at 10.30 a.m. centered at the Board Room of the Company at 153, Nawala Road, Narahenpita, Colombo 5 and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. S A S Jayasundara who retires by rotation in terms of Article 89 & 90 of the Articles of Association of the Company.
3. To pass the ordinary resolution set out below to re- appoint Mr. G V M Nanayakkara who is over 70 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. G V M Nanayakkara who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

4. To pass the ordinary resolution set out below to re- appoint Mr. D A de S Wickramanayake who is over 70 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. D A de S Wickramanayake who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

5. To authorise the Directors to determine donations for the ensuing year.
6. To re-appoint Messrs. BDO Partners, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board
Bogawantalawa Tea Estates PLC

Sgd.

P W CORPORATE SECRETARIAL (PVT) LTD

Director/Secretaries
27th August 2021
Colombo

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 153, Nawala Road, Narahenpita, Colombo 5, not less than forty-five (45) hours before the time fixed for the commencement of the Meeting.

CHAIRMAN'S STATEMENT

It gives me great pleasure to take this opportunity to report yet another year of strong balanced performance and financial results by Bogawantalawa Tea Estates PLC for the year 2020/21. The Company recorded a profit notwithstanding a challenging period for the Tea Industry, Country and World. The COVID-19 pandemic negatively impacted both businesses and the people, not only in Sri Lanka but also the world, resulting in disruptions to business, due to lockdowns and restrictions. All employees of the company located in Colombo and the plantations areas embraced this as a challenge and continued to keep the operations going as per the standards made mandatory in the 'new normal', thus adhering to the health and safety guidelines.

The industry was further impacted in 2021 by the decision of the Wages Board – Department of Labour to increase the minimum daily wage of estate workers to Rs 1,000/- with no productivity linkage. This resulted in an increase in the labour cost, including gratuity to a sum of Rs 745 million for the year 2021/2022.

We at Bogawantalawa stride strong even during challenging times in the industry, owing mainly to our clear strategies, that shape our culture of leadership and operations. Our approach to sustainability, innovation, maintaining sound agricultural & manufacturing practices, the continuation of R&D programs and marketing initiatives focus on the highest possible levels of environmental sustainability and social well-being, for our employees and the communities we operate in.

The Tea Industry

The total tea production of Sri Lankan tea for the year 2020 recorded 278.9 million kg in comparison to 300.1 million kg for the same period in 2019. This decline of 7.1 % in was due to adverse weather conditions and labour supply disruptions due to COVID-19 containment measures. The decline was significant in the first half of the year (18%) but recovered in the second half of the year. The Low-Grown variety having the largest market share with 61% of the total production recorded a decrease of 10.5%, with the Mid-Grown teas recording a decline of 0.9% and the High-Grown produce recording a decrease of 1.3% when compared to 2019.

The tea prices at Colombo Tea Auctions remained elevated throughout the year 2020 in comparison to the corresponding prices in 2019. The average tea prices increased to Rs 633.85 during 2020 from Rs 546.67 recorded the previous year. This is an increase of 15.9 %. The Low-Grown average increased 15.5%, Mid-Growns by 18.7% and High Growns by 16% in 2020 compared to 2019.

The average export price (FOB) of tea increased by 1.6% to US \$ 4.67 per kg during the year 2020 compared to US \$ 4.6 per kg recorded in the previous year. The increase in tea prices partly attributed to the decline in the quantity supplied due to production and the significant drop in tea exports from global competitors due to the COVID-19 pandemic.

Performance of the Company

We are pleased to state that despite an extremely challenging year for the Tea Industry the company achieved

a turnover of Rs. 3.525 billion.

Nevertheless, the profit before taxation was recorded at Rs. 153 million, due to the direct impact caused by wage increase, cost of production and drop in total tea production due to adverse weather conditions. The total production of made tea was 5.4 MT this year. We have been able to maintain our NSA at Rs. 614 per kg which is an increase of Rs 87 per kg compared to last season.

The consolidated Capital Expenditure on Replanting and Factory development has been over Rs. 766 million for the past three years and a total sum of Rs. 161 million had been invested during the last financial year 2020/21.

Highest levels of Sustainability

Bogawantalawa is committed to climate positive tea growing, manufacturing and marketing operations while increasing our positive social impacts for offering most sustainable teas to our customers. True to our motto of being "Passionate growers with sustainability at heart", we have made it a way of life here at Bogawantalawa. Despite challenges faced by the Tea Industry and globally, we continue to stay ahead and record significant progress due to our mindset of sustainability that naturally integrates into our business strategy, operations, and processes. Climate-Smart Agricultural practices, the harnessing of conventional and non-conventional renewable energy sources, the development of processing centres and modernization; product quality and brand building, investment on soil building, diversification of income

sources and human capital development also positively contribute to strategizing our fundamentals to reach out to long-term sustainability goals, to accomplish Sustainable Development Goals (SDGs).

Future Outlook

The expected benefits from the large-scale oil palm cultivation project is yet to be realised, due to the sudden ban imposed on oil palm cultivation by the government. In a response to move forward, we have already taken steps to diversify into herbs and spices cultivation. Embarking on this ambitious programme

would be a milestone in that it is set to be one of the largest herbs and spices projects undertaken by the organization. Furthermore, the recent Government decision to ban the importation of fertiliser and agrochemicals is expected to result in a negative impact which would be realised by the company, in the near future.

In Conclusion

I extend my sincere gratitude to the Board of Directors for their commitment and confidence. The company has navigated smoothly through adverse

industry conditions and exhibited growth during the toughest of times, with the creation of opportunities, to be explored. On behalf of the Board, I appreciate the proactive attitude of the Management team and our highly motivated employees for their continuous support and hard work towards the advancement of the Company. I would like to thank our Shareholders, business partners and customers for their continuous support.

I look forward with confidence at 2021/22 as a successful year with further investment in the company's growth and continued value-creation.

(Sgd)

D J Ambani

Co-Chairman

27th August 2021

FINANCIAL HIGHLIGHTS

Rs '000s	2020/2021	2019/2020	% change
Turnover	3,525,090	2,979,757	16%
Gross Profit	302,984	(253,122)	127%
Profit/(Loss) before tax	153,417	(505,822)	180%
Taxation	(28,935)	93,154	(60%)
Profit/(Loss) after tax	124,482	(412,678)	328%
Other Comprehensive Income/ (Expenses)	3,331	(61,433)	114%
Total Comprehensive income /(Expenses) for the year	127,813	(474,101)	273%
Rs per share			
Earnings per share	1.49	(4.93)	
Dividend per share			
Net assets per share	17	15.32	

VALUE ADDED STATEMENT

In Rs '000	2020/21	2019/20
Turnover	3,525,090	2,979,757
Other Income	373,944	309,455
Total Revenue	3,899,034	3,289,212
Cost of Bought Material and Service	1,263,306	1,298,963
	2,635,728	1,990,249
Distribution of Value Added		
To Employees as Remuneration	1,905,744	1,952,628
To Government	129,538	122,917
To Lenders of Capital	228,672	194,781
Retained in the Business	371,774	(280,077)
	2,635,728	1,990,249
Retained in the Business		
Provision for Depreciation	203,416	194,024
Profit Retained	168,358	(474,101)
	371,774	(280,077)

SUSTAINABILITY REPORT

PEOPLE

Our people are our greatest assets and Bogawantalawa Tea Estates PLC is committed to uplift the society in all the ways possible. The pandemic year 2020 had been a challenging one for our communities in the estates. However, the stringent measures we have taken to prevent Covid-19 got our people more engaged in the company's business and that enabled us to continue to support our communities in fulfilling their needs. The thirteen tea estates of Bogawantalawa have got a total population of 47101 among the worker population 7181 and we invest in the whole community on their socio wellbeing.

Multi stakeholder partnerships with Plantation Human Development Trust, World Bank, European Union through Oxfam and ADRA, Save the Children, World Vision Lanka, Ethical Tea Partnership, PALM Foundation, Chrysalis, Fair Trade, ALMA foundation and Lanka Mother and Child Foundation have strengthened us further in taking our commitment towards the community a success.

MAKING LIFE BETTER FOR OUR EMPLOYEES

Our employees are the key to our successful business and we take keen interest on our employees by investing in them for a better life in the estates. We ensure everyone provided with whatever required for living and working in the estates from housing, water sanitation, child care facilities, health, safety and wellbeing in our estates.

Housing - Maintaining 9468 houses and have provided 34 hectares land for new single housing projects for the

communities in the estates.

Child care facilities - Children aged up to five are cared by qualified child development officers at 65 child development centers. All our child development centers are facilitated with Breast Feedings Corners for lactating working women.

In house medical facilities - Through dedicated dispensaries with the service by government approved Estate Medical Assistants appointed by the company for treating basic injuries, sickness. These medical facilities avail free for the entire estate community.

Job Site Rest Rooms - These are available in all the factories and in the field.

Improve Worker Relations and Working Environment through Community Development Forum (CDF) - Phase II has been commenced aiming to strengthen the CDFs that had been established in 2018. This CDF model was recognized as a "mini parliament" which is to facilitate dialogs between workers, management and the broader community.

FOR AN EMPWERED COMMUNITY IN OUR ESTATES

Our work goes beyond the worker population and we help the whole community in our estates to be empowered.

Community health & wellbeing

The wellbeing of the community is our key concern and we go beyond worker population to provide the maximum to the whole society in the estates. Access to drinking water, latrines, bathing sites, awareness programs, medical

camps, nutrition programs were aimed at improving the wellbeing of the community.

Covid Prevention activities were undertaken last year through awareness programs, setting up hand wash facilities in the estate offices, factories, child development centres and in the dispensaries. Further the communities were provided with facemasks, sanitizers. With the support of our partners, our people were issued dry rations.

Programs on dengue prevention and protecting community from rabies were conducted which includes awareness sessions, cleaning environment and vaccination to stray dogs.

Improving Nutrition

Improving Nutrition among the plantation people is one of our objectives for a better and healthy society. In order to achieve the objective, BTE has taken number of initiatives such as sustainable home gardens at the child development centers to feed children, nutrition feeding programs for children at child care centers, community kitchen to provide healthy diets for the locals and awareness/education sessions for parents, young mothers and children.

Educational Empowerment

Aimed at empowering children through education, we help needy children in our estates through scholarships, stationary supplies and life skill coaching. Currently 24 girl children at schools, eight children at universities and four at other higher studies were provided with financial supports and 5052 school children were benefitted from annual stationary supplies. We take girls education serious

and the girl children in schools were not only provided with scholarship but their educational progress were further followed up closely with continues and close monitoring with their schools and parents.

Disabled Support

Bogawantalwa Tea Estes PLC through Lanka Mother and Child Foundation which is an NGO arm of Metrocps helps persons with disability in our estates. Child development officers were trained well in helping the 114 children with disabilities to give necessary therapies and medical attentions through continues home visits.

Participation in Fair Trade

By participating in fair trade, we bring additional income to our worker population which is managed by the workers themselves through a committee and used for and invested in socio-economic development of the workers, their families and the community. Seven of our estates are fair trade certified.

Protecting children through policy

Bogawantalawa Tea Estates PLC (BTE) has a social responsibility to ensure that no harm is brought upon any child through our actions and operations, and to actively ensure a safe and protective environment free from violence, for the children of our workers in the estates. Having adopted the Child Rights and Business Principles Framework introduced by the UN Global Compact together with UNICEF and Save the Children, and having received the Rainforest Alliance Certification for effectively complying with the Sustainable Agriculture Standard (SAS 2017), BTE has clearly

demonstrated their commitment to engage in ethical and socially responsible business practices, that develops, empowers and transforms communities with which we work.

Engaging actively with our partners

We have had the opportunity to meet with all our stakeholders who are making a greater impact in the lives of our communities in a common forum. Plantation Human Development Trust, Ambagamuwa Pradeshiya Saba, Ethical Tea Partners, Save the Children, WASSiP, Chrysalis, World Vision Lanka, Oxfam, ADRA, PALM Foundation and the team Bogawantalawa came together for a successful discussion over the sustainability challenges and to plan a way forward. This event had been an opportunity for the company to honor the righteousness for their contribution towards our people.



PLANET

Bogawantalawa is committed to climate positive tea growing, manufacturing and marketing operations while increasing our positive social impacts for offering most sustainable teas to our customers. True to our motto of being "Passionate Growers with sustainability at heart", we have made it the way of life here in Bogawantalawa. While adopting Climate Smart Agricultural practices across all our estates and focusing on overall atmosphere, water, soil and quality of life of our tea harvesters we focus to bring to the world the finest teas ethically produced with the highest level of sustainability. We are committed to making continuous improvements in the management of our environmental impacts.

Sri Lanka is now confident of significant changes on its climate, associated to global climate change. Many researchers including the Bogawantalawa Sustainability Center have found that there is a significant increase of ambient air temperature and recent increase of variability in rainfall. Plantation sector of Sri Lanka cannot be sustained if site specific integrated environmental sustainability approaches are not intensively implemented, going beyond the traditional frame work in this decade.

Analysis of past data suggests that atmospheric temperature is gradually rising almost everywhere in the country. It has been reported that mean daytime maximum and mean night time minimum air temperatures also have increased. Heavy rainfall events have become more frequent in central highlands during the recent period. The intensity and the frequency of the extreme events such as floods and droughts have increased, during recent decades.

Climate is the primary determinant of agriculture as well as the agriculture is one of the causal factors in climate change. Since agriculture is depend on climate, climate change could influence food production via direct and indirect effects on crop growth processes. The main vulnerabilities related to the plantation sector are mainly higher temperatures, rainfall variabilities and high intensity rainfall and droughts, all of which are expected to increase in the future. High rainfall intensity will increase soil erosion in tea lands and reduce the number of days available for rubber tapping. Increased temperatures may increase metabolic rates and number of breeding cycles of insects which leads to increase pest populations.

Therefore, we have recognized environmental sustainability should be a part and parcel of a plantation's strategy which can focus on adaptation measures such as preserve beneficial effects, minimize adverse effects and no-regret strategies to aim at crop improvement, soil improvement, improvement of aerial environment.

Despite challenges faced by the Tea industry and globally, we continued to stay ahead and record significant progress due to our longstanding Climate Smart Agricultural practices, Factory operations and modernization, product quality and brand building. Moving forward, we are confident to pro-actively withstand the challenges caused by climate change and rapidly changing consumer lifestyles and tea trends relying on our sustainable initiatives and quality measures.

While conforming to the principals of sustainable food to provide ultimate value to our discerning customers and

stakeholders, Bogawantalawa ensures sustainable management of the natural resources, eco systems and social wellbeing by making it part of our core operation. Through our Environmental Policy, we are committed to:

- Setting environmental targets, including on carbon reduction, renewable energy, packaging and recycling, water usage and replenishment, and sustainable sourcing.
- Continuously reviewing and improving our environmental performance.
- Set targets for continuous improvement and put in place environmental safety and sustainability programmes.
- Refresh our materiality assessment periodically, which includes considering current and future environmental issues.
- Ensuring our compliance with local and national environmental legislation and regulations, focusing on effectively utilizing resources, energy and fuel, minimizing waste and air emissions, and preventing pollution everywhere we operate.
- Meaningful and accurate environmental information and dialogue based on scientific evidence about our products, activities and services at corporate, market and product brand level
- Independent environmental auditing, verification and certification of our practices and along our supply chain
- Environmental awareness training and education for our employees,

alongside effective communication with employees and recognition of their initiatives and achievements towards environmental improvement

MOU with Ministry of Environment

Strengthening its sustainability Program, Bogawantalawa Tea Estates PLC signed a Memorandum of Understanding (MOU) collaborating with the Ministry of Environment, working to protect the biodiversity of the central hills in Sri Lanka.

The MOU was signed between Hon. Minister Mahinda Amaraweera, Minister of Environment and Dinesh Ambani, Chairman, Bogawantalawa Tea Estates. This initiative was inaugurated during a recent visit by the Minister to the company's plantations.

Acclaimed as the leader being the world's leading sustainable tea growing, manufacturing and marketing company Bogawantalawa aims to contribute towards strengthening conservation activities in the central hills. Conducted through the 'Husma Dena Thuru' (Breath for Life) National Tree Planting Programme, the activities will contribute to protect the biodiversity of the central hills and help in the conservation of threatened flora and fauna. The initiative will also support the special program for the conservation of leopards, protect water falls and catchments and facilitate the reforestation of more than 100 hectares of barren lands with the objective of increasing forest cover.

The project also aims to support proper waste management, promote climate smart agriculture, greenhouse gas emission reduction in the plantation

sector and promote carbon neutral and climate positive production.

National Planting programme to plant 50,000 Mee Plants (Madhuca longifolia)

A National programme has been started to plant 150,000 Mee (Madhuca longifolia), Kumbuk (Terminalia arjuna), Jack (Artocarpus heterophyllus), Na (Mesua ferrea) plants throughout the country. Planting materials are being raised internally and distribute for different planting programmes under the supervision of Bogawantalawa Conservation Team.

Solar Phase 3 was started

Leading the way in sustainability, Bogawantalawa is now in the process of expanding the Solar power generation capacity to augmenting its balance sheets. Commencing the 3rd phase of this initiative to generate 1.6 MW of renewable energy, all manufacturing plants in the Tea Estates and the packaging plant in Colombo are being converted to State-of-the-art Solar powered rooftops. Going beyond carbon neutral status, Bogawantalawa will be able to additionally sink 1500 metric tons of Carbon dioxide equivalent per annum. This enables the company to strengthen the position of being the world’s 1st Tea growing, manufacturing and marketing company to offer Uncompensated Climate positive Teas certified for product and facility.

Bogawantalawa Climate Smart Agriculture Center

Bogawantalawa Climate Smart Agriculture Center is in now operation and fully equipped to monitor changing climate and undertake research and development

activities for Climate Smart Agriculture. We facilitate local and international Researchers for their studies and conduct trainings and awareness for interested parties.

Sri Lanka’s largest Organic Spices and Herbs Zones

Bogawantalawa is investing 1 Billion Rupees on their Sri Lanka’s largest Organic Spices and Herbs Zone in Deraniyigala Area. This initiative will be the World First Climate Positive, certified for Organic and other highest sustainability standard, Spices and Herbs Project. Export oriented Sri Lankan Spices and Herbs will be produced and value addition will be done in many angles.

International and National Awards

Leading the way in sustainability as a Tea growing, manufacturing and marketing company, the Presidential Environmental Award was bestowed upon the organization for the contribution made towards the environment and attaining international recognition in the categories; ‘New Sustainable Product Award’ at the Global Sustainability awards held in Amsterdam, ‘Global Green Award’ at the international Green Environment awards held in Turkey, ‘Sustainable Leadership Award’ at the World Sustainability Awards held in Jakarta and the ‘Green Ambassador honor’ by Green Apple Awards presented at the Houses of Parliament in Westminster – London.

Environmental Sustainability Initiatives

Bogawantalawa is complied with UN’s 17 SDGs and below 17 are the key Environmental Sustainability Initiatives of Bogawantalawa. There are many other initiatives those are directly and indirectly link to those major initiatives being implemented at ground level.



Going beyond Carbon Neutral status, Bogawantalawa has achieved the pinnacle of environmental sustainability by reaching ‘Uncompensated Climate Positive’ status certified for product and facility. Causing a paradigm shift in the Ceylon Tea industry and how it is viewed globally Bogawantalawa is the world’s 1st Tea growing, manufacturing and marketing company to offer Uncompensated Climate Positive Teas traceable from garden gate up to shipping.

In addition to this, 'Net Zero Energy' status has been achieved by the company by harnessing renewable energy through solar and hydropower projects, where the power generated via these sources and sent to the national grid is more than the energy consumption of the company. As a result, Bogawantalawa Tea Estates PLC is the

world's first tea growing, manufacturing and marketing company Certified for 100% Renewables.

While conforming to the principals of sustainable food to provide ultimate value to our discerning customers and stakeholders, Bogawantalawa ensures sustainable management of the natural resources, eco systems and social

wellbeing by making it part of our core operation.

Our dashboard below provides an overview of other environmental sustainability commitments and actions by which we drive our system wide approach beyond small operational improvements.

Commitment	Highlights
Carbon Foot Print and climate action	Bogawantalawa takes stepped-up efforts to reduce greenhouse gas emissions and strengthen resilience and adaptive capacity to climate-induced impacts in all estates. Weather parameters are being closely monitored and internal weather forecasting are done based on weather records are collected through number of Digitalized Weather Stations in Bogawantalawa Estates. GHG emissions are also closely monitored and assessed every year for verifications and certifications. Air quality measurements are also done in the Bogawantalawa Valley.
Sustainable Soil Development	As soil development is as a thumb rule for our productivity and quality improvement of our Teas. To nurture the gift of nature in the Golden Valley of Ceylon Tea, we invest more than 40 million per annum for Sustainable Soil Development practices. Latest technologies are used to soil mapping, identification of nutrient deficiencies, fertility management, erosion control and develop fertile soil resource base.
Conservation Forestry	Conservation forestry practices consist of the conservation of sensitive areas, water shed areas, water sources, etc. Further, biodiversity and improvement of ecosystem stability are also being practiced while conducting awareness programmes and training programmes internally as well as externally for the public.
Plantation Forestry	Forestry projects are another key component of our distinctiveness. There are three main objectives of Plantation Forestry, namely the Production, Protection and Recreation benefits. The largest timber nursery in Sri Lanka is owned by the company with myriad species of timber, firewood, native plants, herbs and fruit plants.
Social Forestry	Our Social Forestry initiatives includes programmes with school children, awareness, training, planting programmes in public places, planting material distribution, enrichment of line gardens, promotion of organic vegetable farming...etc. These initiatives are conducted on recurring basis within our company and community.
Towards organic	Approximately 200 hectares of tea extent have already been converted in to True Organic plantations following the Principals of Organic Farming. Majority of required organic fertilizers are being produced internally from Bogawantalawa organic fertilizer production units assuring the high quality of products. Organic farming is our approach within the context of environmental sustainability initiatives.
Organic pesticides	Organic pesticides are produced internally by the research and development team of the company and it is also being carried out to minimize the usage of inorganic pesticides.

Commitment	Highlights
Bio-fertilizers	The efficiency of fertilizers used in tea plantation is reducing while approximately 40% and 60% of the application is wastage. Bogawantalawa has developed their own Bio-fertilizers that improves the fertilizer efficiency and nutrient availability in the soil. Bio fertilizers are living cells or latent cells of efficient strains of microorganisms that boost the nutrient uptake of plants by their interactions in the rhizosphere when applied through seed or soil.
Water stewardship	Water footprint is an indicator of both direct and indirect freshwater use of a consumer or producer. Calculation of green water, blue water and grey water and water foot print are done to improve the water use efficiency throughout the value chain. Water audits, awareness programs and water conservation practices are being implemented to manage the water resources appropriately as it is vital for all the living beings.
Waste Footprint	We practice the 5R (Reduce, Reuse, Recycle, Refuse and Repurpose) concept in all stages of our value chain while the production of compost from our biodegradable waste being carried out. Our strategy is to follow a circular economy with zero waste within the plantation.
Energy Management	Energy Management projects are being implemented with the following objectives. Our strategy includes, identification of energy hotspots through energy audits, quantification of losses, minimizing losses, improvement of efficiency, usage of latest technologies for production, awareness / training programs, setting up of emission targets, group responsibilities and introduction of incentive scheme for staff.
Hydropower	3.2 MW has been commissioned within the plantation as projects and internal systems. Our sister company Eco Power (Pvt) Ltd has already commissioned more than 40 MW in Sri Lanka and many more projects overseas.
Solar Power	BTE commenced solar trials in 2010 and with the successful results of trials, large scale developments were initiated. Although the Solar irradiation levels are low, ambient air temperature, less aerosols in atmosphere, cool wind and less RH are favourable factors for solar generation in Up Country area. 780 kW has already been installed and 1.6MW is being installed and working for another 4.8MW Solar Park within the Bogawantalawa Valley.
Climate Smart Agriculture	The Climate Smart Agriculture Centre was established to undertake research and development activities related to climate change with the slogan of "Climate Smart Agriculture". Weather parameters, solar radiations and intensity, soil parameters, ground water table, air quality, biodiversity, farming and yields, animal husbandry, forestry and related factors, P & D outbreaks and weeds and intensity are being monitored and analysed from this centre. Numerous research and development activities are also being carried in order to identify the methods and practices to improve resiliency of plantations to face the challenges of climate change successfully.
Flora and Fauna	Many projects are being implemented to protect the biodiversity not only in own planation but also in Central Hills and throughout the country. Identification of Biodiversity hot spots, forest enrichment, habitat conservation, propagation of native species...etc. are few highlights.

Commitment	Highlights
<p>Walk toward the nature and plating of rain forest</p>	<p>Bogawantalawa undertake Tropical reforestation (TR) and Reforestation of Rainforests (RR) on scientific approach which have been highlighted as an important intervention for climate change mitigation because of its carbon sequestration potential. Reforestation is also very important to avoid many hazardous effects of soil erosion, bringing back to fertile land and environmental balance.</p> <p>TR and RR can also play other frequently overlooked, but significant, roles in helping society and ecosystems adapt to climate variability and change. Management of increased forest cover must also incorporate measures for reducing the direct and indirect impacts of changing climate on reforestation itself.</p> <p>Bogawantalawa always advocate a focus on "Climate-Smart Reforestation," defined as reforesting for climate change mitigation and adaptation, while ensuring that the direct and indirect impacts of climate change on reforestation are anticipated and minimized.</p>



Minster of Environment,
 Hon. Mahinda Amaraweera at
 Bogawantalawa Valley,
 participating Inauguration Ceremony

INVESTOR INFORMATION

1. Stock exchange listing

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange in Sri Lanka

Ordinary Shares

Stated Capital Rs 586,250,010

2. 20 Major shareholders of the company

NAME	31ST MARCH 2021			31ST MARCH 2020		
	NO OF SHARES	(%)		NO OF SHARES	(%)	
1 METROPOLITAN RESOURCE HOLDINGS PLC	53,889,067			53,889,067		
COMMERCIAL BANK OF CEYLON PLC						
METROPOLITAN RESOURCE HOLDINGS PLC	11,812,500			11,812,500		
		65,701,567	78.450		65,701,567	78.450
2 MR.D A D E S WICKRAMANAYAKE	9,468,778	11.306		9,468,778	11.306	
3 SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD	275,583	0.329		222,932	0.266	
4 DR.R D BANDARANAIKE & MRS A.D.BANDARANAIKE	196,909	0.235		196,909	0.235	
5 MR. A D A GURUSINGHE	129,813	0.155		-	-	
6 MR. K P A PREMALAL	100,000	0.119		-	-	
7 MRS K.G.M. PIERIS	100,000	0.119		100,000	0.119	
8 HATTON NATIONAL BANK PLC / HI LINE TRADING (PVT) LTD	71,000	0.085		-	-	
9 SEYLAN BANK PLC/JAYANTHA DEWAGE	70,000	0.084		70,000	0.084	
10 DFCC BANK PLC / L T SAMARAWICKRAMA	68,100	0.081		68,100	0.081	
11 MR R.E. RAMBUKWELLE	65,700	0.078		93,975	0.112	
12 COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD	63,750	0.076		63,750	0.076	
13 MR. B N HINDURANWALA	59,397	0.071		-	-	
14 KELMARSH INVESTMENTS LIMITED	57,831	0.069		57,831	0.069	
15 DIALOG FINANCE PLC/F F HANIFFA	56,800	0.068		7,955	0.009	
16 KATUNAYAKE GARMENTS LIMITED	56,575	0.068		56,575	0.068	
17 MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	55,000	0.066		-	-	
18 MR. G J R P SILVA	51,000	0.061		39,000	0.047	
19 HATTON NATIONAL BANK PLC / MUSHTAQ MOHAMED FUAD	50,711	0.061		-	-	
20 MIS. P A G G S WEERAKOON	50,000	0.060		-	-	
	76,748,514	91.640		76,147,372	90.922	
OTHERS	7,001,486	8.360		7,602,628	9.078	
TOTAL	83,750,000	100.000		83,750,000	100.000	

3. Distribution of ordinary shareholders

As at 31/03/2021					As at 31/03/2020				
From	To	No of Holders	No of Shares	%	From	To	No of Holders	No of Shares	%
1	1000	18,026	4,073,437	4.86	1	1000	18,044	4,079,244	4.87
1,001	10000	468	1,421,108	1.70	1,001	10000	477	1,404,760	1.68
10,001	100000	87	2,482,805	2.97	10,001	100000	74	2,094,679	2.50
100,001	1000000	3	602,305	0.72	100,001	1000000	5	1,000,972	1.20
Over 1,000,000		3	75,170,345	89.76	Over 1,000,000		3	75,170,345	89.76
Total		18,587	83,750,000	100	Total		18,603	83,750,000	100

4. Categories of Shareholders

Category	As at 31/03/2021			As at 31/03/2020		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	18,487	16,711,015	19.95	18,502	16,568,636	19.78
Local Institutions	89	66,949,954	79.94	89	67,092,233	80.11
Foreign Individuals	10	31,200	0.04	11	31,300	0.04
Foreign Institutions	1	57,831	0.07	1	57,831	0.07
Total	18,587	83,750,000	100	18,603	83,750,000	100

	As at 31/03/2021		As at 31/03/2020	
	Company	Group	Company	Group
5. Earning per Share (Rs)	1.83	3.03	(4.93)	(4.62)
6. Dividend Per Share (Rs)	1.83	3.03	(4.93)	-4.625
7. Net Assets per share (Rs)	17.33	17.33	15.32	14.11
8. Price earning ratio	6.44	3.89	(1.81)	(1.95)
9. Return on capital employed	0.10	0.13	(0.03)	(0.01)

	As at 3/31/2021	As at 3/31/2020
10 Market Value of Shares		
Highest during the year	Rs. 18.40 (06.11.2020)	Rs. 11.70 (08.04.2019)
Lowest during the year	Rs. 6.80 (13.05.2020)	Rs. 7.50 (15.05.2019 and 10.03.2020)
As at end of the year	Rs. 11.80	Rs. 8.90
Number of Transactions during the year	4,328	1,451
Number of Shares traded during the year	5,294,203	716,605
Value of shares traded during the year (Rs.)	71,008,745.20	6,657,123

11 The Public Holding Percentage- 10.154%

12 Total number of shareholders who hold the Public Holdings as at 31st March 2021 - 18,582

13 The Float adjusted market capitalization as at 31st March 2021 –Rs. Rs. 100,345,725.00

14 Ordinary Voting shares of Bogawantalawa Tea Estates PLC have been transferred from the Main Board to Diri Savi Board, with effect from 02nd July 2018.

The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

BOARD OF DIRECTORS

Mr. D J Ambani

Mr. Dinesh Jamnadas Ambani is the present Chairman of the following companies:

- Metropolitan Resource Holdings Limited and its subsidiary Ceylon Tea Gardens Ltd.
- Bogawantalawa Tea Estates PLC
- Bogawantalawa Tea Ceylon (Pvt) Ltd
- Metrocorp (Pvt) Ltd,
- Megatech (Pvt) Ltd.
- Eco Power Group
- Ceylon Bungalows (Pvt) Ltd.
- Metropolitan Group

He is a Director of the following companies

- Ceylon Tea Trails
- Office Network (Pvt) Ltd
- Areva Investments (Pvt) Ltd.

Mr. L J Ambani

Mr. Lalithkumar Jamnadas Ambani is a fellow Member of the Chartered Institute of Management Accountants and an Associate member of the Sri Lanka Institute of Chartered Accountants. He is the Chairman of Office Network (Pvt) Ltd and he functions as Co-Chairman of Bogawantalawa Tea Estates PLC and Deputy Chairman of Metropolitan Group.

He is a Director of the following companies:

- Bogawantalawa Tea Ceylon (Pvt) Ltd
- Metrocorp (Pvt) Ltd
- Megatech (Pvt) Ltd
- Metropolitan Resource Holdings Limited
- Eco Power Group
- Areva Investments (Pvt) Ltd
- Ceylon Bungalows (Pvt) Ltd.

Mr. C M O Haglind

Mr. Carl Michael Oscarsson Haglind has a MSc from Stockholm School of Economics. He is Director of Eco Power, Bogawantalawa Tea Ceylon (Pvt) Ltd, Gourmet Teas and Compose Software. Prior to this he was the Vice President of Manpower in Sweden.

Mr. S A S Jayasundara

Mr. Sudath Ajitha Samaradivakara Jayasundara has a Bachelor of Law (LL.B) from the University of Colombo and is an Attorney-at-Law & Notary Public, having an active practice in the Civil Courts of Sri Lanka. He also holds a Diploma in International Relations (BCIS).

He currently works and holds the following positions:

- Chairman of Shradhha Media Network (Guaranteed) Ltd
- Board Director of Harishchandra Mills, Matara
- Board Director of Sithara Ltd
- Board Director of Metropolitan Resource Holdings PLC
- Board Director / Acting Chairman of Bimpuh Finance PLC and
- Director of Enterprise Technologies (Pvt) Ltd
- Chairman of Blue Diamond Jewelry worldwide PLC
- Chairman of Lanka Transformers (Private) Limited, Lanka Transformers Holdings (Private) Limited and Lanka Transformers Galvanizing (Private) Limited.

Mr. D A De S Wickramanayake

Mr. Don Ariyaseela De Silva Wickramanayake is the present Chairman/Managing Director of Master Divers (Pvt) Ltd., Director of Pelwatte Sugar Industries Ltd, Chairman of Pelwatte Dairy Industries, Chairman of Mawbima Lanka Foundation and Director of Aitken Spence Plantation Managements PLC. Currently he is a Member of University Grant Commission Standing Committee on Agriculture, Veterinary Medicine and Animal Science, Advisory Board Member of Sabaragamuwa University, Council Member of Ocean University, Faculty Representative for the Faculty of Technology, University of Colombo, former Council member of Uva Wellassa University and Council member of National Institute of Fisheries and Nautical Engineering. He is also the Former Chairman of National Livestock Development Board, former Chairman of State Engineering Corporation and former Member of the council University of Ruhuna.

Mr Wickramanayake has published the book WHY HAMBANTOTA (Regarding Port of Hambantota)

Mr. G V M Nanayakkara

Mr. Gerard Victor Mauric Nanayakkara is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants United Kingdom. He has over 45 years' experience in finance and Administrative functions as Head of Finance in large commercial & industrial establishments in Sri Lanka, both in private (Metropolitan Agencies Ltd) and state sector (Coconut Development Authority & Colombo Commercial Co. Ltd). He engages in financial consultancies specialist in corporate restructure and project financing as well as involvement in strategic planning and business development operations, including work in the structuring, evaluation and execution of restructuring / financing transactions.

Mr L H Munasinghe

Mr Lalith Hemantha Munasinghe holds a Diploma in Business Management at the World View Institute. Mr Munasinghe counts over 40 years of experience in the plantation sector and prior to joining Bogawantalawa Tea Estates PLC, held the position of Director / Deputy Chief Executive Officer at Talawakelle Tea Estates PLC a member of the Hayleys Group. He has followed a leadership development programme at the Indian School of Business (ISB).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss for that period.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. Relevant accounting standards have been followed.

The Directors are responsible for maintaining adequate accounting records, for safe guarding the assets of the Group and for preventing and detecting fraud and other irregularities.

Accordingly, the Directors have taken all reasonable steps to ensure that proper books of accounts of the Company and its subsidiaries and associates have been maintained and that the financial statements have been prepared in compliance with the Sri Lanka Accounting Standards.

By Order of the Board

BOGAWANTALAWA TEA ESTATES PLC

(Sgd)

D J Ambani

Co-Chairman

27th August 2021

MANAGEMENT TEAM

Executive Director -	Mr. L. H. Munasinghe
Acting Chief Executive Officer -	Mr. R. M. Samarakoon
Director Operations & Special Projects -	Mr. M. F. Majeed
Director – Sustainability, R & D -	Mr. Y. M. T. K.Bandara
Chief Financial Officer -	Mrs. C. D. Wahalathantri
Group Manager - Human Resources -	Mrs. A. G. D.K.Adikari
General Manager - Marketing-	Mr. R. A. J. Guneratne
Deputy General Manager - Auditing and System Monitoring -	Mr. K. J. Jayabrendra
Senior Manager – Legal & Compliance –	Mr. U. S. Waidyatileke
Manager - Finance -	Mr. R. K. W. D. M. R. T. N. B. Bogahalanda
Manager - Corporate Social Responsibility, Employee Engagement and Welfare -	Mrs. D. Karthigesu
Assistant Manager - Administration -	Mr. A. S. Samuel

Estate level

Director Operations & Special Projects - Norwood Estate -	Mr. M.F.Majeed
General Manager - Bogawantalawa Estate -	Mr. K.D.H. Manjusri
General Manager - Bogawana Estate -	Mr. W.N.D. De Alwis
Deputy General Manager - Wanarajah Estate -	Mr. S.A.I.B.Peiris
Deputy General Manager - Anhettigama & Illuktenne Estates -	Mr. H.I.Wijayasundara
Senior Manager - Kotiyagala Estate -	Mr. M.D.S.Samaraweera
Senior Manager - Osborne Estate -	Mr. K.G.Samarathunga
Senior Manager - Campion Estate -	Mr. L.Ediriweera
Senior Manager - Loinorn Estate -	Mr. C.D.Ikiriwatte
Senior Manager - Lethenty Estate -	Mr. M. S. Z. Imthiaz
Manager - Fetteresso Estate -	Mr. H.D.S Fernando
Acting Manager - Poyston Estate -	Mr.S.M.S.D.Seneviratne

CORPORATE GOVERNANCE

The Board of Directors of Bogawantalawa Tea Estates PLC believes that good Corporate Governance is essential to create value for all stakeholders and are committed to upholding very high standards of transparency and utmost integrity in the governance of the Company. The Directors confirm that the Company has already implemented action to comply with the Rules on Corporate Governance contained in the listing rules of the Colombo Stock Exchange.

The Board of Directors

The Directors of the Board are responsible for the formation of overall business strategies, policies and setting standards and ensuring the implementation of them, setting goals and targets in short, medium and long term basis. The Directors review progress quarterly and during the year under review they met on four occasions.

Attendance at these meetings was:

Mr. D J Ambani	3/3
Mr. L J Ambani.....	3/3
Mr. C M O Haglind.....	3/3
Mr. D A D S Wickramanayake.....	3/3
Mr. S A S Jayasundara	3/3
Mr G V M Nanayakkara.....	2/3
Mr L H Munasinghe.....	3/3

The Board reviews and approves the Annual Budget, actual performance against the budget, grants approval for capital expenditure and any other project proposals. Separate sub committees are set up by the Board for Investment decisions and special projects. The recommendation from these sub committees are forwarded to the Board for the final approval at a Board meeting.

Management Meeting

Management meetings are held every quarter whereby all Directors, the senior management including all divisional heads review the progress for the most recent quarter and the performance against budget and last year. Further the next quarters forecast and the forecast for the year are discussed and agreed upon at each meeting. Estate wise details are analysed and recommendations are made to the Board. All capital expenditure, other project proposals, budgets are initially reviewed at this meeting and referred to the Board at the Board Meeting for formal approval and/or ratification wherever necessary. In addition there is also a Management Committee consisting the Chairman / Directors and the Senior Management Team which meets every month to review progress, approval for payments and recommendations to the Board for any Board papers.

Audit Committee

An Audit Committee is formed at the Company level and the members of the Audit Committee (AC) are as follows

Mr G V M Nanayakkara – Chairman AC
(Independent non executive Director)

Mr S A S Jayasundara – Member AC
(Independent non executive Director)

Mr C M O Haglind – Member AC
(Non executive Director)

Attendance at the AC meetings was:

Mr G V M Nanayakkara.....	4/4
Mr. S A S Jayasundara	4/4
Mr. C M O Haglind	4/4

The Audit Committee, is responsible, for reviewing policies and procedures of Internal Control, Risk Review and Control reports, planning and audit completion

reports from the Company's external auditors and ensuring that the Company has an embedded process of identifying risks, both financial and operational. The Committee ensures that risks, so identified, are managed via a well-defined action plan.

The Committee is also responsible for the consideration and appointment of external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in the preparation of public financial information and examining all documents representing the final financial statements.

The Chief Financial Officer, DGM Auditing and System Monitoring and relevant operational divisional heads attend the meeting by invitation. The decisions of the Audit Committee are reported to the Directors at the Board Meetings.

The report from the Chairman of the Audit Committee is on page no 23.

Remuneration Committee

The Remuneration Committee is set up at Company level and the members of the Remuneration Committee (RC) are as follows

Mr G V M Nanayakkara – Chairman RC
(Independent non executive Director)

Mr S A S Jayasundara – Member RC
(Independent non executive Director)

Mr C M O Haglind – Member AC
(Non executive Director)

Attendance at the AC meetings was:

Mr G V M Nanayakkara.....	1/1
Mr. S A S Jayasundara	1/1
Mr. C M O Haglind	1/1

The Remuneration Committee is

responsible for the recommendation of the remuneration payable to the Chairman, Executive Directors and Chief Executive Officer and sets guidelines for the remuneration of the Senior Management within the Company, to the Board of BTE PLC. The Board makes the final determination upon consideration of such recommendations. The remuneration recommendations are based on the present market rates.

The gross amount amount paid as directors emoluments for the year is disclosed under notes to the financial statements – note no 12 Page 65.

The report from chairman of the Remuneration Committee is on Page 26.

Related party Transactions Review Committee

The Related party Transactions Review Committee is set up at Company level and the members of the Related party Transactions Review Committee (RPTRC) are as follows

Mr G V M Nanayakkara – Chairman
(Independent non executive Director)

Mr S A S Jayasundara – Member
(Independent non executive Director)

Mr L H Munasinghe – Member
(Executive Director)

The Committee is entrusted with evaluating and considering all transactions with related parties of the company except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the company and related party transactions are evaluated according to the applicable rules and regulations. To this end the Committee shall ensure

that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the company and its subsidiaries.

Attendance at the RPTRC meetings was:

Mr G V M Nanayakkara.....4/4

Mr. S A S Jayasundara4/4

Mr L H Munasinghe.....4/4

The report from the Chairman of the Related party Transactions Review Committee is on page no 24.

Internal Control

Board has endeavored to ensure that control systems, designed to safeguard the Company's assets and maintain proper accounting records that facilitate the production and availability of reliable information, are in place and are functioning as planned.

An internal audit and monitoring division is set up to monitor whether all internal control systems, processes and procedures are followed Any issues relating to controls, productivity, efficiency, effectiveness are discussed at the monthly review meetings with respective operational managers. All operational and financial functions and approval levels are clearly defined and controlled by the officers with proper segregation of duties. All purchases for major inputs, capital expenditure, disposals are handled by a committee at Center Office and recommend to the Chief Executive Officer. Payments to major suppliers of estates are made from Head Office. All sales proceeds are collected at Head Office and the required funds

are released for remuneration and local purchases to operational units. Actual utilization of funds released are monitored by obtaining certified statements from respective operational managers.

Compliance with Legal Requirements

The Board is conscious of its responsibility to the Shareholders, the Government and the Society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative and Finance Divisions, strives to ensure that the businesses of the Company and its subsidiary comply with the laws and regulations of the country. The Board of Directors ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards and conform to the requirements of the Colombo Stock Exchange.

Relations with the Community

The Board is conscious of the principles of good citizenship and the operational dimensions of the BTE PLC's social programmes. The Human Resources division of the Company is set up at Head Office in Colombo with regional coordinating officers.

CORPORATE GOVERNANCE Compliance Table (Colombo Stock Exchange – Listing Rules)

Subject	Compliance Status	Details
Disclosures regarding the Board of Directors		
Four of the seven Directors are Non-Executive Directors	Compliant	Please refer page no 32.
Two of the four non-executive directors are Independent Directors.	Compliant	
Independent Non-Executive Directors have submitted the declaration of independence	Compliant	Each Independent Non-Executive Director submits a written declarations of his independence to the Board on an annual basis. Based on the said declarations, the Board considered them as continuing to be independent
Names of independent Directors included in the Annual Report	Compliant	Please refer page no 32.
A brief resume of each Director included in the Annual Report	Compliant	Please refer page no 15.
Disclosures regarding remuneration and Remuneration Committee		
Specify whether a separate Remuneration Committee was formed or listed parent's remuneration committee used	Compliant	A separate Remuneration Committee was formed.
The names of the members and the composition of the Remunerations committee included in the annual report	Compliant	Please refer page no 34.
The functions and the remuneration policy of the Remuneration Committee included in the annual report	Compliant	Please refer page no 26.
The aggregate remuneration paid to Executive & Non-Executive Directors specified in the annual report	Compliant	Please refer page no 65.
Contents under the Audit Committee Report		
Specify whether a separate Audit Committee was formed or listed parent's audit committee used	Compliant	A separate Audit Committee was formed
The names of the members and the composition of the Audit committee included in the annual report	Compliant	Please refer page no 34
Chief Executive Officer and the Chief Financial officer attend Audit Committee Meetings	Compliant	
The Chairman of the Audit Committee and two members are Members of a professional accounting body	Compliant	
The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer Audit Committee Report on page 23
The Annual Report shall Contain a Report of the Audit Committee setting out the manner of Compliance of the Functions	Compliant	Please refer Audit Committee Report on page 23

Subject	Compliance Status	Details
Contents under the Related Party Transactions Review Committee Report		
Specify whether a separate Related Party Transactions Review Committee was formed or listed parent's Related Party Transactions Review Committee used	Compliant	A separate Related Party Transactions Review Committee was formed
The names of the members and the composition of the Related Party Transactions Review Committee included in the annual report	Compliant	Please refer page no 34.
The Related Party Transactions Review Committee shall meet once a calendar quarter	Compliant	
The Chairman of the Related Party Transactions Review Committee should be an independent non executive Director	Compliant	
The Annual Report shall Contain a Report of the Related Party Transactions Review Committee setting out the manner of Compliance of the Functions	Compliant	Please refer Related Party Transactions Review Committee Report on page 24.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Bogawantalawa Tea Estates PLC consists of the following Non-Executive Directors.

- Mr G V M Nanayakkara - Chairman
- Mr C M O Haglind
- Mr S A S Jayasundara

The audit committee's role and duties include;

- the review of internal control systems,
- assist the board of directors in its oversight of the preparation of the financial statements in conformity with SLFRS, Companies Act No. 7 of 2007, rules and regulations of CSE and SEC,
- overview of the company's processes for monitoring compliance with laws & regulations and risk assessments,
- make recommendations to the board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee met four times during the year under review. The Chief Financial Officer, DGM Auditing and System Monitoring, sector senior management personnel, Acting CEO and Executive Director were invited and attended to deliberate proceedings.

The Audit Committee reviewed the management letter issued by the external auditors at the audit committee meeting

and also considered and verified the independence of the external auditors Messers BDO partners, Chartered Accountants. The Audit Committee reviewed the nature of the non-audit function related to tax that external auditors have undertaken to ensure that it did not compromise their independence.

The audit committee is strongly supported by the internal audit reports and external audit segment wise management letters. The internal audits have been carried out for the financial year covering estates, other administrative units and specific areas of attention are decided by the Executive Director based on the audit committee proposals and board directions. Audit supervisory committee has been set up consisting senior management team to scrutinize the audit reports and exceptional reports generated by the computerized management information system. The exceptional reports and the alerts are generated by the management information system and automatically emailed to the respective management levels copy to the Head of Monitoring regularly. Matters arising from such reports, where attentions required toward internal control aspects are scrutinized by the DGM – Auditing and System Monitoring and get the clarification from the management where necessary and send required guidelines to improve system & control. The deliberations are reported to the Audit Committee. Audit Supervisory Committee had discussed

report findings and implemented the recommendations with the respective sector managers and estate managers. These reports have been reviewed by the audit committee along with the explanations given by the estate management and members of the senior management who participated at these audit committee meetings. At the meetings, the Committee reviewed the effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks.

The committee studied the processes that are in place to safeguard the assets of the company.

The committee noted that a comprehensive set of Management accounts and progress reports are produced on a monthly basis highlighting all key performance indications and reviewed by the Senior Management. The Directors review the performance at the pre- Board meetings followed by the Board Meetings held quarterly on a pre-determined dates agreed.

The committee reviewed the audited financial statements including the annual report for the year 2020/21. The audit committee has recommended to the Board of Directors that Messers BDO partners, Chartered Accountants be continued as the external auditors for the year ending 31st March 2022 as well.

Sgd.

G V M Nanayakkara

Chairman-Audit Committee

27th August 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Composition of the Related Party Transactions Review Committee

Related Party Transactions Review Committee comprises of three (3) Board members. The Chairman of the Committee is also the Chairman of the Audit Committee and an Independent Director. The composition of the Committee is as follows:

Mr. G V M Nanayakkara - Chairman
- Independent Non-Executive Director

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

Mr. L. M. Munasinghe - Member
- Executive Director

Charter of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed by the Board of Directors as per the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), so that the Company shall follow the rules pertaining to related party transactions as set out in the Listing Rules of the CSE. The composition and the scope of work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

The Terms of Reference of the Related Party Transactions Review Committee is reviewed annually by the Board of Directors.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the company, in order to ensure that related parties are treated on par with other shareholders and constituents of the company.

The Committee carries out the following duties and responsibilities:

- Reviewing to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.5 of the Listing Rules of the CSE, that require consideration by the Committee under the Related Party Policy of the Company.
- Approving or rejecting the Related Party Transaction upon the required internal approvals being obtained.
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of, the company and its stakeholders; and
- Recommending to the Board what action, if any, should be taken by the Board with respect to any Related Party Transaction.
- Recommending to the Board where necessary, that the approval of the shareholders of the company be obtained by way of a Special Resolution, prior to the concerned transaction being entered into as specified in Section 9.1 and 9.4 of the Listing Rules.

Committee Guiding Principles

The Committee is entrusted with evaluating and considering all transactions with related parties of the company except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the company and related party transactions are evaluated according to the applicable rules and regulations.

To this end the Committee shall ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the company and its subsidiaries.

The Committee is required to carry out the aforementioned approval of the related parties and related party transactions in line with the Colombo Stock Exchange and/or Securities and Exchange Commission of Sri Lanka, the Companies Act requirements and the Sri Lanka Accounting Standards.

Committee Meetings

The Committee met Four (4) times during the year under review, and all members attended for the meetings. The quorum for a meeting is two (2) members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Methodology used by the Committee

In carrying out the duties of the Committee, the Committee is required to avoid 'conflicts of interest', which may arise from any transaction of the company with any person, particularly with related parties, ensure arm's length dealings with related parties whilst also ensuring adherence to the corporate governance directions which requires the company to avoid engaging in transactions with related parties, in a manner that would grant such parties 'more favorable treatment' than accorded to other constituents of the company.

The Committee will also be guided by

the Listing Rules of the CSE pertaining to related party transactions, the Board approved Related Party Transactions Policy and the Terms of Reference of the Committee.

Related Party Transactions during the Year 2020/21

During the year 2020/21, there were recurrent and related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the above period is disclosed in note 44 to the financial statements.

Declaration

A Declaration by the board of directors in the Annual Report that the company is in compliance with the listing rules of the Colombo stock exchange pertaining to Related party transaction during the financial year ended 31st March 2021 is given on page no 34 of the report.

Sgd

G V M Nayayakkara

Chairman

Related Party Transactions Review Committee

27th August 2021

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Company is formed in compliance with the CSE Listing Rules.

Composition

The Committee comprises a combination of Independent Non executive Directors and a Non executive Director.

The names of the Directors , their status of independence and attendance at the meetings are as follows

Mr G V M Nanayakkara

- Chairman RC
(Independent non executive Director)1/1

Mr S A S Jayasundara

- Member RC
(Independent non executive Director)1/1

Mr C M O Haglind

- Member AC
(Non executive Director)1/1

Role of the Committee

The Remuneration Committee is responsible for the recommendation of the remuneration payable to the Chairman, Executive Directors and Acting Chief Executive Officer and sets guidelines for the remuneration of the Senior Management within the Company, to the Board of BTE PLC. The Board makes the final determination upon consideration of such recommendations. The gross amount paid as directors emoluments for the year is disclosed under notes to the financial statements – note no 12 Page 65.

Remuneration Policy

The Remuneration Policy is to attract and retain experienced and highly qualified work force. The remuneration

recommendations are based on the present market rates and performance evaluation criteria of the Company.

Committee Meetings

The Committee held its meeting for the year on 26th March 2021.

Sgd.

Mr G V M Nanayakkara

Chairman Remuneration Committee
27th August 2021

RISK MANAGEMENT

Risk Management Process & Approach

The process of risk management consists of identification, analysis, assessment, prioritization, monitoring of risk and either acceptance or mitigation of uncertainty in Business decision-making.

Our approach to risk management is to have built in internal control systems to business processes, outcome of regular discussions, review meetings and comprehensive reporting.

Responsibilities for the Risk

The Board of Directors of Bogawantalawa Tea estates PLC:

- bears overall responsibility to exercise prudent risk management mechanisms.
- identifies principle risks faced by the company and ensure implementation of appropriate system to manage such risks.
- designates key management

personnel and defines their areas of responsibility to manage risks

- reviews risk management strategy periodically and formulate mitigating actions considering internal and external environmental changes.

Company Audit Committee review probable risk elements at its meeting and report to the Board of Directors.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Impacts of COVID-19 on the plantation	Enforcing the necessary social distancing measures and subsequent curfews hindered the economy	Tea prices rose sharply at an auction held in April amid COVID-19 curfews and a falling rupee, due to strong demand and tight supplies after dry conditions.	Raise awareness among estate workers about how COVID-19 spreads and how to prevent getting infected, and routinely remind them about biosafety and biosecurity measures against COVID-19 on the plantation
Government decision to ban import of chemical fertilizers	This decision will greatly affect our tea industry. Especially drop in yield	With the introduction of organic fertilizer, the cost will be very high. At present there is no demand for organic type of tea in Sri Lanka market	To have a way forward plans for compost projects to cater the estates. In order to create value for organic tea, a separate auction catalog to be introduced by the tea board.
Enhancement of existing plucking Norm kilos	Kotiyagalla Estate is having the lowest plucking norm kilos in the company and ranging from 13kgs	The plucker productivity is lower and the cost on harvesting is rising (65% of the cost of production contributed from harvesting)	Minimum norm to be increased to 18 kgs. By continues negation with workers and trade unions, the estate management is in process of enhancing the norm.
Short of Workers	Workers are migrating to Urban areas and drastic drop in worker out-turn for estate work	High cost of production	Mechanization of field/factory operations; Machine Plucking/shearing/machine pruning/factory automation
Backup Staff	Youths are not willing to join Estates especially for field work	Lack of supervision and non-availability of competent staff. Retired staff are re-employed on fixed term contract and output of retirees are below expectations	To have an action plan to groom young educated youths by re-designing the designations. Eg- Junior Assistant Field Staff to Junior Field Executive Introduction of easy weighing scale system and avoid manual data entry to system

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Climate and weather Changes	Production quantities & quality fluctuate according to the seasons and weather patterns	Change in the weather patterns affects production and productivity and quality	Timely replanting of selected cultivars to minimize the effect on climatic conditions, good agricultural practices such as pruning, fertilizing depending on seasons.
High Cost of fertilizer due to the withdrawal of subsidies and import ban on essential chemical for weed control	Difficulties on maintaining our plantations under best agricultural standards	High cost involve in artificial fertilizer and manual weed control	Gradual implementation of our own organic fertilizer production units and implementing more biological method of weed control to minimize high cost labour involvement
Strict conditions imposed by the buyers with regard to the certain Maximum Residue Level (MRL) of certain Chemicals	Consider as a main factor of customer preserved quality	If any buyers complaints on higher MRL levels will adversely affect reputation and possible financial impact	Though the Tea Research Institute (TRI) approves some chemicals, we have self-imposed control of using such material based on the buyer's requirements.
Product Quality	Maintain consistent product quality & be amongst the premium quality category	Buyers curtailing demand and offer average price for low quality products due to more teas available in the market in such category.	Quality assurance is considered as key in this area and our processing plants are with HACCP / ISO in addition to that Rainforest alliance certification, Rockwood Organic certification has been obtained and sales are in progress. Quality Assurance Systems are implemented throughout the value chain and more emphasis given on the cultivation and processing.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Human Resource - Industry wide highly unionized large workforce	Create globally accepted healthy employee satisfied working environment through obtaining SA 8000 industry standards and Fair Trade Certificates	As the industry is highly labour intensive with high bargaining power, low productivity, work stoppages, strikes would result in a major impact on the profitability & liquidity of the company. Satisfied motivated workforce with the implementation of SA 8000 & Fair Trade	The Collective Agreement entered into with the Trade Unions in the Company's capacity as a member of the Employers Federation ensures industrial peace and wages are applied industry wide and not ad hoc. Continuous training and development programs are conducted to motivate and develop the human resource to enhance productivity and have better relationship with workforce and staff. Frequent assessment and monitoring status and standards requested by the international regulatory bodies
Fluctuation of global commodity prices - Tea	Maintain a stable Net Sale Average (Realized Price per Kg)	Fluctuation of prices are very sensitive to profitability & liquidity Gap between revenue and cost may be narrowed due to increased labour wages possibly high liquidity positions restrict capital development work.	The cyclical pattern of price is mitigated by focusing on producing 'quality teas'. Availability of a range of high and low grown teas and change in product quality depending on market behavior minimize loss in margin due to price fluctuations. Value added tea marketing through our subsidiary by introducing our own brand also minimize the effect on such situations. Introduction of green tea and organic tea is considered as long term strategy. Maintain minimum gap in price level compared to benchmarking estate selling marks.
Operational & Locations related	A sound internal control system is a key factor in safeguarding tangible, intangible assets and creation of wealth	Natural disasters, accidents, fraud, human errors, may lead to financial losses	Periodical checks are carried out at estate level to ensure the quality and cost effectiveness of systems Regular reviews are undertaken to ensure that appropriate infrastructure and sufficient insurance covers are available to safeguard the company's assets and minimize any financial loss.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Financial & Treasury Management	Adequate return on investments within acceptable risk levels, generation of funds for capital development projects securing working capital requirements	Effect on profitability and liquidity and long term sustainability	Prudent investments in capital developments projects after proper investment evaluation in replanting, factory development etc. Adoption of diversification strategies. Monitoring and reporting return on investments quarterly to the Board of Directors.
Interest Rate	Needs to minimize the adverse effects of the fluctuating interest rates Settlement of Labour wages & supplier Bills	Effect on profitability and cash flows Any delays may effect to labour unrest and continuous supply of input materials	The Company manages and mitigates interest rate risk by utilizing low cost funding from banking and financial services sector to minimize high cost borrowing such as overdraft. Also an appropriate mix of floating and fixed rate interest debt capital is employed. Financing through securitization manage fluctuation of interest rates. Pre-arranged short term financing facility at lowest finance cost based on quarterly cash flow projections.
Liquidity issues in Short Term			
Company Reputation & Corporate Image	Compliance of legal and statutory requirements and best corporate governance	Noncompliance may lead to loss of reputation, fines and surcharges and even litigation	Reputation is considered as the Company's most important aspect. Therefore, the Company obtains legal advice to include mitigating clauses wherever possible in the Agreements for new ventures and investments. Due consideration is given to health, safety and environmental issues and the best practices are followed in these areas through various certifications and CSR projects.
Investments	As Investments are key to the sustainability of the business	Impact on future profitability, liquidity and risk project failing mid-way	Investments are first subject to a technical & financial evaluation process and prioritize depending on the cost benefit and the availability of funding. Then Board approval is sought prior to embarking on the investment. Close monitoring of the progress is made to ensure forecasted investment proposals are achieved and expectations are met.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Competitiveness	Global competitors of tea industry benefit from lower costs etc.	Low demand for tea from exporters will lead to low prices.	To mitigate risk of competition company focus on productivity, quality and local market operation. Innovative Nish markets focus product development. Product portfolio diversification toward green tea, organic tea related up market products.
Information Management Systems Risk	To minimize risk associated with security, Hardware communication and software. To protect vital data stored in electronic media/servers.	Non availability of information for monitoring, Risk involve in information leakage.	Maintaining spare servers, cloud servers to safeguard critical data, software. Data backups stored at off site locations, vendor agreements for support service and maintenance, Update virus scanners and firewalls etc. Compliance with the statutory requirements Setting up of exception reporting system electronically and ensure the immediate attention on exceptions and also ensure data/information integrity.

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

The Directors of Bogawantalawa Tea Estates PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2021.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

General

Bogawantalawa Tea Estates PLC is a public limited liability Company which was incorporated under the Companies Act No.17 of 1982 as a public Company on 22nd June 1992. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 8th April 2008 and bears registration number PQ 124. Accordingly, the name of the Company has changed to Bogawantalawa Tea Estates PLC.

The Company also has issued Rs.50mn Rated Senior Unsecured Redeemable Debentures at a par value of LKR 100/- which are listed on the Main Board of the Colombo Stock Exchange.

Principal activities of the Company and review of performance during the year

The principal activity of the Company, which is cultivation and processing of Tea and Rubber, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained in the Chairman's review (pages 3 to 4).

This report together with the Financial Statements reflect the state of affairs of the Company.

Financial Statements

The Financial Statements of the Company are given on pages 39 to 97.

Summarised Financial Results

Year ended	2021 Rs.'000	2020 Rs.'000
Revenue	3,525,090	2,979,757
Net Profit / (Loss) for the year	166,264	(474,101)
Carried forward Profit / (Loss)	825,177	658,912

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 36.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on page 43 to 63. Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

Directors

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 15 to 16.

Executive Directors

Mr. D J Ambani - Co-Chairman

Mr. L J Ambani - Co-Chairman

Mr. L H Munasinghe - Executive Director

Non - Executive Directors

Mr. C M O Haglind - Director

Mr. D A De S Wickramanayake - Director

*Mr. S A S Jayasundara - Director

*Mr. G V M Nanayakkara - Director

* Independent Non-Executive Director

Mr. S A S Jayasundara retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 89 and 90 of the Articles of Association and being eligible are recommended by the Directors for re-election.

The Directors have recommended the re-appointment of G V M Nanayakkara and Mr. D A de S Wickramanayake who are over 70 years of age, as Directors of the Company, and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re-appointment of Mr. G V M Nanayakkara and Mr. D A de S Wickramanayake.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No.7 of 2007, and the names of Directors

who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review are given in Note 44 to the Financial Statements on page 91.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 44 to the Financial Statements on page 91.

Directors' Interests in Contracts

The Directors' have no direct or indirect interest in any other contract or proposed contract with the Company except for the transactions referred to in Note 44 to the Financial Statements.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with requirements of the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Auditors

Messrs BDO Partners, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than that of Auditors and provider of tax related services.

A total amount of Rs 2,563,263 is payable by the Company to the Auditors for the year under review.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 30th July 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.

Independence of Auditors

Based on the declaration provided by Messrs BDO Partners, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, 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.

Stated Capital

The Stated Capital of the Company is Rs.586,250,010/-.

The number of shares issued by the Company stood at 83,750,000 fully paid ordinary shares and 01 Golden Share as at 31st March 2021 (which was the same as at 31st March 2020).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 and 31st March 2020 are as follows.

	Shareholding as at 31/03/2021	Shareholding as at 31/03/2020
Mr. D J Ambani	-	-
Mr. L J Ambani	-	-
Mr. C M O Haglind	-	-
Mr. D A de S Wickramanayake	9,468,778	9,468,778
Mr. S J S Jayasundera	-	-
Mr. G V M Nanayakkara	-	-
Mr. L H Munasinghe	-	-

Shareholders

There were 18,587 shareholders registered as at 31st March 2021 (18,603 shareholders as at 31st March 2020). The details of distribution are given on page 13 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, 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 page 13 to 14 under Share Information.

Reserves

The movement of reserves during the year are given under the Statement of Changes in Equity on page 41.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 551,734,588 (2020 – Rs. 586,893,904/-)

The extents, locations, valuations and the number of buildings of the Company's land holdings are given in Note 17.

The movement of fixed assets during the year is given in Note 17 to the financial statements.

Dividends

The Directors do not recommend a dividend.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet

date have been paid or, where relevant provided for.

Donations

The Company made donations amounting to Rs 225,000 (2020 – Rs.241,000/-) during the year under review for charitable purposes.

Events occurring after the Balance Sheet date

There are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements except as stated in Note 46.

Corporate Governance

Corporate Governance practices and principles with respect to the management and operations of the Company is set out on page 19 of this report. The Directors confirm that the Company has complied with the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Sub-Committees of the Board and the members of these Committees possess the requisite qualifications and experience. The composition of the said Committees is as follows:

Audit Committee

Mr. G V M Nanayakkara – Chairman

Mr. S A S Jayasundara – Member

Mr. C M O Haglind - Member

Remuneration Committee

Mr. G V M Nanayakkara – Chairman

Mr. S A S Jayasundara – Member

Mr. C M O Haglind - Member

Related Party Transaction Review Committee

Mr. G V M Nanayakkara – Chairman

Mr. S A S Jayasundara – Member

Mr. L H Munasinghe - Member

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

The Corporate Governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 19 to 22 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 6 to 12 of this Report.

Environmental Protection

After making adequate enquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products

and services that have a beneficial effect on the customers and the communities within which the Company operates.

Going Concern

The financial statements are prepared on going concern principles. After making adequate enquires from the management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Annual General Meeting

The Annual General Meeting will be held by way of electronic means on 30th September 2021 at 10.30 a.m.

The Notice of the Annual General Meeting appears on page 2.

By Order of the Board

Bogawantalawa Tea Estates PLC

Sgd.

D J Ambani
Co-Chairman

Sgd.

L J Ambani
Co-Chairman

Sgd.

P W Corporate Secretarial (Pvt) Ltd
Secretaries

27th August 2021



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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOGAWANTALAWA TEA ESTATES PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bogawantalawa Tea Estates 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 notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set on pages 43 to 97.

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 the 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.

Key Audit Matters

1. Valuation of Consumable Biological Assets

The Company has consumable biological assets carried at fair value amounting to Rs.1,226 Mn. The biological assets, Eucalyptus Grandis Mature and Immature Timber Trees of the Company, were inspected and valued by an independent external valuer as at 31st March, 2021.

Valuation of consumable biological assets requires significant levels of judgment and technical expertise, including the use of discounted cash flow models and selecting appropriate assumptions. Changes in the key assumptions used such as discount rate and available timber quantity to value the Company's consumable biological assets could have

a material impact on the statement of profit or loss and the value of consumable biological assets. Accordingly, the valuation of consumable biological assets has been considered as a Key Audit Matter.

Related Disclosures

Refer to note 20 of the accompanying financial statements.

How Our Audit Addressed the Key Audit Matter

Our audit procedures included the following:

- Assessed the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare;
- Verified the mathematical accuracy of the consumable biological assets valuation;
- Assessed the objectivity of the external valuation expert and the competence and qualification of the external expert and
- Assessed the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.



2 Valuation of Retirement Benefit Obligation

The company has recognized retirement benefit obligation of Rs. 982 Mn as at 31st March 2021. The retirement benefit obligation of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Management engaged an independent actuary to assist them in the computation of retirement benefit obligation. We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

Related Disclosures

Refer to note 35 of the accompanying financial statements.

How Our Audit Addressed the Key Audit Matter

Our audit procedures included the following;

- Assessed the competency, objectivity and capabilities of the independent actuary engaged by the management.
- Assessed the appropriateness of the key assumptions used in the valuation, in particular the discount rate, inflation rate, future salary increases and mortality rates.

- Assessed the accuracy, completeness and reasonableness of the employee data used for the calculation of retirement benefit obligations.
- Assessed the adequacy of the disclosures made to the financial statements in accordance with the relevant accounting standards

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary, to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform



audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the 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's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 and 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 audit. We remain solely responsible for our 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 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 5707.

Sgd

CHARTERED ACCOUNTANTS

Colombo

27th August 2021

MN/cc

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2021

Rs.	Note	Group		Company	
		2020/2021	2019/2020	2020/2021	2019/2020
Revenue	7	4,334,505,623	4,393,600,512	3,525,090,295	2,979,757,512
Cost of sales	8	(3,897,523,535)	(4,393,808,010)	(3,222,105,617)	(3,232,879,626)
Gross profit/(loss)		436,982,088	(207,498)	302,984,678	(253,122,114)
Gain on fair value of biological assets	20	158,505,904	141,999,939	158,505,904	141,999,939
Other income	9	347,488,082	164,234,846	215,438,675	159,904,696
		942,976,074	306,027,287	676,929,257	48,782,521
Administration and other expenses		(274,818,159)	(308,911,400)	(185,865,524)	(239,556,597)
Distribution expenses		(23,397,916)	(84,482,810)	-	-
Management fee expenses	10	-	-	-	-
Net finance income/(expenses)	11	(400,736,794)	(418,441,277)	(347,592,544)	(335,573,268)
		(698,952,869)	(811,835,487)	(533,458,068)	(575,129,865)
Share of profit equity accounted associates (net of tax)	22	9,946,305	20,525,183	9,946,305	20,525,183
Profit/(loss) before taxation	12	253,969,510	(485,283,017)	153,417,494	(505,822,161)
Income tax expenses	13	(28,935,739)	97,969,545	(28,935,739)	93,154,637
Profit/(loss) for the year		225,033,771	(387,313,472)	124,481,755	(412,667,524)
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Valuation gains on equity instruments at fair value through other comprehensive income		(9,529,850)	6,984,309	(9,529,850)	6,984,309
Remeasurement of retirement benefit obligations	35.1	14,955,029	(60,392,366)	14,955,029	(60,015,972)
Tax relating to items that will not be re-classified		(2,093,704)	(8,349,541)	(2,093,704)	(8,402,236)
Total other comprehensive income for the year, net of tax		3,331,475	(61,757,598)	3,331,475	(61,433,899)
Total comprehensive income for the year		228,365,246	(449,071,070)	127,813,230	(474,101,423)
Profit for the year attributable to:					
Equity holders of the parent		225,033,771	(387,313,472)	124,481,755	(412,667,524)
Non-controlling interest		-	-	-	-
		225,033,771	(387,313,472)	124,481,755	(412,667,524)
Total comprehensive income attributable to :					
Equity holders of the parent		228,365,246	(449,071,070)	127,813,230	(474,101,423)
Non-controlling interest		-	-	-	-
		228,365,246	(449,071,070)	127,813,230	(474,101,423)
Basic earnings/(loss) per share	14.1	2.69	(4.62)	1.49	(4.93)
Diluted earnings/(loss) per share	14.2	2.69	(4.62)	1.49	(4.93)

Figures in brackets indicate deductions.

The significant accounting policies and notes from pages 43 to 97 form an integral part of these financial statements.

Colombo
27th August 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH, 2021

Rs.	Note	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
ASSETS					
Non-current assets					
Right-of-use assets	16	1,069,175,511	1,509,663,200	1,069,175,511	1,432,788,867
Tangible assets other than bearer biological assets	17	551,734,588	810,835,726	551,734,588	586,893,904
Intangible assets	18	-	2,358,249	-	-
Bearer biological assets	19	2,288,019,088	2,241,585,320	2,288,019,088	2,241,585,320
Consumable biological assets	20	1,226,187,764	1,068,663,545	1,226,187,764	1,068,663,545
Capital work-in-progress	21	5,045,142	8,744,096	5,045,142	8,744,096
Investment in associate	22	-	92,251,742	-	92,251,742
Investments in equity shares	23	42,941,412	52,471,262	42,941,412	154,571,262
Investment in financial assets at amortized cost	30	-	50,000,000	-	50,000,000
Deferred tax assets	24	-	40,450,385	-	-
Total non-current assets		5,183,103,505	5,877,023,525	5,183,103,505	5,635,498,736
Current assets					
Produce on bearer plants	25	10,445,896	7,835,600	10,445,896	7,835,600
Inventories	26	373,561,277	609,915,409	373,561,277	338,723,478
Trade and other receivables	27	239,555,894	572,675,852	239,555,894	245,637,306
Income tax receivables	28	-	4,608,068	-	-
Amounts due from related parties	29	2,528,819	18,771,371	2,528,819	178,341,492
Short-term investments	30	486,349,076	321,285,379	486,349,076	321,285,379
Cash and cash equivalents	31	40,834,234	120,267,063	40,834,234	95,936,108
Total current assets		1,153,275,196	1,655,358,742	1,153,275,196	1,187,759,363
Total assets		6,336,378,701	7,532,382,267	6,336,378,701	6,823,258,099
EQUITY AND LIABILITIES					
Equity					
Stated capital	32	586,250,010	586,250,010	586,250,010	586,250,010
Retained earnings		796,255,838	558,360,742	796,255,838	658,912,758
Fair value reserve of financial assets at fair value through other comprehensive income		27,941,412	37,471,262	27,941,412	37,471,262
Equity attributable to owners of the parent		1,410,447,260	1,182,082,014	1,410,447,260	1,282,634,030
Non-controlling interest		-	20	-	-
Total equity		1,410,447,260	1,182,082,034	1,410,447,260	1,282,634,030
Non-current liabilities					
Interest bearing borrowings	33	254,195,600	400,013,699	254,195,600	356,800,200
Debentures	34	625,295,820	873,765,447	625,295,820	873,765,447
Retirement benefit obligations	35	981,996,868	954,983,942	981,996,868	932,471,226
Grants and subsidies	36	81,619,934	99,676,689	81,619,934	99,676,689
Deferred income	37	225,151,484	234,532,794	225,151,484	234,532,794
Lease liability	38	1,265,107,945	1,603,379,051	1,265,107,945	1,526,591,902
Deferred tax liability	39	142,776,749	111,747,306	142,776,749	111,747,306
Total non-current liabilities		3,576,144,400	4,278,098,928	3,576,144,400	4,135,585,564
Current liabilities					
Trade and other payables	40	567,195,342	808,574,135	567,195,342	566,825,032
Amounts due to related parties	41	27,611,606	26,458,957	27,611,606	53,836,324
Dividend payable		-	211,320	-	211,320
Short-term borrowings		-	434,639,910	-	-
Current portion of interest bearing borrowings	33	417,008,840	487,214,988	417,008,840	480,662,510
Lease liability	38	7,545,387	14,071,998	7,545,387	9,008,815
Bank overdrafts	31	330,425,866	301,029,997	330,425,866	294,494,504
Total current liabilities		1,349,787,041	2,072,201,305	1,349,787,041	1,405,038,505
Total liabilities		4,925,931,441	6,350,300,233	4,925,931,441	5,540,624,069
Total equity and liabilities		6,336,378,701	7,532,382,267	6,336,378,701	6,823,258,099
Contingencies and commitments.	42 and 43				

Figures in brackets indicate deductions.

The significant accounting policies and notes from pages 43 to 97 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.

Sgd.

Mrs. Chamari Wahalathanthri

Chief Financial Officer

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

Approved and signed for and on behalf of the Board of Directors of Bogawantalawa Tea Estates PLC.

Sgd.

Mr. L. J. Ambani

Co Chairman

Colombo
27th August, 2021

MN/cc

Sgd.

Mr. L.H. Munasinghe

Executive Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2021

GROUP

Rs.	Stated capital	Non-controlling interest	Fair value reserve of financial assets at FVTOCI*	Retained earnings	Total
Balance as at 01st April 2019	586,250,010	20	30,486,953	1,014,416,121	1,631,153,104
Comprehensive income for the year					
Net loss for the year	-	-	-	(387,313,472)	(387,313,472)
Other comprehensive income	-	-	6,984,309	(68,741,907)	(61,757,598)
Total comprehensive income for the year	-	-	6,984,309	(456,055,379)	(449,071,070)
Balance as at 31st March, 2020	586,250,010	20	37,471,262	558,360,742	1,182,082,034
Comprehensive income for the year					
Net profit for the year	-	-	-	225,033,771	225,033,771
Other comprehensive income	-	-	(9,529,850)	12,861,325	3,331,475
Total comprehensive income for the year	-	-	(9,529,850)	237,895,096	228,365,246
Transactions with owners of the Company, recognised directly in equity					
On disposal of subsidiary	-	(20)	-	-	(20)
Total transactions with owners of the Company	-	(20)	-	-	(20)
Balance as at 31st March, 2021	586,250,010	-	27,941,412	796,255,838	1,410,447,260

COMPANY

Rs.	Stated capital	Fair value reserve of financial assets at FVTOCI*	Retained earnings	Total
Balance as at 01st April 2019	586,250,010	30,486,953	1,139,998,490	1,756,735,453
Comprehensive income for the year				
Net loss for the year	-	-	(412,667,524)	(412,667,524)
Other comprehensive income	-	6,984,309	(68,418,208)	(61,433,899)
Total comprehensive income for the year	-	6,984,309	(481,085,732)	(474,101,423)
Balance as at 31st March, 2020	586,250,010	37,471,262	658,912,758	1,282,634,030
Comprehensive income for the year				
Net profit for the year	-	-	124,481,755	124,481,755
Other comprehensive income	-	(9,529,850)	12,861,325	3,331,475
Total comprehensive income for the year	-	(9,529,850)	137,343,080	127,813,230
Balance as at 31st March, 2021	586,250,010	27,941,412	796,255,838	1,410,447,260

* Fair value through other comprehensive income

Figures in brackets indicate deductions.

The significant accounting policies and notes from pages 43 to 97 form an integral part of these financial statements.

Colombo
27th August 2021

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2021

Rs.	Group		Company	
	2020/2021	2019/2020	2020/2021	2019/2020
Cash flows from operating activities				
Net profit/(loss) before taxation	253,969,510	(485,283,017)	153,417,494	(505,822,161)
Adjustments for:				
-Depreciation/amortization	231,750,798	278,980,484	203,416,270	204,327,681
-Profit on disposal of property, plant and equipment	(3,788,333)	(2,511,122)	(3,788,333)	303,178
-Interest income	(53,154,093)	(28,302,297)	(53,154,093)	(27,711,894)
-Lease interest	7,772,786	12,613,218	2,746,442	4,096,866
-Interest expense	213,350,048	231,334,150	180,980,242	155,105,194
-Lease interest to JEDB/SLSPC	172,074,516	167,205,124	172,074,516	167,205,124
-Provision for retirement benefit obligations - gratuity (including provision for bolted workers)	162,103,742	173,663,512	160,699,242	169,793,642
-Amortization of grants and subsidies	(20,324,255)	(14,401,684)	(20,324,255)	(14,401,684)
-Amortization of intangible assets	457,485	749,663	-	-
-Gain on fair value of consumable biological assets	(158,505,904)	(141,999,939)	(158,505,904)	(141,999,939)
-Gain on produce biological assets - Tea	(2,610,296)	1,201,560	(2,610,296)	1,201,560
-Amortization of net income from operating rights given to LRL	(9,381,311)	(9,381,311)	(9,381,311)	(9,381,311)
-Share of profit - Investment in associate	(9,946,305)	(20,525,183)	(9,946,305)	(20,525,183)
-(Reversal of provision)/provision for trade and other receivable	-	35,416,384	-	-
-Lease creditors written back	-	2,861,798	-	-
-Provision for impairment in investment in subsidiaries	-	-	-	61,200,000
-Dividends income	(3,000,000)	(11,160,000)	(3,000,000)	(11,160,000)
-Loss on debentures early redemption	23,923,048	-	23,923,048	-
-Profit on disposal of subsidiary and associate	(160,082,903)	-	(29,236,953)	-
	644,608,533	190,461,340	607,309,804	32,231,073
Operating income before working capital changes				
(Increase)/decrease in inventories	(53,475,965)	85,960,949	(34,837,799)	92,396,054
(Increase)/decrease in trade and other receivables	(124,093,561)	(344,647,187)	6,081,412	(405,766,385)
(Increase)/decrease in due from related parties	32,139,627	(58,038,083)	175,812,673	(83,029,121)
Increase/(decrease) in trade and other payables	79,688,627	33,540,266	20,810,641	(21,376,311)
Increase/(decrease) in due to related parties	(10,384,350)	43,275,581	(26,224,718)	28,235,864
Cash generated from/(used in) operations	568,482,910	(49,447,134)	748,952,013	(357,308,826)
Interest paid	(194,742,723)	(119,391,453)	(162,372,917)	(119,391,453)
Gratuity paid	(118,657,940)	(118,479,186)	(116,658,905)	(116,335,667)
Grants received	2,267,500	2,904,500	2,267,500	2,904,500
Net cash generated from/(used in) operating activities	257,349,747	(284,413,273)	472,187,691	(590,131,446)
Cash flows from investment activities				
Investment in bearer biological assets - immature plantations	(129,452,707)	(180,493,543)	(129,452,707)	(180,493,543)
Harvesting of timber plantations	16,809,599	65,999,939	16,809,599	65,999,939
Additions to biological assets - nursery	(15,827,914)	(9,637,010)	(15,827,914)	(9,637,010)
Acquisition of property, plant and equipment and capital expenditure incurred	(18,952,818)	(23,161,258)	(15,497,546)	(18,687,022)
Acquisition of intangible assets	-	(589,584)	-	-
Proceeds from disposal of property, plant and equipment	3,875,000	3,943,409	3,875,000	779,409
Proceeds / (investment) in short term investments	(115,063,697)	-	(115,063,697)	(100,000,000)
Net proceed from disposal of subsidiary	15,022,161	-	104,142,000	-
Proceed from disposal of associate	129,393,000	-	129,393,000	-
Dividends received	3,000,000	11,160,000	3,000,000	11,160,000
Interest received	53,154,093	28,302,297	53,154,093	27,711,894
Net cash from/(used in) investing activities	(58,043,283)	(104,475,750)	34,531,828	(203,166,333)
Cash flows from financing activities				
Payments of lease rentals	(18,644,179)	(20,411,259)	(10,744,820)	(7,976,209)
Payments made to lessor of JEDB/SLSPC estates	(129,538,347)	(122,917,757)	(129,538,347)	(122,917,757)
Receipts from interest bearing borrowings	292,250,717	1,558,154,506	292,250,717	1,558,154,506
Payments of long term borrowings	(458,508,985)	(723,121,001)	(458,508,985)	(598,615,162)
Consideration paid for debenture early redemption	(291,000,000)	-	(291,000,000)	-
Dividend paid	(211,320)	-	(211,320)	-
Short-term borrowings - (net of receipts)	297,516,953	(173,156,311)	-	-
Net cash from/(used in) financing activities	(308,135,161)	518,548,178	(597,752,755)	828,645,378
Net increase/(decrease) in cash and cash equivalents	(108,828,698)	129,659,155	(91,033,236)	35,347,599
Cash and cash equivalents at the beginning of the year	(180,762,934)	(310,422,089)	(198,558,396)	(233,905,995)
Cash and cash equivalents at the end of the year (Note A)	(289,591,632)	(180,762,934)	(289,591,632)	(198,558,396)
Cash and cash equivalents at the end of the year				Note A
Cash and bank balances	40,834,234	120,267,063	40,834,234	95,936,108
Bank overdrafts	(330,425,866)	(301,029,997)	(330,425,866)	(294,494,504)
	(289,591,632)	(180,762,934)	(289,591,632)	(198,558,396)

Figures in brackets indicate deductions.

The significant accounting policies and notes from pages 43 to 97 form an integral part of these financial statements.

Colombo

27th August 2021

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Domicile and legal form

Bogawantalawa Tea Estates PLC (BTE PLC) formerly known as Bogawantalawa Plantations Limited (BPL), is a public limited liability company, listed in the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 later got replaced with the Companies Act No.07 of 2007, in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is located at No.153, Nawala Road, Narahenpita, Colombo 05, and the plantations are situated in the planting regions of Bogawantalawa and Deraniyagala.

1.2. Principal business activities and nature of operations of the Company and its subsidiary

Entity	Holding percentage (by the Group)	Country of incorporation	Principal business activities
Company (Parent entity)			
Bogawanthala Tea Estates PLC		Sri Lanka	Carries on the business of cultivation, manufacture and sale of tea, rubber, palm oil and forestry.
Subsidiary			
Bogawantalawa Tea Ceylon (Pvt) Ltd	99.99% (Disposed during the year)	Sri Lanka	Carries on the business of exporting value-added tea and local trading.

During the financial year, the Company has disposed its investment fully in Bogawantalawa Tea Ceylon (Pvt) Ltd.

1.3. Name of immediate and ultimate parent enterprise

The Company's immediate parent undertaking is Metropolitan Resource Holdings Limited and the ultimate parent undertaking is Metrocrop (Pvt) Ltd.

Management contract

The Company is managed by Metropolitan Resource Holdings Limited. The management agreement which came into effect from 01st January, 1996 was initially for a period of five years with a provision to extend by a further period by mutual consent of both parties.

1.4. Date of authorization for issue

The financial statements of Bogawantalawa Tea Estates PLC, for the year ended 31st March, 2021 were authorized for issue by the Board of Directors on 27th August, 2021.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Company and Group have been prepared and presented in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Accounting Standards (LKASs/SLFRs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which are collectively referred to as SLASs and are in compliance with the requirements of the Companies Act No.07 of 2007 and the amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The Company and the Group have not adopted any inappropriate accounting treatments which are not in compliance with the requirements of the SLASs, and regulations governing the preparation and presentation of the financial statements.

2.2. Basis of measurement

The financial statements of the Company and Group have been prepared on the historical cost basis except for the following material items in the statement of financial position.

Items	Measurements basis	Note No.
Consumable biological assets	Stated at valuation	20
Produce on bearer plants	Stated at valuation	25
Right to use of asset	Stated at valuation	16
Retirement benefit obligations	Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.	35

SIGNIFICANT ACCOUNTING POLICIES (CONTD...)

2.3. Use of estimates and judgments

The preparation of financial statements in conformity with LKASs/SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results form the basis of making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in note no. 06 to the financial statements.

2.4. Comparative information

Previous period figures and notes have been re-classified wherever necessary to conform to the current year's presentation.

2.5. Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements. Financial assets and financial liabilities

are offset and the net amount report in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.6. Offsetting

Assets and liabilities, and incomes and expenses, are not offset unless it is required or permitted by SLFRSs/LKASs.

2.7. Going concern

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.7.1 COVID-19 Pandemic

Impact on COVID-19 and Going Concern Assessment

Financing and Liquidity

Since April 2020, the impact on cash flow considerably improved with the increase in price and demand resulted from the recognition of Black tea as a healthy beverage. Further, the Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments.

Impact on assets and Impairment

The Company has mitigated the impact of COVID 19. Revenue from the financial year 2021 is successful and overall performance is good. Therefore no requirements to impair biological assets, debtors and other assets of the company.

Disclosure of the management assessment on Impact of Covid-19 Outbreak

The Company got back to its normal operations when the Plantation Sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. Further as all our plantations were mainly based in districts which were not severely affected by the COVID-19, all estates managed to operate normally while implementing strict health care & safety measures.

The Colombo Tea Traders' Association (CTTA) introduced an e-auction in a short span of two weeks enabling the Tea buyers to continue with their business whilst working from Home. Sri Lanka was one of the few countries to continue its business in Tea, when all other major produces were in lock down mode or affected with the virus in some form. The overseas buyers had a continued supply of Tea from Sri Lanka and a price hike was seen in the immediate aftermath on the month of April and May 2020. The operations at the Head office in Colombo got disrupted due to the strict enforcement of curfew in Colombo but operational work continued under the concept of work from home. To safeguard our employees during this time of need, we have implemented high quality medical and public health advice through awareness campaigns, maintaining social distancing at every level from field, factory to office staff, provision of protective gear for all, food and sanitary product facilities for estate workers and facilitation to work from home for office staff members.

The Company's responses on the impact of COVID-19 on the future operations and the financial condition of the company. The Company is quite optimistic about the Tea prices and the demand for Black Tea as it has been recognized as a healthy beverage. Sri Lanka will be able to reach the market

SIGNIFICANT ACCOUNTING POLICIES (CONTD...)

in a better way due to the disruption of production facilities in other countries affected by COVID-19. Further Company is confident in carrying the business and its operations as normal under the health and safety measures recommended by the Government authorities.

2.8. Responsibility for financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements of the Company and Group as per the provision of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

2.9. Changes In Accounting Standards And Standards Issued But Not Yet Effective

2.9.1 Changes in accounting standards

The Group has applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 01st January 2020.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

The amendments provide 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 the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The following amendments and improvements do not expect to have a

significant impact on the Groups's financial statements.

- Amendments to SLFRS 3: Definition of a Business
- Amendments to LKAS 1 and LKAS 8: Definition of Material
- Conceptual Framework for Financial Reporting

2.9.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2.9.2.1 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS 16 - Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for reporting periods beginning on or after 01st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a

material impact on the Group.

2.9.2.2 Amendments to SLFRS 9, LKAS 39, SLFRS7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – (“IBOR reform”)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform. These amendments to various standards are effective for the annual reporting periods beginning on or after 01st January, 2021.

2.9.2.3 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 01st January 2022 with earlier adoption permitted.

The amendment is expected to have a material impact on the Group.

SIGNIFICANT ACCOUNTING POLICIES (CONTD...)

2.9.2.4 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1st January, 2022 and must be applied retrospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year.

Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31st March, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when

the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it de-recognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3.1.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date of the fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at

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fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 09 financial instruments: recognition and measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a charge to OCI. If the contingent consideration is not within the scope of SLFRS 09, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

The goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities

assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where the goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The financial statement of the Company's subsidiary is prepared for the same reporting year, using the consistent accounting policies.

The financial statements of the subsidiary in the Group have a common financial year which ends on 31st March. However during the year company has disposed 100% investment in Bogawantalawa Tea Ceylon (Pvt) Ltd.

3.2. Foreign currencies

3.2.1. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lanka Rupees, which is the Company and Group's functional and presentation currency.

3.2.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'net finance income/expenses'.

3.3. Property, plant and equipment

3.3.1. Measurement

Items of property, plant and equipment other than bare land are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Company elected the exemption to measure land and buildings recognized previously at revalued amounts as deemed

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cost with effect from 01st April, 2011 in accordance with provisions of SLFRS 1. Accordingly, land and buildings are stated at deemed cost less accumulated depreciation.

The cost of property, plant and equipment comprises expenditure directly attributable to the acquisition of the item. These costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling, removal and restoration, and the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

3.3.2. Depreciation

Depreciation of assets 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 de-recognized. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Land is not depreciated.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the company will have ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Freehold assets

Improvements to bare land	Over 40 years
Water projects and sanitation	Over 20 years
Plant and machinery	Over 13 1/3 years
Motor vehicles	Over 05 years
Equipment	Over 08 years
Furniture and fittings	Over 10 years

Bearer biological assets (replanting and new planting)

Tea	Over 33 1/3 years
Rubber	Over 20 years
Coconut	Over 08 years
Palm oil	Over 20 years

Right of use assets

Plant and machinery	Over 13 1/3 years
Motor vehicles	Over 05 years
Equipment	Over 08 years

The useful life, residual values and depreciation method of assets are reviewed and adjusted, if required, at the end of each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income' in the statement of comprehensive income.

Identifiable interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

3.3.3. Amortization of leasehold right

The leasehold rights over assets taken over from JEDB/SLSPC are being amortized in equal amounts over the following years. (Lower of lease period and economic useful life)

Right of use asset - Land (remaining lease period)	Over 24.25 years
Buildings	Over 25 years
Plant and machinery	Over 15 years
Water supply scheme	Over 20 years
Mature plantation (both tea and rubber)	Over 30 years

3.3.4. Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases – where the Group is a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.3.4.1 Right of Use Assets

The Group recognises right of use assets at the commencement date

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of a lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right to use of assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset is transferred to the Group at the end of the lease period or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.3.4.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease terms reflect the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease

payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.3.5. Permanent land development costs

Permanent land development costs are those costs incurred making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalized and amortized over the remaining lease period.

Permanent impairment to land development costs is charged to the statement of comprehensive income in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.3.6. Repairs and maintenance

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. This cost is depreciated over the remaining useful life of the related asset.

3.4. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups

classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal group is classified as held for sale only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

3.5. Biological assets

The entity recognizes the biological assets when, and only when, the entity controls the assets as a result of a past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Biological assets are classified into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, palm oil, other plantations and nurseries are classified as biological assets.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), is classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long-term loans used

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for financing immature plantations. The expenditure incurred on bearer biological assets (tea, rubber fields) which come into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter, at fair value at the end of each reporting period.

Biological assets are further classified as bearer biological assets and consumable biological assets.

3.5.1. Bearer biological assets

Bearer biological assets include tea, rubber and palm oil trees that are not intended to be sold or harvested, but are grown for harvesting agricultural produce from such biological assets. The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – property, plant and equipment.

3.5.2. Harvestable agricultural produce on bearer biological assets

In accordance with LKAS 41, the Company recognizes agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce are ascertained based on the harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle is considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas.

- Tea – bought leaf rate (current month) less cost of harvesting and transport
- Rubber – latex price (95% of current RSS1 price) less cost of tapping and transport

3.5.3. Consumable biological assets

Consumable biological assets include managed timber trees that are to be sold as biological assets. The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell off consumable biological assets is included in the statement of comprehensive income for the period in which it arises.

Consumable biological assets represent Eucalyptus Grandis timber trees that the Company grows and manages in its plantations. The Eucalyptus Grandis timber tree matures after 17 years and as per best harvesting practices, the trees can be harvested when they are 20 years old.

Eucalyptus Grandis trees at their initial stage (i.e. up to five years from the date of planting) are measured at cost.

The fair value of timber trees are measured using the Discounted cash flow (DCF) method taking into consideration the current market prices of timber, applied to expected timber content of trees at maturity by an independent professional valuation surveyor T.M.H. Mutaliph, incorporated valuer A.I.V. (Sri Lanka).

Grandis trees are measured at the directors' assessment of their fair value at each reporting date, after considering and making necessary adjustments to the independent valuer's report to reflect the requirements of the Sri Lanka Accounting Standard with respect to valuation. In the absence of market based valuation measures, the fair value of biological assets is determined using the net present value of the expected future cash flows (discounted at a risk adjusted rate).

All other assumptions and sensitivity analysis are given in note 20 to the financial statements.

The main variables in the DCF model are:

Variable	Comments
Currency	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of each species in different geographical regions
Economic useful life	Estimate based on the normal life span of each species by factoring the forestry plan of the Company
Selling price	Estimates based on price quotation extracted from timber corporation net of all the direct expenses, incurred in bringing the trees into saleable condition (Stumpage value)
Discount rate	Discount rate reflecting the possible variations in the cash flows and the risk related to the biological assets

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3.5.4. Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.5.5. Infilling cost on bearer biological assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the useful life at rates applicable to mature plantations. Infilling costs that are not capitalized have been charged to the statement of comprehensive income in the year in which they are incurred.

3.6. Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the statement of comprehensive income.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 – “Borrowing costs”.

3.7. Intangible assets

3.7.1. Goodwill

The goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill on acquisitions of subsidiaries is included under intangible assets. The goodwill acquired in a business combination is tested annually for impairment

or more frequently if events or changes in circumstances indicate that it might be impaired and carried at less than costs less accumulated impairment losses. Impairment losses on the goodwill are not reversed.

The goodwill is allocated to cash-generating units (‘CGU’) for the purpose of impairment testing. Each CGU or a Group of CGUs represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which is expected to benefit from the synergies of the combination.

3.7.2. Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognized at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives which is 10 years.

3.7.3. Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 02 years.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. These directly attributable costs include the software development and employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed 02 years.

Costs relating to development of software are carried in capital work-in-progress until the software is available for use.

Other development expenditures that do not meet the above criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3.8. Capital work-in-progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

Expenditure incurred on capital work-in-progress for permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.9. Investments

In the Company’s separate financial statements, investments in subsidiaries and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

3.10. Impairment of non-financial assets

The carrying amounts of the company non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then

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the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or a company of assets (the "cash generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.11. Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to

their existing location and condition. Manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

Inventory element	Valuation method
Input material	At average cost
Growing crop-nurseries	At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads
Agricultural produce harvested from biological assets	Agricultural produce harvested from biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.
Spares and consumables	At average cost

3.12. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.12.1. Financial assets

3.12.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company business model for managing them. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group financial assets include cash and short-term deposits, investments and trade and other receivables.

3.12.1.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets

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in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. Financial instruments at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The company does not have any debt instruments at fair

value through OCI.

c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates,

or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3.12.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form

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of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.12.1.4 Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.12.1.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.13. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

3.14. Stated capital

3.14.1. Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

3.14.2. Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

3.14.3. Dividend to shareholders of the Company

Dividend distribution to the Company's shareholders is recognized as a liability in the Company and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.15. Financial liabilities

3.15.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge,

as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, debentures and loans and borrowings.

3.15.1.1 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

- (a) Financial liabilities at fair value through profit or loss Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

- (b) Financial liabilities at amortized cost after initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Profit or loss statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process. Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.15.1.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing

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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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.16. Debenture

Financial Liabilities at amortised cost financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method.

Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the income statement. Gains and losses are recognized in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Currently, the Company has recorded debenture issued as financial liabilities at amortised cost.

3.17. Employee benefits

3.17.1. Defined benefit plan – gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on

retirement, usually dependant on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No 12 of 1983.

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 date of the statement of financial position together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated in every year by independent actuaries, Messrs Actuarial and Management Consultants (Private) Limited using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial valuer.

Past-service costs are recognized immediately in the statement of comprehensive income unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The following assumptions based on which the results of the actuarial valuation was determined, are included in note 35 to the financial statements.

The key assumptions used by the actuary include the following:

a. Average rate of interest	- 8% (Per annum)	(Previous year 11% Per annum)
b. Average rate of salary increases		
- Worker	- 5.68% (Once in two years)	(Previous year 15%)
- Staff	- 7.50% (Per annum)	(Previous year 7.50%)
c. Average retirement age		
- Workers	- 60 years	(Previous year 60 years)
- Staff	- 60 years	(Previous year 60 years)
d. Daily wage rate	- Rs.700/-	(Previous year Rs. 700/-)

e. The Company will continue in business as a going concern.

3.17.2. Defined contribution plans

For defined contribution plans, such as Ceylon Plantation Provident Society (CPPS) / Estate Staff Provident Society (ESPS), Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), the Company and Group contribute 12% or 15% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company and Group have no further payment obligation once the contributions have been paid. The company and the employees are members of these defined contribution plans.

3.17.3. Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company and Group.

3.17.4. Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the

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normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and Group recognize termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3.18. Provisions

Provisions are recognized when the Company and Group have a present legal or constructive obligation as a result of past events when it is more probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for asset retirement obligations are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision by passage of time is recognized as finance cost.

3.19. Contingent liabilities and contingent assets

The Company and Group do not recognize a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by

uncertain future events beyond the control of the Company and Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognized because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company and Group. The Company and Group do not recognize a contingent asset but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

3.20. Deferred revenue

3.20.1. Government grants and subsidies

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Company receives non-monetary grants, the asset and the grant are recorded at gross nominal amounts and released to

the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance are provided by the government or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as an additional government grant.

Grants related to property, plant and equipment other than grants received for biological assets are initially deferred and allocated to the statement of comprehensive income on a systematic basis over the useful life of the related property, plant and equipment.

Assets are amortized over their useful lives or unexpired lease period, whichever is lower.

Government grant related to the biological assets which are measured at fair value less cost to sell is directly charged to the carrying value of such assets in accordance with the applicable financial framework.

3.20.2. Net income from operating rights given

The net income raised on giving up of operating rights to Lalan Rubbers (Pvt) Ltd is recognized as income in the statement of comprehensive income over a period of 42 years respectively, which is the period of operating lease in agreements.

3.21. Tax expense

Income tax expense comprises current, deferred tax and other statutory taxes. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in the statement of changes in equity.

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a) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from the tax on dividend income.

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 subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the Commissioner General of Inland Revenue.

b) Deferred tax

Deferred tax is recognized in respect of 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:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill; and
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

Deferred tax is measured at the tax rates that are expected to be applied to 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 the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 benefits will be realized.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense, in the statement of comprehensive income.

c) Tax on dividends

Dividends distributed out of taxable profit of the local companies attract a 14% deduction at source.

d) Sales taxes

Revenues, expenses and assets are recognized net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of assets or services is not recoverable from the

taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

e) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

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The Group applies significant judgment in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

3.22. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognized upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers are recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

3.22.1. Sale of goods

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo Tea/Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale

shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

3.22.2. Interest income

Interest income is recognized based on the effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as finance income.

3.22.3. Rental income

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

3.22.4. Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment and are recognized within 'other operating income' in the statement of comprehensive income.

3.22.5. Amortization of Government grants received

An unconditional government grant related to a biological asset is recognized in the statement of comprehensive income as other income when the grant becomes receivable.

Other Government grants are recognized

initially as deferred income at fair value when there is a reasonable assurance that they will be received and the company will comply with the conditions associated with the grant and are then recognized in the statement of comprehensive income as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognized in the statement of comprehensive income as other income on a systematic basis in the same periods in which the expenses are recognized.

3.22.6. Gains arising from changes in fair value of biological assets

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs are recognized in the statement of comprehensive income. Gains or losses arising on change in fair value due to subsequent measurements are recognized in the statement of comprehensive income in the period in which they arise.

3.22.7. Dividend income

Dividend income is recognized in the statement of comprehensive income on the date the entity's right to receive payment is established.

3.23. Expenditure 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 specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to income in arriving at the profit/(loss) for the year.

For the purpose of presentation of the statement of comprehensive income, the directors are of the opinion that function of

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expenses method presents fairly the elements of the Company's performance, and hence, such presentation method is adopted.

3.24. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.25. Comparatives

Where necessary, comparative figures have been adjusted to conform to the changes in presentation of the financial statements for the current year.

3.26. Related party disclosures

3.26.1. Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

3.26.2. Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", key

management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive directors), personnel hold designation of general manager and above positions and their immediate family members have been classified as key management personnel of the Company.

The immediate family member is defined as the spouse or a dependant. A dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

3.27. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Director that makes strategic decisions.

Accordingly, the segment comprises tea, rubber and others as described in note 50 to the financial statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilization, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly the interest bearing borrowings, finance lease liability to government and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

3.28. Events 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.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's and Group's activities are exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's and Group's overall financial risk management programme focuses on the unpredictability of financial markets and seek to minimize the potential adverse effect on the financial performance of the Company and Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company and Group's financial risk management policies. The Board of Directors regularly review these risks and approve the risk management policies, which cover the management of these risks.

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Market risk consists of:

- Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- Fair value interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- Price risk – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

Credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Liquidity risk (funding risk) – risk that an entity will encounter difficulty in raising funds to meet the commitments associated with financial instruments.

4.1. Foreign exchange risk

The Group's component Bogawantalawa Tea Ceylon (Pvt) Ltd operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the

entity's functional currency.

4.2. Cash flow and fair value interest rate risk

The Company and Group have cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Company and Group manage their interest rate risks by actively monitoring the yield curve trend and interest rate movement for the various cash and bank balances.

The Company's and Group's borrowings comprise borrowings from financial and non-financial institutions and debentures. The Company and Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company and Group target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The Company and Group analyse their interest rate exposure on a dynamic basis.

4.3. Credit risk

Credit risk is managed on the Company and Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (net of deposits held). Individual risk limits are set, based on internal or external ratings. The utilization of credit limits is regularly monitored.

The Company and Group place their cash and cash equivalents with a number of creditworthy financial institutions. The Company and Group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the company and the group is approximately

their carrying amounts as at the date of the statement of financial position.

4.4. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Company and Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Company and Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Company and Group aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Lease liability and debentures were disclosed as undiscounted cash flows.

SIGNIFICANT ACCOUNTING POLICIES (CONTD...)**Group/Company**

As at 31 March 2021	0 - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	More than 5 Years	Total
Trade and other payables	238,222,043	272,253,765	56,719,534	-	-	567,195,342
Amounts due to related parties	10,492,410	11,044,642	6,074,553	-	-	27,611,606
Interest bearing borrowings	36,596,740	97,643,500	282,768,600	254,195,600	-	671,204,440
Bank overdraft	92,519,242	214,776,813	23,129,811	-	-	330,425,866
Lease liability	1,063,540	34,492,937	103,924,727	704,069,639	3,221,741,588	4,065,292,431
Debenture	28,648,140	-	69,859,081	748,693,917	244,978,088	1,092,179,226
Total	407,542,121	630,211,657	542,476,305	1,706,959,157	3,466,719,676	6,753,908,911

Group

As at 31 March 2020	0 - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	More than 5 Years	Total
Trade and other payables	253,175,261	496,875,262	58,523,612	-	-	808,574,135
Amounts due to related parties	9,339,761	11,044,642	6,074,553	-	-	26,458,957
Interest bearing borrowings	30,705,830	60,250,950	396,258,208	400,013,699	-	887,228,687
Bank overdraft	124,333,295	129,577,582	47,119,121	-	-	301,029,997
Lease liability	2,192,020	36,768,627	116,881,941	811,730,075	5,183,455,281	6,151,027,943
Debenture	32,934,062	-	99,526,013	851,339,421	743,812,101	1,727,611,597
Total	452,680,230	734,517,064	761,044,468	2,026,422,173	5,927,267,382	9,901,931,317

Company

As at 31st March 2020	0 - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	More than 5 Years	Total
Trade and other payables	198,388,761	340,095,019	28,341,252	-	-	566,825,032
Amounts due to related parties	13,459,081	33,378,521	6,998,722	-	-	53,836,324
Interest bearing borrowings	26,395,530	52,791,060	401,475,920	356,800,200	-	837,462,710
Bank overdraft	117,797,802	129,577,582	47,119,121	-	-	294,494,504
Lease liability	1,063,540	34,511,667	106,725,621	755,399,051	5,123,396,179	6,021,096,057
Debenture	32,934,062	-	99,526,013	851,339,421	743,812,101	1,727,611,597
Total	390,038,776	590,353,849	690,186,649	1,963,538,672	5,867,208,280	9,501,326,226

4.5. Market Risk

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

This is addressed through a policy of geographical diversification of exports sales. Separate managers are allocated to the business hubs based on the positioning of the global tea buyers of the Company. Such Managers keep in close touch with foreign agents/buyers. Further, the Company operates in domestic markets through local distributors, supermarkets, and tea shop. Constant and

active awareness of changing market conditions is the key to mitigating such risks.

Capital expenditure and working capital expenditure requirements of the Group are financed through internally generated cash flows as well as external financing arrangements. Management has arranged financial facilities with several financial institutions to support future financial requirements.

5. CAPITAL MANAGEMENT RISK

The primary objective of the company and the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The company and the group manage their capital structure and make adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the company and the group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the company and the group monitor capital on the basis

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of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings include non-current and current interest bearing borrowings and debentures as shown in the statement of financial position. Total equity is calculated as 'total equity' in the statement of financial position.

(Rs.)	Group			Company		
	2020/2021	2019/2020	2018/2019	2020/2021	2019/2020	2018/2019
Borrowings	1,296,500,260	1,760,994,134	887,385,092	1,296,500,260	1,711,228,157	715,975,073
Total equity	1,410,447,260	1,182,082,015	1,384,550,814	1,410,447,260	1,282,634,030	1,510,133,183
Gearing Ratio	92%	149%	64%	92%	133%	47%

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

6.1. Critical accounting estimates and assumptions

The Company and Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

6.1.1. Estimated useful lives of property, plant and equipment

The Company and Group review annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment carrying value.

6.1.2. Taxation

i. Income taxes

Judgement is involved in determining the Company and Group's provision for income

taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company and Group recognize liabilities for tax matters based on the estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognized, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

ii. Deferred tax

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred tax asset has been recognized.

iii. IFRIC Interpretation 23 Uncertainty over income tax treatment

The Group applies significant judgment in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities

6.1.3. Fair valuation of consumable biological assets-timber

The fair value of timber trees is measured using DCF method taking into consideration the available log and tree prices in city centers less point-of-sale-costs applied to expected timber content of a tree at maturity and changes in fair value reflected in the statement of comprehensive income.

6.1.4. Fair value of derivatives and other financial instruments

Certain financial instruments such as investments, derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of comprehensive income.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques. The company and the group use its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

6.1.5. Impairment of non-current assets

The Company and Group test annually the indicators to ascertain whether non-current

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assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in note 3.10. These calculations require the use of estimates.

6.1.6. Defined benefit plan – gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company and Group determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company and Group consider the interest yield of long-term government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions (note 3.17.1).

6.1.7. Provisions

The Company and the Group recognize provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result,

provisions are reviewed at each statement of financial position date and adjusted to reflect the Company and Group's current best estimate.

6.1.8. Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company and Group consult with legal counsel on matters related to litigation and other experts both within and outside the Company and Group with respect to matters in the ordinary course of business.

6.1.9. Impairment of trade receivables

The Group applies the SLFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

NOTES TO THE FINANCIAL STATEMENTS

Rs.	Note	Group		Company	
		2020/2021	2019/2020	2020/2021	2019/2020
7. REVENUE					
7.1 Industry segment					
Tea Proceeds - Auction sales		3,525,090,295	2,979,757,512	3,525,090,295	2,979,757,512
Tea Proceeds - Export sales		689,025,376	1,220,725,294	-	-
Local marketing division		120,389,952	193,117,706	-	-
		4,334,505,623	4,393,600,512	3,525,090,295	2,979,757,512

8. COST OF SALES

8.1 Industry segment

Tea Proceeds - Auction sales		3,222,105,617	3,232,879,626	3,222,105,617	3,232,879,626
Tea Proceeds - Export sales		582,513,693	1,004,546,757	-	-
Local marketing division		92,904,225	156,381,627	-	-
		3,897,523,535	4,393,808,010	3,222,105,617	3,232,879,626

9. OTHER INCOME

Income from leasing of bungalows and renting land for communication towers		28,478,640	28,149,601	28,478,640	28,149,601
Revenue share income from Eco Power (Pvt) Ltd		164,445	1,170,020	164,445	1,170,020
Income from Sapumalkande tea factory		8,896,972	10,418,625	8,896,972	10,418,625
Profit on disposal of property, plant and equipment		3,788,333	2,511,122	3,788,333	(303,178)
Profit on disposal of subsidiary and associate		160,083,779	-	29,237,803	-
Amortization of grants	36	20,324,255	14,401,684	20,324,255	14,401,684
Income from operating rights given to LRL	37	9,381,311	9,381,311	9,381,311	9,381,311
Income from Noori and Maliboda tea factories		16,800,000	-	16,800,000	-
Profit on sale of refuse tea		58,471,906	58,689,518	58,471,906	58,689,518
Revenue share of Tea Trails (Pvt) Ltd		15,540,297	19,549,343	15,540,297	19,549,343
Gain/(loss) on fair value of produce on bearer plants - Tea	25	2,610,296	(1,201,560)	2,610,296	(1,201,560)
Net income from solar project		5,185,531	2,099,851	5,185,531	2,099,851
Dividend income		3,000,000	11,160,000	3,000,000	11,160,000
Other income		11,246,055	4,336,042	10,042,624	3,081,981
Written back - long outstanding payable		3,516,262	3,307,500	3,516,262	3,307,500
Tea sale - staff		-	261,789	-	-
		347,488,082	164,234,846	215,438,675	159,904,696

10. MANAGEMENT FEE EXPENSES

Previous year's total comprehensive income/(expense) net of tax		(474,101,423)	(118,545,423)	(474,101,423)	(118,545,423)
Management fee to managing agent including applicable taxes		-	-	-	-

As per the agreement entered with the managing agent Metropolitan Resource Holdings Limited, the management fee is computed based on total comprehensive income/(expense) net of tax as follows:

- 6% of the previous year's total comprehensive income/(expense), net of tax upto Rs.100 million.
- 8% of the previous year's total comprehensive income/(expense), net of tax from Rs.100 to Rs.200 million.
- 10% of the previous year's total comprehensive income/(expense), net of tax over Rs.200 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Rs.	Group		Company	
	2020/2021	2019/2020	2020/2021	2019/2020
11. NET FINANCE INCOME/(EXPENSES)				
Finance income				
Interest income	53,154,093	28,302,297	53,154,093	27,711,894
Finance expenses				
Interest on finance leases	(7,772,786)	(12,611,130)	(2,746,442)	(4,094,778)
Interest on bank overdrafts	(21,073,397)	(37,587,432)	(21,022,389)	(35,582,699)
Lease interest to JEDB/SLSPC	(172,074,516)	(167,205,124)	(172,074,516)	(167,205,124)
Interest on long term loans	(82,817,367)	(126,841,282)	(50,447,561)	(52,617,059)
Interest on debentures	(130,532,681)	(102,488,135)	(130,532,681)	(102,488,135)
Loss on debentures early redemption	(23,923,048)	-	(23,923,048)	-
Exchange loss on transaction of foreign currency	(15,697,092)	(10,471)	-	(1,297,367)
Net finance income/(expenses)	(400,736,794)	(418,441,277)	(347,592,544)	(335,573,268)
12. PROFIT/(LOSS) BEFORE TAXATION				
Profit/(loss) before taxation is stated after charging all expenses including the followings:				
Directors' emoluments	19,907,080	19,005,700	19,907,080	19,005,700
Auditor's remuneration - Audit services	3,148,625	3,305,117	2,648,125	2,525,117
Depreciation/amortization on:				
-Right of use assets	61,723,427	56,369,564	56,369,563	56,369,564
-Immovable (JEDB/SLSPC) estate assets on finance lease (other than right of use land)	7,792	14,524	7,792	14,524
-Property, plant and equipment	76,650,195	124,551,003	54,269,149	57,652,876
-Intangible assets	457,485	749,663	-	-
-Bearer biological assets	83,018,939	79,987,914	83,018,939	79,987,914
Staff costs				
-Retirement benefit obligations (including provision for bolted workers)	162,057,566	173,122,613	160,699,242	169,793,642
-Salaries and wages	2,283,012,455	2,044,879,478	2,200,722,431	1,952,628,543
-EPF and ETF	8,780,443	9,248,002	7,953,156	7,360,077
-Impairment on investment	-	-	-	61,200,000
-Inventory written off	-	35,416,384	-	-
13. INCOME TAX EXPENSES				
13.1 Current income tax expense				
Current income tax on profit for the year	-	618,426	-	-
	-	618,426	-	-
13.2 Deferred tax expense				
Origination / (reversal) of temporary differences	28,935,739	(98,587,971)	28,935,739	(93,154,637)
	28,935,739	(98,587,971)	28,935,739	(93,154,637)
Total tax expense	28,935,739	(97,969,545)	28,935,739	(93,154,637)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**13.3 Reconciliation of accounting profit/(loss) to current income tax expense**

Numerical reconciliation between the tax expense/(income) and the product of accounting profit multiplied by the applicable tax rate disclosing also the basis on which the applicable tax rate is computed are given below:

Rs.	Group		Company	
	2020/2021	2019/2020	2020/2021	2019/2020
Statutory tax rate	14%	14%	14%	14%
Accounting profit/(loss)	253,969,510	(485,283,017)	153,417,494	(505,822,161)
Tax expense/(tax income) on accounting profit	35,555,731	(67,939,622)	21,478,449	(70,815,103)
Add : Tax effect of disallowable expenses in determining taxable income/(loss)	57,226,459	88,058,678	51,230,701	53,606,250
Less : Tax effect of allowable expenses in determining taxable income/(loss)	(109,206,327)	(126,599,203)	(78,896,375)	(82,815,043)
Add : Tax effect of adjusted loss from trade or business	25,122,744	104,210,470	14,885,832	97,252,706
Add : Tax on interest income	12,756,982	6,767,768	12,756,982	6,650,855
Less : Tax effect of tax loss set off in determining taxable income/(loss)	(21,455,589)	(3,879,665)	(21,455,589)	(3,879,665)
Current income tax expense charge to the statement of comprehensive income	-	618,426	-	-

14. EARNINGS/(LOSS) PER ORDINARY SHARE**14.1 Basic earnings/(loss) per ordinary share**

The calculation of basic earnings/(loss) per ordinary share has been done based on net profit/(loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue as at the reporting date and calculated as follows:

Rs.	Group		Company	
	2020/2021	2019/2020	2020/2021	2019/2020
Net profit/(loss) attributable to ordinary shareholders	225,033,771	(387,313,472)	124,481,755	(412,667,524)
Weighted average number of ordinary shares in issue (Nos)	83,750,001	83,750,001	83,750,001	83,750,001
Basic earnings/(loss) per ordinary share (Rs.)	2.69	(4.62)	1.49	(4.93)

14.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on net profit/(loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during the year/previous year.

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Dividend paid (Rs.)	-	-	-	-
No. of ordinary shares in issue (Nos.)	83,750,001	83,750,001	83,750,001	83,750,001
Dividend per ordinary share (Rs.)	-	-	-	-

15. DIVIDEND PER SHARE

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

16. RIGHT-OF-USE ASSETS

Rs.	Note	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Right-of-use asset-land	16.1	1,055,384,351	1,409,239,088	1,055,384,351	1,409,239,088
Right-of-use asset-building	16.2	-	76,874,329	-	-
Right-of-use asset JEDB/SLSPC estate assets	16.3	107,334	115,126	107,334	115,126
Right-of-use assets - motor vehicle	16.4	13,683,826	23,434,657	13,683,826	23,434,653
Written down value		1,069,175,511	1,509,663,200	1,069,175,511	1,432,788,867

16.1 Right-of-use asset-land

JEDB/SLSPC estates allocated to the Company have been handed over to, and are being operated by the Company. Lease deeds of all estates have been executed. All leases signed are retroactive to 22nd June,1992, the date of formation of the Company. The leasehold rights to use of bare land on all

estates have been taken into the books of the Company on 22nd June,1992 immediately after the formation of the Company in terms of the ruling on this matter obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board decided

at its meeting on 08th March,1995 that the values attached to the right to use land would be those determined by Valuation Specialist, Mr.D.R.Wickramasinghe just prior to the formation of the Company. The valuation report referred to above was not subjected to a land survey.

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Capitalized value				
Revaluation as at 22nd June, 1992	1,465,608,652	448,380,000	1,465,608,652	448,380,000
Transition adjustment due to initial application of SLFRS 16	-	1,239,399,064	-	1,239,399,064
Transferred in due to initial application of SLFRS 16	-	(222,170,412)	-	(222,170,412)
Re-measurement of lease liability	(297,485,174)	-	(297,485,174)	-
Balance at the end of the year	1,168,123,478	1,465,608,652	1,168,123,478	1,465,608,652
Amortization				
Balance at the beginning of the year	56,369,564	222,170,412	56,369,564	222,170,412
Transferred in due to initial application of SLFRS 16	-	(222,170,412)	-	(222,170,412)
Amortization for the year	56,369,563	56,369,564	56,369,563	56,369,564
Balance at the end of the year	112,739,127	56,369,564	112,739,127	56,369,564
Written down value	1,055,384,351	1,409,239,088	1,055,384,351	1,409,239,088

The leasehold right to use of bare land is being amortized by equal amounts over a 53 years period and the unexpired period of the lease as at the date of the statement of financial position is 24.25 years.

16.2 Right-of-use asset-building

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Blance at the beginning of the year	76,874,329	-	-	-
Adjustment on initial application of SLFRS 16	-	84,629,005	-	-
Less: Amortization for the year	(5,353,864)	(7,754,676)	-	-
On disposal of subsidiary	(71,520,465)	-	-	-
Balance at the end of the year	-	76,874,329	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

16.3 Right of use asset JEDB/SLSPC estate assets

As more fully explained in the note 16, all JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the UITF of The Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatization of plantation estates,

all immovable assets in the JEDP/SLSPC estates under finance leases have been taken into the books of the company retroactive to 22nd June, 1992. For this purpose, the Board decided at its meeting on 08th March, 1995, that these assets be revalued at their

book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the company. These assets are taken into the statement of financial position as at 22nd June, 1992 and amortized as follows:

16.3.1 Capitalized value

Rs.	Buildings	Plant and machinery	Total
Revaluation as at 22nd June, 1992	64,948,134	13,272,826	78,220,960
Balance as at 31st March, 2020	64,948,134	13,272,826	78,220,960
Balance as at 31st March, 2021	64,948,134	13,272,826	78,220,960

16.3.2 Amortization

Balance at the beginning of the year	64,833,008	13,272,826	78,105,834
Amortization for the year	7,792	-	7,792
Balance at the end of the year	64,840,800	13,272,826	78,113,626

16.3.3 Written down value as at 31st March, 2021	107,334	-	107,334
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16.3.4 Written down value as at 31st March, 2020	115,126	-	115,126
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16.3.5 Assets are being amortized in equal annual amounts over the following periods:

Mature plantations/improvements to land (Note 19)	- 30 years
Buildings	- 25 years
Plant and machinery	- 15 years

As per the JEDB/SLSPC lease agreement which entered with the Government in 1992, lease rentals were payable on right of use asset -land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to right of use asset - land.

16.4 Right of use assets - motor vehicle

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Cost				
Balance at the beginning of the year	52,972,230	-	52,972,230	-
Reclassified due to adoption of SLFRS 16	-	54,712,626	-	48,572,530
Additions during the year	-	4,399,700	-	4,399,700
Disposal during the year	-	(6,140,096)	-	-
Balance at the end of the year	52,972,230	52,972,230	52,972,230	52,972,230
Amortization				
Balance at the beginning of the year	29,537,573	-	29,537,577	-
Reclassified due to adoption of SLFRS 16	-	24,310,178	-	19,234,774
Amortization for the year	9,750,831	11,017,791	9,750,827	10,302,803
Amortization on disposal	-	(5,790,396)	-	-
Balance at the end of the year	39,288,404	29,537,573	39,288,404	29,537,577
Written down value	13,683,826	23,434,657	13,683,826	23,434,653

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

17. TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS**17.1 Group****17.1.1 Cost**

Rs.	Buildings	Plant and machinery	Motor vehicles	Water sanitation	Equipment	Furniture and fittings	Others	Total
Balance as at 01st April, 2020	410,055,503	1,230,783,294	71,005,912	171,133,061	139,139,152	54,651,366	112,092,114	2,188,860,402
Additions during the year	2,652,760	14,450,000	-	867,961	3,700,951	680,812	299,288	22,651,772
Disposals during the year	-	-	(2,810,000)	-	-	-	-	(2,810,000)
On disposal of subsidiary	(58,668,023)	(371,315,855)	(2,087,779)	-	(70,596,101)	(43,102,186)	(11,922,363)	(557,692,307)
Balance as at 31st March, 2021	354,040,240	873,917,439	66,108,133	172,001,022	72,244,002	12,229,992	100,469,039	1,651,009,867

17.1.2 Accumulated depreciation

Balance as at 01st April, 2020	121,541,609	833,418,935	61,006,869	112,004,911	112,556,630	37,710,039	99,785,683	1,378,024,676
Charge for the year	11,576,225	44,818,773	323,777	7,624,983	7,090,756	2,503,419	3,312,277	77,249,808
Accumulated depreciation on disposals	-	-	(2,723,333)	-	-	-	-	(2,723,333)
On disposal of subsidiary	(18,981,466)	(243,642,298)	7,000,149	-	(57,782,038)	(32,888,011)	(6,982,209)	(353,275,872)
Balance as at 31st March, 2021	114,136,368	634,595,409	65,607,062	119,629,894	61,865,348	7,325,447	96,115,751	1,099,275,279

17.1.3 Written down value as at 31st March, 2021	239,903,872	239,322,030	501,072	52,371,128	10,378,654	4,904,545	4,353,288	551,734,588
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17.1.4 Written down value as at 31st March, 2020	288,513,894	397,364,359	9,999,043	59,128,150	26,582,522	16,941,327	12,306,431	810,835,726
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NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

17. TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS (Contd.)

17.2 Company

17.2.1 Cost

Rs.	Buildings	Plant and machinery	Motor vehicles	Water sanitation	Equipment	Furniture and fittings	Others	Total
Balance as at 01st April, 2020	351,387,480	859,467,439	68,918,133	171,133,061	71,802,158	11,631,442	100,283,654	1,634,623,367
Additions during the year	2,652,760	14,450,000	-	867,961	441,844	598,550	185,385	19,196,500
Disposals during the year	-	-	(2,810,000)	-	-	-	-	(2,810,000)
Balance as at 31st March, 2021	354,040,240	873,917,439	66,108,133	172,001,022	72,244,002	12,229,992	100,469,039	1,651,009,867
17.2.2 Accumulated depreciation								
Balance as at 01st April, 2020	105,498,904	604,430,280	68,007,018	112,004,911	57,990,300	6,654,345	93,143,705	1,047,729,463
Charge for the year	8,637,464	30,165,130	323,377	7,624,983	3,875,048	671,102	2,972,046	54,269,149
Accumulated depreciation on disposals	-	-	(2,723,333)	-	-	-	-	(2,723,333)
Balance as at 31st March, 2021	114,136,368	634,595,409	65,607,062	119,629,894	61,865,348	7,325,447	96,115,751	1,099,275,279
17.2.3 Written down value as at 31st March, 2021								
	239,903,872	239,322,030	501,072	52,371,128	10,378,654	4,904,545	4,353,288	551,734,588
17.2.4 Written down value as at 31st March, 2020								
	245,888,576	255,037,159	911,115	59,128,150	13,811,858	4,977,097	7,139,949	586,893,904

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**17. TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS (CONTD.)**

17.3 The residual values and useful lives of the above assets have been evaluated at the end of the year and did not recognize changes of any of those estimations. The Company has evaluated both internal and external indicators of impairment of long lived assets and has not identified presence of any such indicators at the end of the financial year. The management is confident that there is no estimation uncertainty at the date of the statement of financial position

that would have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the financial year.

17.4 The assets shown above are those movable and immovable assets vested in the Company by Gazette Notification on the date of formation of the Company (22nd June, 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estates leases are set out in notes 16 above.

17.5 Cost of property, plant and equipment of the Company as at the reporting date includes the fully depreciated assets amounting to Rs. 261,322,663/- (Group- Rs. 379,189,300/-)

17.6 Information of the freehold building of the Company/Group is disclosed below as required under Rule 7.6 (VIII) of the Colombo Stock Exchange listing rules.

Location/Estate	Square feet	No. of buildings	Cost as at	Net book value as at
			31.03.2021	31.03.2021
			Rs.	Rs.
Kotiyagala	10,422	218	28,923,420	16,432,132
Bogawana	10,201	144	12,655,309	8,077,442
Campion	25,536	192	20,620,777	11,933,777
Norwood	35,689	156	40,212,305	29,208,310
Wanarajah	36,624	218	17,325,487	11,390,133
Lethenty	8,231	188	39,231,101	30,953,126
Bogawantalawa	25,292	139	18,937,314	13,289,021
Fetteresso	3,545	126	11,951,939	7,957,130
Loinorn	31,391	103	10,866,400	6,977,330
Osborne	2,323	128	25,531,571	22,639,599
Poyston	31,203	90	4,337,481	2,223,908

18. INTANGIBLE ASSETS**18.1 Group/Company**

Rs.	Group/ Company		
	Brand development	Software	Total
18.1.1 Cost			
Balance at the beginning of the year	3,037,908	7,596,829	10,634,737
Additions during the year	-	-	-
On disposal of subsidiary	(3,037,908)	(7,596,829)	(10,634,737)
Balance at the end of the year	-	-	-
18.1.2 Accumulated depreciation			
Balance at the beginning of the year	3,037,908	5,238,580	8,276,488
Charge for the year	-	457,485	457,485
On disposal of subsidiary	(3,037,908)	(5,696,065)	(8,733,973)
Balance at the end of the year	-	-	-
18.1.3 Written down value as at 31st March, 2021	-	-	-
18.1.4 Written down value as at 31st March, 2020	-	2,358,249	2,358,249

18.1.5 Brand development represents the investments made in brand developments, acquiring marketing rights and legal protections for the brands which will result in future economic benefits. Brand acquisition cost has been amortized over a period of 5 years and the costs relating to investment in brand acquiring, acquiring of marketing rights and legal protection have been amortized over a period of ten years commencing from 2004/2005.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**19. BEARER BIOLOGICAL ASSETS (GROUP/COMPANY)**

Rs.	Mature plantations						Total
	Immature plantations		Before formation of the company		After formation of the company		
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020	
19.1 Cost							
Balance at the beginning of the year	903,062,724	868,527,473	555,387,492	555,387,492	1,745,571,369	1,592,009,851	3,204,021,585
Additions	130,597,404	188,096,769	-	-	-	-	130,597,404
Transfers in/(out)	(101,154,766)	(153,561,518)	-	-	101,154,766	153,561,518	-
Balance at the end of the year	932,505,362	903,062,724	555,387,492	555,387,492	1,846,726,135	1,745,571,369	3,334,618,989
19.2 Depreciation							
Balance at the beginning of the year	-	-	481,192,797	463,117,805	489,902,214	427,989,292	971,095,011
Charge for the year	-	-	17,477,392	18,074,992	65,541,547	61,912,922	83,018,939
Balance at the end of the year	-	-	498,670,189	481,192,797	555,443,761	489,902,214	1,054,113,950
19.3 Written down value	932,505,362	903,062,724	56,717,303	74,194,695	1,291,282,374	1,255,669,155	2,280,505,039
Growing crop nurseries							7,514,049
Less: Provision for over-grown plants							-
Total written down value							2,288,019,088

There are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in note 16. Further, investment in mature plantations taken over by way of these leases are shown in the above note.

The Company has decided to measure the bearer biological assets at cost using LKAS 16 - property, plant and equipment.

19.4 Borrowing cost incurred in respect of replanting amounting to Rs.44,247,260/- (2019/2020-Rs.29,724,108/-) has been capitalized to immature plantation during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

20. CONSUMABLE BIOLOGICAL ASSETS - MANAGED TIMBER PLANTATIONS (GROUP/COMPANY)

Rs.	Note	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year		1,000,781,137	924,781,137
Transfers during the year		61,052,539	-
Decrease due to harvesting		(16,809,599)	(65,999,939)
Gain on fair valuation		158,505,904	141,999,939
		1,203,529,981	1,000,781,137
Increase due to new planting	20.1	20,100,808	65,817,915
Growing crop nurseries		2,556,975	2,064,493
Balance at the end of the year		1,226,187,764	1,068,663,545

20.1 Biological assets at initial stage

Cost

Balance at the beginning of the year	65,817,915	57,003,889
Add : Additions during the year	15,335,432	8,814,026
Less : Transfers (out) to mature plantation	(61,052,539)	-
Balance at the end of the year	20,100,808	65,817,915

20.2 The biological assets, Eucalyptus Grandis mature and immature timber trees of the Company were inspected and valued by Mr T.M.H.Mutaliph, independent Valuers as at 31st March, 2021. Based on the valuation report, the Directors of the Company have valued the Eucalyptus Grandis tree plantation as at the date of the statement of financial position after making adjustments for risk at individual fields to reflect the requirement of the Sri Lanka Accounting Standards. Accordingly, Directors of the Company have determined the fair value of these trees as Rs.1,203,529,981/- as at 31st March, 2021.

The fair value is determined as being the net present value of expected future cash flows (discounted at a risk adjusted rate). Significant assumption used for the calculation are, as follows:

a) Trees will reach maturity, 20 years after planting and further 40% of the existing inventory of trees will be thinned out during the next 02 to 05 years with clear fell at 20 years.

b) Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber sold by popular timber traders in Sri Lanka.

c) Future cash flows are determined by references to current timber prices without considering the inflationary effect.

d) The ongoing costs of growing the trees which are deducted in determining the net cash flows are constant in real terms.

e) A discounting rate of 11.3% per annum is applied to the estimated cash flows. The rate was determined having regard to the followings:

- (i) The weighted average long term bond rate
(ii) The adjusted risk premium by considering

- Specific provision made in the "FMP" and the valuation schedule
- The illiquid nature of the plantations prior to maturity

- A lack of market evidence as to the value of biological assets through their life cycle
- Risk relations to diseases and fire affecting the biological assets
- Adoption of conservative valuation approach

f) Biological assets at initial stage

The Company has separately identified biological assets at their initial stage (that is Eucalyptus Grandis below 5 years from the date of planting) and has valued at cost due to the fact that the fair value of those assets cannot be measured reliably.

20.3 Potential risks- timber plantations

The Company is exposed to the following risks in relation to timber plantations;

a) Supply and demand risk

The Company is exposed to risks arising from fluctuations in the price and sales

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

20. CONSUMABLE BIOLOGICAL ASSETS - MANAGED TIMBER PLANTATIONS (GROUP/COMPANY) (Contd.)

volume of timber. When possible, the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

b) Regulatory and environmental risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

c) Climate and other risks

The Company's timber plantations are

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

20.4 Sensitivity analysis

20.4.1 Sensitivity variation on sales price

Net present value of the biological assets as appearing in the statement of financial position are very sensitive to the changes into the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price while other variables remained unchanged, has the following effect on the net present value of biological assets:

(Rs.)	+10%	0%	-10%
Managed timber	1,324,485,803	1,203,529,981	1,082,766,125

20.4.2 Sensitivity variation on discount rate

Net present value of the biological assets as appearing in the statement of financial position are very sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

(Rs.)	12.30%	11.30%	10.30%
Managed timber	1,200,593,369	1,203,529,981	1,216,202,617

21. CAPITAL WORK-IN-PROGRESS

Rs.	Group/Company	
	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	8,744,096	25,983,631
Additions during the year	6,433,156	8,241,985
	15,177,252	34,225,616
Less: Capitalized during the year	(10,132,110)	(25,481,520)
Balance at the end of the year	5,045,142	8,744,096

22. INVESTMENT IN ASSOCIATE

The Company holds 25% of shares of Walters Bay Bogawantalawa Estates (Pvt) Ltd (WBBE), WBBE which is a Limited Liability Company incorporated in Sri Lanka. During the financial year the Company has disposed its investment fully.

The registered office and principal place of business of WBBE are situated at No 4, Sri Premanada Road, Mattumagala, Ragama. WBBE is engaged in exporting of Tea.

	Country of incorporation	Held no of shares out of 4	Principal activity	Percentage holding	
				As at 31.03.2021 %	As at 31.03.2020 %
Walters Bay Bogawantalawa Estates (Pvt) Ltd	Sri Lanka	1	Tea Exporting	-	25%

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**22. INVESTMENT IN ASSOCIATE (CONTD.)****Carrying value on equity basis**

Rs.	Group/Company	
	As at 31.03.2021	As at 31.03.2020
Investment cost		
Balance as at beginning of the year	92,251,742	71,726,559
Add : Profit after tax accruing to the Company	9,946,305	20,525,183
	102,198,047	92,251,742
Less: On disposal of associate	(102,198,047)	-
Balance at the end of the year	-	92,251,742

As per the Share sale and purchase agreement signed with Walters Bay International LLC and Walters Bay Tea Estates LLC 25% of the holdings in Walters Bay Bogawantalawa Tea Estates LLC were transferred to Walters Bay Tea Estates LLC on 09th November 2020 for the total consideration of Rs 129,393,000/-.

Summarized financial information of associate

Rs.	As at 31.03.2021	As at 31.03.2020
Statement of Comprehensive income		
Revenue	1,424,237,626	2,431,291,451
Cost of sale	(1,408,984,731)	(2,121,948,172)
Gross profit	15,252,895	309,343,279
Other income	12,827,063	-
Other operating expenses	17,931,299	223,479,872
Profit from operations	46,011,257	85,863,407
Income tax expenses	6,225,992	3,762,675
Total profit for the year	39,785,265	82,100,732
Statement of financial position		
Total non current assets	135,072,698	95,505,689
Total current assets	1,014,695,870	1,188,895,129
Total non current liabilities	53,176,940	11,705,118
Total current liabilities	528,239,905	757,450,011
Net assets	568,351,723	515,245,689

23. INVESTMENTS IN EQUITY SHARES

Rs.	Notes	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Investments in subsidiaries	23.1	-	-	-	102,100,000
Investments in equity shares	23.2	42,941,412	52,471,262	42,941,412	52,471,262
		42,941,412	52,471,262	42,941,412	154,571,262

23.1 Investments in subsidiaries

Rs.	Percentage holding	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Bogawantalawa Tea Ceylon (Pvt) Ltd (12,660,000 ordinary shares of Rs.10/- each)	99.99%	-	-	226,600,000	226,600,000
		-	-	226,600,000	226,600,000
Less : Provision for impairment of investments in subsidiary		-	-	(124,500,000)	(124,500,000)
On disposal of subsidiary		-	-	(102,100,000)	-
		-	-	-	102,100,000

23.1.1 Disposal of 100% holding in Bogawantalawa Tea Ceylon Pvt Ltd - Subsidiary Company

- a) As per the agreement signed with Metropolitan Resource Holdings Ltd, the Company has transferred its 100% (ie 22,660,000 ordinary shares) holding to the Metropolitan Resource Holdings Ltd on 20th November 2020 for the total consideration of Rs 104,142,000/-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Rs.	Percentage holding	Group/Company	
		As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
23.2 Investments in equity shares	11%		
Tea Trails (Pvt) Ltd			
Balance at the beginning of the year		52,471,262	45,486,953
Changes in fair value recognized in other comprehensive income		(9,529,850)	6,984,309
Balance at the end of the year		42,941,412	52,471,262

The Company has received 1,500,000 ordinary shares of Rs.10/- each free of charge from Tea Trails (Pvt) Ltd, as promoter shares. Corresponding entry has been credited to the income statement in the year 2005/2006.

24. DEFERRED TAX ASSET

Rs.	Group	
	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	40,450,385	34,964,356
(Charge)/reversal to the statement of comprehensive income	-	5,433,334
(Charge)/reversal to the statement of other comprehensive income	-	52,695
On disposal of subsidiary	(40,450,385)	-
Balance at the end of the year	-	40,450,385

24.1 Deferred tax

The deferred tax asset for the year has been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered. Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017 effective from 1 April 2018, Bogawantalawa Tea Ceylon (Pvt) Ltd has used 14% in assessing the deferred tax asset for the current financial year.

Rs.	Group	
	As at 31.03.2021	As at 31.03.2020
On temporary difference of property, plant and equipment	-	(22,416,700)
On retirement benefit obligation gratuity	-	3,151,780
On interest expense carried forward	-	11,893,863
On tax loss carried forward	-	47,124,801
On right of use asset	-	696,640
Tax effect	-	40,450,385

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**25. PRODUCE ON BEARER PLANTS**

Rs.	Group/Company	
	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	7,835,600	9,037,160
Changes in fair value less cost to sell	2,610,296	(1,201,560)
Balance at the end of the year	10,445,896	7,835,600

26. INVENTORIES

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Input materials	47,173,956	262,689,722	47,173,956	53,194,192
Harvested crops	326,387,321	285,529,286	326,387,321	285,529,286
Finished goods	-	13,919,794	-	-
Work-in-progress	-	40,353,046	-	-
Goods in transit	-	7,423,561	-	-
	373,561,277	609,915,409	373,561,277	338,723,478

27. TRADE AND OTHER RECEIVABLES

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Trade receivables	80,858,756	289,953,696	80,858,756	38,886,551
Deposits, prepayments and other receivables	54,962,249	177,525,821	54,962,249	89,763,318
Economic service charges recoverable	27,990,429	45,171,002	27,990,429	45,171,002
Staff advances	48,439,677	44,511,652	48,439,677	44,511,652
Advance company tax recoverable	17,926,245	17,926,245	17,926,245	17,926,245
Withholding tax recoverable	9,378,538	9,378,538	9,378,538	9,378,538
	239,555,894	584,466,954	239,555,894	245,637,306
Less : Provision for bad debtors	-	(11,791,102)	-	-
	239,555,894	572,675,852	239,555,894	245,637,306

Credit quality of trade and other receivable

The table below shows the credit quality by class of asset for all financial assets exposed to the credit risk. The amounts presented are gross of impairment allowance.

Rs.	2020/2021			2019/2020		
	Gross	Provision	Net	Gross	Provision	Net
Group						
Past due 1 to 30 days	80,858,756	-	80,858,756	173,931,568	-	173,931,568
Past due 31 to 180 days	-	-	-	86,925,233	-	86,925,233
Past due more than 180 days	-	-	-	29,096,896	(11,791,102)	17,305,794
	80,858,756	-	80,858,756	289,953,696	(11,791,102)	278,162,594
Company						
Past due 1 to 30 days	80,858,756	-	80,858,756	4,228,151	-	4,228,151
Past due 31 to 180 days	-	-	-	34,658,400	-	34,658,400
Past due more than 180 days	-	-	-	-	-	-
	80,858,756	-	80,858,756	38,886,551	-	38,886,551

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**28. INCOME TAX RECEIVABLE**

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	4,608,068	-	-	-
Add: Current income tax expense on current year's profit	-	(618,426)	-	-
Less:				
Payment of income tax	-	-	-	-
Withholding tax	-	5,226,494	-	-
On disposal of subsidiary	(4,608,068)	-	-	-
Balance at the end of the year	-	4,608,068	-	-

29. AMOUNT DUE FROM RELATED PARTIES

Rs.	Name of the related party	Relationship	Group		Company	
			As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
	Metrocorp (Pvt) Ltd	Ultimate parent	-	382,372	-	-
	Metropolitan Resource Holdings Limited	Immediate parent	-	322,800	-	322,800
	Walters Bay Bogawantalawa Tea Estates (Pvt) Ltd	Related entity	234,045	15,842,341	234,045	384,345
	Bogawantalawa Tea Ceylon (Pvt) Ltd	Related entity	1,127,957	-	1,127,957	175,410,489
	Lanka Mother and Child Support Foundation	Related entity	511,553	226,915	511,553	226,915
	Eco Power (Pvt) Ltd	Related entity	366,422	800,261	366,422	800,261
	Tea Trails (Pvt) Ltd	Related entity	242,901	1,079,094	242,901	1,079,094
	Office Networks (Pvt) Ltd	Related entity	45,941	117,588	45,941	117,588
			2,528,819	18,771,371	2,528,819	178,341,492

30. INVESTMENTS

Rs.	Group		Company		
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020	
30.1 Long Term Investments					
	Mercantile Investments & Finance PLC	-	25,000,000	-	25,000,000
	Vallibel Finance PLC	-	25,000,000	-	25,000,000
	Total	-	50,000,000	-	50,000,000
30.2 Short Term Investments					
	First Capital Holdings PLC	163,500,000	100,240,379	163,500,000	100,240,379
	Metrocorp (Pvt) Ltd (Commercial Papers)	-	60,000,000	-	60,000,000
	Bank of Ceylon	100,000,000	100,000,000	100,000,000	100,000,000
	HNB Finance Ltd	172,849,076	61,045,000	172,849,076	61,045,000
	Mercantile Investments & Finance PLC	25,000,000	-	25,000,000	-
	Vallibel Finance PLC	25,000,000	-	25,000,000	-
	Total	486,349,076	321,285,379	486,349,076	321,285,379

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**31. CASH AND CASH EQUIVALENTS**

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
31.1 Favourable balances				
Cash in hand	153,893	610,474	153,893	335,730
Cash at bank	40,680,341	119,656,589	40,680,341	95,600,378
	40,834,234	120,267,063	40,834,234	95,936,108
31.2 Unfavourable balances				
Bank overdrafts	(330,425,866)	(301,029,997)	(330,425,866)	(294,494,504)
Cash and cash equivalents for the purpose of cash flow statement	(289,591,632)	(180,762,934)	(289,591,632)	(198,558,396)

32. STATED CAPITAL

	As at 31.03.2021	As at 31.03.2020
32.1 Number of shares		
No. of ordinary shares including one golden share held by the Treasury which has special rights	83,750,001	83,750,001
32.2 Value of shares (Rs.)		
Value of ordinary shares including the value of one golden share held by the Treasury which has special rights	586,250,010	586,250,010

32.3 The golden shareholder

The golden share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholders, in terms of the articles of the Company, the following special rights are vested with the golden shareholder.

- a) The Company shall obtain the written consent of the golden shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the land leased/to be leased to the Company by the JEDB/SLSPC.
- b) The golden shareholder shall be entitled to call upon the Board of Directors once in three months to meet him or his nominee to discuss matters of the Company to the state.
- c) The golden shareholder and his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- d) The Company should submit to the golden shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the golden shareholder and the Company.
- e) The Company shall submit the golden shareholder, within 90 days of the end of each fiscal year, information related to the Company in a pre-specified format agreed to by the golden shareholder and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

33. INTEREST BEARING BORROWINGS

33.1 Group

Rs.	Notes	2020/2021			2019/2020			Balance as at 31.03.2021	Balance as at 31.03.2020
		Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years		
Term loans	33.1.1	417,008,840	254,195,600	-	254,195,600	671,204,440	487,214,988	400,013,699	887,228,687
Total		417,008,840	254,195,600	-	254,195,600	671,204,440	487,214,988	400,013,699	887,228,687

33.1.1 Term loans

Rs.	Note	Balance as at 01.04.2020	New loans obtained	Repayments	Exchange gain/loss	On disposal of subsidiary	Balance as at 31.03.2021
National Development Bank PLC	33.1.1.1	52,780,800	-	(9,721,600)	-	-	43,059,200
Commercial Bank of Ceylon PLC	33.1.1.2	300,854,887	134,662,437	(155,000,262)	1,872,523	(47,228,055)	235,161,530
Haltton National Bank PLC	31.1.1.3	273,593,000	1,588,280	(110,197,570)	-	-	164,983,710
Nations Trust Bank PLC	31.1.1.4	260,000,000	156,000,000	(188,000,000)	-	-	228,000,000
		887,228,687	292,250,717	(462,919,432)	1,872,523	(47,228,055)	671,204,440

33.1.1.1 National Development Bank PLC

Rs.	Term Loan	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan 10	LD1511954549	1,388,800	100,000,000	52,780,800	-	(9,721,600)	43,059,200
				52,780,800	-	(9,721,600)	43,059,200

33.1.1.2 Commercial Bank of Ceylon PLC

Rs.	Loan No.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Exchange gain/loss	On disposal of subsidiary	Balance as at 31.03.2021
Term loan 22	1963536	3,532,450	211,947,000	38,856,950	-	(21,194,700)	-	-	17,662,250
Term Loan 26	2376348	3,333,333	200,000,000	166,660,000	-	(20,004,000)	-	-	146,656,000
Term loan 27	2464703	5,000,000	60,000,000	45,571,960	-	(39,061,680)	-	-	6,510,280
Term loan 25	1739773	Euro 17,360	Euro 1,230,195	48,476,889	-	(3,593,845)	1,872,523	(46,755,567)	-
Term loan 26	1902943	816,600	49,000,000	1,289,088	-	(816,600)	-	(472,488)	-
Term loan	2653391	7,400,000	74,000,000	-	74,000,000	(37,000,000)	-	-	37,000,000
Term loan	2665582	1,300,000	13,000,000	-	13,000,000	(6,500,000)	-	-	6,500,000
Saubhaya loan	2569490	1,389,000	25,000,000	-	25,000,000	(4,167,000)	-	-	20,833,000
Moratorium loan	2653768	3,777,073	22,662,437	-	22,662,437	(22,662,437)	-	-	-
				300,854,887	134,662,437	(155,000,262)	1,872,523	(47,228,055)	235,161,530

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**33. INTEREST BEARING BORROWINGS (CONTD.)****33.1.1.3 Hatton National Bank PLC**

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan - Solar project	648,000	88,650,000	73,593,000	-	(8,874,000)	64,719,000
Term loan	-	200,000,000	200,000,000	-	(100,000,000)	100,000,000
Moratorium loan	264,714	1,588,280	-	1,588,280	(1,323,570)	264,710
			273,593,000	1,588,280	(110,197,570)	164,983,710

33.1.1.4 Nations Trust Bank PLC

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan 1	6,666,667	200,000,000	173,333,333	-	(46,666,667)	126,666,666
Term loan 2	3,333,333	100,000,000	86,666,667	-	(23,333,333)	63,333,334
NTB short term loan	-	-	-	156,000,000	(118,000,000)	38,000,000
			260,000,000	156,000,000	(188,000,000)	228,000,000

Details of assets pledged are disclosed in note 49 to the financial statements.

33.2 Company

Rs.	2020/2021					2019/2020				
	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2021	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2020
Term loans 33.2.1	417,008,840	254,195,600	-	254,195,600	671,204,440	480,662,510	356,800,200	-	356,800,200	837,462,710
Total	417,008,840	254,195,600	-	254,195,600	671,204,440	480,662,510	356,800,200	-	356,800,200	837,462,710

33.2.1 Term loans

Rs.	Note	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
National Development Bank PLC	33.2.1.1	52,780,800	-	(9,721,600)	43,059,200
Commercial Bank of Ceylon PLC	33.2.1.2	251,088,910	134,662,437	(150,589,817)	235,161,530
Hatton National Bank PLC	33.2.1.3	273,593,000	1,588,280	(110,197,570)	164,983,710
Nations Trust Bank PLC	33.2.1.4	260,000,000	156,000,000	(188,000,000)	228,000,000
		837,462,710	292,250,717	(458,508,985)	671,204,440

33.2.1.1 National Development Bank PLC

Loan No.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan 10	LD1511954549	1,388,800	52,780,800	-	(9,721,600)	43,059,200
			100,000,000	52,780,800	(9,721,600)	43,059,200

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**33. INTEREST BEARING BORROWINGS (CONTD.)****33.2.1.2 Commercial Bank of Ceylon PLC**

Rs.	Loan No.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan 22	1963536	3,532,450	211,947,000	38,856,950	-	(21,194,700)	17,662,250
Term loan 27	2464703	6,510,280	60,000,000	45,571,960	-	(39,061,680)	6,510,280
Term loan	2653391	7,400,000	74,000,000	-	74,000,000	(37,000,000)	37,000,000
Term loan	2665582	1,300,000	13,000,000	-	13,000,000	(6,500,000)	6,500,000
Term loan 26	2376348	3,333,333	200,000,000	166,660,000	-	(20,004,000)	146,656,000
Saubhagya loan	2569490	1,389,000	25,000,000	-	25,000,000	(4,167,000)	20,833,000
Moratorium loan	2653768	3,777,073	22,662,437	-	22,662,437	(22,662,437)	-
			639,838,707	251,088,910	134,662,437	(150,589,817)	235,161,530

33.2.1.3 Hatton National Bank PLC

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan - Solar project	1,630,000	88,650,000	73,593,000	-	(8,874,000)	64,719,000
Term loan	-	200,000,000	200,000,000	-	(100,000,000)	100,000,000
Moratorium loan	264,714	1,588,280	-	1,588,280	(1,323,570)	264,710
		290,238,280	273,593,000	1,588,280	(110,197,570)	164,983,710

33.2.1.4 Nation Trust Bank PLC

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2020	New loans obtained	Repayments	Balance as at 31.03.2021
Term loan 1	6,666,667	200,000,000	173,333,333	-	(46,666,667)	126,666,666
Term loan 2	3,333,333	100,000,000	86,666,667	-	(23,333,333)	63,333,334
NTB Short Term Loan	-	156,000,000	-	156,000,000	(118,000,000)	38,000,000
		456,000,000	260,000,000	156,000,000	(188,000,000)	228,000,000

Details of the assets pledged are disclosed in note 49 to the financial statements.

34. DEBENTURES

Company has issued 10,000,000 Debentures at Rs 85 (15% discounted from the par value) and raised Rs 850,000,000/-. Tenure of the debentures will be 5 , 6 and 7 years and the purpose of the issue was settlement of high cost debt, field development activities and factory development.

Rs.	Group/ Company	
	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year		
Add: Issued during the year	873,765,447	838,051,706
Accrual of interest	151,067,400	102,488,135
	1,024,832,847	940,539,841
Less: Settlement of interest (Coupon)	(132,460,075)	(66,774,394)
Early redemption of debentures	(291,000,000)	-
Loss on early redemption of debentures	23,923,048	-
Balance at the end of the year	625,295,820	873,765,447

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**34. DEBENTURES (CONTD.)**

Type	Tenor	coupon interest rate	Annual effective rate	No of debenture allocated	Face value	Value of issued	Early Redemption	Fair Value as at 31.03.2021
Type A	5 years	13%	16.19%	3,439,800	343,980,000	292,383,000	100,098,180	217,030,795
Type B	6 years	13.25%	16.52%	3,280,100	328,010,000	278,808,500	95,450,910	204,849,568
Type C	7 years	13.50%	16.85%	3,280,100	328,010,000	278,808,500	95,450,910	203,415,457
				10,000,000	1,000,000,000	850,000,000	291,000,000	625,295,820

Financial liabilities at amortized cost Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost. Where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than

by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortized cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the

issue and costs that are an integral part of the EIR. The EIR amortization is included in "interest expenses" in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process. Currently, the Company has recorded debenture issued as financial liabilities at amortized cost.

35. RETIREMENT BENEFIT OBLIGATIONS

Rs.	Note	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year		954,983,942	839,735,214	932,471,226	819,325,243
Provision for the year	35.1	146,822,513	215,253,307	145,418,013	211,007,043
		1,101,806,455	1,054,988,521	1,077,889,239	1,030,332,286
Payments made during the year		(97,891,406)	(100,004,579)	(95,892,371)	(97,861,060)
On disposal of subsidiary		(21,918,181)	-	-	-
Balance at the end of the year		981,996,868	954,983,942	981,996,868	932,471,226

35.1 Expenses recognized in the statement of comprehensive income and other comprehensive income for the year ended 31st March, 2021.

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Current service cost	103,976,336	54,611,814	102,571,836	52,672,041
Interest cost	57,801,206	100,249,127	57,801,206	98,319,030
Actuarial loss/(gain)	(14,955,029)	60,392,366	(14,955,029)	60,015,972
	146,822,513	215,253,307	145,418,013	211,007,043

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

35. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

35.2 Provision for gratuity for the financial year 2020/2021 has been determined based on the latest actuarial valuation report issued on 05th July 2021 which was done by Actuarial & Management Consultants (Pvt) Ltd. The provision in respect of gratuity liabilities of existing employees as at 31st March, 2021 is Rs. 981,996,868/- (the Company). If the Company had provided for gratuity on the basis of fourteen days wages and half month salary for each completed years of service in line with the payment of

Gratuities Act No. 12 of 1983, the liability would have been Rs. 1,504,952,750/-. Hence, there is a contingent liability of Rs. 522,955,882/- which would crystallize only if the Company ceases to be a going concern.

35.3 The key assumptions used by the actuary are disclosed in note 3.17.1 to the financial statements.

35.4 Sensitivity analysis

In order to illustrate the significance of the salary/wage escalation and discount rate used in the actuarial valuation as at 31st March, 2021, the sensitivity analysis has been carried out as follows:

Discount rate	Salary escalation rate	Present value of defined benefit obligation (Rs.)
1% increase	As given in the report	898,300,074
1% decrease	As given in the report	1,079,292,149
As given in the report	1% increase	1,085,099,634
As given in the report	1% decrease	892,073,048

36. GRANTS AND SUBSIDIES - (GROUP/COMPANY)

Rs.	As at	As at
	31.03.2021	31.03.2020
Balance at the beginning of the year	99,676,689	111,173,873
Grants and subsidies received during the year	2,267,500	2,904,500
Total grants and subsidies available for amortization	101,944,189	114,078,373
Amortization for the year	(20,324,255)	(14,401,684)
Balance at the end of the year	81,619,934	99,676,689

36.1 The above represents the following:

a) Asian Development Bank - Plantation development project

The funds received are utilized for rehabilitation (tarring and concreting) of internal roads and minor upgrading of tea factories.

b) Plantation human development project

The funds are utilized for reroofing of worker houses, development of workers welfare facilities and improvement of institutional facilities.

c) The funds received from the Tea Board is for the construction of CTC tea factory at Wanarajah and Kotiyagala grounds

The amounts spent are capitalized under the relevant classification of property, plant and equipment and the corresponding grant component is reflected under deferred grants and subsidies and is amortized over the useful life span of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**37. DEFERRED INCOME - (GROUP/COMPANY)**

Rs.	Note	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Net income from operating rights given to Lalan Rubbers (Pvt) Ltd	37.1	225,151,484	234,532,794	225,151,484	234,532,794
		225,151,484	234,532,794	225,151,484	234,532,794

37.1 Net income from operating rights given to Lalan Rubbers (Pvt) Ltd

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Gross carrying amount at the beginning of the year	234,532,794	243,914,104	234,532,794	243,914,104
Amortization for the year	(9,381,310)	(9,381,310)	(9,381,310)	(9,381,310)
Net carrying amount at the end of the year	225,151,484	234,532,794	225,151,484	234,532,794

38. LEASE LIABILITY

Rs.	Note	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Lease liability on right-of-use asset- Land	38.1	1,254,947,013	1,509,896,019	1,254,947,013	1,509,896,019
Lease liability on right-of-use asset- Building	38.2	-	81,850,332	-	-
Lease liability on right-of-use asset- Motor vehicles	38.3	17,706,319	25,704,698	17,706,319	25,704,698
		1,272,653,332	1,617,451,049	1,272,653,332	1,535,600,717
Payable within one year		7,545,387	14,071,998	7,545,387	9,008,815
Payable after one year		1,265,107,945	1,603,379,051	1,265,107,945	1,526,591,902

38.1 Lease liability on right-of-use asset - Land

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Gross liability				
Balance at the beginning of the year	1,509,896,019	472,811,858	1,509,896,019	472,811,858
Transition adjustment due to initial application of SLFRS 16	-	992,796,794	-	992,796,794
Accretion of interest	172,074,516	167,205,124	172,074,516	167,205,124
Less : Repayments during the year	(129,538,347)	(122,917,757)	(129,538,347)	(122,917,757)
Re-measurement of lease liability	(297,485,175)	-	(297,485,175)	-
Balance at the end of the year	1,254,947,013	1,509,896,019	1,254,947,013	1,509,896,019

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**38. LEASE LIABILITY (CONTD.)****38.1.1 Maturity analysis**

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Amount payable within one year				
Gross liability	129,722,657	129,538,347	129,722,657	129,538,347
Finance costs allocated to future years	(141,321,799)	(172,074,516)	(141,321,799)	(172,074,516)
Accretion of interest	11,599,142	42,536,169	11,599,142	42,536,169
Net liability shown under current liabilities	-	-	-	-
Amount payable after one year and within less than five years				
Gross liability	692,698,378	736,191,462	692,698,378	736,191,462
Finance costs allocated to future years	(720,823,751)	(929,091,372)	(720,823,751)	(929,091,372)
Accretion of interest	28,125,373	192,899,910	28,125,373	192,899,910
Net liability	-	-	-	-
Amount payable after five years				
Gross liability	3,221,741,588	5,123,396,178	3,221,741,588	5,123,396,178
Finance costs allocated to future years	(1,966,794,575)	(3,613,500,159)	(1,966,794,575)	(3,613,500,159)
Net liability	1,254,947,013	1,509,896,019	1,254,947,013	1,509,896,019
Net liability payable after one year shown under non-current liabilities	1,254,947,013	1,509,896,019	1,254,947,013	1,509,896,019
Total net liability	1,254,947,013	1,509,896,019	1,254,947,013	1,509,896,019

Lease instalment for the year 2021/2022 is less than the interest in the amortization schedule within the next twelve months. Therefore, no payment would be made out of the ROU liability within the next twelve months. Hence, no current liability is recognized with regards to the ROU liability.

38.2 Lease liability on right-of-use asset - Building

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	81,850,332	-	-	-
Adjustment on initial application of SLFRs 16	-	84,629,006	-	-
Lease obtained during the year	-	-	-	-
	81,850,332	84,629,006	-	-
Payments made during the year	(7,899,360)	(11,227,560)	-	-
Interest charges for the year	5,026,344	8,448,886	-	-
On disposal of subsidiary	(78,977,316)	-	-	-
Balance as at the end of the year	-	81,850,332	-	-
Payable within one year	-	5,063,183	-	-
Payable after one year	-	76,787,149	-	-
Balance as at the end of the year	-	81,850,332	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

38. LEASE LIABILITY (Contd.)

Company Rs.	2020/2021				2019/2020				
	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Balance as at 31.03.2021	Amount repayable within 1 year	Amount repayable within 2 - 5 years	Amount repayable after 5 years	Repayable after 1 year	Balance as at 31.03.2020
Liability to make lease payments	7,545,387	10,160,932	-	17,706,319	9,008,815	16,695,883	-	16,695,883	25,704,698

38.3.3 Gross liability

Class of asset	Facility number	Description of asset	Name of lease creditor	Terms of repayment per month	Facility amount	Balance as at 01.04.2020	Repayments Rs.	Balance as at 31.03.2021	Net carrying value
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor vehicles	V/15/003/14815-0	04 Motor bikes	Commercial Bank of Ceylon PLC	64,807	3,110,741	122,352	-	122,352	122,352
	V/16/003/18697	01 Toyota Hilux cab	Commercial Bank of Ceylon PLC	112,544	6,752,621	1,575,611	(675,262)	900,349	793,702
	66000201600496900	01 Toyota Hilux cab	Bank of Ceylon	122,352	7,025,100	1,873,360	(1,405,020)	468,340	462,497
	66000201600496100	01 Toyota Hilux cab	Bank of Ceylon	117,085	7,341,120	1,957,631	(1,468,224)	489,407	471,411
	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	552,634	22,900,000	22,657,988	(6,631,605)	16,026,384	13,446,283
	V/19/003/34879	04 Motor bikes	Commercial Bank of Ceylon PLC	94,118	3,499,720	3,668,519	(564,710)	3,103,809	2,410,073
Total gross liability						31,855,461	(10,744,819)	21,110,642	17,706,319

38.3.4 Finance charges allocated to future years

Class of asset	Facility number	Description of asset	Name of lease creditor	Balance as at 01.04.2020	Charge to P & L	Balance as at 31.03.2021
				Rs.	Rs.	Rs.
Motor vehicles	V/15/003/14815-0	04 Motor bikes	Commercial Bank of Ceylon PLC	-	-	-
	V/16/003/18697	01 Toyota Hilux cab	Commercial Bank of Ceylon PLC	201,081	(94,434)	106,647
	66000201600496900	01 Toyota Hilux cab	Bank of Ceylon	113,066	(107,223)	5,843
	66000201600496100	01 Toyota Hilux cab	Bank of Ceylon	176,500	(158,504)	17,996
	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	4,966,382	(2,386,281)	2,580,101
	V/19/003/34879	04 Motor bikes	Commercial Bank of Ceylon PLC	693,736	-	693,736
				6,150,765	(2,746,442)	3,404,323
Net carrying value of liability to make lease payments				25,704,696	(7,998,377)	17,706,319

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**39. DEFERRED TAX LIABILITY**

Rs.	Group		Company	
	As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	111,747,306	196,499,707	111,747,306	196,499,707
Recognised in the statement of comprehensive income	28,935,739	(93,154,637)	28,935,739	(93,154,637)
Recognised in the statement of other comprehensive income	2,093,704	8,402,236	2,093,704	8,402,236
Balance at the end of the year	142,776,749	111,747,306	142,776,749	111,747,306
On temporary difference of property, plant and equipment	400,315,126	396,503,085	400,315,126	396,503,085
On retirement benefit obligation gratuity	(1,061,362,550)	(1,032,277,242)	(1,061,362,550)	(1,032,277,242)
On tax loss carried forward	(1,552,142,917)	(1,775,622,740)	(1,552,142,917)	(1,775,622,740)
On biological assets	3,514,206,853	3,310,248,865	3,514,206,853	3,310,248,865
On grants	(81,619,934)	(99,676,689)	(81,619,934)	(99,676,689)
On net lease liability	(199,562,662)	-	(199,562,662)	(100,656,931)
On investment in associate	-	-	-	99,676,689
	1,019,833,916	799,175,279	1,019,833,916	798,195,037
Deferred tax liability	142,776,749	111,747,306	142,776,749	111,747,306

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017 effective from 01st April 2018, the Company has used 14% in assessing the deferred tax liability for the current financial year.

40. TRADE AND OTHER PAYABLES

Rs.	Note	Group		Company	
		As at 31.03.2021	As at 31.03.2020	As at 31.03.2021	As at 31.03.2020
Trade creditors		123,788,738	212,898,450	123,788,738	92,990,042
Payable to bolted workers	40.1	79,365,682	99,806,016	79,365,682	99,806,016
Accruals and other payables		364,040,922	495,869,669	364,040,922	374,028,974
		567,195,342	808,574,135	567,195,342	566,825,032

40.1 Payable to bolted workers

Rs.	Group/Company	
	As at 31.03.2021	As at 31.03.2020
Balance at the beginning of the year	99,806,016	99,478,052
Provision made during the year	326,200	18,802,571
Payment made during the year	(20,766,534)	(18,474,607)
Balance at the end of the year	79,365,682	99,806,016

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**41. AMOUNT DUE TO RELATED PARTIES**

Name of the related party	Relationship	Group		Company	
		As at 31.03.2021 Rs.	As at 31.03.2020 Rs.	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
Metrocorp (Pvt) Ltd	Ultimate parent	2,791,803	216,857	2,791,803	216,165
Metropolitan Resource Holdings Limited	Immediate parent	-	2,097,377	-	-
Bogawantalawa Tea Ceylon (Pvt) Ltd	Related entity	675,080	-	675,080	29,475,436
Ceylon Tea Gardens Limited	Related entity	24,144,723	24,144,723	24,144,723	24,144,723
		27,611,606	26,458,957	27,611,606	53,836,324

42. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**42.1 Contingent liabilities**

The contingencies in respect of pending litigations in Labour Tribunals are not expected to crystallize in a material liability to the Company/Group and no other contingent liabilities exist as at the date of the statement of financial position other than those disclosed in the note 35.2 to the financial statements and circumstances disclosed below:

- a) As per the assessment issued to the Company for four cases by the Department of Inland Revenue amounting to Rs.48.4Mn an additional VAT liability would crystallize. Currently two cases are being heard at Court of Appeal and two cases are being heard at the Tax Appeal Commission and final determination are awaited.

42.2 Contingent assets

There were no contingent assets as at the reporting date.

43. UNRECOGNIZED CONTRACTUAL COMMITMENTS

There have been no capital commitments contracted but not provided for, or authorized by the Board but not contracted for, outstanding as at the date of the statement of financial position.

44. RELATED PARTY DISCLOSURES**44.1 Substantial shareholding and ultimate parent company**

The Company is a subsidiary of Metropolitan Resource Holdings Limited, which holds 78.45% of ordinary shares of the Company. In the opinion of the directors, the Company's ultimate parent company as at the date of the statement of financial position is Metrocorp (Pvt) Ltd.

44.2 Key management personnel information

The Directors of the Company have interests in the transactions detailed below and some Directors held the post of Director of such

related companies during the year. The transactions listed below have been carried out under normal commercial terms.

Mr. D. J. Ambani, Mr. C. M. O. Haglind, Mr. L. J. Ambani and Mr. S. A. S. Jayasundara, the Directors of the Company are also Directors of the following companies and have had transactions as disclosed in the note 44.3.1 below.

44.3 Related party transactions

The Company has a related party relationship with its related group of companies as disclosed below. The following transactions have been carried out with related parties during the year ended 31st March, 2021 under normal commercial terms.

44.3.1 Transactions with companies in which Directors of the Company hold other directorships

The Company has carried out transactions with entities where the Chairman or a Director of the company is the Chairman or a Director of such entities as detailed below:

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**44.3.1.1 Transactions with immediate parent company and ultimate parent company**

Name of parent Company	Name of directors	Nature of transaction	Amount	
			2020/2021 Rs.	2019/2020 Rs.
Ultimate parent				
Metrocorp (Pvt) Ltd (MPL)	Mr. D. J. Ambani	Expenses incurred by the Company	7,700,734	1,715,546
		Funds received against the expenses incurred by the Company	5,125,095	2,496,187
Immediate parent				
Metropolitan Resource Holdings Limited (MRH)	Mr.D.J. Ambani Mr. L.J.Ambani Mr.C.M.O.Haglund Mr.S.A.S.Jayasundara	Settlements of outstanding by MRH	1,770,120	2,980,960
		Expenses incurred by the Company on behalf of MRH.	2,092,920	1,812,800

44.3.1.2 Transactions with other related companies

Name of Company	Name of directors	Nature of transaction	Amount	
			2020/2021 Rs.	2019/2020 Rs.
Ceylon Tea Gardens Limited (CTGL)	Mr. D. J. Ambani Mr. L. J. Ambani	Expenses incurred by the Company on behalf of CTGL.	-	229,993
Bogawantalawa Tea Ceylon (Pvt) Limited (BTC)	Mr. D. J. Ambani Mr. C.M.O. Haglund Mr. L. J. Ambani	Funds received as reimbursement of expenses made by the Company.	207,652,165	249,074,654
		Expenses incurred by the Company.	33,690,692	257,677,320
Office Network (Pvt) Ltd (ONL)	Mr. L. J. Ambani	Expenses incurred by the company on behalf of ONL.	542,368	494,104
		Settlement made by ONL	614,014	417,616
Tea Trails (Pvt) Ltd (TTPL)	Mr. D. J. Ambani	Income received for renting out bungalows (including VAT and NBT)	11,310,919	9,817,336
		Revenue share income (including VAT and NBT)	15,540,297	19,549,343
		Dividend income received from TTPL	3,000,000	11,160,000
		Settlements made by TTPL	10,474,726	10,216,689
Eco Power (Pvt) Ltd (EPPL)	Mr. D. J. Ambani Mr. L. J. Ambani	Revenue share income (including VAT and NBT)	-	1,170,020
		Settlements made by EPPL	433,839	1,527,665
		Expenses incurred by the Company on behalf of EPPL	-	1,588,225.46
		Lease rental received	210,000	178,957

44.3.2 Transactions with key management personnel (KMP) of the Company or parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as its related parties, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

a) Loans to Directors

No loans have been given to the directors of the Company and its parent company.

b) Compensation to key management personnel

Rs.	Group		Company	
	2020/2021	2019/2020	2020/2021	2019/2020
Short-term employment benefits	19,907,080	19,005,700	19,907,080	19,005,700

c) The group has not incurred any amount as termination benefits or post employment benefits on account of the key managerial personnel during the year.

44.3.3 Amounts receivable and payable to related parties are disclosed in the notes 29 and 41 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

45. OPERATING AGREEMENT WITH LALAN RUBBERS (PVT) LTD

The Company has entered into an operating agreement (OA) with Lalan Rubbers (Pvt) Ltd., (LRL) effective from 19th March, 2003 whereby LRL will operate and manage the rubber division of the Company from 01st April, 2003. Consequently, LRL will meet all capital and operating costs of the rubber division from 01st April, 2003 and will be entitled to keep all revenues obtained by the division from that date.

As per the terms of the operating agreement, a payment of approximately Rs 278.25 million has been made by LRL to Bogawantalawa Tea Estates PLC (BTE PLC) in consideration for the operating rights obtained and of which Rs.120 million has been received in the year 2002/2003. Balance payment was received in three instalments of Rs. 52.75 million each during the years, 2004, 2005 and 2006 respectively.

LRL has also taken over the retiring gratuity liability of employees of the rubber division estimated at Rs.46.8 million (at actuarial value), the capital and future interest payments of the long term loans of Rs.105.3 million payable to the Commercial Bank of Sri Lanka and 48.21 % of the future annual land lease payments that are required to be made by BTE PLC to Janatha Estate Development Board (JEDB) and Sri Lanka State Plantations Corporation (SLSPC) until the terms of these leases expire. Accordingly, the retiring gratuity liability of Rs.46.8 million and the long term loans of Rs.105.3 million have been treated as amounts due from LRL and recognized as income during the year 2002/2003 as LRL has agreed to pay these liabilities on behalf of the Company.

The Secretary, Ministry of Plantation Industries (letter Ref. MP1/9/2/6/9 BPL/SL dated 10th February, 2010 addressed to

the company) informed the Company that the golden shareholder has granted covering approval to sub lease the 13 rubber estates which have been transferred to Lalan Rubbers (Pvt) Ltd under the operating agreement in 2003 without prior approval of the golden shareholder. Accordingly, the Company has entered into a sublease agreement with Lalan Rubbers (Pvt) Ltd on 12th February, 2010, and a further payment of Rs. 110 million has been made by Lalan Rubbers (Pvt) Ltd to the Company. However, all the assets and liabilities pertaining to those estates subleased to Lalan Rubbers (Pvt) Ltd continue to be reflected in the books of the company (other than gratuity liability) as this is considered an operating lease.

In addition to the above sub leasing transaction, the Company has entered into joint venture (JV) transaction with LRL based on a MOU during the financial year of 2012/2013 as described below. However, still the approval from the golden shareholder has not been received in this regard as at the date of the statement of financial position.

The Company has entered into the Memorandum of Understanding (MOU) with Lalan Rubbers (Pvt) Ltd, (LRL) effective from 01st October, 2012 and up to 21st June, 2045 whereby LRL will operate and manage a total area of approximately 973 hectares comprising Anhettigama, Miyanawita and Maliboda estates. Consequently, LRL will be responsible for all day to day operations of the properties. However, all the movable assets in the properties shall remain the property of BTE PLC.

As per the terms of the MOU, during the initial period of 5 years of this MOU, LRL shall invest a sum equivalent to rupees three hundred and sixty six million (Rs. 366,000,000/-)

for the purpose of developing the properties by tea/rubber replanting, tea/rubber new planting and undertaking agricultural programs according to the initial plan. For and in consideration of the rights of use granted to LRL in respect of the properties, LRL shall pay to BTE a sum calculated by reckoning the amount payable in respect of the extent of land comprising the properties as a fraction of the total sum of money payable by BTE in terms of the said Indenture bearing No. 1524, as rental for the entirety of the extent of land leased to the BTE by the lessor viz. nine hundred and seventy three (973) hectares out of sixteen thousand two hundred and twenty (16,220) hectares viz:- 973/16,220;

A further sum calculated in the following manner shall be paid by LRL to BTE PLC:

Having deducted the lease rental as aforesaid, if the use of the properties by LRL yields a profit to LRL calculated in accordance with Sri Lanka Accounting Standards and applicable law, a sum equivalent to 45% of the said profit after deducting any previous losses incurred through the use of the properties and a sum equivalent to 25% of the effective tax benefits received by LRL with regard to the capital allowances connected to the project.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**46. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION**

No circumstances have arisen since the statement of financial position date, which would require adjustments to the financial statements.

47. PRICING POLICY

Sales and purchases of goods and services to/from related parties were made at normal trading terms an arms length basis. Management fee provisions were made as per contractual arrangements.

48. COMPARATIVE INFORMATION

Comparative information of the Company/Group has been reclassified wherever necessary to conform with the current year's presentation/ classification.

48.1 Reclassification

Comparative figures and phrases have been rearranged and reclassified where ever necessary to conform with the current year's presentation as mentioend below:

48.1.1 Statement of comprehensive income

Rs.	Group			Company		
	As disclosed in 2019/2020	As re-classified	Net impact	As disclosed in 2019/2020	As re-classified	Net impact
Other income	164,224,375	164,234,846	(10,471)	158,607,329	159,904,696	(1,297,367)
Net finance income/(expenses)	(418,430,806)	(418,441,277)	10,471	(334,275,901)	(335,573,268)	1,297,367

- a) In the financial year 2019/2020, the Company has classified the exchange loss on transactions of foreign currency under other income. However, in the current financial year 2020/2021 the Company has re-classified it into net finance income / (expenses).

49. ASSETS PLEDGED**49.1 Company/Group**

The following assets of the Company/Group have been pledged as collaterals for interest bearing loans obtained by the Company/Group to the respective financial institutions concerned.

Name of the financial institution/purpose of facility	Nature of the facility	Facility granted Rs.	Balance outstanding as at 31.03.2021 Rs.	Securities pledged
National Development Bank PLC				
Field development work of selected estates LD1511954549	Term loan	100,000,000	43,059,200	Mortgage over leasehold rights of estates, buildings and machinery thereon which are already mortgaged to the bank. (Loinorn, Bogawantalawa, Lethenty and Fettereso estates) and mortgage over machinery to be purchased.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

49. ASSETS PLEDGED (Contd.)

Name of the financial institution/purpose of facility	Nature of the facility	Facility granted Rs.	Balance outstanding as at 31.03.2021 Rs.	Securities pledged
Commercial Bank of Ceylon PLC				
1) Under plantations sector reform project				
a) To meet working capital requirements of the tea factories	Term loan	211,947,000	17,662,250	Primary mortgage bond No.888 dated 30.10.2000 for Rs.37,250,000/- executed over the leasehold rights over the estate namely Norwood.
b) To meet working capital requirement of the tea factories	Term loan	60,000,000	6,510,280	Primary mortgage bond No.646 dated 19.09.1997 for Rs.21,200,000/- and secondary mortgage bond No.1085 dated 04.11.1998 for Rs.12,000,000/- executed over the leasehold rights over the estate namely Wanarajah.
c) For field development and factory modernization	Term loan	200,000,000	146,656,000	Mortgage over property of Norwood Estate.
d) To meet working capital requirement of the Company	Saubhagya loan	25,000,000	20,833,000	Mortgage over the income generated through John Keels Tea broker.
e) For the re-payment of interest due for Moratorium period	Term loan	22,662,437	-	
f) To meet working capital requirement of the tea factories	Term loan	74,000,000	37,000,000	Mortgage over property of Norwood Estate.
g) To meet working capital requirement of the tea factories	Term loan	13,000,000	6,500,000	
Hatton National Bank PLC				
a) Solar Project	Term loan	88,650,000	64,719,000	Mortgage over the income generated through solar project.
b) One off short-term loan for working capital	Term loan	150,000,000	100,000,000	
c) For the re-payment of interest due for Moratorium period	Term loan	1,588,280	264,710	Facility was taken through a board resolution.
Nations Trust Bank				
a) To meet working capital requirement of the tea factories.	Term Loan 1	200,000,000	126,666,666	
b) To meet working capital requirement of the tea factories.	Term Loan 2	100,000,000	63,333,334	Mortgage over the income generated through Asia Siyaka Tea broker.
c) To meet working capital requirement	Term Loan	156,000,000	38,000,000	

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

50. SEGMENTAL ANALYSIS BY PRINCIPAL BUSINESS ACTIVITIES

50.1 Group

50.1.1 Segmental results

Rs.

	Agriculture				Manufacturing				Total			
	Tea		Rubber		Export market		Local market		Unallocated			
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020		
Revenue	3,525,090,295	2,919,757,512	-	-	689,025,376	1,220,725,294	120,389,952	193,117,706	-	-	4,334,515,622	4,393,600,512
Cost of sales	(3,222,105,617)	(3,232,879,626)	-	-	(582,513,693)	(1,004,546,757)	(92,904,225)	(165,381,627)	-	-	(3,887,523,535)	(4,393,808,010)
Gross profit	302,984,678	(253,122,114)	-	-	106,511,683	216,178,537	27,485,726	36,736,079	-	-	436,992,087	(207,498)
Add: Gain on fair value of consumable biological assets	-	-	-	-	-	-	-	-	158,505,904	141,999,939	158,505,904	141,999,939
Other income	58,471,906	58,689,518	-	-	580,950	2,031,412	622,481	3,585,634	297,759,051	120,442,994	357,434,387	184,749,558
Less: Distribution expenses	-	-	-	-	(17,481,230)	(65,557,329)	(5,906,686)	(8,925,281)	-	-	(23,397,916)	(84,482,810)
Administration expenses	-	-	-	-	(74,030,245)	(97,076,996)	(4,922,388)	(33,477,806)	(185,885,524)	(178,356,597)	(274,818,157)	(308,911,400)
Net finance expenses	-	-	-	-	(40,103,040)	(56,346,079)	(13,041,211)	(27,808,826)	(347,592,545)	(334,275,901)	(400,736,796)	(418,630,806)
Profit/(loss) before taxation	361,456,584	(194,432,596)	-	-	(24,531,882)	(770,655)	(5,762,078)	(99,890,200)	(77,193,115)	(250,189,566)	253,969,510	(485,283,017)
Less: Taxation	-	-	-	-	-	4,814,908	-	-	(28,935,739)	93,154,637	(28,935,739)	97,969,545
Net profit/(loss) for the year	361,456,584	(194,432,596)	-	-	(24,531,882)	4,044,253	(5,762,078)	(99,890,200)	(106,128,854)	(157,034,929)	225,033,771	(87,319,472)
Segment assets												
Non-current assets	2,126,756,536	3,120,332,519	654,389,072	930,099,660	-	293,519,529	-	9,654,888	2,401,957,897	1,523,422,729	5,183,103,505	5,877,023,525
Current assets	504,107,303	434,363,604	-	75,748	-	531,784,690	-	11,843,603	649,167,893	577,291,097	1,153,275,196	1,655,358,742
2,630,863,840	3,554,696,123	654,389,072	930,169,608	-	825,304,219	-	121,498,491	-	3,051,125,790	2,100,713,826	6,336,378,701	7,532,382,267
Segment liabilities												
Non-current liabilities	992,545,098	974,215,601	-	-	-	131,240,560	-	11,272,804	2,583,599,302	3,161,369,963	3,576,144,400	4,278,099,928
Current liabilities	324,706,969	565,249,536	-	-	-	604,557,031	-	238,016,271	1,025,080,072	664,384,467	1,349,787,041	2,072,201,305
1,317,252,067	1,539,465,137	-	-	-	735,797,591	-	249,289,075	-	3,608,679,374	3,825,754,430	4,925,931,441	6,350,300,233
Segmental expenses												
Capital expenditure	130,597,404	188,096,769	-	-	3,414,772	-	40,500	11,280	34,531,932	44,740,584	168,584,608	232,846,633
Depreciation/amortization	117,642,293	208,664,332	35,625,601	35,625,601	22,220,379	72,015,472	760,281	3,317,677	50,148,375	14,355,919	226,396,930	333,979,001

50.1.2

50.1.3

50.1.4

50.1.4.1

50.1.4.2

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

50.2 Company

50.2.1 Segmental results

Rs.	Tea		Rubber		Unallocated		Total	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Revenue	3,525,090,295	2,979,757,512	-	-	-	-	3,525,090,295	2,979,757,512
Cost of sales	(3,222,105,617)	(3,232,879,626)	-	-	-	-	(3,222,105,617)	(3,232,879,626)
Gross profit/(loss)	302,984,678	(253,122,114)	-	-	-	-	302,984,678	(253,122,114)
Add : Gain on fair value of consumable biological assets	-	-	-	-	158,505,904	141,999,939	158,505,904	141,999,939
Other income	58,471,906	58,689,518	-	-	166,913,074	120,442,994	225,384,980	179,132,512
Less: Unallocated expenses	-	-	-	-	(533,458,068)	(573,832,498)	(533,458,068)	(573,832,498)
Profit/(loss) before taxation	361,456,584	(194,432,596)	-	-	(208,039,090)	(311,389,565)	153,417,494	(505,822,161)
Less : Taxation	-	-	-	-	(28,935,739)	93,154,637	(28,935,739)	93,154,637
Net profit/(loss) for the year	361,456,584	(194,432,596)	-	-	(236,974,829)	(218,234,928)	124,481,755	(412,667,524)
50.2.2 Segmental assets								
Non-current assets	2,126,756,536	3,120,332,519	654,389,072	930,093,860	2,401,957,897	1,585,072,357	5,183,103,505	5,635,498,736
Current assets	504,107,303	434,363,604	-	75,748	649,167,893	753,320,011	1,153,275,196	1,187,759,363
	2,630,863,840	3,554,696,123	654,389,072	930,169,608	3,051,125,790	2,338,392,368	6,336,378,701	6,823,258,099
50.2.3 Segmental liabilities								
Non-current liabilities	992,545,098	974,215,601	-	-	2,583,599,302	3,161,369,963	3,576,144,400	4,135,585,564
Current liabilities	324,706,969	565,243,536	-	-	1,025,080,072	839,794,969	1,349,787,041	1,405,038,505
	1,317,252,067	1,539,459,137	-	-	3,608,679,374	4,001,164,932	4,925,931,441	5,540,624,069
50.2.4 Segmental expenses								
50.2.4.1 Capital expenditure	130,597,404	188,096,769	-	-	34,531,932	40,340,883	165,129,336	228,437,652
50.2.4.2 Depreciation/Amortization	117,642,293	91,595,853	35,625,601	35,625,601	50,148,375	14,355,919	203,416,270	141,577,373

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**51. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of a financial instrument is the amount with which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.

Set out below are,

- i. Classes of financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value and,
- ii. The carrying amounts of these financial assets and liabilities which are a reasonable approximation of fair values, either due to their short-term nature or because they are floating rate instruments that were re-priced to market interest rates on or near the reporting date.

The fair values of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values are as follows:

Rs.	2020/2021		2019/2020			
	Group/Company		Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade and other receivables	239,555,894	239,555,894	572,675,852	572,675,852	245,637,306	245,637,306
Amount due from related parties	2,528,819	2,528,819	18,771,371	18,771,371	178,341,492	178,341,492
Cash and cash equivalents	40,834,234	40,834,234	120,267,063	120,267,063	95,936,108	95,936,108
	282,918,947	282,918,947	711,714,286	711,714,286	519,914,906	519,914,906
Financial liabilities						
Trade and other payables	567,195,343	567,195,343	808,574,135	808,574,135	566,825,032	566,825,032
Amounts due to related parties	27,611,606	27,611,606	26,458,957	26,458,957	53,836,324	53,836,324
Dividend payable	-	-	211,320	211,320	211,320	211,320
Short-term borrowings	-	-	434,639,910	434,639,910	-	-
Bank overdrafts	330,425,866	330,425,866	301,029,997	301,029,997	294,494,504	294,494,504
Interest bearing borrowings - Current portion	417,008,840	417,008,840	487,214,988	487,214,988	480,662,510	480,662,510
Interest bearing borrowings - Non-current portion	254,195,600	254,195,600	400,013,699	400,013,699	356,800,200	356,800,200
Debenture	625,295,820	625,295,820	873,765,447	873,765,447	873,765,447	873,765,447
	2,221,733,074	2,221,733,074	3,331,908,453	3,331,908,453	2,626,595,337	2,626,595,337

TEN YEAR SUMMARY

Company - Bogawantalawa Tea Estates PLC

Period	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19'	2019/20'	2020/21'
Trading Results	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Turnover	2,253,813	2,646,370	2,763,788	2,824,297	2,820,868	2,809,814	3,436,635	3,055,841	2,979,757	3,525,090
Gross Profit	(300,051)	263,142	1,351	(7,460)	(9,711)	158,861	438,082	68,818	(253,122)	302,984
Financing Cost	(88,909)	(74,360)	(70,540)	(67,309)	(73,563)	(113,604)	(117,965)	(138,390)	(335,573)	(347,592)
Profit & (Loss) for the Period / Total Comprehensive income for the year, net of tax	(365,244)	286,801	(41,039)	74,983	110,228	207,592	220,502	(132,817)	(474,101)	127,813
Operating Ratios										
Operating Profit Margin	(13.31)	9.94	0.05	(0.26)	(0.34)	5.65	12.75	2.25	(8.49)	8.60
Turnover per Employee (Rs.)	239,844	281,170	283,148	301,644	303,940	328,441	436,620	378,620	369,19	447.86
Return on Share Holders Funds %	(52.75)	29.38	(4.43)	7.45	9.88	15.68	14.28	(9.23)	(36.96)	11.60
Fixed Asset Turnover Ratio	0.85	0.96	0.93	0.90	0.86	0.80	0.90	0.74	0.53	0.68
Assets & Liabilities										
Property plant & Equipment	2,665,198	2,770,248	2,965,796	3,126,811	3,298,024	3,522,054	3,798,988	4,128,656	5,635,498	5,183,103
Investment	46,853	46,674	78,300	78,300	78,300	78,300	78,300	108,786	204,571	42,941
Current Assets	662,958	741,437	663,294	682,524	692,429	613,277	709,523	782,091	1,187,759	1,153,275
Creditors - Falling Due within one year	(597,569)	(528,306)	(630,803)	(764,990)	(758,116)	(993,874)	(1,092,337)	(1,301,788)	(1,405,038)	(1,349,787)
Working Capital	65,389	213,131	32,491	(82,466)	(65,687)	(380,597)	(382,815)	(519,697)	(217,279)	(196,511)
Non Current & Deferred Liabilities	(1,544,079)	(1,350,380)	(1,393,907)	(1,282,707)	(1,382,492)	(1,155,614)	(1,240,792)	(1,351,227)	(3,203,114)	(2,594,148)
Provision for terminal benefits	(729,897)	(703,364)	(677,486)	(780,411)	(733,660)	(662,201)	(631,237)	(819,325)	(932,471)	(981,996)
Financial Ratios										
Current Ratio	1.11	1.40	1.05	0.89	0.91	0.62	0.65	0.60	0.85	0.85
Fixed Assets to Current Assets (times)	4.02	3.74	4.47	4.58	4.76	5.74	5.35	5.28	4.74	4.49
Interest Cover	(3.112)	5.214	0.448	2.772	1.048	1.868	4.109	0.999	(0.513)	1.441

TEN YEAR SUMMARY

Period	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19'	2019/20'	2020/21'
Trading Results	Rs .000	Rs .000	Rs .000	Rs .000	Rs .000	Rs .000	Rs .000	Rs .000	Rs .000	Rs .000
Production (In '000 Kgs./ Nuts)										
Tea	6,886	6,998	6,210	6,274	6,310	5,207	5,459	5,172	5,228	5,462
Rubber										
Coconut										
Investors Ratios										
Price Earnings Ratio	(2.32)	3.36	(18.98)	7.75	232.65	7.05	8.19	51.90	(1.81)	(2.39)
Earnings per Share	-4.53	3.42	(0.49)	1.42	0.04	1.12	1.95	0.21	(4.93)	(4.93)
Dividend Rate %										
Dividend per Share										
Net Asset Value per Share (Rs.)	8.63	11.66	11.07	11.96	13.28	15.80	18	17.18	15.32	17.33
Market Price	10.5	11.5	9.3	11	9.6	7.9	16	10.9	9	12
Equity to Assets %	19.51	27.73	25.92	26.41	27.97	32.00	34.25	29.29	18.80	22.87
Equity										
Stated Capital	586,250	586,250	586,250	586,250	586,250	586,250	586,250	586,250	586,250	586,250
Retained Earning	56,186	390,058	340,644	419,975	529,935	737,391	957,894	852,156	696,383	824,197
Proposed Dividend										
Total Equity	692,436	976,308	926,894	1,006,225	1,116,185	1,323,641	1,544,144	1,438,406	1,282,633	1,410,447
EBIT	(276,671)	387,698	31,575	186,565	77,127	212,263	484,727	138,237	(171,546.26)	501,009.00
PBT	(365,611,737)	313,336,815	(38,965,033)	119,255,421	3,562,975	94,298,243	366,762,613	(153,747)	(505,822,161)	153,417
Int cost	88,940,479	74,360,857	70,540,065	67,309,807	73,563,994	117,964,518	117,964,518	138,390,491	334,275,901	347,592
EBIT	(276,671,258)	387,697,672	31,575,032	186,565,228	77,126,969	212,262,761	484,727,131	138,236,744	(171,546,260)	501,009

CORPORATE INFORMATION

Name of the Company

Bogawantalawa Tea Estates PLC

Date of incorporation

22nd June 1992

Company Registration No.

PQ 124

Legal Form

Quoted Public Company

Stock Exchange Listing

The ordinary shares of the company are listed on the Stock Exchange in Sri Lanka

Directors

Mr. D J Ambani (Co-Chairman)

Mr L J Ambani (Co-Chairman)

Mr C M O Haglind

Mr L H Munasinghe

Mr D A de Silva Wickramanayake

Mr S A S Jayasundara

Mr G V M Nanayakkara

Secretaries and registrars

P W Corporate Secretarial (Pvt) Ltd

No 3/17, Kynsey Road, Colombo 08.

Telephone : 4 897 711 / 4 897 722

Fax : 4 740 588 E mail : pwcs@pwcs.lk

Registered Office :

No 153, Nawala Road, Narahenpita, Colombo-05, Sri Lanka

Telephone : 2 510 100 Fax 2 510 178 E mail : info@bpl.lk

Auditors

BDO Partners

Chartered Accountants

65/2, Sir Chittampalam A Gardiner Mawatha

Colombo 2.

Bankers

Commercial Bank of Ceylon PLC

Hatton National Bank

Nations Trust Bank

Bank of Ceylon

National Development Bank

Sampath Bank

DFCC Bank

Seylan Bank

FORM OF PROXY

/We the undersigned..... NIC No.....

of

being a member/s* of Bogawantalawa Tea Estates PLC hereby appoint:

- | | |
|--|-----------------------------|
| Mr. Dinesh Jamnadas Ambani | of Colombo or failing him* |
| Mr. Lalithkumar Jamnadas Ambani | of Colombo or failing him* |
| Mr. Carl Michael Oscarsson Haglind | of Sweden or failing him* |
| Mr. Don Ariyaseela De Silva Wickramanayake | of Colombo or failing him * |
| Mr. Sudath Ajitha Samaradivakara Jayasundara | of Colombo or failing him * |
| Mr. Gerard Victor Maurice Nanayakkara | of Colombo or failing him * |
| Mr. Lalith Hemantha Munasinghe | of Colombo or failing him * |

.....

of

my/our * Proxy to vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Eighth Annual General Meeting of the Company to be held on 30th September 2021 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
<p>Resolution 1 To re-elect Mr. S A S Jayasundara who retires by rotation in terms of Article No. 89 & 90 of the Articles of Association of the Company, as a Director.</p>	<input type="radio"/>	<input type="radio"/>
<p>Resolution 2 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. G V M Nanayakkara who is over 70 years of age, as a Director of the Company;</p>	<input type="radio"/>	<input type="radio"/>
<p>Resolution 3 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. D A de S Wickramanayake who is over 70 years of age, as a Director of the Company;</p>	<input type="radio"/>	<input type="radio"/>
<p>Resolution 4 To authorise the Directors to determine donations for the ensuing year.</p>	<input type="radio"/>	<input type="radio"/>
<p>Resolution 5 To re-appoint Messrs. BDO Partners Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.</p>	<input type="radio"/>	<input type="radio"/>

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

.....
Signature of Shareholder/s

* Please delete the inappropriate words.
Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to bopl.pwcs@gmail.com before the time fixed for the meeting.



Bogawantalawa Tea Estates PLC.,
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Colombo 05,
Sri Lanka.

Telephone: +94 11 2510100

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Web: www.bogawantalawa.com



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Non-EU Agriculture

