Agarapatana Plantations Ltd

ANNUAL REPORT 2020/21

CONTENTS

OUR CORPORATE PHILOSOPHY	1
FINANCIAL HIGHLIGHTS	2
CROP AND YIELD	3
CHAIRMAN'S REVIEW	4
CEO'S REVIEW	6
BOARD OF DIRECTORS	8
ANNUAL REPORT OF THE BOARD OF DIRECTORS	9
REVIEW OF OPERATIONS	11
FINANCIAL REVIEW	13
CORPORATE GOVERNANCE	15
AUDIT COMMITTEE REPORT	17
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT	18
RISK MANAGEMENT	19
STATEMENT OF DIRECTOR'S RESPONSIBILITIES	20
INDEPENDENT AUDITORS' REPORT	21
STATEMENT OF FINANCIAL POSITION	23
STATEMENT OF PROFIT OR LOSS	24
STATEMENT OF COMPREHENSIVE INCOME	25
STATEMENT OF CHANGES IN EQUITY	26
STATEMENT OF CASH FLOWS	27
NOTES TO THE FINANCIAL STATEMENTS	29
ESTATE HECTARAGE STATEMENT	69
OUR HUMAN RESOURCES	70
GLOSSARY OF FINANCIAL AND NON FINANCIAL TERMS	71
TEN YEAR SUMMARY	72
NOTICE OF MEETING	73
FORM OF PROXY	75
CORPORATE INFORMATION	IBC

OUR CORPORATE PHILOSOPHY

OUR VISION

To be the foremost producer of high quality Tea in full conformity with desired quality requirements

OUR MISSION

To produce the highest quality Tea whilst protecting and preserving the environment and safeguarding the interest of the community with whom we work, improving our asset base, developing our employee base and providing value to our shareholders

OUR BUSINESS OBJECTIVES

To lead the way in the technical and innovative development of the Tea industry and operate with responsibility towards society and the community

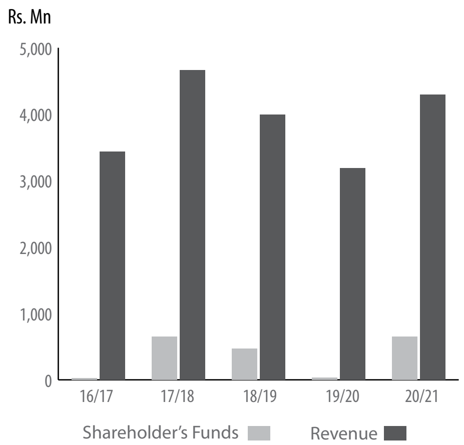
OUR CORE VALUES

Integrity
Courage
Commitment

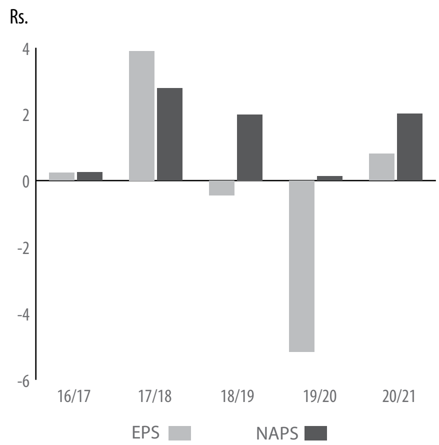
FINANCIAL HIGHLIGHTS

Financial Year Ended	2020/21 Rs.'000	2019/20 Rs.'000	% Change	2018/19 Rs.'000
Results for the year				
Revenue	**4,291,538**	3,187,556	34.6	3,995,018
Gross Profit/ (Loss)	**170,680**	(1,035,462)	116.5	190,624
Operating Profit/ (Loss) before Net Financing Cost	**386,263**	(909,570)	142.5	174,564
Profit/(Loss) before Tax	**135,430**	(1,194,393)	111.3	(103,162)
Profit/(Loss) after Tax	**189,596**	(1,211,934)	115.6	(102,942)
Total Comprehensive Income/(Loss)	**262,529**	(435,761)	160.2	(186,049)
At the year end				
Shareholders' Funds	**653,763**	31,234	1,993.1	466,995
Ratios				
Gross Profit/(Loss) (%)	**3.98**	(32.49)	112.2	4.78
Current Ratio (times)	**0.40**	0.24	64.9	0.41
Acid Test Ratio (times)	**0.24**	0.10	144.3	0.19
Borrowings/Total Assets (%)	**30.41**	34.07	(10.7)	40.41
Per Share				
Earnings/(Loss) (Rs.)	**0.81**	(5.16)	115.6	(0.44)
Net Assets (year end) (Rs.)	**2.01**	0.13	1,447.4	1.99

Revenue Vs Shareholder's Funds



Earnings/ (Loss) Per Share Vs Net Assets Per Share



CROP AND YIELD

Estate	Production (Kg '000)					Yield Per Hectare (Kg)				
	20/21	19/20	18/19	17/18	16/17	20/21	19/20	18/19	17/18	16/17
Agras Valley Region										
Albion	**463**	475	682	768	457	**1,037**	935	1,093	1,056	988
Balmoral	**427**	421	476	504	460	**1,322**	1,293	1,473	1,559	1,429
Diyagama East	**399**	359	408	412	375	**1,163**	1,045	1,197	1,220	1,089
Diyagama West	**667**	628	675	719	636	**1,050**	988	1,062	1,092	1,001
Glasgow	**366**	332	358	413	339	**1,138**	1,064	1,159	1,331	1,075
Hauteville	**556**	620	636	659	618	**1,141**	1,272	1,316	1,357	1,262
Holmwood	**170**	156	177	207	181	**892**	818	924	1,081	917
New Portmore	**158**	134	142	150	143	**941**	770	861	913	833
Sandringham	**168**	176	206	214	177	**1,034**	1,096	1,291	1,333	1,058
Torrington	**219**	256	263	312	241	**947**	875	1,016	1,100	990
Waverley	**337**	363	556	809	540	**926**	963	1,069	1,108	986
Sub Total	**3,930**	**3,919**	**4,580**	**5,167**	**4,168**	**1,070**	**1,034**	**1,149**	**1,201**	**1,075**
Haputale Region										
Beauvais	**156**	135	168	185	171	**614**	580	728	813	677
Dambatenne	**630**	483	534	573	547	**1,681**	1,291	1,553	1,478	1,481
Glenenore	**777**	533	383	327	342	**931**	883	871	722	727
Gonamotawa	**320**	220	236	321	404	**937**	758	953	1,092	1,027
Haputale	**522**	372	418	443	413	**1,351**	1,104	1,184	1,163	1,118
Kahagalla	**207**	167	177	199	181	**899**	731	633	727	647
Nayabedde	**362**	305	400	419	357	**1,207**	1,201	1,398	1,371	1,121
Pita Ratmalie	**312**	348	395	427	475	**857**	781	911	870	778
Udaveria	**43**	54	57	60	60	**168**	291	225	296	204
Sub Total	**3,329**	**2,617**	**2,768**	**2,955**	**2,949**	**1,011**	**899**	**979**	**986**	**878**
Company Total	**7,259**	**6,536**	**7,348**	**8,122**	**7,117**	**1,045**	**981**	**1,080**	**1,109**	**989**

CHAIRMAN'S REVIEW

On behalf of the Board of Directors it gives me great pleasure to welcome you to the company's 29th Annual General Meeting and to present the annual report and audited financial statements of the company for the year ended 31st March 2021.

Agarapatana Plantations is one of the few mono crop companies having the total extent in Tea in the high grown districts of Nuwara Eliya & Badulla under the Western & Uva high grown elevations.

The year under review has been an extremely challenging period, especially with the adverse effects due to the Covid-19 Pandemic which prevailed throughout the financial year.

Where the plantation industry of Sri Lanka is concerned, I am glad to inform that the estates were able to work continuously without a major interruption. During the latter part of the financial year there had been instances of isolated lockdowns in certain plantation districts due to some of the resident population being infected and for the need to be quarantined.

In fact, the pandemic has brought about a significant change to the industry especially where the tea auctions are concerned. The Colombo auction for Tea has had a history of over 150 years of an outcry system and the stakeholders were forced to change to an electronic auction which came into effect in March 2020. Though there were a few initial issues, at present the electronic system has become the new way of conducting the tea auctions and is working to the satisfaction of the industry.

Apart from the pandemic, there were other serious challenges the industry had to face during the year under review. Since privatization in the year 1992 the Plantation worker wages have been revised every two years through a collective bargaining process and a "Collective Agreement" reached between the parties. The last Collective Agreement in force, lapsed in January 2021 and the discussions commenced in the traditional manner between the employers & the trade unions. Unfortunately, the parties could not reach an agreement and were compelled to go before the wages board for a settlement. The final decision of the wages board was to increase the basic wage from Rs.700/- to Rs. 900/- with an additional budgetary relief allowance of a further Rs.100/-. Thereby the total wage would cost Rs.1,150/= per man day which accounts to an overall increase of 35%. With the decision of the Government to issue the gazette to this effect, all employers were compelled to pay the new wage commencing 05th March 2021. Since the employers were of the view that this wage is unreasonable and unaffordable, a writ application has been filed & the outcome is awaited.

The total extent under cultivation remains the same as last season. The Agras Valley region estates covers 57% of this extent and contributed 59% of the total crop harvested. The balance 41% production was from Haputale region, where there are extents with poor, old seedling tea. From this financial year under review there has been a substantial contribution to the production and the viability of the company by way of manufacturing the leaf collected from the small holders especially from the Badulla district manufactured at the Glenannore factory. The bought leaf project has been a tremendous success and the company is planning to expand making use of another two factories in the Haputale region.

The global tea production in the year 2020 has been 6 Bn Kgs recording a slight reduction of 2% against the growth of 2.4% in the previous year. The national tea production for the year 2020 has been 278.8 Mn Kgs recording a decrease of 21.3 Mn kgs against the corresponding period of 2019. The highest deficit was in the low grown category by 16.6 Mn Kgs and the high grown declined by 0.5 Mn Kgs. compared to the previous year. However, the company achieved an increase of 0.3% in the western high grown production and a further increase of 27.2% from the Haputale region mainly due to improved agricultural practices and with the introduction of mechanical harvesting to overcome the shortage of workers.

The Colombo auction continues to fetch the highest world auction prices. The Colombo auction average for the year 2020 was Rs.628.21 against the 2019 average of Rs.544.44. The company sale average has increased for the current financial year by 25.6% compared to the previous year. The total value of tea exports from the country for the calendar year of 2020 has been US $ 230 Bn compared to US $ 240 Bn during the corresponding period in 2019.

The buying pattern of the importing countries remained almost the same with Turkey occupying the top position as the main importing country for Ceylon Tea. Many challenges had to be faced by the exporters due to the restrictions in the port operations and in export, mainly due to the limited imports. There has been a substantial increase in the freight cost, with the limited availability of containers due to which the producers could not achieve the full benefit of the high demand at the auction.

CERTIFICATION

I am pleased to inform that all Tea processing centers of Agarapatana Plantations have been successful in obtaining the ISO 22000:2018 Food Safety Management Certification. The Rainforest Alliance certification has been obtained for all tea gardens & processing centers excluding the Glennanore & Gonamotawa factories which manufacture the small holder's bought leaf.

PERFORMANCE

The total revenue from operations for the season was Rs. 4.29 Bn against Rs. 3.19 Bn the previous season. I am glad to announce that despite the obstacles faced by the industry, the company has achieved an overall profit of Rs. 190 Mn against a loss of Rs. 1,212 Mn last year.

The company was able to achieve these results practicing stringent controls in expenditure, whilst improving the overall agricultural standards in the plantations.

CONCLUSION

The plantation industry is bound to face several challenges in the ensuing years especially with the current ban enforced by the Government on the importation of inorganic fertilizer and the essential chemicals required for plantation crops. The company has strictly followed the recommendations of the Tea & Rubber Research Institutes regarding the input of inorganic nutrients and other chemicals which includes weedicides. With the new government policy of the use of only organic fertilizer, we await the recommendations of the research institutes for the methodology to be adopted. In the current circumstances, the restrictions on the usage of these inorganic inputs have begun to have detrimental effects on production and quality.

The company is confident in meeting the additional expenditure in wages with the improved productivity expected with our current mechanization programme and stringent management of expenditure. The company expects to mechanize the harvesting of tea in at least 20 % of the revenue extent by the end of the next financial year.

I take this opportunity to thank two longstanding Directors Messrs D A Ratwatte and G D V Perera for the services rendered, who resigned from Agarapatana Plantations Board during this year. Both have served the industry for many decades and their knowledge and experience have been of immense value to the company. I also take this opportunity to thank Mr. P M A Sirimanne for his valuable contribution and services rendered, who resigned from Agarapatana Plantations Board during this year.

In conclusion, I wish to thank all employees including the management and staff at every level for their contribution, dedication and commitment. I also wish to thank all shareholders and other stakeholders for their continued trust and confidence in the Company and my colleagues on the Board for their unstinted support, advice and guidance.

S D R Arudpragasam
Chairman

18th August 2021

CEO'S REVIEW

The season 2020/21 though very challenging showed fair progress when compared to the previous season. Agarapatana Plantations Limited is one of the few Regional Plantation Companies handicapped with only High Grown teas. The plantations of the Company are situated in two regions, Agarapatana Region in the Western Planting District and Haputale Region in the Uva (Eastern Planting District). Most areas of the two Regions are situated at 5000 ft. above sea level and exposed to extreme weather conditions. The weather conditions that were prevalent in both Agras and Uva Regions were erratic and unconducive for growth relating to tea cultivation.

The Uva Region recorded a total rainfall of 1,924 mm against 2,180 mm in 2020. The rainfall in the Agras Region was 2,144 mm against 1,953 mm in 2020. Furthermore, the showers were very much localized.

EXTENT

The total extent in bearing during the season was 6,129.93 ha., excluding the "Project areas" of Udaveria and Oakwell Estates, of which only 1.70% is under VP. In the Uva Region, Dambetenne Estate has 75% representing the highest VP Extent and Haputale and Nayabedde Estates have 49% and 42% respectively, occupying 2nd and 3rd positions. In the Agras Region, Glasgow Estate has 58% under VP whilst Torrington, Balmoral, Albion and Hauteville Estates possess between 40% to 50% under VP. The other eleven Estates in the Company have much lesser VP extents and the company is planning to replace some of the old seedling tea with high yielding VP.

CROP & WEATHER

The Estate Crop harvested for the season was 6.65 Mn kgs of which 58% was from the Agras Region and 42% from the Uva Region. This reflects an increase of around 0.75 Mn kgs from the previous Season, mainly due to the favourable weather conditions and application of fertilizer. In addition to Estate Crop, the Company has manufactured a total of 0.6 Mn kgs of Bought Leaf. It is pleasing to note that the weedicide - Glyphosate is now available for procurement through the Ceylon Petroleum Corporation. This has assisted us to have the ground conditions in respect of weed growth under control and also to apply fertilizer at the right time.

TEA MARKET

Unfortunately, due to Kenya continuing to produce higher volumes and selling at much lower rates, the demand for Orthodox/Rotorvane type small leaf teas manufactured in our factories declined significantly. The solution will be to produce leafy type teas, which we are addressing. Glenanore, Gonamotawa and Torrington Estates are currently undertaking the Orthodox/ Leafy type of manufacture.

In the immediate aftermath of the initial Covid-19 outbreak, there was excellent demand for our teas but that spike in demand lasted only for few weeks and prices started dipping along with the increasing quantities coming in for sales.

There are many Buyers who now insist on Rainforest Alliance Certification as a requirement and this covers Corporate Social Responsibility and environmental protection.

We are pleased to report that at the end of the Season 2020/21, we have 12 RA certified Tea Factories in both Regions and a total of 19 RA certified Tea Gardens. At the time of writing we are pleased to inform that all Factories, except for the Bought Leaf manufacturing units, are now RA certified.

The recent ban on chemicals and artificial fertilizer by the Government has and will have adverse effects on Crop production and Product quality. Similarly, enhanced wages though the final decision is pending, awaiting a court ruling will be major obstacles faced by the industry where the increase in costs are concerned.

WORKER SHORTAGE

A drastic reduction in work force is to be seen. At present the available work force of Agrapatana Plantations limited stands at 9,000 against 21,000 in 1992 when Estates were privatized. Inadequate labour force is a major concern which has effects on crop harvest and implementing good agricultural practices.

To counteract this situation, we have embarked on mechanical harvesting. As of now, we have 128 machines in operation. We intend expanding this to 250 machines by end of the Season 2021/22 in order to mechanize at least 20% of the revenue extent. Already we are seeing improvements since the cost per kg of harvesting is in the range of Rs.135/- to Rs.150/- against a manual harvesting cost of approximately Rs.260/-.

We are now embarking on mechanized Pruning and here again 33 machines are in operation. This will enable us to reduce the pruning expenditure by 50% once all estates are provided with them. A total requirement is approximately 300 machines for both Regions and we intend purchasing and putting into operation at least 100 machines by end 2021/22.

We introduced drone spraying of micro-nutrients quite successfully but due to Government restrictions, this exercise had to be discontinued. This was also undertaken to mitigate the shortage of workers.

The Plantation Trade Unions were agitating for enhanced wages for workers and many discussions were held with no finality reached. This matter was then referred to the Wages Board and a decision was taken to increase the worker wages to Rs.900/- as basic wage and 100/- as Budgetary allowance totaling to 1,000/- with another Rs.150/- as EPF /ETF per day. However, the employers viewed the increase in worker wages as unaffordable and a case has been filed and the final court decision is awaited.

The impact of this increase is another Rs. 800 Mn for the Company. With this increase we were able to get a breakthrough by increasing the worker plucking norms by 2 kgs and now it stands at 20 kgs.

The pandemic has caused chaos in the plantations with many workers getting infected and being out of employment due to clusters being quarantined, thus adding further to the shortage of man power.

CAPITAL DEVELOPMENT

The Plantation Industry has not seen many changes in manufacturing technology or equipment for an extremely long time. Apart from electrification, the last significant change in the manufacturing process was the change over from jute withering tats and central bulking chambers to trough withering. Improving the withering process resulted in immense savings in labour utilization and space and the cost of factory construction. Thereafter, changes in market demand for smaller leaf teas brought about the introduction of Rotorvanes and the adaptation of the Fluid Bed tea drier for firing teas. The rapid technological changes which swept the world commencing from the closing decades of the last century appears to have by-passed the plantation industries in most parts of the world; Sri Lanka has probably seen the least change, with relatively low introduction of the CTC method of tea manufacture. With the view to enhance production of tea, the Company has undertaken large scale infilling and replanting programmes on estates in both Regions.

CORPORATE SOCIAL RESPONSIBILITY

The Company in collaboration with Plantation Human Development Trust (PHDT) and Ministry of Community Empowerment and Estate Infrastructure Development has undertaken CSR Projects such as new housing, water supply schemes, concreting estate roads, repairs to culverts, drains and retaining walls etc. and construction of playgrounds with 100% of funding in the form of grants, amounting to Rs.55 Mn. Awareness programmes such as prevention of Covid-19, Dengue, AIDS and other communicable diseases were conducted. Further, health clinics namely dental, eye care were carried out. Cataract surgeries too were conducted. Facilities in child development centers were enhanced and awareness programmes were carried out.

With a view to enhance the income of the estate community, they were educated with regard to home gardening and household cash management with the support of the Ministry of Health and PHDT. We have been able to witness improvements of health conditions and other benefits derived by implementing these CSR Projects.

FINANCIAL PERFORMANCE

This will be elaborated in detail in the Financial Review Section of this Annual Report. However, despite many obstacles faced by the Company, in addition to the prevalent Covid-19 pandemic, the company has been able to achieve an overall profit of Rs.189 Mn against a loss of Rs. 1,212 Mn recorded in the previous season. The improvement in our narrowing the gaps on Elevation, increased quantity of crop harvested and better cost management etc. were the contributory factors that brought about these favourable results.

Compared to the season 2019/20 we have done much better on performance under very trying conditions. Most of them are beyond our control. Many changes have been made since then. In the new Season, we are worst off due to the increased wages and other material costs. The recent fertilizer and chemical ban by the government has added fuel to fire.

However with the increase in plucking norms and managing to apply 35% of the first application with the available fertilizer we had in stock, we have managed to achieve 98% of the budgeted crop as at date.

Glenanore Estate which manufactures Bought Leaf was upgraded by installing a few extra grading machines and all floors tiled to meet ISO requirements.

This factory which is producing Orthodox/Leafy teas, has shown a marked improvement in its product and well accepted by the buyers. We are pleased to report that a loss making estate has now turned into a viable unit. This is a great achievement.

We intend on expanding this operation as and when sufficient funds are available. A new High Output Drier will have to be installed and with it, the production could be increased.

We intend on undertaking a similar exercise on Torrington Estate, which is already manufacturing Orthodox/Leafy teas in the Western High Grown Sector and is selling well above Elevational Average.

D.R. Madena
Director/ Chief Executive Officer

18th August 2021

BOARD OF DIRECTORS

S.D.R. Arudpragasam – Chairman

Non- Executive Director

Mr. S.D.R. Arudpragasam joined the Board in 1996 and was appointed Chairman in May 2013. He serves as Chairman of several subsidiaries of The Colombo Fort Land and Building PLC (CFLB) including Chairman, Lankem Ceylon PLC and Chairman/ Managing Director of E.B. Creasy & Company PLC. He holds the position of Deputy Chairman on the Board of The Colombo Fort Land and Building PLC, in addition to holding other Directorships within the CFLB Group.

Mr. S.D.R. Arudpragasam is a Fellow of the Chartered Institute of Management Accountants (UK).

C. P. R. Perera - Deputy Chairman

Non- Executive Director

Mr. C.P.R. Perera joined the Board in 2005 and was appointed Deputy Chairman in May 2013. He serves on the Board of The Colombo Fort Land & Building PLC (CFLB) and also serves on the Boards of several subsidiary companies of the CFLB Group. He also holds directorships in other private and public companies. He is a past Chairman of the Sri Lanka Tea Board, Sri Lanka Insurance Corporation, PERC and Bank of Ceylon. He retired as Chairman of Forbes & Walker Ltd and its subsidiary companies in June 2005 after almost 44 years of service. He presently functions as Chairman of Ceylon Tea Brokers PLC. Mr. Perera has served as a Committee Member of the Ceylon Chamber of Commerce, The Planters Association of Ceylon and on the Committee of Management of the Ceylon Planters Provident Society.

D. R. Madena - Chief Executive Officer

Executive Director

Mr. Madena commenced his career with Janatha Estates Development Board in 1987 prior to privatization and his experience spans over 33 years in the high grown western and eastern Regions.

With the privatization of the Management in 1992 he joined Kotagala Plantations which was then managed by George Steuart Management Services as an Assistant Manager and was subsequently promoted as a Manager.

He continued to serve Kotagala Plantations under the management of Lankem Tea and Rubber Plantations(Pvt) Ltd (LT&RP) and functioned as the Manager from 2000 to 2005 of the Stonycliff Cluster which is one of the most prestigious properties of Kotagala Plantations.

In 2005 he was assigned to Dambatenne Estate which is one of the prime properties of Agarapatana Plantations Limited(APL) and held the positions of Manager/ Senior Manager/General Manager / Regional General Manager.

He was appointed as an Alternate Director of APL in 2013 and to the Directorate of LT&RP in 2018.

Mr. Madena was appointed to the Board of APL and also to the position of Chief Executive Officer on 1st November 2019.

S.S. Poholiyadde

Executive Director

Mr. S.S. Poholiyadde joined the Board on 07th September 2018 and currently holds the position of Managing Director, Lankem Tea & Rubber Plantations (Pvt) Ltd (LTRP), managing agents of Kotagala Plantations PLC and Agarapatana Plantations Ltd.

Mr. Poholiyadde is the former Managing Director of the Plantations Sector and Head of Group Human Resources of the Richard Pieris Group. He was also the former CEO / Executive Director of Kegalle Plantations PLC, Namunukula Plantations PLC, Maskeliya Plantations PLC & an Executive Director of AEN Palm Oil Processing (Pvt) Ltd. He has over four decades of experience in the Plantations Industry.

He is the immediate past Chairman of the Planters' Association of Ceylon, former chairman of the Colombo Rubber Traders' Association and has served as chairman of the Plantation Services Group of the Employers Federation of Ceylon (EFC). He was also a member of the Board of Directors of the Sri Lanka Tea Board and the Rubber Research Board. He has also served as a Council Member of the Ceylon Chamber of Commerce and continues to serve in the Executive Committee of the Sri Lanka Society of Rubber Industry. Mr. Sunil Poholiyadde is a Fellow of the National Institute of Plantation Management.

Anushman Rajaratnam

Non- Executive Director

Mr. Anushman Rajaratnam was appointed to the Board on 1st October 2019.
He joined the Board of Lankem Ceylon PLC in 2005 and served as the company's Managing Director from 2009 until December 2016. He relinquished that position in December 2016 to take up the role as the Group Managing Director of The Colombo Fort Land & Building PLC in January 2017. In addition, he serves on the Boards of several subsidiary companies of the CFLB group. Prior to joining the CFLB group, he worked overseas for a leading global Accountancy Firm.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Agarapatana Plantations Limited present their Report together with the Audited Financial Statements for the year ended 31st March 2021. The details set out herein include the pertinent information required by the Companies Act No. 7 of 2007, and are guided by recommended best practices.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW/FUTURE DEVELOPMENTS

The principal activities of the Company are cultivation, manufacture and sale of Tea. A review of the Company's business and its performance during the year with comments on financial results and future developments is contained in the Chairman's Review, CEO's Review, Operational and Financial Review sections of this Annual Report. These Reports together with the financial statements reflect the state of affairs of the Company. The Directors, to the best of their knowledge and belief confirm that the Company has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 21 to 68.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on Pages 21 and 22.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 29 to 41.

INTEREST REGISTER

Directors Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 7 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 36 to the financial statements on pages 63 to 65.

DIRECTORS INTEREST IN SHARES

None of the Directors held shares of the Company as at 31st March 2021.

CORPORATE DONATIONS

No donations were made during the year.

DIRECTORATE

The names of the Directors who held office during the financial year are listed below. Brief profiles of the Directors currently in office appear on page 8.

Mr. S.D.R. Arudpragasam - Chairman - Non Executive

Mr. C.P.R. Perera - Deputy Chairman - Non Executive

Mr. D. R. Madena - Chief Executive Officer - Executive

Mr. D.A. Ratwatte - Director - Non Executive (Resigned w.e.f. 31.03.2021)

Mr. S.S. Poholiyadde - Director - Executive

Mr. G.D.V. Perera - Director - Independent Non Executive (Resigned w.e.f. 31.03.2021)

Mr. P.M.A. Sirimane - Director - Independent Non Executive (Resigned w.e.f. 31.03.2021)

Mr. Anushman Rajaratnam - Director - Non Executive

Mr. G. D. V. Perera resigned from the Board of Directors with effect from 31st March 2021.

Mr. P. M. A. Sirimane resigned from the Board of Directors with effect from 31st March 2021.

Mr. D. A. Ratwatte resigned from the Board of Directors with effect from 31st March 2021.

In terms of Articles 92 & 93 of the Articles of Association Mr. S. S. Poholiyadde retires by rotation and being eligible, offers himself for re-election.

Mr. C. P. R. Perera who is over seventy years of age retires and offers himself for reappointment under and by virtue of the Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. S. D. R. Arudpragasam who has attained seventy years of age retires and offers himself for reappointment under and by virtue of the Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

CORPORATE GOVERNANCE

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company are given in the Corporate Governance Statement on pages 15 to 16.

AUDITORS

In accordance with the Companies Act No. 7 of 2007 a resolution proposing the reappointment of Messrs. Ernst & Young (Chartered Accountants) as Auditors of the Company will be submitted at the Annual General Meeting. The Auditors, Messrs. Ernst & Young was paid Rs. 6.2 Mn (2019/20 - Rs. 5.9 Mn) as audit fees by the Company. In addition they were paid Rs. 0.4 Mn (2019/20 - Rs. 0.3 Mn) by the Company for non-audit related work, which consisted mainly of tax related work. As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interests in the Company.

REVENUE

The revenue of the Company for the year was Rs. 4,292 Mn (2019/20 - Rs. 3,188 Mn) which comprises Rs. 2,318 Mn from the Agras Valley Region (2019/20 - Rs. 1,926 Mn) and Rs. 1,974 Mn from Haputale Region (2019/20 - Rs. 1,261 Mn).

RESULTS

The Company made a profit before Tax of Rs. 135 Mn against a loss before tax of Rs. 1,194 Mn in 2019/20.

MANAGING AGENTS & MANAGEMENT FEE

Lankem Tea & Rubber Plantations (Pvt) Limited, (LT&RP) a subsidiary of Consolidated Tea Plantations Limited, continue to manage the affairs of the Company. The Managing Agents LT&RP did not charge Managing Agent's Fees in the year under review. (2019/20 - Nil).

DIVIDENDS

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

PROPERTY, PLANT & EQUIPMENT

The capital expenditure during the year amounted to Rs. 109 Mn (2019/20 - Rs. 139.1 Mn) which includes Rs. 53 Mn in replanting expenditure (2019/20 - Rs. 45.9Mn). Information relating to movements in Property, Plant & Equipment are given in Notes 06 - 09 to the Financial Statements.

STATED CAPITAL

Consequent to the issue of 90,000,000 ordinary shares at a price of Rs.4/- per share by way of a Private Placement on 30th March 2021, the stated capital of the Company as at 31st March 2021 was Rs.1,270,787,250/- represented by 325,000,000 Ordinary Shares and One Golden Share.

RESERVES

The accumulated losses of the Company as at 31st March 2021 amount to Rs. 2,452 Mn (31st March 2020 – Accumulated Loss Rs. 2,546 Mn). The movement is shown in the Statement of Changes in Equity in the Financial Statements.

TAXATION

The Company is liable to income tax at the rate of 14% on its agro processing activities & agricultural profits of the Company is exempted for the year of assesment 2020/21. All other sources of income are liable to income tax at the rate of 24%. Further details of Taxation are given in Note 30 to the Financial Statements.

RELATED PARTY TRANSACTIONS

The Related Party Transactions presented in the Financial Statements are disclosed in Note 36.

SHARE INFORMATION

Information relating to earnings and net assets is given on pages 2, 23, 24 and 61.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Reporting date that would require adjustments to or disclosure in the Financial Statements.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital Commitments and Contingent Liabilities as at the date of the Statement of Financial Position are disclosed in Notes 19, 32 & 34 to the Financial Statements on pages 54, 61 and 63 respectively.

EMPLOYMENT POLICY

The Company's recruitment and employment policy is non-discriminatory. The occupational health and safety standards were given substantial attention. Appraisals of individual employees are carried out in order to evaluate their performance and realize their potential. This process benefits the Company and the employees. The number of persons employed by the Company at the year end was 9,538 (2019/20 – 9,689).

SHAREHOLDERS

It is the Company's policy to endeavour to ensure equitable treatment to its shareholders.

ENVIRONMENTAL PROTECTION

The Company's business activities can have direct and indirect effects on the environment. It is the Company's policy to minimize any adverse effects its activities have on the environment and to promote co-operation and compliance with the relevant authorities and regulations. We confirm that the Company has not undertaken any activities which have caused or are likely to cause detriment to the environment.

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable, and not absolute, assurance that errors and irregularities are either prevented or detected within a reasonable period of time. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

COMPLIANCE WITH SECTION 220 OF THE COMPANIES ACT NO. 07 OF 2007

In compliance with Section 220 of the Companies Act No. 07 of 2007 an Extraordinary General Meeting of the Company was held on 18th December 2020 at which the following Ordinary Resolution was carried unanimously by the Shareholders present and voting at the Meeting.

Ordinary Resolution

The shareholders participating in this meeting having read and considered the Circular to Shareholders and the Report of the Directors prepared in terms of Section 220 of the Companies Act No. 07 of 2007 dated 3rd November 2020 and the explanations given by the Board of Directors hereby resolve –

“That the Directors of the Company be authorized to carry on the business of the Company to the best advantage of all Stakeholders of the Company.”

GOING CONCERN

As noted in the Statement of Directors' Responsibilities on page 20, the Directors have adopted the going concern basis in preparing Financial Statements.

For and on behalf of the Board

S.S. Poholiyadde
Director

D.R. Madena
Director

By Order of the Board

Corporate Managers & Secretaries (Private) Ltd.
Secretaries

18th August 2021

REVIEW OF OPERATIONS

YEAR AT A GLANCE

The year 2020 is recorded as one the most challenging years in history with the emergence of the Covid-19 pandemic that disrupted the world. However, the Tea Industry was able to sustain production, manufacture and selling through Auctions, while most of the Industries couldn't even operate due to lockdowns. The prompt response by the CTTA and CBA to swift by change to digital auctioning is highly commendable, if not the selling process would have come to a halt during the compulsory lockdown periods.

It is remarkable to note that the tea auction prices picked up by Rs. 9.50, Rs.120.92, Rs.108.69 and Rs. 89.45 during the four quarters respectively against the previous year 2019.

Auction averages for the year 2020 totalled Rs. 628.21 against the 2019 average of Rs. 544.54. Almost all High, Medium and Low growns reflected an increase in prices by Rs. 62.88, Rs. 84.98 and Rs. 89.71 respectively against the previous year 2019.

Tea production for the year 2020, totalled 278.8 Mn kgs showing a decrease of 21.3 Mn kgs against 2019. The decrease is mainly due to the reduction in Low growns by 16.6 Mn kgs whereas Medium Growns have shown a marginal increase of 0.2 Mn kgs and High Growns a marginal decrease of 0.5 Mn kgs against the previous year 2019.

Sri Lanka Tea exports totalled 265.6 Mn kgs in 2020 compared to 292.6 Mn kgs in 2019 showing a decrease of 27 Mn kgs. In terms of revenue, the company earned Rs. 230.2 Bn in 2020 against Rs. 240.6 Bn the previous year 2019.

It is noteworthy to state that the Sri Lankan tea was fetching the highest World Auction Averages during the last 12 years except in the year 2012 when Kenya achieved the highest average prices. World Tea Production stood at 6 Bn kgs during 2020 recording a slight reduction of 2% against the growth of 2.4% in the previous year 2019. China, India, Kenya and Sri Lanka accounted for almost 89.6% of the global production. In fact, Asian Countries merely contributed to the decline of 2.4%, while African Countries and Turkey have shown a slight growth YOY.

The 1st Quarter weekly auction volumes averaged 5.5 Mn kgs against 6.5 Mn kgs the previous year. But prices averaged to Rs. 594.3 against Rs. 536.8 against the previous year recording an increase of Rs. 57.5.

In the 2nd Quarter and 4th Quarter too the weekly auction volumes reflected a decline compared to the previous year, except the 3rd quarter which showed an increase. However, the auction prices showed a remarkable increase of Rs.120.92, Rs. 108.69 and Rs. 89.45 in the 2nd, 3rd and 4th Quarters respectively.

In total, the year 2020 witnessed a decrease in auction volumes by 10.9% amounting to 33 Mn kgs as compared to 2019, but the prices increased by 15% from Rs. 544.54 in 2019 to Rs. 628.21 in 2020.

Both Western High Grown / Uva High grown (Elevation) averages of Rs. 519.75 and Rs. 459.59 showed an increase of Rs.109.25 per kg and Rs.105.95 per kg respectively against the previous year 2019. The company achieved an average of Rs. 606.79 and Rs. 590.06 for the Agras/Haputale Regions respectively.

The company recorded a turnover of Rs. 4.3 Bn against that of Rs. 3.1 Bn in the previous year resulting in an increase of 34%. The revenue of the Agras Region increased by 20%, mainly due to increase in NSA by 26% although sales quantity declined by 8%. The Haputale region too reported an increase in turnover by 56%, mainly due to an increase in NSA by 26% and sales quantity by 23%.

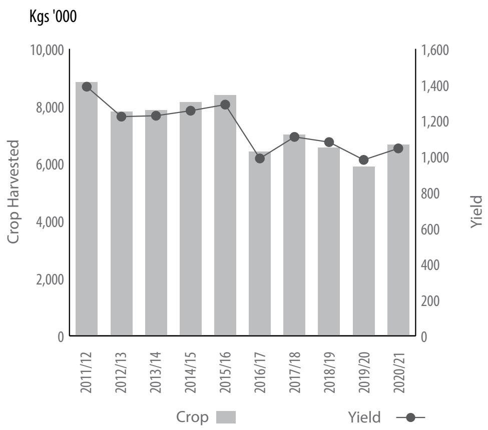
CROP & WEATHER

Weather conditions had been favourable throughout the period for both the regions, with bright mornings and regular evening showers during the 2nd and 3rd quarters, however 1st and the 3rd quarters witnessed bright weather at the beginning but dull and rainy weather at the latter part of the year. Crop intakes were low during the year's 1st quarter and improved intakes were reported during the 2nd quarter but less than the previous year, 3rd quarter reflected moderate intakes and the 4th quarter showed increased intakes in all Plantation Districts.

The crop production of the Company increased by 0.3% and 27.2% from Agras & Uva regions respectively. The overall crop production reflected an increase of 11% against the last year.

YIELD

During the year under review the yield obtained in the Agras Region was 1,070 kgs per ha and Uva Region 1,011 kgs per ha. Agras Region recorded a 3.5% increase in yield and the Uva Region recorded a 12.4% increase against the previous year. This resulted in an overall increase in the yield to 1,045 kgs per ha against the last year's yield of 981 kgs per ha.

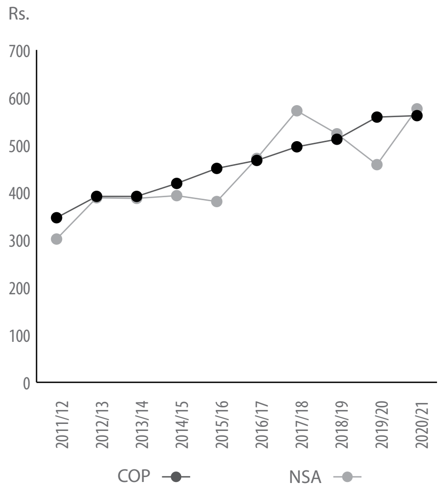


COP VS NSA

The Company COP increased by 0.5% against the previous year. Agras recorded an increase in COP by 5% and Uva recorded a decrease by 4.9% mainly due to the increase in crop by 27.2%.

REVIEW OF OPERATIONS

The NSA of both Agras and Uva have increased by 26% and 25% respectively against the previous year thereby the overall revenue increased by Rs.1.1Bn against the last year.



All attempts have been made to maintain a competitive COP by exercising stringent cost controls, improving productivity and by the conservation of energy.

INFORMATION TECHNOLOGY

The Company has embarked on implementing an ERP system called OLAX across all the Estates to have an efficient cost control system, to ensure timely access of information by all relevant parties relating to deployment of pluckers, managing plucking rounds, monitoring absenteeism, daily plucking intakes etc.

CAPITAL EXPENDITURE

Replanting was given high priority to improve the yields and to mitigate the ever escalating costs which includes the high wage rates associated with low productivity.

Therefore the Company continued to invest on Capital intensive technology by introducing mechanized harvesting to combat the ever increased wage rate of 34%.

During the year the Company invested Rs.45 Mn on field development and a further Rs.8 Mn on Commercial Timber and Rs.56 Mn on Property, Plant & Equipment.

CORPORATE SOCIAL RESPONSIBILITY

Both Regions of Agras and Uva of Agarapatana Plantations have implemented the following activities in the year 2020/21.

- Rs.40Mn for New Housing
- Rs.19Mn for Concreting Roads
- Rs.9Mn for Child Development Centers
- Rs.3Mn for Playgrounds/ Field Rest Rooms
- Rs.8Mn Drains/Retaining Walls

This was merely 100% grant provided by the State Ministry of Estate Housing & Community Infrastructure in collaboration with the PHDT.

FINANCIAL REVIEW

The company incurred a gross profit of Rs.171Mn against gross loss of Rs.1,035Mn in the previous year, mainly due to the increase in the NSA by 25.6%, increase in crop by 11% besides the increase in cost of sales by 0.5% against the previous year.

The company reported a net profit before tax of Rs.135Mn for the current year against the net loss of Rs.1.2Bn in the previous year.

The increase in the gross profit by Rs.1,206Mn, the increase in change in fair value of biological assets by Rs.72Mn, increase in other income by Rs.31Mn, decrease in net finance cost by Rs.38Mn and decrease in deferred tax adjustment by Rs.72Mn were the main factors that contributed to the increase in Net profit after tax of Rs.1,401Mn reported in the Financial Statements against the previous year.

The company recorded an overall Comprehensive Income of Rs.263Mn for the current year compared to a comprehensive loss of Rs.435Mn last year, resulting in an increase of Rs.698Mn.

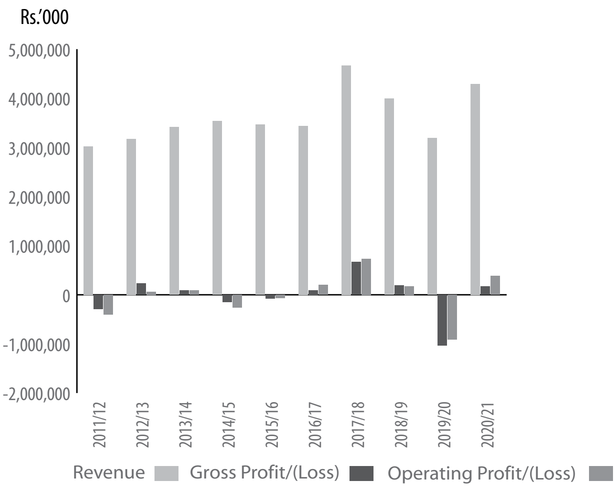
The increase in after tax profitability of Rs.1,401Mn is subject to the decrease in revaluation surplus of Rs.852Mn, decrease in loss of fair value on financial assets by Rs.58Mn together with the increase in Actuarial gain of defined benefit plan amounting to Rs.91Mn accounts for the overall increase in comprehensive income by Rs.698Mn.

REVENUE

The company secured revenue of Rs.4,291Mn against the previous year's revenue of Rs.3,187Mn, which records a significant increase by 35%, mainly due to the increase in price by 25.6% and increase in sold quantity by 4.2% against the previous year.

The turnover of both the Agras and Haputale Regions recorded an increase of 20% and 56% respectively. The NSA and Crop of Agras increased by 26% and 0.3% respectively. Haputale region too reflected an increase in NSA and crop by 25% and 27% respectively.

Revenue, Gross Profit/ (Loss) and Operating Profit/ (Loss)



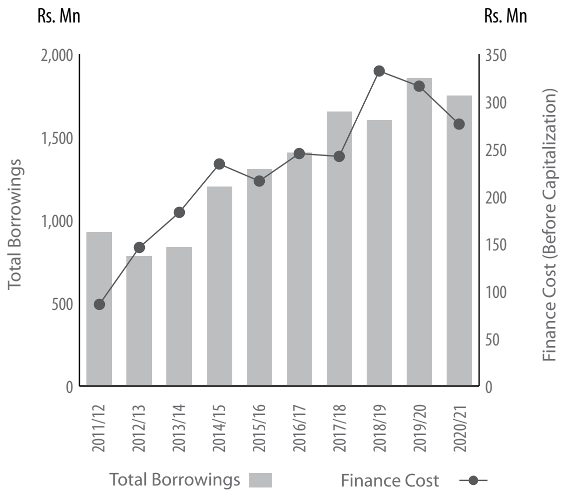
REVENUE IN SEGMENTAL BASIS

During the current period Agras Region generated a Revenue of Rs.2,317Mn, which is 54% of the total revenue (2020 - 60%), recording a decline of 6% whilst Uva Region generated a Revenue of Rs.1,973Mn, which is 46% of the total revenue(2020 - 40%), recording a growth of 6%.

BORROWINGS & FINANCE COST

The overall borrowings have decreased by Rs.110Mn during the year. Term loans amounting to Rs.101Mn, were obtained and settled Rs.210Mn during the year. Finance leases amounting to Rs.1Mn were also settled during the current year.

The finance cost before capitalization of interest was Rs.276Mn which shows a decrease of Rs.39Mn over the previous year mainly due to the settlement of term loans, reduction in broker advances during the current year and overall decrease in interest rates.



CASH FLOW

The net cash generated from operations was Rs.264Mn for the current financial year, compared to Rs.186Mn last year resulting in an increase of Rs.78Mn, against the last Season.

This is mainly due to net increase in operational cash profit amounting to Rs.1,092Mn subject to the decrease in working capital funds amounting to Rs.1,014Mn against the last year.

Net cash loss from operating activities decreased by Rs.50Mn mainly due to the reduction in interest payments of Rs.39Mn and increase in gratuity payments of Rs.68Mn coupled with increase in interest income and tax payments.

The company invested on field developments and Property Plant & Equipment amounting to Rs.53Mn and Rs.56Mn against that of Rs.46Mn and Rs.93Mn against last year respectively.

The Company closed the period with a negative cash balance position of Rs.267Mn compared to Rs.340Mn in the previous year reflecting an increase in the Cash & Cash equivalents balance by Rs.73Mn.

FINANCIAL REVIEW

QUARTERLY PERFORMANCE

A summary of the quarterly financial performance of the Company is given herein.

(In Rs.Mn.)		2020/21			2019/20
Cumulative Up to	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Revenue	**1,045**	**2,111**	**3,067**	**4,292**	3,188
Gross Profit/(Loss)	**112**	**50**	**225**	**171**	(1,035)
Profit/(Loss) after tax	**33**	**(115)**	**(15)**	**190**	(1,212)
Shareholder's Funds	**150**	**(83)**	**17**	**653**	31
Total Assets	**6,279**	**5,878**	**6,164**	**6,683**	5,901
Earnings / (Loss) per Share - Rs.	**0.14**	**(0.49)**	**(0.06)**	**0.81**	(5.16)
Net Assets per Share - Rs.	**0.64**	**(0.36)**	**0.07**	**2.01**	0.13

CORPORATE GOVERNANCE

INTRODUCTION

Corporate Governance is the system by which companies are managed and controlled. The Company firmly believes that good corporate governance adopted and implemented will strengthen the confidence and trust of all stakeholders.

BOARD OF DIRECTORS

Composition

During the financial year ended 31st March 2021, the Board comprised of six Non-Executive Directors and two Executive Directors. Consequent to the resignations which were effective from 31st March 2021, currently the Board comprises of three Non-Executive Directors and two Executive Directors. The individual Directors have a wide knowledge of the business as well as diverse experience, skills and expertise in varied business fields. The names of the Directors who held Office during the financial year are given below. The Directors currently in Office are profiled on page 8.

Mr. S.D.R. Arudpragasam – Non-Executive (Chairman)

Mr. C.P.R. Perera – Non-Executive (Deputy Chairman)

Mr. D. R. Madena – Chief Executive Officer – Executive

Mr. D.A. Ratwatte – Non-Executive (Resigned w.e.f. 31.03.2021)

Mr. S.S. Poholiyadde – Executive

Mr. G.D.V. Perera – Independent Non-Executive (Resigned w.e.f. 31.03.2021)

Mr. P.M.A. Sirimane – Independent Non-Executive (Resigned w.e.f. 31.03.2021)

Mr. Anushman Rajaratnam- Non-Executive

The Non-Executive Directors have submitted declarations of their Independence or Non-Independence to the Board of Directors.

Messrs G.D.V. Perera and P.M.A Sirimane who functioned as Independent Non Executive Directors during the financial year resigned from the Board of Directors with effect from 31st March 2021.

Responsibilities

The main responsibilities of the Board of Directors are as follows.

- Planning and guiding the business towards achieving the set objectives.
- Assessing and implementing sound internal control systems and ensuring that all statutory obligations are being met.
- Implementing a proactive risk management system and reviewing exposure to key business risks.
- Sanctioning major capital investments, acquisitions and annual budgets.
- Approval of Annual Financial Statements for publication.

Decision Making

The Board has met on five occasions during the year under review.

In addition to Board Meetings, matters are referred to the Board and decided by Resolutions in writing.

Company Secretaries and Independent Professional Advice

The Company and all Directors may seek advice from Corporate Managers & Secretaries (Pvt) Ltd who are qualified to act as Secretaries as per the provisions of the Companies Act No. 7 of 2007. Advice is also sought from independent external professionals whenever the Board deems it necessary.

Financial Acumen

Currently the Board comprises of two finance professionals who possess the knowledge and the competence to offer the Board the necessary guidance on matters relating to Finance.

Appointments to the Board

New Directors are proposed for appointment by the Nomination Committee of the Parent Company, Lankem Developments PLC in consultation with the Chairman of the Company in keeping with the provisions of the Articles of Association of the Company in relation to the same and in accordance with Rules on Governance. The Board thereon approves the Appointment of Directors.

Re-election of Directors

In terms of the Articles of Association of the Company a Director appointed to the Board holds office until the next Annual General Meeting at which he seeks re-election by the shareholders. The Articles require one third of the Directors in office (excluding the Managing Director) to retire by rotation at each Annual General Meeting. The Directors who retire are those who have been longest in office since their last election. Retiring Directors are eligible for re-election by the shareholders.

RELATIONS WITH SHAREHOLDERS

Annual General Meeting

The Board considers the Annual General Meeting an opportunity to communicate with shareholders and encourages their participation. Questions raised by the shareholders are answered and an appropriate dialogue is maintained with them.

Major Transactions

There have been no transactions during the year under review which fall within the definition of 'Major Transactions' as set out in the Companies Act.

Managing Agents

The Board has delegated the Management of the Plantations and the task of achieving the strategic objectives set out by the Board to the Managing Agents, Lankem Tea & Rubber Plantations (Pvt) Ltd (LT&RP). The Board of LT&RP meets regularly and reviews the progress towards achieving the budgets and discusses the operational issues. The successful implementation of the Capital expenditure programmes is also a key function.

Management Meetings

The Directors, Consultants, General Managers and Deputy General Managers meet every month to review Corporate, Regional and Divisional performance against annual budgets and prompt corrective action is being taken when necessary. Other matters of relevance to the Industry in which the Company operates are also being discussed.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board places emphasis on disclosure of financial and non- financial information. The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards.

Internal Controls

The Company ensures a sound internal control system to safeguard shareholders' investments and the Company assets. Company has an independent division to handle the work in relation to the internal audit. These enhance the effective management of the business related risks. The Board reviews the recommendations of External Auditors and takes appropriate action in order to maintain an adequate internal control system.

Audit Committee

The Audit Committee of the Parent Company Lankem Developments PLC functions as the Company's Audit Committee. The Audit Committee Report is set out on page 17 of this Report.

Remuneration Committee

The Remuneration Committee of the Parent Company Lankem Developments PLC (LDPLC) functions as the Remuneration Committee of the Company. The Committee comprises of Mr. C. P. R. Perera, Chairman, Mr. P.M.A. Sirimane, Independent Non-Executive Directors of LDPLC, Mr. S.D.R. Arudpragasam, Non-Executive Director of LDPLC and Mr. A. M. de S. Jayaratne, Independent Non-Executive Director of The Colombo Fort Land & Building PLC (CFLB) (Ultimate Parent Company).

The Committee is responsible for recommending remuneration packages for the key management and senior management personnel. In addition they lay down guidelines and parameters for the compensation structure of the management staff.

The remuneration policy of the Company is to attract, motivate and retain qualified and experienced personnel and reward performance in a fair manner.

Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 36 to the financial statements. The Report of the Related Party Transactions Review Committee appear on page 18.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budgets, cash flows, borrowing facilities and capital expenditure requirements have a reasonable expectation that the Company has adequate resources to continue operations in the foreseeable future. Therefore the going concern basis has been adopted in preparing these financial statements.

OTHERS

Compliance with Legal Requirements

Our legal and finance divisions together with the Company's Secretaries strive to ensure that the Company complies with all laws and regulations of the country.

Rights of Employees / Other Stakeholders

The Company identifies the rights of employees. Several employee performance enhancing mechanisms such as performance appraisals and training initiatives are in place for the career building of our employees. A series of best practices and techniques are now embedded in the business and applied intelligently within the organization. Constant responsiveness to all stakeholder interests and an effective risk management process are critical success factors to ensure that the governance process will continue to add value in the future. The extent to which the good corporate governance practices are adopted in the Company is given as above in this report.

AUDIT COMMITTEE REPORT

The Audit Committee Report focuses on the activities of the Company for the year under review, which the committee has reviewed and monitored as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective views.

COMPOSITION

The Audit Committee of the Parent Company, Lankem Developments PLC (LDPLC) function as the Company's Audit Committee and comprised of an Independent Non- Executive Director of The Colombo Fort Land & Building PLC (CFLB) (Ultimate Parent Company) and the two Independent Non- Executive Directors of Lankem Developments PLC (LDPLC) for the financial year ended 31st March 2021.

The names of the members are set out below.

Mr. A. M. de S. Jayaratne - Chairman
(Independent, Non-Executive Director - CFLB)

Mr. C. P. R. Perera - Member
(Independent, Non-Executive Director - LDPLC)

Mr. P.M.A. Sirimane - Member
(Independent, Non Executive Director - LDPLC)

The Committee has varied experience and financial expertise with high standing of integrity and business acumen in order to carry out their role efficiently and effectively. The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of England & Wales.

The Company's Secretaries, Corporate Managers & Secretaries (Private) Limited function as the Secretaries to the Audit Committee.

MEETINGS AND ATTENDANCE

The Audit Committee has met on two occasions in respect of Agarapatana Plantations Ltd during the financial year ended 31st March 2021 and the attendance was as follows:

Mr. A. M. de S. Jayaratne – Chairman	2/2
Mr. C. P. R. Perera	2/2
Mr. P.M.A. Sirimane	2/2

Further the matters which come under the purview of the Audit Committee are also decided by resolutions in writing.

ROLE OF THE AUDIT COMMITTEE

The Audit Committee reviews and advises the Company to ensure that the financial reporting system is in adherence with the Sri Lanka Accounting Standards and other regulatory and statutory requirements. It also reviews the adequacy of internal controls and the business risks.

The Committee peruses the operational reviews and assesses the future prospects of the business operations and the fact that the going concern assumption used in the preparation of the Financial Statements is appropriate.

The Committee has scrutinized the quarterly accounts and the accounts for the year ended 31st March 2021.

Senior management personnel of the Company are invited to the meeting as and when required. Matters of importance and concern are reported to the Board of Directors.

EXTERNAL AUDIT

The Company has appointed Messrs Ernst & Young as its external auditor and the services provided by them are segregated between audit/assurance services and other advisory services such as tax consultancy.

The Audit Committee has determined that Ernst & Young, Auditors are independent on the basis that they do not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Ernst & Young as Auditors for the financial year ending 31st March 2022, subject to the approval of the shareholders at the Annual General Meeting.

CONCLUSION

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the audited accounts are free from any material misstatements.

A.M. de S. Jayaratne
Chairman
Audit Committee

18th August 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) is entrusted with the responsibility of ensuring that the interests of all the stakeholders of the Company are protected in all related party transactions.

COMPOSITION

The Related Party Transactions Review Committee of the Parent Company, Lankem Developments PLC (LDPLC) functions as the Company's Related Party Transactions Review Committee which comprises of the following members :

Mr. P.M.A. Sirimane - Chairman - Independent/Non-Executive Director (LDPLC)

Mr. C.P.R. Perera - Independent/Non-Executive Director (LDPLC)

Mr. K.P. David - Non-Executive Director (LDPLC)

The Company's Secretaries Corporate Managers & Secretaries (Private) Limited functions as the Secretaries to the Related Party Transactions Review Committee.

MEETINGS OF THE COMMITTEE

The Related Party Transactions Review Committee had met on two occasions in respect of Agarapatana Plantations Limited during the financial year ended 31st March 2021 and the attendance was as follows:

Mr. P.M.A. Sirimane – Chairman	2/2
Mr. C.P.R. Perera	2/2
Mr. K.P. David	2/2

In addition to these meetings, certain Related Party Transactions were referred to the members of the RPTRC and were reviewed and recommended by Resolutions in writing.

Other members of the Board and the Management were present at discussions where appropriate. The proceedings of the RPTRC are regularly reported to the Board of Directors.

FUNCTIONS OF THE COMMITTEE

- Review all proposed Related Party Transactions (Except for exempted transactions which are applicable to quoted Companies).
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of the Company and its stakeholders.
- Obtain updates on previously reviewed Related Party Transactions from Senior Management and approve any material changes.
- Establish guidelines for Senior Management to follow in ongoing dealings with related parties.
- Direct the transactions for Board approval / Shareholder approval as deemed appropriate.
- Ensuring that disclosures in the Annual Report as required by the applicable rules and regulations are made in a detailed manner.

CONCLUSION

The Related Party Transactions Review Committee has reviewed the Related Party Transactions entered into during the financial year under review and has communicated its comments and observations to the Board of Directors.

P. M. A. Sirimane
Chairman
Related Party Transactions Review Committee

18th August 2021

RISK MANAGEMENT

The Company has been able to evaluate many types of risks -political, social, environmental, technological, economic, competitive and financial - and incorporate the results into decisions regarding investments and operations, as well as into the systems used to monitor and evaluate the effectiveness of the actions taken.

Risk management adds value to the Company and its stakeholders through supporting its objectives by:

- providing a framework for the Company that enables future activity to take place in a consistent and controlled manner
- improving decision making, planning and prioritisation by comprehensive and structured understanding of business activity, volatility and project opportunities/threats
- contributing to more efficient use/allocation of capital and resources within the organization
- reducing volatility in the non-essential areas of the business
- protecting and enhancing assets and company image
- developing and supporting people and the Company's knowledge base
- optimising operational efficiency

The following are some of the key risk factors the Company is exposed to in the cultivation and processing of tea.

CLIMATE CHANGE

Being an agricultural product, tea plantations in general are heavily reliant on the climatic conditions; as a result a high yield is often associated with conducive agro-climatic conditions. Similarly, unfavorable weather conditions could lead to a significant drop in the production of tea, leading to a decline in sales which invariably affects revenue, profits & cash flows.

In addition to the risk of not having the consistent rainfall needed for the production of tea, there is also a risk of the effects of natural disasters on the harvest such as droughts, landslides, flooding and other related natural disasters that may lead to destruction in the landscape of the plantations as well as the crops.

INCREASE IN COST OF PRODUCTION

The cost of production of a kilogram of black tea in Sri Lanka was found to be the highest when compared to other tea producing countries around the world. Among the main contributors to the increasing costs, labour takes a foremost place contributing to 70% of the total cost of production. Labour also tends to show a compounding effect on the increase due to biennial wage increases which are not related to an individual's or the group's performance due to pressure created by trade unions.

Additionally, the increase in cost of fertilizer, energy, pesticides, land preparation and other general maintenance expenses would add to the increase in total costs.

FLUCTUATING TEA PRICES

The bulk tea produced from each individual estate takes the form of a perfectly competitive product in the market and functions as a 'price taker'. Therefore the planters are forced to produce on the industry demand and supply trends, making planters more susceptible to changes in the global tea prices and the prices seen at the tea auctions. As a result, the existing macro-economic conditions prevailing in the market such as the global supply of tea, export demand for tea, geopolitical uncertainties, free trade agreements and the changes in global consumer trends may have a significant effect on the prices of tea fetched at the auctions.

CHANGES IN GOVERNMENT POLICY

The Government influences the tea industry through a number of directives and policy changes of which primarily variances in taxes, government grants, fertilizer subsidies and labour related regulations have a direct impact on the cost of production and overall profitability. The fertilizer subsidy is a policy that has been subject to much political scrutiny which has resulted in policy changes over the last few years. The continual of such grants and subsidies can be advantageous to the business whilst the removal of such may result in the incurring of additional costs.

TRADE UNIONS

The tea industry faces an increasing number of demands and requests from trade unions which include better working conditions and higher wages. The pressure from the Unions to increase wages becomes a constantly increasing cost for the business as most employee contracts are governed by collective agreements.

This enables the trade unions to lobby for wage increases irrespective of employee performances resulting in additional costs for the company with little or no increase in productivity. At present, labour costs accounts for over 70% of the total cost of production and as a result any variance in the above may affect the profitability of the business.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 21.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit & Loss of the Company for the financial year. In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 07 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities. The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to undertake whatever inspections they consider appropriate to enable them to submit their audit report. The Directors confirm that they have complied with these requirements. They have a reasonable expectation, after making inquiries and following a review of the Company's budget for the ensuing year including cash flows and borrowing facilities, that the Company has adequate resources to continue in operational existence in the foreseeable future, and therefore have continued to adopt the going concern basis in preparing the accounts.

On behalf of the Board

S.S. Poholiyadde
Director

D.R. Madena
Director

Colombo
18th August 2021

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF AGARAPATANA PLANTATIONS LTD

Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of Agarapatana Plantations Ltd, which comprise the statement of financial position as at 31 March 2021 and the statement of profit or loss, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and its 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 Company 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.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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'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 Company'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 Company 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.

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.

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.

Ernst & Young

18th August 2021
Colombo

STATEMENT OF FINANCIAL POSITION

As At 31 March	Note	2021 Rs.	2020 Rs.
Non Current Assets			
Right-of-use Assets	6	**181,434,971**	195,819,005
Freehold Property, Plant & Equipment	7	**1,596,105,041**	1,635,064,175
Bearer Biological Assets	8	**2,235,530,646**	2,232,460,902
Consumable Biological Assets	9	**1,289,675,829**	1,025,776,037
Other Non Current Financial Assets	10	**31,118,823**	77,270,497
		5,333,865,310	5,166,390,617
Current Assets			
Produce on Bearer Biological Assets	11	**8,855,936**	2,692,042
Inventories	12	**515,934,251**	426,707,466
Trade and Other Receivables	13	**290,942,821**	214,321,375
Amounts due from Related Companies	14	**379,463,925**	12,459,418
Short Term Investment		**28,842,466**	27,066,786
Cash & Bank Balances	15	**124,628,054**	51,455,680
		1,348,667,452	734,702,768
TOTAL ASSETS		**6,682,532,763**	5,901,093,385
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	**1,270,787,250**	910,787,250
Fair Value Reserve of Financial Assets at FVOCI		**(152,409,645)**	(106,257,971)
Timber Reserve		**1,177,034,452**	921,591,957
Revaluation Reserve	17	**811,192,701**	851,698,192
Retained Profit /(Loss)		**(2,452,841,515)**	(2,546,584,851)
TOTAL EQUITY		**653,763,244**	31,234,578
Non Current Liabilities and Deferred Income			
Interest Bearing Loans & Borrowings	18	**753,168,178**	920,224,238
Retirement Benefit Obligations	19	**1,557,598,881**	1,531,478,560
Deferred Income	20	**197,098,095**	203,194,616
Lease Liabilities	21	**127,970**	129,872
Deferred Tax Liability	30	**112,097,147**	159,138,004
		2,620,090,271	2,814,165,290
Current Liabilities			
Interest Bearing Loans & Borrowings	18	**573,466,758**	515,321,869
Lease Liabilities	21	**1,902**	1,138,292
Trade and Other Payables	22	**1,959,765,223**	1,695,513,188
Dividend Payable	23	**-**	10,027,606
Amounts due to Related Companies	24	**437,918,793**	402,739,829
Income Tax Payable		**16,871,712**	12,652,091
Bank Overdraft	15	**420,654,860**	418,300,641
		3,408,679,248	3,055,693,516
TOTAL EQUITY AND LIABILITIES		**6,682,532,763**	5,901,093,385
Net Assets per Share		**2.01**	0.13

These Financial Statements are in compliance with the requirements of the companies Act No 07 of 2007.

M. Kowdu
General Manager- Finance

The Board of Directors is responsible for these Financial Statements. Authorised and signed for and on behalf of the Board of Directors of Agarapatana Plantations Ltd.

S.S. Poholiyadde
Director

D.R. Madena
Director

The Accounting Policies and Notes on Pages 29 through 68 form an integral part of the Financial Statements.

18th August 2021
Colombo

STATEMENT OF PROFIT OR LOSS

For the Year ended 31 March	Note	2021 Rs.	2020 Rs.
Revenue	25	**4,291,538,466**	3,187,556,166
Cost of Sales		**(4,120,858,598)**	(4,223,017,837)
Gross Profit/(Loss)		**170,679,868**	(1,035,461,671)
Gain/(Loss) on change in fair value of biological assets	11.2	**269,955,747**	197,794,763
Other Income	26	**87,490,862**	56,114,245
Administrative Expenses		**(148,845,519)**	(130,432,772)
Finance Income	27	**6,982,532**	2,414,795
Finance Cost	28	**(250,833,197)**	(284,822,058)
Profit/(Loss) Before Tax	29	**135,430,293**	(1,194,392,699)
Income Tax (Expense)/Reversal	30	**54,165,592**	(17,541,284)
Net Profit/(Loss) for the year		**189,595,885**	(1,211,933,983)
Earnings/(Loss) per Share	31	**0.81**	(5.16)

The Accounting Policies and Notes on Pages 29 through 68 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March	Note	2021 Rs.	2020 Rs.
Profit/(Loss) for the year		**189,595,885**	(1,211,933,983)
Other Comprehensive Income/(Loss)			
Other comprehensive Income/(Loss) that will not to be reclassified to profit or loss in subsequent periods			
Net Gain/(Loss) on financial assets at fair value through OCI	10.2	**(46,151,674)**	(103,923,581)
Tax Effect		**-**	-
		(46,151,674)	(103,923,581)
Revaluation Surplus on Buildings	7	**-**	990,346,735
Tax Effect		**-**	(138,648,543)
		-	851,698,192
Remeasurement gains/(losses) on defined benefit plan	19	**133,055,257**	33,022,015
Tax Effect		**(13,970,802)**	(4,623,082)
		119,084,455	28,398,933
Net other comprehensive Income/(Loss) not to be reclassified to profit or loss in subsequent periods		**72,932,781**	776,173,544
Other comprehensive income/(Loss) for the year, net of tax		**72,932,781**	776,173,544
Total comprehensive income/(Loss) for the year, net of tax		**262,528,666**	(435,760,439)

The Accounting Policies and Notes on Pages 29 through 68 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2019	**910,787,250**	**(2,334,390)**	**733,518,942**	**-**	**(1,174,976,786)**	**466,995,017**
Net Profit / (Loss) for the year	-	-	-		(1,211,933,983)	(1,211,933,983)
Other comprehensive income/ (loss)for the year, net of tax	-	(103,923,581)	-	851,698,192	28,398,933	776,173,544
Gain / (loss) on change in fair value of Consumable biological assets	-	-	201,077,315	-	(201,077,315)	-
Realised gain on harvested valuable timber trees	-	-	(13,004,300)	-	13,004,300	-
Balance as at 31 March 2020	**910,787,250**	**(106,257,971)**	**921,591,957**	**851,698,192**	**(2,546,584,851)**	**31,234,578**
Net Profit / (Loss) for the year	-	-	-		189,595,885	189,595,885
Issue of shares	360,000,000	-	-	-	-	360,000,000
Other comprehensive income/ (loss)for the year, net of tax	-	(46,151,674)	-	-	119,084,455	72,932,781
Gain / (loss) on change in fair value of Consumable biological assets	-	-	263,791,854	-	(263,791,854)	-
Realised gain on harvested valuable timber trees	-	-	(8,349,359)	-	8,349,359	-
Transfer from Revaluation Reserve	-	-	-	(40,505,491)	40,505,491	-
Balance as at 31 March 2021	**1,270,787,250**	**(152,409,645)**	**1,177,034,452**	**811,192,701**	**(2,452,841,515)**	**653,763,244**

The Accounting Policies and Notes on Pages 29 through 68 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the Year ended 31 March	Note	2021 Rs.	2020 Rs.
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Net Profit / (Loss) before Taxation		**135,430,293**	(1,194,392,699)
ADJUSTMENTS FOR			
Interest Income	27	**(6,982,532)**	(2,414,795)
Interest Expenses	28	**250,833,197**	284,822,058
Retirement Benefit Obligations - Provision	19	**241,322,614**	237,871,812
Depreciation	6.2,7,9	**176,467,222**	152,740,758
(Gain) / Loss on Fair Valuation of Biological Assets	11	**(269,955,747)**	(197,794,763)
Amortization Capital Grants	26	**(8,849,021)**	(8,760,166)
Profit on Disposal of Property, Plant & Equipment	26	**(3,291,600)**	-
(Profit) / Loss from sale of Valuable Timber Trees	26	**(9,840,921)**	3,694,648
Provision for Surcharges		**61,394,615**	99,235,265
Write off of unclaimed ESC Receivables	13.1	**23,583,441**	17,662,991
Write off of Bearer Biological assets (Immature)	8	**-**	94,713,324
Write back of Dividend Payable		**(10,027,606)**	-
Operating Profit / (Loss) before Working Capital Change		**580,083,955**	(512,621,567)
(Increase) / Decrease in Inventories		**(89,226,785)**	79,334,093
(Increase) / Decrease in Trade & Other Receivables		**(100,888,025)**	23,138,334
(Increase) / Decrease in Amount due from Related Companies		**(367,004,507)**	39,083,407
Increase / (Decrease) in Trade & Other Payables		**206,109,485**	221,649,904
Increase / (Decrease) in Amount due to Related Companies		**35,178,964**	335,577,129
Cash Generated From Operations		**264,253,087**	186,161,300
Retirement Benefit Obligations - Payments	19	**(82,147,036)**	(14,478,717)
Interest Received		**6,982,532**	2,414,795
Interest Paid		**(276,110,360)**	(315,683,119)
Payment of NBT		**(1,321,538)**	(1,095,384)
Payment of Income Tax		**(1,943,307)**	-
Payment of VAT		**(1,930,527)**	(115,368)
Net Cash from/(used in) Operating Activities		**(92,217,149)**	(142,796,493)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from Sale of Property , Plant & Equipment		**3,291,600**	-
Investment in Field Development		**(44,967,262)**	(36,104,994)
Investment in Timber	9	**(8,457,297)**	(9,853,685)
Proceeds from Sale of Shares		**-**	4,455,506
Proceeds from Sale of Valuable Timber Trees		**18,190,280**	9,360,548
Purchase of Property , Plant & Equipment		**(55,949,371)**	(93,168,385)
Net Cash from/(used in) Investing Activities		**(87,892,051)**	(125,311,011)

STATEMENT OF CASH FLOWS

For the Year ended 31 March	Note	2021 Rs.	2020 Rs.
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Payment of Leases		**(1,138,292)**	(4,035,947)
Grants Received		**2,752,500**	3,200,000
Proceeds from Issue of Shares		**360,000,000**	-
Proceeds from Term Loans		**101,500,000**	581,838,710
Repayment of Term Loans		**(210,411,172)**	(338,729,134)
Net Cash from / (Used in) Financing Activities		**252,703,034**	242,273,627
Net Increase/ (Decrease) in Cash and Cash Equivalents		**72,593,835**	(25,833,883)
Cash & Cash Equivalents at the beginning of the year	A	**(339,778,175)**	(313,944,292)
Cash & Cash Equivalents at the end of the year	B	**(267,184,340)**	(339,778,175)
NOTE A			
Cash & Cash Equivalents at the beginning of the year			
Short Term Investment		**27,066,786**	24,792,868
Cash in Hand		**2,231,632**	3,054,571
Cash at Bank		**49,224,048**	61,569,738
Bank Overdraft		**(418,300,641)**	(403,361,469)
		(339,778,175)	(313,944,292)
NOTE B			
Cash & Cash Equivalents at the end of the year			
Short Term Investment		**28,842,466**	27,066,786
Cash in Hand		**6,501,199**	2,231,632
Cash at Bank		**118,126,855**	49,224,048
Bank Overdraft		**(420,654,860)**	(418,300,641)
		(267,184,340)	(339,778,175)

The Accounting Policies and Notes on Pages 29 through 68 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

Agarapatana Plantations Limited is a limited liability company incorporated and domiciled in Sri Lanka. It was incorporated on 22nd June 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 53-1/1, Sir Baron Jayathilaka Mawatha, Colombo 01 and Plantations are situated in the planting districts of Badulla and Nuwara Eliya.

The Financial Statements of the Company comprise the Statement of Financial Position, Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to Financial Statements.

1.2 Principal activities and the nature of the operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of black tea.

1.3 Parent enterprise

The Company's immediate parent enterprise is Lankem Developments PLC.

1.4 Date of Authorization for issue

The Financial Statements of Agarapatana Plantations Limited for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the board of directors on 18th August 2021.

1.5 Responsibility for Financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' responsibility report in the Annual Report.

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than buildings, consumable biological assets, produce on bearer biological assets and financial instruments that have been measured at fair value and where appropriate, specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 New accounting standards, interpretations and amendments adopted by the company

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31st March 2021.

- Amendments to SLFRS 3: Definition of a Business
- Amendments to SLFRS 7 and SLFRS 9: Interest Rate Benchmark Reform
- Amendments to LKAS 1 and LKAS 8: Definition of Material
- Conceptual Framework for Financial Reporting
- Amendments to SLFRS 16: Covid-19 Related Rent Concessions

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

2.5 Materiality and aggregation

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

2.6 Going Concern

These financial statements are prepared on the assumption that the company is a going concern, i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the company has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

However, as of the Statement of Financial Position date, the company's current liabilities exceeded its current assets by Rs. 2,060,011,795/- (2020 - Rs. 2,320,990,749/-).

After reviewing the financial position and cash flows of the Company the Board of Directors are of the belief that the Company has adequate resources to continue company operation well into the foreseeable future. The directors of the company are confident that the financial position of the company will significantly improve during the year 2021/22. Based on the following action plans appended below.

i. To enhance fertilizer applications and thereby achieving a significant improvement to the yield as well as quality, is expected during the 2nd half of the current year. A separate Broker funding in the form of a revolving short term loan has been negotiated to meet this requirement.

ii. Negotiations are underway with a bank to raise a working capital facility of Rs.200 Mn at a reduced interest rate under the COVID -19 conditions, whereby the current AWPLR being around 5.6% the lending rate would be around 8% (AWPLR+2.5%), which would thus be a very competitive rate to replace the monthly Broker borrowings at 14%. In order to facilitate the granting of this new loan, Bank has fully recovered the outstanding capital balance of Rs. 42 Mn of Rs. 245 Mn loan through the proceeds available at Escrow A/C of the bank. Company will receive the 1st tranche of this loan amounting Rs.75Mn during September 2021.

iii. The management has committed to bring in significant savings in the cost of harvesting by introducing machine plucking, with an increase in the production at a reduced labour cost which accounts for 60% of the COP. In this regard the management has strategized for 30% of the plucking extent to be mechanized within the next two years. The Company has hired a specialized Consultant in this field full time under mechanization who will be responsible for training and implementation.

The Company has successfully implemented the first phase of the mechanized plucking during the year 2020/21, whereby almost 113 machines are in operation and will be increased by another 400 machines by the end of March 2022.

Machine plucking operates by way of two pluckers per machine, harvesting at the rate of 35 to 50 Kgs per plucker per day, with a norm of 30 to 40 Kgs and the over kilos are paid at Rs.30/-, whereas manual plucking brings l6 Kgs per plucker with a norm of l8 Kgs and the over kilos are paid at Rs.40/- . The Company has lost a fair amount of workers due to retirement etc and as such, currently the required plucking rounds are unable to be implemented due to shortage of workers, which will be mitigated by mechanized plucking.

iv. The management has issued a stringent operational policy on labour management that are to be strictly observed by the estate management, whereby each and every estate should keep up to the total labour cost at 60% of the total COP, by way of deploying labour efficiently in terms of labour allocation to plucking rounds and other related works considering lean vs cropping periods whilst meeting the projected crop.

v. The board of directors of Lankem Tea & Rubber Plantations (Pvt) Ltd, Managing Agents has decided to extend the moratorium placed on Management Fees for the coming financial year too.

vi. Further during the year 2020/21 the parent company supported the increase in equity capital amounting to Rs.360Mn by way of a Private Placement to strengthen the balance sheet and shall continue extending similar financial assistance should the need arise.

Impact on COVID-19 and Going Concern Assessment

The management has considered the current and future effects of COVID -19 on the operational activities of the company and its effect to the going concern. The management has considered wide range of factors including cash flows, current and expected profitability, temporarily defer capital payments, debt repayments and negotiating financial facilities required to continue the business as it is. The Directors are of the view that the company has adequate resources to continue the business for the foreseeable future and rationalize following the going concern basis in preparing these financial statements.

Liquidity Risk and Interest Rate Risk Management

The company has considered the importance of cash flow management and planned more controls over this activity such as strict monitoring of its cash flows to mitigate the adverse impacts which could affect the liquidity of the company by COVID-19 pandemic. 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 & Impairments

The measures the company has taken to mitigate the impact of COVID 19 on crop intake, revenue from the year of 2020/21 is successful and therefore no requirement to impair of Biological Assets, Debtors and Other Assets of the company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

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

3.2 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non -current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no right to defer the settlement of the liability for at least twelve months after the reporting period

  The Company classifies all other liabilities as non-current.

- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3 Fair Value Measurement

The Company measures financial instruments and non-financial assets indicated below at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Freehold property plant and equipment under revaluation model (Buildings) - Note 7
- Consumable biological assets - Note 9
- Produce on bearer biological assets - Note 11
- Financial Instruments (including those carried at amortized cost) Note 10

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as buildings, Consumable biological assets, and significant liabilities, such as retirement benefit obligations. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.4 Property Plant & Equipment

3.4.1 Recognition and measurement

Property, Plant and Equipment is recognised if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost (or at fair value in the case of buildings), less accumulated depreciation and accumulated impairment losses, if any.

3.4.2 Owned assets

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes 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 labor, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is preformed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The company's policy is to revalue Buildings once in every four years. Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

3.4.3 Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

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

a) Right-of-use assets

The company recognises right-of-use assets at the commencement date of the 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-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives 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, as follows:

	No. of Years	Rate (%)
Motor Vehicles	5	20.00

b) Amortisation

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease period and the useful lives as follows:

	No. of Years	Rate (%)
Right to use of Land	53	1.89
Improvements to Land	30	3.33
Mature Plantations - Tea	30	3.33
Roads & Bridges	40	2.5
Buildings	25	4
Fences & Securities	20	5
Machinery	15	6.67
Water supply	20	5
Power Augmentation	20	5
Vested Tea	30	3.33

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

c) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and amounts expected to be paid under residual value guarantees. 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 Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Note 21 to the financial statements.

d) Short-term leases and leases of low-value assets

The Company does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low values assets.

3.4.4 De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized and gains are not classified as revenue.

3.4.5 Land improvement cost

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

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

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.4.6 Biological Assets

Biological assets are classified in to 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 and other plantations are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of 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.

3.4.6.1 Bearer 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 & Equipment.

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), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea) which comes into bearing during the year, is transferred to mature plantations.

3.4.6.2 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 capitalised in accordance with LKAS 16 and depreciated over the useful life at rates applicable to mature plantation.

Infilling costs that are not capitalised have been charged to the statement of profit or loss in the year in which they are incurred.

3.4.6.3 Borrowing Cost

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 capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the statement of profit or loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs.

Borrowing costs to be capitalised towards the field development activities are determined based on the effective borrowing rate applied to the average carrying amount of the qualifying immature asset (excluding interest). Effective borrowing rate is determined as a percentage of total borrowing costs over outstanding average borrowings. The capitalisation will cease when the crops are ready for commercial harvest.

The capitalisation rate of 9.51% (2020 – 12.34%) was used.

Borrowing Costs amounting to Rs. 25,277,163/- (2020 – Rs. 30,861,061/-) have been capitalised as part of the cost of the immature plantations.

3.4.6.4 Consumable Biological Assets

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is 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 fair value of timber trees are measured using DCF method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 9.

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 of consumable biological assets are included in the statement of profit or loss for the period in which it arises.

Impairments to Biological Assets are charged to the statement of profit or loss in full and reduced to the net carrying amount of such asset in the year of occurrence after ascertaining the loss.

3.4.6.5 Nursery Plants

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

3.4.6.6 Produce on Bearer Biological Assets

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

For this purpose, quantities of harvestable agricultural produce ascertained based on 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 considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formular.

Tea – Bought Leaf rate (current month) less cost of harvesting & transport.

3.4.7 Depreciation and amortisation

(a) Depreciation

Depreciation is recognized in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment. Assets held under 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. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives are as follows:

	No. of Years	Rate (%)
Buildings	26	3.85
Roads	25	4
Plant & Machinery	13 1/3	7.5
Motor Vehicles	5	20
Equipment	8	12.5
Furniture & Fittings	10	10
Sanitation, Water & Electricity Supply	20	5

Mature Plantations (Replanting and New Planting)

	No. of Years	Rate (%)
Mature Plantations - Tea	33 1/3	3.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

No depreciation is provided for immature plantations.

3.5 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.

3.5.1 Financial assets

3.5.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as 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's 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 Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, investments, trade and other receivables, available for sale financial assets.

3.5.1.2 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 Company 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 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 (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of 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 Company 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.

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.

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 recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to the statement of profit or loss.

c) Financial assets at fair value through OCI

Upon initial recognition, the Company 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 the statement of 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 Company 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.

The Company's financial assets fair value through OCI includes investments in quoted and unquoted shares which included under other non-current financial assets.

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.

3.5.1.3 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:

a. The rights to receive cash flows from the asset have expired

Or

b. The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company has retained.

Continuing involvement that takes the form 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 Company could be required to repay.

3.5.1.4 Impairment of financial assets

The Company recognises 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 Company 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).

3.5.2 Financial liabilities

3.5.2.1 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

3.5.2.2 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 recognized in the statement of profit or loss.

b) Financial instruments 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 recognized in the statement of Profit or Loss when the liabilities are derecognized 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.

3.5.2.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

3.5.3 Offsetting of financial instruments

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

Financial risk management objectives and policies have been disclosed under Note 37.

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.

3.6 Inventories

Finished goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

Input materials

At average cost

Spares and consumables

At actual cost

Growing Crop Nurseries

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand form and integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.8 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.9 Liabilities and provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of Profit or Loss net of any reimbursement.

3.10 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in the statement of profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS) / Estate Staff Provident Society (ESPS) / Employees' Provident Fund (EPF)

All the employees of the Company are members of the Employees' Trust Fund to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the Statement of Profit or Loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 19.

3.11 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

3.12 Events occurring after the reporting period

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.13 Earnings per share

The Company presents basic earnings per share (EPS) 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.

3.14 Deferred income - Grants and subsidies

Government grants are recognized where there is 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 it 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 gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

3.15 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted as it represents fairly the elements of the Company's performance.

3.15.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 recognised upon satisfaction of performance obligations.

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

Revenue from contracts with customers

Sale of plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea produce is sold at the Colombo Tea 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.

There is no element of financing present as the Company's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

3.15.2 Other Source of Revenue

Revenue recognition criteria for the other source of income as follows;

- Rental Income

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

- Dividend Income

Dividend income is recognized when the right to receive payment is established.

- Interest Income

Interest income is recognized based on 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 other income.

3.15.3 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit for the year.

3.15.4 Financing income and expenses

Finance income comprises interest income on funds invested. Interest income is recorded using the Effective Interest Rate (EIR) method.

Finance expenses comprise interest payable on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of profit or loss using the effective interest method.

The interest expense component of finance lease payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.15.5 Taxes

3.15.5.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.15.5.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.16 Statement of Cash Flows

The Statement of Cash flows has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows, dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows, for the purpose of presenting the Statement of Cash Flows.

3.17 Segment Reporting

The segments are determined based on the company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company. The activities of the segments are described on Note 25 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 utilisation, 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 interest bearing loans, borrowings 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.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstance. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

4.1 Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the company operates and generates taxable income.

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019 and Agro processing is liable at 14%. Accordingly, where applicable, the company has separated its income and expenses as Agro faming and Agro Processing and applied the respective tax rates.

4.2 Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the inland revenue (Amended) bill issued on 18.03.2021, company has identified separately business income as agro farming & agro processing for the purpose of calculating income tax liability therefore, the company has separated assets and liabilities as at 31 March 2021 as Agro farming and Agro processing for the deferred tax purpose.

The details of deferred tax computation is given in Note 30.4 to the Financial Statements.

4.3 Retirement benefit obligations

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

Further details about Retirement benefit obligations are provided in Note 19.

4.4 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. All assumptions are reviewed at each reporting period. Key assumptions and sensitivity analysis of the biological assets are given in Note 9.

4.5 Bearer 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 & Equipment.

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), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea) which comes into bearing during the year, is transferred to mature plantations.

4.6 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 - Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities.

5. SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) 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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In March 2021, the ICASL adopted amenments to LKAS16 - 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 recognises the proceeds from selling such items, and the costs of producing those items, in the statement of profit or loss.

The amendment is effective for reporting periods beginning on or after 1 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 Company.

5.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, 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 01 January 2021.

5.3 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 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company.

5.4 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 1 January 2022 and must be applied retrospectively.

6. RIGHT-OF-USE ASSETS

	Note	2021 Rs.	2020 Rs.
Right- of-use assets - Land	6.1	**156,081,424**	162,584,816
Right-of-use assets - Immovable Leased Bearer Biological Assets	6.2.1	**23,241,723**	29,250,069
Right-of-use assets - Other Property, Plant and Equipment	6.2.2	**1,414,007**	1,611,541
Right-of - use assets - Motor Vehicles	6.2.3	**697,818**	2,372,580
		181,434,971	195,819,005

6.1 Right-of-use assets- Land

Right-of-use assets- Land has accounted in accordance with SLFRS 16 - Leases with effect from 01 January 2019. "Right-of-use asset- Land" have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the Statement of Financial Position date is 24 years.

This Right-of-use asset- Land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets.

	2021 Rs.	2020 Rs.
Cost		
At the beginning of the year	**341,588,181**	341,588,181
At the end of the year	**341,588,181**	341,588,181
Amortisation		
At the beginning of the year	**179,003,365**	172,499,972
Amortisation for the year	**6,503,393**	6,503,393
At the end of the year	**185,506,757**	179,003,365
Written Down Value	**156,081,424**	162,584,816

6.2 Right-of-use assets- Immovable Assets

At the time of privatisation of plantation estates, all immovable assets in these estates (Note 6.2.1 and Note 6.2.2) have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, these assets have accounted in accordance with such standard with effect from 01 January 2019.

6.2.1 Right-of-use assets - Immovable Leased Bearer Biological Assets

	Coffee, Pepper, Cardamom Rs.	Mature Plantations Rs.	Vested Tea Rs.	2021 Rs.	2020 Rs.
Cost					
As at 1 April	305,380	179,092,900	1,222,661	**180,620,941**	180,620,941
Additions	-	-	-	**-**	-
As at 31 March	305,380	179,092,900	1,222,661	**180,620,941**	180,620,941
Amortisation					
As at 1 April	-	150,249,189	1,121,683	**151,370,872**	145,362,526
Amortisation for the year	-	5,967,953	40,393	**6,008,346**	6,008,346
As at 31 March	-	156,217,142	1,162,076	**157,379,218**	151,370,872
Written Down Value	305,380	22,875,758	60,585	**23,241,723**	29,250,069

Note : Investment in plantation assets which were immature at the time of handing over to the Company by way of estate leases are shown under immature plantations (revalued as at 22nd June, 1992).

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea were classified as bearer biological assets in terms of LKAS 16 – Property, Plant & Equipment. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 08.

6.2.2 Right-of-use assets-Immovable Leased Assets (other than right-to-use land and bearer biological assets)

	Improvements to Land	Unimproved Land	Roads & Bridges	Buildings	Fences and Securities	Machinery	Water Supply	Power Augmentation	Other Vested Assets	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost											
As at 1 April	5,406,507	997,894	677,397	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	**85,126,258**	85,126,258
Additions	-	-	-	-	-	-	-	-	-	**-**	-
As at 31 March	5,406,507	997,894	677,397	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	**85,126,258**	85,126,258
Depreciation											
As at 1 April	5,000,125	-	470,132	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	**83,514,717**	83,317,183
Depreciation for the year	180,614	-	16,920	-	-	-	-	-	-	**197,534**	197,534
As at 31 March	5,180,739	-	487,052	62,634,210	48,598	8,201,289	6,158,249	971,614	30,500	**83,712,251**	83,514,717
Written Down Value	225,768	997,894	190,345	-	-	-	-	-	-	**1,414,007**	1,611,541

6.2.3 Right-of-use assets - Motor Vehicles

	2021	2020
	Rs.	Rs.
Cost		
At the beginning of the year	**8,373,810**	-
Transferred from freehold property, plant and equipment (Note 7)	**-**	8,373,810
At the end of the year	**8,373,810**	8,373,810
Depreciation		
At the beginning of the year	**6,001,231**	-
Transferred from freehold property, plant and equipment (Note 7)	**-**	4,326,469
Depreciation during the year	**1,674,762**	1,674,762
At the end of the year	**7,675,993**	6,001,231
Written Down Value	**697,818**	2,372,580

7. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Buildings at Valuation Rs.	Water Supply Rs.	Plant & Machinery Rs.	Motor Vehicles Rs.	Equipment & Tools Rs.	Furniture & Fittings Rs.	Roads Rs.	Capital Work in Progress Rs.	Total 2021 Rs.	Total 2020 Rs.
Cost or Valuation										
Balance as at 1 April 2020	1,387,480,192	84,045,085	442,982,063	362,633,438	68,471,968	9,383,571	69,314,689	947,564	**2,425,258,570**	1,476,322,769
Additions	33,092,268	-	5,509,458	-	11,254,654	-	-	7,007,589	**56,863,969**	93,168,385
Revaluation Gain	-	-	-	-	-	-	-	-	**-**	990,346,735
Disposals	-	-	-	(4,783,500)	-	-	-	-	**(4,783,500)**	(6,650,000)
Transferred due to revaluation	-	-	-	-	-	-	-	-	**-**	(119,554,759)
Transfer In/(Out)	-	-	-	-	-	-	-	(914,598)	**(914,598)**	(8,374,560)
Balance as at 31 March 2021	1,420,572,460	84,045,085	448,491,521	357,849,938	79,726,622	9,383,571	69,314,689	7,040,555	**2,476,424,441**	2,425,258,570
Accumulated Depreciation										
Balance as at 1 April 2020	13,266,760	55,638,043	314,948,111	302,926,340	63,196,965	8,456,368	31,761,808	-	**790,194,395**	860,838,650
Charge for the year	53,523,928	3,543,038	20,639,333	12,933,990	1,349,617	146,012	2,772,588	-	**94,908,506**	59,886,973
On disposals	-	-	-	(4,783,500)	-	-	-	-	**(4,783,500)**	(6,650,000)
Transferred due to revaluation	-	-	-	-	-	-	-	-	**-**	(119,554,759)
Transfer In/(Out)	-	-	-	-	-	-	-	-	**-**	(4,326,469)
Balance as at 31 March 2021	66,790,688	59,181,081	335,587,444	311,076,830	64,546,582	8,602,380	34,534,396	-	**880,319,401**	790,194,395
Carrying Value										
As at 31 March 2021	1,353,781,772	24,864,004	112,904,077	46,773,108	15,180,040	781,191	34,780,293	7,040,555	**1,596,105,041**	-
As at 31 March 2020	1,374,213,432	28,407,042	128,033,951	59,707,098	5,275,004	927,203	37,552,881	947,564	**-**	1,635,064,175

7.1 Fair Value Hierarchy

7.1.1 Accounting Judgements, Estimates and Assumptions related to Revaluation of Buildings

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of changes in equity. The Company engaged an independent valuation specialist to determine fair value of buildings as at 31 December 2019.

The buildings on leasehold land were revalued by Mr. A.A.M Fathihu, Chartered Valuation Surveyor as of 31 December 2019 and the results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of gross replacement cost (GRC). Fair value is determined by reference to market-based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

As a result of the COVID - 19 outbreak in Sri lanka during the last part of the quarter ending 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuer who determined no significant changes to the revalued carrying amount provided as at 31 December 2019.

The fair value of buildings as at 31 March 2020 is Rs. 1,377,072,100/-. The carrying value of buildings as at 31 March 2021 is Rs. 1,324,107,788/- after adjusting the depreciation year ended 31 March 2021 for the above fair value.

Information on fair value measurement on buildings as at 31 March 2020 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2020	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Buildings	1,377,072,100	Cost Approach	Estimated price per square foot	Rs.665/- per square foot	Positively correlated sensitivity

7.1.2 The carrying amount of revalued buildings, if they were carried at cost less depreciation, would be as follows;

	2021 Rs.	2020 Rs.
Cost	**516,688,216**	516,688,216
Accumulated depreciation	**(135,792,777)**	(122,875,647)
Carrying value	**380,895,439**	393,812,569

7.1.3 The cost of fully depreciated assets, but still in use of the company amounts to Rs. 560 Mn as of 31 March 2021 (as at 31 March 2020 - Rs. 506 Mn).

8. BEARER BIOLOGICAL ASSETS

Description	Immature Plantations			Mature Plantations			Total as at 31.03.21	Total as at 31.03.20
	Tea	Other	Total	Tea	Other	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
At the beginning of the year	203,264,651	129,408,688	332,673,338	2,239,156,530	-	2,239,156,530	**2,571,829,868**	2,599,577,137
Additions	61,814,705	8,429,720	70,244,425	9,424,487	39,848,610	49,273,097	**119,517,522**	66,966,055
Transfer In/(Out)	(9,424,487)	(39,848,610)	(49,273,097)	-	-	-	**(49,273,097)**	-
Written- off	-	-	-	-	-	-	**-**	(94,713,324)
At the end of the year	255,654,869	97,989,798	353,644,666	2,248,581,017	39,848,610	2,288,429,627	**2,642,074,293**	2,571,829,868
Depreciation								
At the beginning of the year	-	-	-	339,368,965	-	339,368,965	**339,368,966**	260,899,215
Charge for the year	-	-	-	67,174,681	-	67,174,681	**67,174,681**	78,469,750
At the end of the year	-	-	-	406,543,646	-	406,543,646	**406,543,647**	339,368,966
Written Down Value	255,654,869	97,989,798	353,644,666	1,842,037,371	39,848,610	1,881,885,981	**2,235,530,646**	2,232,460,902

a) These 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 06. Further investment in immature plantations taken over by way of these leases are shown in the above notes. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature under this note.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 – Property, Plant & Equipment.

b) Borrowing costs amounting to Rs.25,277,163/- (2020- Rs.30,861,061/-) have been capitalised as part of the cost of the immature plantations. Capitalisation will cease when crops are ready for harvest.

9. CONSUMABLE BIOLOGICAL ASSETS

	2021	2020
	Rs.	Rs.
At the beginning of the Year	**1,025,776,037**	827,849,337
Increased due to Development	**8,457,297**	9,853,685
Decreased due to Harvesting	**(8,349,359)**	(13,004,300)
Gain/(Loss) arising from changes in fair value	**263,791,854**	201,077,315
At the end of the Year	**1,289,675,829**	1,025,776,037

Managed timber plantation was measured at fair value initially as at 31 March 2013 and subsequently. The corresponding gain/(loss) was recognized in the statement of profit or loss. However fair value surplus was recognized in the equity as a separate component which will be available for distribution only on realisation of consumable biological assets.

9.1 Timber Reserve

	2021 Rs.	2020 Rs.
At the beginning of the year	**921,591,957**	733,518,943
Gain recognized during the year	**263,791,854**	201,077,315
Realised gain on harvested valuable timber trees	**(8,349,359)**	(13,004,300)
At the end of the year	**1,177,034,452**	921,591,957

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The fair value of managed trees was ascertained by the Incorporated Valuer Mr. A.A.M Fathihu, FIV, for the current year in accordance with LKAS 41 - Agriculture using discounted cash flows (DCF) method.

Information About Fair Value Measurements Using Signficant Unobservable Inputs (Level 3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average) 2021	2020	Relation of Unobservable Inputs to Fair Value
Consumable Biological Assets	Discounted Cash Flow Method	Discount Rate	Age to harvest 5 years or below - 10.5%	Age to harvest 5 years or below - 13%	The higher the discount rate, the lesser the fair value
			Age to harvest 6 to 15 years - 11.5%	Age to harvest 6 to 15 years - 14%	
			Age to harvest 15 years or above -12.5%	Age to harvest 15 years or above -15%	
		Optimum Rotation (Maturity)	25 years	25 years	Lower the rotation period, the higher the fair value
		Volume at Rotation	19.4 - 88.5 cu.ft.	19.4 - 88.5 cu.ft.	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.265/- to Rs.860/-	Rs.245/- to Rs.800/-	The higher the price per cu. ft., the higher the fair value

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

The biological assets of the company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to realise in future included in the calculation of the fair value takes into account the age of the timber plants and not the expiration date of the lease.

9.1 Sensitivity Analysis

Sensitivity variation - sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Rs. -10%	Rs. +10%
As at 31 March 2021	**(128,967,583)**	**128,967,583**
As at 31 March 2020	(102,577,604)	102,577,604

Sensitivity variation - discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Rs. -1%	Rs. +1%
As at 31 March 2021	**54,390,798**	**(50,268,382)**
As at 31 March 2020	46,647,243	(43,020,062)

The carrying amount of biological assets pledged as securities for liabilities are Nil for the year 2021 (2020 - Nil).

There are no commitments for the development or acquisition of biological assets.

10. OTHER NON CURRENT FINANCIAL ASSETS

10.1 Financial assets at fair value through OCI

	Holding Precentage	No. of Shares as at 31/03/2021	2021 Rs.	2020 Rs.
Investment in qouted companies				
Beruwala Resorts PLC	0.22%	1,300,000	**1,040,000**	780,000
Investment in unqouted companies				
Union Commodities (Pvt) Ltd	15%	1,200,000	**30,078,823**	76,490,497
Total financial assets at fair value through OCI			**31,118,823**	77,270,497
10.2 Net gain / (loss) on financial assets at fair value through OCI			**(46,151,674)**	(103,923,581)

10.3 Fair Value Hierarchy for Financial Assets at fair value through OCI

Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Investment in quoted equity shares	31-Mar-21	1,040,000	-	-
Investment in unquoted equity shares	31-Mar-21	-	30,078,823	
Total		1,040,000	30,078,823	-
Investment in quoted equity shares	31-Mar-20	780,000	-	-
Investment in unquoted equity shares	31-Mar-20	-	76,490,497	
Total		780,000	76,490,497	-

11. PRODUCE ON BEARER BIOLOGICAL ASSETS

	2021 Rs.	2020 Rs.
As at 1st April	**2,692,042**	5,974,594
Change in fair value less cost to sell	**6,163,893**	(3,282,552)
As at 31st March	**8,855,936**	2,692,042

11.1 Fair Value Hierarchy for Non Financial Assets

Non Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Produce on Bearer Biological Assets	31-Mar-21	-	8,855,936	-
Produce on Bearer Biological Assets	31-Mar-20	-	2,692,042	-

11.2 Gain/(Loss) on Change in Fair Value of Biological Assets

	2021 Rs.	2020 Rs.
Gain/(loss) arising from Consumable Biological Assets - Note 9	**263,791,854**	201,077,315
Gain/(loss) arising from Produce on Bearer Biological Assets - Note 11	**6,163,893**	(3,282,552)
Total Change in Fair Value of Biological Assets	**269,955,747**	197,794,763

12. INVENTORIES

	2021 Rs.	2020 Rs.
Input Materials	**62,142,085**	62,550,348
Nurseries	**15,321,886**	33,401,167
Produce Tea	**406,974,269**	303,767,420
Spares & Consumables	**31,496,011**	26,988,531
	515,934,251	426,707,466

13. TRADE & OTHER RECEIVABLES

	Note	2021 Rs.	2020 Rs.
Trade Debtors		**80,711,982**	13,920,103
Employee Related Debtors		**65,308,703**	57,593,909
Deposits, Advances & Prepayments		**34,852,171**	21,300,242
Other Debtors		**56,478,973**	45,494,179
ESC Recoverable	13.1	**32,974,418**	56,557,859
VAT Recoverable		**25,819,852**	23,889,840
WHT Recoverable		**-**	768,522
		296,146,099	219,524,653
Less : Provision for Impairment		**(5,203,278)**	(5,203,278)
		290,942,821	214,321,375

13.1 Economic Service Charge (ESC) Recoverable

	2021 Rs.	2020 Rs.
At the beginning of the year	**56,557,859**	61,842,446
Add :		
Provision for the year	**-**	12,378,404
Less :		
Written - off during the year	**(23,583,441)**	(17,662,991)
At the end of the year	**32,974,418**	56,557,859

14. AMOUNTS DUE FROM RELATED COMPANIES

	2021 Rs.	2020 Rs.
Marawila Resorts PLC	**133,517**	133,517
Sherwood Holidays Ltd	**13,158,857**	11,724,033
Waverly Power (Pvt) Ltd	**1,140,626**	601,869
Consolidated Tea Plantations Ltd	**365,030,926**	-
	379,463,925	12,459,418

15. CASH AND BANK BALANCES

	2021 Rs.	2020 Rs.
Favourable cash and bank balances		
Cash at Bank	**118,126,855**	49,224,048
Cash in Hand	**1,040,415**	1,647,632
Cash in Transit	**5,460,784**	584,000
	124,628,054	51,455,680
Unfavourable bank balances		
Bank Overdraft	**420,654,860**	418,300,641
	(296,026,806)	(366,844,961)

16. STATED CAPITAL

Value of Issued and Fully Paid Shares	2021 Rs.	2020 Rs.
At the beginning of the year	**910,787,250**	910,787,250
Value of ordinary shares issued under Private Placement	**360,000,000**	-
At the end of the year	**1,270,787,250**	910,787,250

	No. of Shares	No. of Shares
Ordinary shares at the beginning of the year	**235,000,000**	235,000,000
Issue of ordinary shares under Private Placement	**90,000,000**	-
Ordinary shares at the end of the year	**325,000,000**	235,000,000
Golden Share held by the Treasury which has special rights	**1**	1

17. REVALUATION RESERVE

	2021 Rs.	2020 Rs.
At the beginning of the year	**851,698,192**	-
Net revaluation gain / (loss)	**-**	851,698,192
Transfer to retained earnings	**(40,505,491)**	-
At the end of the year	**811,192,701**	851,698,192

The above revaluation reserve consists of net surplus resulting from the revaluation of buildings as described in Note 7 to these financial statements. This unrealised amount cannot be distributed to shareholders.

18. INTEREST BEARING LOANS & BORROWINGS

18.1 Long Term Loans

Description	Repayable within 1 Year	Repayable within 2-5 Years	Repayable after 5 Years	Repayable after 1 year	Total As At 31.03.21	Total As At 31.03.20	Facility Details (Note 18.3)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank of Ceylon - Rs. 245.9 Mn	42,336,766	-	-	-	42,336,766	49,489,232	I
Bank of Ceylon - Rs. 200 Mn	75,000,006	83,333,324	-	83,333,324	158,333,330	162,499,997	II
Peoples Leasing & Finance PLC - Rs. 10.5 Mn	3,151,716	4,349,947	-	4,349,947	7,501,663	8,795,000	III
Commercial Bank of Ceylon PLC - Rs. 500 Mn	76,536,000	87,625,459	-	87,625,459	164,161,459	172,665,458	IV
Sri Lanka Tea Board - Rs. 60 Mn	11,150,424	-	-	-	11,150,424	28,333,316	V
Sri Lanka Tea Board - Rs. 86 Mn	33,449,815	-	-	-	33,449,815	39,976,640	VI
Sampath Bank PLC - Rs. 500 Mn	118,150,000	291,500,000	-	291,500,000	409,650,000	424,986,206	VII
Seylan Bank PLC - Rs. 50 Mn	3,800,000	40,348,546		40,348,546	44,148,546	45,348,546	VIII
Bank of Ceylon - Rs. 250 Mn	68,181,840	181,818,160		181,818,160	250,000,000	250,000,000	IX
Bank of Ceylon - Rs. 50 Mn	13,636,368	36,363,632		36,363,632	50,000,000	50,000,000	X
Peoples Leasing & Finance PLC - Rs. 7.77 Mn	2,643,776	2,930,048	-	2,930,048	5,573,824	7,125,920	XI
Peoples Leasing & Finance PLC - Rs. 9.64 Mn	3,172,624	3,868,650	-	3,868,650	7,041,274	8,832,478	XII
Peoples Leasing & Finance PLC - Rs. 5.02 Mn	1,741,387	1,929,930	-	1,929,930	3,671,317	4,768,471	XIII
Peoples Leasing & Finance PLC - Rs. 6.27 Mn	1,934,371	2,557,666	-	2,557,666	4,492,037	5,743,791	XIV
Seylan Merchant Bank PLC - Rs. 24 Mn	8,027,709	8,896,990	-	8,896,990	16,924,699	23,508,074	XV
Seylan Merchant Bank PLC - Rs. 21 Mn	7,030,090	7,645,825	-	7,645,825	14,675,915	20,555,794	XVI
	469,942,891	753,168,178	-	753,168,178	1,223,111,069	1,302,628,922	

18.2 Short Term Loans

John Keells PLC - Rs. 10 Mn	-	-	-	-	-	7,018,219	XVII
Forbes and Walker Tea Brokers (Pvt) Ltd - Rs. 80 Mn	13,000,000	-	-	-	13,000,000	67,491,782	XVIII
Ceylon Tea Brokers PLC - Rs. 5 Mn	2,916,667	-	-	-	2,916,667	-	XIX
Bank of Ceylon - Rs. 23 Mn	-	-	-	-	-	13,800,000	XX
Sri Lanka Tea Board - Rs. 44 Mn	39,607,200	-	-	-	39,607,200	44,607,200	XXI
Bank of Ceylon - Rs. 25.5 Mn	25,500,000	-	-	-	25,500,000	-	XXII
Forbes and Walker Tea Brokers (Pvt) Ltd - Rs. 30 Mn	22,500,000	-	-	-	22,500,000	-	XXIII
	103,523,867	-	-	-	103,523,867	132,917,201	
Grand Total	**573,466,758**	**753,168,178**	**-**	**753,168,178**	**1,326,634,936**	**1,435,546,123**	

18.3 Details of interest bearing loans and borrowing facilities

Facility details	Rate of interest	Terms of Repayment
I	Rs. 245 Mn - AWPLR +1.5%	first and second instalments of Rs.416,667/- & 60 instalments of Rs.4,054,598/- commencing from December 2015
II	Rs. 200 Mn - AWPLR +2.5%	48 monthly instalments commencing from 12/06/2019
III	Rs. 10.5 Mn - 17.5%	60 monthly instalments commencing from 10/11/2018
IV	Rs. 500 Mn - AWPLR+3%	84 monthly instalments commencing from 05/09/2016
V	Rs. 60 Mn - AWPLR+1%	36 instalments commencing from August 2017
VI	Rs. 86 Mn - 5%	36 instalments commencing from 13/07/2017
VII	Rs. 500 Mn - AWPLR+3.5%	71 instalments of Rs.6,950,000/- and a final instalment of Rs.6,550,000/- commencing from 26/04/2019
VIII	Rs. 50 Mn - 16%	84 instalments commencing from 30/11/2018
IX	Rs. 250 Mn - AWPLR + 3.5%	72 monthly instalments commencing from 03/05/2020 including six months of grace period for the capital
X	Rs. 50 Mn - AWPLR+ 3%	72 monthly instalments commencing from 03/05/2020 including six months of grace period for the capital
XI	Rs. 7.77 Mn - 20%	36 monthly instalments commencing from 20/11/2019
XII	Rs. 9.64 Mn - 20%	36 monthly instalments commencing from 20/11/2019
XIII	Rs. 5.02 Mn - 20%	36 monthly instalments commencing from 20/11/2019
XIV	Rs. 6.27 Mn - 20%	36 monthly instalments commencing from 20/11/2019
XV	Rs. 24 Mn - 20%	36 monthly instalments commencing from 13/04/2020
XVI	Rs. 21 Mn - 18%	36 monthly instalments commencing from 10/03/2020
XVII	Rs. 10 Mn - 19%	10 weekly Instalments of Rs. 1,000,000/- commencing from 26/02/2020
XVIII	Rs. 80 Mn - 19%	2 monthly instalments of Rs. 1,000,000/- & 78 weekly instalments of Rs. 1,000,000/- commencing from November 2019
XIX	Rs. 5 Mn - 14%	7 weekly instalments of Rs.420,000/- commencing from 03/03/2021
XX	Rs.23 Mn - 10.59%	5 monthly instalments commencing from 09/02/2020
XXI	Rs. 44 Mn - Interest Rate (0%)	10 monthly instalments commencing from 10/12/2019
XXII	Rs. 25.5 Mn - 6.84%	3 monthly instalments of Rs.8,500,000/- commencing from 12/03/2021
XXIII	Rs. 30 Mn - 14%	24 weekly instalments of Rs.1,250,000/- commencing from 24/02/2021

18.4 Changes in liabilities arising from financing activities

	01 April 2020 Rs.	Cash flows Rs.	31 March 2021 Rs.
Current interest bearing loans and borrowings (excluding items listed below)	515,321,869	58,144,889	**573,466,758**
Current obligations under leases	1,138,292	(1,136,390)	**1,902**
Non current interest bearing loans and borrowings (excluding items listed below)	920,224,238	(167,056,060)	**753,168,178**
Non current obligations under leases	129,872	(1,893)	**127,970**
	1,436,814,272	(110,049,463)	**1,326,764,808**

19. RETIREMENT BENEFIT OBLIGATIONS

	2021 Rs.	2020 Rs.
At the beginning of the year	**1,531,478,560**	1,341,107,480
Provisions made during the year - Interest Cost	**153,147,856**	154,227,360
- Current Service Cost	**88,174,758**	83,644,452
Actuarial (Gain) / Loss due to changes in financial assumptions	**122,791,067**	167,159,363
Actuarial (Gain) / Loss due to experience adjustment	**(255,846,324)**	(200,181,378)
Payments made during the year	**(82,147,036)**	(14,478,717)
At the end of the year	**1,557,598,881**	1,531,478,560

According to the valuation done based on the full actuarial valuation carried out by a professionally qualified actuary firm M/s. Actuarial and Management Consultants (Pvt) Ltd as at 31st March 2021, the liability is Rs.1,557,598,881/-. If the Company had provided for gratuity for all employees on the basis of 14 days wages for workers and a half month salary for staff for each completed year of service for the year ended 31st March 2021, the liability would have been Rs 1,679,146,182/- (2020 - Rs.1,700,355,608/-) Hence, there is a contingent liability of Rs.121,547,301/- which would crystalise only if the Company ceases to be a going concern.

The Present Value of Retirement Benefit Obligation is carried out on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

	2021 Rs.	2020 Rs.
Within next 12 months	**148,397,398**	140,681,552
Between 2 and 5 years	**427,916,075**	443,622,601
Beyond 5 years	**981,285,407**	947,174,406
	1,557,598,881	1,531,478,560

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is 10.38 years and 9.52 years for staff and workers respectively.

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following;

	2021	2020
(i) Rate of Interest	**7.5%**	10.0%
(ii) Rate of Salary Increase		
Workers	**5.68% (per annum)**	16% (every two years)
Staff	**10% (per annum)**	10% (per annum)
(iii) Retirement Age		
Workers	**60 years**	60 years
Staff	**60 years**	60 years
(iv) Daily Wage Rate	**Rs. 700/-**	Rs. 700/-

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. A sensitivity was carried out as follows;

A one percentage point change in the discount rate	Impact on Retirement Benefit Obligation	
	+1%	-1%
As at 31 March 2021	**(130,853,465)**	**151,753,584**
As at 31 March 2020	(123,327,136)	142,321,150

A one percentage point change in the salary increment rate	+1%	-1%
As at 31 March 2021	**159,580,038**	**(139,702,772)**
As at 31 March 2020	80,017,739	(74,502,438)

20. DEFERRED INCOME

Deferred Grants and Subsidies

	2021 Rs.	2020 Rs.
Cost		
At the beginning of the year	**334,876,515**	331,676,515
Additions during the year	**2,752,500**	3,200,000
At the end of the year	**337,629,015**	334,876,515
Amortisation		
At the beginning of the year	**131,681,899**	122,921,733
Amortisation for the year	**8,849,021**	8,760,166
At the end of the year	**140,530,920**	131,681,899
Net carring amount at the end of the year	**197,098,095**	203,194,616

The Company has received funding from the Plantation Housing and Social Welfare Trust, Asian Development Bank and Plantation Reform Project for the development of worker welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The funds received from Sri Lanka Tea Board are utilized for tea replanting. The amounts spent are included under the relevant classification of Property, Plant and Equipment and Bearer Biological Assets and the grant component is reflected under Deferred Grants and Subsidies.

21. LEASE LIABILITIES

	Notes	2021 Rs.	2020 Rs.
Lease liability on right-of-use assets - Land	21.1	**129,872**	131,631
Lease liability on right-of-use asset - Motor Vehicles	21.2	**-**	1,136,533
		129,872	1,268,164

21.1 Lease liability on right-of-use assets- Land

	2021 Rs.	2020 Rs.
At the beginning of the year	**131,631**	143,183
Accretion of interest	**10,741**	10,874
Payments	**(12,500)**	(12,500)
Adjustment on finalisation of liability	**-**	(9,926)
At the end of the year	**129,872**	131,631
Current	**1,902**	1,759
Non Current	**127,970**	129,872

21.1.1 Maturity analysis of lease liability on right - of use assets- Land is as follows;

	2021 Rs.	2020 Rs.
Payable within one year		
Gross liability	**12,500**	12,500
Finance cost allocated to future periods	**(10,598)**	(10,741)
Net liability transferred to current liabilities	**1,902**	1,759
Payable within two to five years		
Gross liability	**62,500**	62,500
Finance cost allocated to future periods	**(50,390)**	(51,304)
Net liability	**12,110**	11,196
Payable after five years		
Gross liability	**225,000**	237,500
Finance cost allocated to future periods	**(109,140)**	(118,824)
Net liability	**115,860**	118,676
Current	**1,902**	1,759
Non Current	**127,970**	129,872

21.2 Lease liability on right-of-use assets - Motor Vehicles

	2021 Rs.	2020 Rs.
At the beginning of the year	**1,136,533**	-
Transferred from interest bearing loans and borrowings	**-**	5,160,936
Accretion of interest	**13,644**	504,359
Payments	**(1,150,177)**	(4,528,762)
At the end of the year	**-**	1,136,533
Current	**-**	1,136,533
Non Current	**-**	-

22. TRADE & OTHER PAYABLES

	2021 Rs.	2020 Rs.
Trade Creditors	**23,806,624**	26,655,082
Payable to Employees	**196,085,931**	122,239,843
EPF/ETF/CPPS/ESPS/Gratuity Payable	**768,541,079**	711,125,968
Provision for EPF/ETF/ESPS/Tax/Gratuity Surcharges	**98,237,873**	92,122,026
Broker Advances	**284,928,183**	156,486,566
Other Creditors	**505,658,763**	504,376,933
Economic Service Charge Payable	**82,506,770**	82,506,770
	1,959,765,223	1,695,513,188

23. DIVIDENDS PAYABLE

	2021 Rs.	2020 Rs.
Unclaimed Dividends	**-**	10,027,606
	-	10,027,606

24. AMOUNTS DUE TO RELATED COMPANIES

	2021 Rs.	2020 Rs.
Creasy Plantation Management Ltd	**4,634,598**	4,793,098
The Colombo Fort Land and Building PLC	**91,265,861**	83,819,832
Lankem Developments PLC	**11,046,121**	3,200,000
Kotagala Plantations PLC	**22,302,946**	57,631,142
Lankem Ceylon PLC	**48,453,520**	29,133,524
Colombo Fort Group Services (Pvt) Ltd	**3,262,350**	2,671,880
E B Creasy & Co. PLC	**59,390,778**	53,475,244
Lankem Tea & Rubber Plantations (Pvt) Ltd	**37,943,901**	42,184,373
Lanka Special Steel Ltd	**-**	18,675,270
Union Commodities (Pvt) Ltd	**107,805,207**	97,155,465
Sigiriya Village Hotels PLC	**10,000,000**	10,000,000
Darley Butler & Co. Ltd	**41,813,510**	-
	437,918,793	402,739,829

NOTES TO THE FINANCIAL STATEMENTS

25. REVENUE

25.1 Summary

	2021 Rs.	2020 Rs.
Tea	**4,291,538,466**	3,187,556,166
	4,291,538,466	3,187,556,166

25.2 Segment Information

Geographical Segment Result	Agras 2021 Rs.	Agras 2020 Rs.	Haputale 2021 Rs.	Haputale 2020 Rs.	2021 Rs.	2020 Rs.
Revenue	**2,317,835,854**	1,926,353,215	**1,973,702,611**	1,261,202,951	**4,291,538,466**	3,187,556,166
Revenue Expenditure	**(2,063,779,978)**	(2,250,052,605)	**(1,653,789,101)**	(1,594,452,085)	**(3,717,569,079)**	(3,844,504,690)
Depreciation	**(76,740,786)**	(67,410,641)	**(83,341,009)**	(70,833,544)	**(160,081,795)**	(138,244,185)
Amortisastion	**(3,349,355)**	(3,349,355)	**(3,154,038)**	(3,154,038)	**(6,503,393)**	(6,503,392)
Gratuity	**(136,991,903)**	(133,526,831)	**(99,712,428)**	(100,238,738)	**(236,704,330)**	(233,765,569)
Segment Result	**36,973,833**	(527,986,216)	**133,706,035**	(507,475,454)	**170,679,868**	(1,035,461,671)
Other Income					**94,473,394**	58,529,040
Unallocated Expenses						
Gain/ (Loss) on change in fair value of Biological Assets					**269,955,747**	197,794,762
Depreciation					**(9,882,048)**	(7,993,016)
Gratuity					**(4,618,284)**	(4,106,244)
Others					**(134,345,187)**	(118,333,513)
Finance Cost					**(250,833,196)**	(284,822,059)
Profit / (Loss) before Taxation					**135,430,293**	(1,194,392,699)
Segment Assets						
Non Current Assets (Cost)	**2,915,362,012**	2,796,760,986	**2,927,755,508**	2,805,392,121	**5,843,117,520**	5,602,153,107
Accumulated Depreciation / Amortisation	**(849,166,502)**	(839,836,357)	**(723,541,314)**	(713,667,349)	**(1,572,707,816)**	(1,553,503,706)
Current Assets	**392,135,305**	259,641,334	**340,867,158**	287,152,008	**733,002,463**	546,793,342
	2,458,330,815	2,216,565,964	**2,545,081,352**	2,378,876,780	**5,003,412,167**	4,595,442,743
Unallocated						
Non Current Assets (Cost)					**1,191,403,777**	1,239,300,352
Accumulated Depreciation / Amortisation					**(127,948,172)**	(121,559,140)
Amounts due from Related Companies					**379,463,925**	12,459,418
Current Assets					**236,201,065**	175,450,012
					1,679,120,596	1,305,650,642
Total Assets					**6,682,532,763**	5,901,093,385
Segment Liabilities						
Non Current Liabilities	**914,060,618**	828,014,662	**585,939,783**	662,061,285	**1,500,000,401**	1,490,075,947
Current Liabilities	**267,876,707**	238,586,581	**226,359,476**	190,314,356	**494,236,183**	428,900,937
	1,181,937,325	1,066,601,243	**812,299,259**	852,375,640	**1,994,236,584**	1,918,976,884
Unallocated						
Non Current Liabilities					**922,991,774**	1,120,894,745
Current Liabilities					**2,914,443,064**	2,626,792,563
					3,837,434,838	3,747,687,308
Total Liabilities					**5,831,671,423**	5,666,664,192
Capital and Reserves					**653,763,244**	31,234,578
Deferred Income					**197,098,095**	203,194,616
					850,861,339	234,429,193
Total Equity & Liabilities					**6,682,532,763**	5,901,093,385
Segment Capital Expenditure						
Cost	**63,953,853**	48,893,714	**70,292,125**	72,172,851	**134,245,979**	121,066,565
Unallocated						
Capital Expenditure					**405,100**	48,850,000
Total Capital Expenditure					**134,651,079**	169,916,565

26. OTHER INCOME

	2021 Rs.	2020 Rs.
Amortisation of Capital Grants	**8,849,021**	8,760,166
Profit on Disposal of Property, Plant & Equipment	**3,291,600**	-
Factory / Towers Lease Rent	**15,568,395**	12,732,946
Profit from Sale of Valuable Timber Trees	**9,840,921**	-
Income from Sale of Other Trees	**15,809,720**	7,405,000
Write-back of Dividend Payable	**10,027,606**	-
Others	**24,103,599**	27,216,133
	87,490,862	56,114,245

27. FINANCE INCOME

	2021 Rs.	2020 Rs.
Intererst Income	**6,982,532**	2,414,795
	6,982,532	2,414,795

28. FINANCE COST

	2021 Rs.	2020 Rs.
Overdraft Interest	**40,827,626**	53,848,836
Interest Charge on Gurantees	**7,519,996**	7,769,247
Interest on Leases	**24,415**	542,309
Term Loan Interest	**140,846,137**	157,991,497
Related Party Loan Interest	**33,924,933**	11,972,646
Interest Charged by the Tea Brokers	**49,097,576**	81,416,641
Other Interest	**3,869,677**	2,141,943
	276,110,360	315,683,119
Amount Capitalised	**(25,277,163)**	(30,861,061)
	250,833,197	284,822,058

29. PROFIT / (LOSS) FROM OPERATING ACTIVITIES IS STATED AFTER CHARGING

	2021 Rs.	2020 Rs.
Consultancy Fee	**12,506,101**	8,451,753
Auditor's Remuneration	**6,277,635**	5,978,700
Depreciation		
Freehold Property Plant and Equipment	**94,908,506**	59,886,973
Bearer Biological Assets	**67,174,681**	78,469,750
Right-of-use assets - Land	**6,503,393**	6,503,393
Right-of-use assets - Immovable Lease assets of JEDB / SLSPC estates	**6,205,880**	6,205,880
Right-of-use assets - Motor Vehicles	**1,674,762**	1,674,762
Others		
Defined Benefit Plan Cost - Retiring Gratuity	**241,322,614**	237,871,812
Defined Contribution Plan Cost - EPF,ETF,ESPS & CPPS	**284,420,584**	254,300,660
Wages & Staff Cost	**2,547,159,998**	2,328,719,979

30. INCOME TAX EXPENSES

30.1 The major components of income tax expenses for the years ended 31st March 2021 are as follows.

Statement of Profit or Loss

	2021 Rs.	2020 Rs.
Current Tax Expenses		
Current Income Tax Charge (30.2)	**8,376,084**	1,674,905
Under/(over) Provision of Income Tax for the previous years	**(1,530,017)**	-
Deferred Income Tax		
Deferred Taxation Charge / (Reversal) (30.4)	**(61,011,659)**	15,866,379
	(54,165,592)	17,541,284

30.2 Reconciliation of Accounting Profit to Income Tax Expense

	2021	2020
Accounting Profit /(Loss) before Tax	**135,430,293**	(1,194,392,699)
Aggregate disallowable items	**789,527,160**	903,292,552
Aggregate allowable items	**(561,134,677)**	(365,196,858)
Business Profit /(Loss)	**363,822,775**	(656,297,004)
Tax exempt income/(loss) from Agro Farming	**(164,156,737)**	-
Taxable income/(loss) from Agro Processing	**527,979,512**	-
Investment Income	**34,900,351**	15,147,741
Total Statutory Income	**398,723,126**	15,147,741
Tax losses brought forward and utilised	**(527,979,512)**	(8,168,968)
Taxable Income / (Loss)	**(129,256,386)**	6,978,773
Income Tax @ 14%	**-**	-
Income Tax @ 24%	**8,376,084**	1,674,905
Income Tax expense charged to Statement of Profit or Loss	**8,376,084**	1,674,905

30.3 Accumulated Tax Losses

	2021 Rs.	2020 Rs.
Tax losses brought forward	**3,318,383,959**	2,622,666,221
Adjustment to brought forward tax losses	**(433,963,149)**	47,589,702
Loss for the year (Note 30.2)	**-**	656,297,004
Losses set off during the year	**(527,979,512)**	(8,168,968)
Tax losses carried forward	**2,356,441,298**	3,318,383,959

30.4 Deferred Tax Liability

	2021		2020	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	Rs.	Rs.	Rs.	Rs.
As at 1 April	**1,136,700,027**	**159,138,004**	-	-
Amount originated during the year transferred to statement of profit or loss due to the income tax rate change	**-**	**(39,784,501)**	-	-
Amount originated during the year transferred to statement of profit or loss	**(202,163,408)**	**(21,227,158)**	113,331,277	15,866,379
Amount originated during the year transferred to statement of other comprehensive income	**133,055,257**	**13,970,802**	1,023,368,750	143,271,625
As at 31 March	**1,067,591,875**	**112,097,147**	1,136,700,027	159,138,004

Composition of Deferred Tax Liabilities/(Assets)

	2021		2020	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	Rs.	Rs.	Rs.	Rs.
Right to Use of Assets	**142,609,335**	**14,973,980**	193,446,426	27,082,500
Property, Plant and Equipment	**1,348,839,990**	**141,628,199**	1,456,201,664	203,868,233
Biological Assets	**3,243,885,405**	**340,607,968**	3,260,928,982	456,530,057
Retirement Benefit Obligations	**(1,311,197,184)**	**(137,675,704)**	(1,531,478,560)	(214,406,998)
Lease Liability	**(104,372)**	**(10,959)**	(1,268,164)	(177,543)
Carried forward Tax Losses	**(2,356,441,298)**	**(247,426,336)**	(2,241,130,321)	(313,758,245)
Net Deferred Tax Liability/(Asset)	**1,067,591,875**	**112,097,147**	1,136,700,027	159,138,004

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 March 2021 is 10.5% (2020 - 14%) for the company.

31. EARNINGS/(LOSS) PER SHARE

Computation of the earnings/(loss) per share is based on the profit after taxation for the year divided by the weighted average number of ordinary shares outstanding during the year.

Amount used as the numerator	2021	2020
	Rs.	Rs.
Net profit / (loss) for the year after taxation	**189,595,885**	(1,211,933,983)

Amount used as the denominator	2021	2020
	Number	Number
Weighted average number of ordinary shares outstanding during the period	**235,246,575**	235,000,000

32. CAPITAL COMMITMENTS

Followings are the capital commitments approved as at the date of Financial Position.

	2021	2020
	Rs.	Rs.
A. Field Development	**99.6 Mn**	97.3 Mn
B. Machinery & Factory Development	**153.4 Mn**	204.2 Mn

33. SECURITIES PLEDGED

The following assets have been pledged as securities for loans and other facilities.

		Nature of Assets	Facility	Nature of Liability	Carring Amounts of Assets Pledged		Included Under
					2021	2020	
			Rs.		Rs.	Rs.	
33.1	A)	Primary mortgage over leasehold rights to bare land and buildings of Torrington Estate	160 Mn	Bank Overdraft from Indian Bank	**3,587,186**	3,871,662	Property, Plant & Equipment
	B)	Stock in trade, movable assets and book debts					
	C)	Corporate Guarantee from Lankem Developments PLC					
33.2	A)	A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estates. Overdraft Agreement	200 Mn	Bank Overdraft from Bank of Ceylon	**33,388,168**	34,009,413	Property, Plant & Equipment
	B)	A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estates	50 Mn	Term Loan from Bank of Ceylon			
	C)	Additional mortage over lease hold rights of Glenanore and Haputale Estates including machinery fixed each of these estates	246 Mn	Term Loan from Bank of Ceylon			
	D)	Tri partite agreement with borrower, bank and the tea broker John Keells PLC	200 Mn	Term Loan from Bank of Ceylon			
	E)	Corporate Guarantee from Lankem Ceylon PLC					
	F)	Tri partite agreement with borrower, bank and the tea broker John Keells PLC	250 Mn	Term Loan from Bank of Ceylon			
33.3	A)	Mortgage over leasehold rights over the estate land & buildings, fixed & floating assets of Diyagama East Estate	50 Mn	Term Loan from Seylan Bank PLC	**7,921,331**	8,251,933	Property, Plant & Equipment
33.4		Duly accepted Letter of Offer supported by Board Resolution. General Terms and conditions Relating to Term Loans. Deposit of original title deeds and plan relating to the Dambetenne Estate	500 Mn	Term Loan from Commercial Bank of Ceylon PLC			
			20 Mn	Bank Overdraft from Commercial Bank of Ceylon PLC			
33.5		Mortgage over leasehold rights over the estate land & factory building of Diyagama West Estate	500 Mn	Term Loan from Sampath Bank PLC	**6,083,106**	6,562,001	
33.6		Original Certificate of Registration of the vehicle	10.5Mn	Term Loan from Peoples Leasing & Finance PLC	**7,781,000**	10,793,000	
33.7		Fixed Deposit No. 82218547	25.5 Mn	Short Term Loan from Bank of Ceylon	**28,842,466**	-	
33.8		Original Certificates of Registration of the vehicles	28.7 Mn	Term Loans from Peoples Leasing & Finance PLC	**35,187,500**	44,957,500	
33.9		Original Certificates of Registration of the vehicles	45 Mn	Term Loans from SMB Leasing PLC	**-**	-	

34. CONTINGENCIES

Following contingent liabilities exist as of the date of financial position.

34.1 Court of Appeal Case No - CA WRIT 143/2021

In the past, wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently The Wages Board without considering objections of the RPCs decided the daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a "Writ Application" was instituted by the RPC's in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the Gazette issued by The Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPC's (Petitioners) to file Counter Objections. As at the date of the Statement of Financial Position, the above matter is under the purview of the Court of Appeal and, therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavorable to the Company from the above court case, the contingent liability on retirement benefit obligation would be Rs. 572 Mn and of which Rs. 30 Mn need to be charged to Profit or Loss and Rs. 542 Mn to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

35. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

36. RELATED PARTY DISCLOSURES

36.1 Details of significant Related Party Disclosures are as follows;

Transactions with the parent and related entities

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited / (Credited) 2021 Rs.	Amount Debited / (Credited) 2020 Rs.	Balance as at 31st March 2021 Rs.	Balance as at 31st March 2020 Rs.
1.	Lankem Tea & Rubber Plantations (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Transfer of intercompany balances	**1,092,289**	(8,090,482)	**(37,943,901)**	(42,184,373)
			Mr. C.P.R. Perera	Settlements	**3,148,184**	(39,666,556)		
			Mr. D.A. Ratwatte (Resigned w.e.f. 31.03.2021)	Advances received	**-**	(34,093,891)		
			Mr. G.D.V. Perera (Resigned w.e.f. 31.03.2021)					
			Mr. S.S. Poholiyadde					
			Mr. Anushman Rajaratnam					
			Mr. D.R. Madena					
2.	Lankem Ceylon PLC	Affiliated Company	Mr. S.D.R. Arudpragasam	Interest charged on bank guarantee	**(4,319,996)**	(4,569,247)	**(48,453,520)**	(29,133,524)
			Mr. P.M.A. Sirimane *	Share of group expenses reimbursed	**(15,000,000)**	(15,000,000)		
			Mr. Anushman Rajaratnam	Settlements	**-**	1,250,000		
3.	Sigiriya Village Hotels PLC	Affiliated Company	Mr. S.D.R. Arudpragasam	Advances received	**-**	(10,000,000)	**(10,000,000)**	(10,000,000)
			Mr. C.P.R. Perera					
			Mr. Anushman Rajaratnam					

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited / (Credited) 2021 Rs.	Amount Debited / (Credited) 2020 Rs.	Balance as at 31st March 2021 Rs.	Balance as at 31st March 2020 Rs.
4.	Kotagala Plantations PLC	Affiliated Company	Mr. S.D.R. Arudpragasam	Advance received	**-**	(42,415,965)	**(22,302,946)**	(57,631,142)
			Mr. C.P.R. Perera	Settlements	**35,328,196**	-		
			Mr. D.A. Ratwatte (Resigned w.e.f. 31.03.2021)					
			Mr. G.D.V. Perera (Resigned w.e.f. 31.03.2021)					
			Mr. S.S. Poholiyadde					
			Mr. Anushman Rajaratnam					
5.	The Colombo Fort Land & Building PLC	Ultimate Parent	Mr. S.D.R. Arudpragasam	Rent on building & other expenses	**(8,056,846)**	(9,955,716)	**(91,265,861)**	(83,819,832)
			Mr. C.P.R. Perera	Settlements	**9,848,767**	-		
			Mr. P.M.A. Sirimane *	Advances received	**-**	(75,772,683)		
			Mr. Anushman Rajaratnam	Transfer of intercompany balances	**-**	8,962,661		
				Interest charged	**(9,237,950)**	-		
6.	Creasy Plantation Management Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Settlements	**158,500**	-	**(4,634,598)**	(4,793,098)
7.	Sherwood Holidays Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Rent and bungalow upkeep expenses	**1,434,824**	1,973,085	**13,158,857**	11,724,033
			Mr. D.A. Ratwatte (Resigned w.e.f. 31.03.2021)	Settlements	**-**	(1,656,589)		
			Mr. G.D.V. Perera *					
8.	Marawila Resorts PLC	Affiliated Company	Mr. S.D.R. Arudpragasam	Tea Sales	**-**	179,416	**133,517**	133,517
			Mr. C.P.R. Perera	Settlements	**-**	(343,567)		
			Mr. Anushman Rajaratnam					
9.	Waverly Power (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Rent charged	**538,757**	601,868	**1,140,626**	601,869
			Mr. G.D.V. Perera *	Settlements	**-**	(171,065)		
			Mr. Anushman Rajaratnam					
10.	Lankem Developments PLC	Immediate Parent	Mr. S.D.R. Arudpragasam	Interest charged on bank guarantee	**(3,200,000)**	(3,200,000)	**(11,046,121)**	(3,200,000)
			Mr. C.P.R. Perera	Receipt of loan	**(360,000,000)**	-		
			Mr. P.M.A. Sirimane *	Issue of shares	**360,000,000**	-		
			Mr. Anushman Rajaratnam	Interest charged	**(4,646,120)**	-		
11.	Union Commodities (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Advances received	**-**	(91,000,000)	**(107,805,207)**	(97,155,465)
			Mr. G.D.V. Perera *	Interest charged	**(10,649,742)**	(6,155,465)		

	Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited / (Credited) 2021 Rs.	2020 Rs.	Balance as at 31st March 2021 Rs.	2020 Rs.
12.	Colombo Fort Group Services (Pvt) Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	IT/HR support service expenses	**(3,310,737)**	(3,882,054)	**(3,262,350)**	(2,671,880)
			Mr. P.M.A. Sirimane *	Payments made	**2,720,268**	2,162,893		
			Mr. Anushman Rajaratnam					
13.	Ceylon Tea Brokers PLC	Affiliated Company	Mr. C.P.R. Perera	Broker advances received	**(351,000,000)**	(264,226,000)	**(50,521,310)**	(23,173,384)
				Broker advances recovered	**315,043,114**	307,285,099		
				Sale of tea	**326,822,781**	323,266,178		
				Sales proceeds received	**(318,213,822)**	(325,983,161)		
14.	E B Creasy & Co. PLC	Affiliated Company	Mr. S.D.R. Arudpragasam	Short term loan received	**-**	(20,000,000)	**(59,390,778)**	(53,475,244)
			Mr. P.M.A. Sirimane *	Interest charged	**(5,915,534)**	(5,141,911)		
15.	Lanka Special Steel Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Advances received	**-**	(32,000,000)	**-**	(18,675,270)
			Mr. P.M.A. Sirimane *	Settlements	**19,316,747**	14,000,000		
				Interest charged	**(641,477)**	(675,270)		
16.	Darley Butler & Co. Ltd	Affiliated Company	Mr. S.D.R. Arudpragasam	Advances received	**(39,651,111)**	-	**(41,813,510)**	-
			Mr. P.M.A. Sirimane *	Interest charged	**(2,162,399)**	-		
17.	Consolidated Tea Plantations Ltd	Intermediate Parent	Mr. S.D.R. Arudpragasam	Term Loan granted	**360,000,000**	-	**365,030,926**	-
			Mr. C.P.R. Perera	Interest charged	**5,030,926**	-		
			Mr. Anushman Rajaratnam (Appointed w.e.f. 27.01.2021)					
			Mr. S.S. Poholoyadde (Appointed w.e.f. 27.01.2021)					

* Mr. G.D.V. Perera, Mr. D.A. Ratwatte and Mr. P.M.A. Sirimane, resigned from the Board of Agarapatana Plantations Limited with effect from 31.03.2021.

36.2 Transaction with the key management personnel of the company or parent

	Rs.
Consultancy fees paid to key management personnel	12,506,101

There were no material transactions with the Key Management Personnel of the company and its parent other than those disclosed in Notes 14,24 and 36.1 to the Financial Statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company operations. The Company has trade and other receivables, cash and short-term deposits that arrive directly from its operations. Accordingly, the Company has exposure to namely Credit Risk, Liquidity Risk and Interest Rate Risk from its use of financial instruments. This note presents information about the Company exposure to each of the above risks, the Company objectives, policies and processes for measuring and managing risk.

Credit risk

This is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers.

Liquidity risk

Liquidity risk arises when the Company is unable to meets its financial obligations due to insufficient cash flow situations. The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

Interest rate risk

Interest rate risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

37.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company financial risk management framework which includes developing and monitoring the Company financial risk management policies. The Company financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Company, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee of the Company oversees how management monitors compliance with the Company financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Company.

37.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers and from its financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

37.2.1 Trade and Other Receivables

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. The Company's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Company's standard payment and delivery terms and conditions are offered. Company review includes external ratings, when available and in some cases, bank references, purchase limits etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the company at the reporting date is Rs. 80.7 Mn. The Comapny has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the tea auction systems.

37.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

37.2.3 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs. 124.6 Mn as at 31st March 2021 (2020 – Rs. 51.4 Mn) which represents its maximum credit exposure on these assets.

37.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities of the individual and Company level by funding the long term investment with long term financial sources and short term investment with short term financing. Where necessary the Company consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31st March 2021	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Interest Bearing Loans & Borrowings	199,690,155	482,574,200	1,663,740,000	-	**2,346,004,355**
Trade Payables	1,923,150,805	36,614,418		-	**1,959,765,223**
	2,122,840,960	519,188,618	1,663,740,000	-	**4,305,769,578**

As at 31st March 2020	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	Over 5 years Rs.	Total Rs.
Interest Bearing Loans & Borrowings	197,003,435	468,903,315	1,541,866,553	97,357,650	2,305,130,953
Trade Payables	1,648,190,118	47,323,070	-	-	1,695,513,188
	1,845,193,553	516,226,385	1,541,866,553	97,357,650	4,000,644,141

37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instruments affected by market risk include loans & borrowings, deposits & derivative financial instruments.

37.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Comapny's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.
2021	**+1%**	**(24,126,594)**
	-1%	**24,126,594**
2020	+1%	(19,612,640)
	-1%	19,612,640

ESTATE HECTARAGE STATEMENT

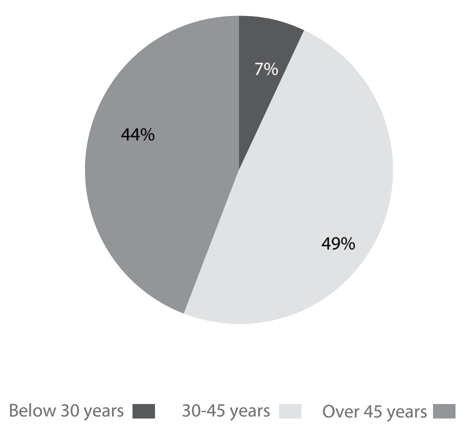
Estate	Planting District			Extent (ha)		
		Revenue Extent Tea	Immature Extent Tea	Other Area	Total	No of Workers
Agras valley Region						
Albion	Nuwara Eliya	442.84	6.00	137.16	586.00	624
Balmoral	Nuwara Eliya	322.70		100.30	423.00	509
Diyagama East	Nuwara Eliya	342.89	4.00	152.28	499.17	498
Diyagama West	Nuwara Eliya	635.17	-	223.12	858.29	877
Glasgow	Nuwara Eliya	321.71	3.50	86.29	411.50	424
Hauteville	Nuwara Eliya	487.30	-	86.70	574.00	686
Holmwood	Nuwara Eliya	191.11	-	63.78	254.89	236
New Portmore	Nuwara Eliya	167.65	-	58.74	226.39	212
Sandringham	Nuwara Eliya	162.78	12.70	49.22	224.70	307
Torrington	Nuwara Eliya	221.71	4.15	189.14	415.00	297
Waverley	Nuwara Eliya	363.95	3.00	78.30	445.25	597
Sub Total		**3,659.81**	**33.35**	**1,225.03**	**4,918.19**	**5,267**
Haputale Region						
Beauvais	Badulla	253.90	4.00	99.28	357.18	301
Dambatenne	Badulla	374.53	1.20	496.72	872.45	712
Glenannore	Badulla	346.68	1.55	203.82	552.05	413
Gonamotava	Badulla	198.22	4.00	64.78	267.00	276
Haputale	Badulla	386.31	4.75	550.92	941.98	608
Kahagalla	Badulla	256.57	10.45	133.91	400.93	349
Nayabedde	Badulla	300.01	2.51	196.18	498.70	441
Pitaratmalie	Badulla	363.90	0.50	303.38	667.78	420
Udaveria	Badulla	257.34	-	457.79	715.13	142
Sub Total		**2,737.46**	**28.96**	**2,506.78**	**5,273.20**	**3,662**
Company Total		**6,397.27**	**62.31**	**3,731.81**	**10,191.39**	**8,929**

OUR HUMAN RESOURCES

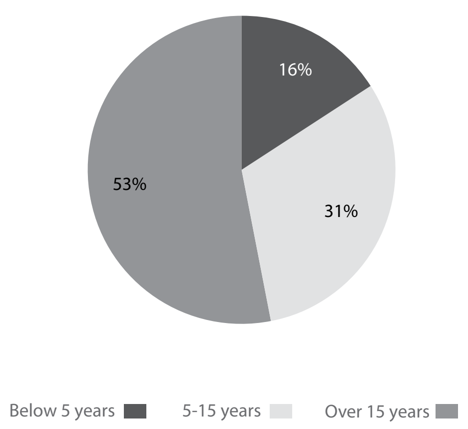
	2020/21	2019/20	2018/19
Executives	**63**	69	72
Clerical,Technical & Other Staff	**546**	544	540
Estate Workers	**8,929**	9,076	9,712
Total Employees	**9,538**	9,689	10,324
Revenue per Employee Rs. '000'	**449.94**	328.99	386.96
Profit/ (Loss) per Employee Rs. '000'	**19.87**	(125.08)	(9.97)
Assets per Employee Rs. '000'	**700.62**	609.05	492.24

	Estate Workers	Staff and other Officers	Executives	Total as at 31/03/2021	Total as at 31/03/2020	Total as at 31/03/2019
Age Analysis						
Below 30 years	574	54	10	**638**	742	878
30 - 45 years	4,428	269	32	**4,729**	5,186	5,454
Over 45 years	3,927	223	21	**4,171**	3,761	3,992
Total	8,929	546	63	**9,538**	9,689	10,324
Service Analysis						
Below 5 years	1,349	197	21	**1,567**	1,530	1,463
5 - 15 years	2,721	182	26	**2,929**	3,122	3,519
Over 15 years	4,859	167	16	**5,042**	5,037	5,342
Total	8,929	546	63	**9,538**	9,689	10,324
Gender Analysis						
Male	3,553	410	57	**4,020**	4,087	4,379
Female	5,376	136	6	**5,518**	5,602	5,945
Total	8,929	546	63	**9,538**	9,689	10,324
Regionwise Analysis						
Agras valley	5,267	314	28	**5,609**	5,651	5,927
Haputale	3,662	219	18	**3,899**	4,003	4,360
Head Office	-	13	17	**30**	35	37
Total	8,929	546	63	**9,538**	9,689	10,324

By Age Group



By Service Years



GLOSSARY OF FINANCIAL AND NON FINANCIAL TERMS

FINANCIAL TERMS

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the enterprise

Current Ratio

Current Assets divided by Current Liabilities. A measure of liquidity

Deferred Taxation

The tax effect of temporary differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date

Dividends

Distribution of profits to holders of equity investments in proportion to their holdings of a particular class of capital

Earnings per Share

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period

EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation

Gearing

Proportion of borrowings to capital employed

Interest Cover

Profit Before Tax plus net finance cost and goodwill amortization divided by net finance cost. Measure of an entity's debt service ability

Net Assets per Share

Shareholders' Funds divided by the number of ordinary shares in issue. A basis of share valuation

Related parties

Parties who could control or significantly influence the financial and operating policies of the business

Segment

Constituent business units grouped in terms of similarity of operations and locations

Value Additions

The quantum of wealth generated by the activities of the Company measured as the difference between turnover and the cost of materials and services bought in

Working Capital

Capital required to finance the day-to-day operations computed as the excess of current assets over current liabilities

NON FINANCIAL TERMS

COP

Cost of producing a kilo of Tea

HACCP

Hazard Analysis Critical Control Point system. A standard for safety of foods

Immature Plantation

The extent of plantation which is not taken into the bearing and is in the process of development

ISO

International Standard Organisation

Mature Plantation

The extent of plantation from which crop is being harvested

NSA

Net Sales Average. Measures the average value of net selling price of a kilo of Tea

Seedling Tea

Tea grown from a seed

TRI

Tea Research Institute

VP Tea

Vegetatively Propagated. Tea grown from cutting of branch of a tea plant

YPH

Yield Per Hectare. The measure of average yearly output of produce from a hectare of mature plantation

TEN YEAR SUMMARY

Rs. '000	20/21	19/20	18/19	17/18	16/17	15/16	14/15	13/14	12/13	11/12
Trading Results										
Revenue	**4,291,538**	3,187,556	3,995,018	4,667,281	3,437,590	3,462,322	3,536,788	3,409,620	3,173,268	3,012,090
Gross Profit/(Loss)	**170,680**	(1,035,462)	190,624	669,514	92,840	(75,449)	(148,841)	88,480	231,678	(241,242)
Gain/(Loss) on change in fair value of biological assets	**269,956**	197,795	54,865	103,801	95,632	77,257	106,579	85,193	13,933	11,620
Other Income	**87,491**	56,114	51,804	76,788	105,297	44,809	41,816	132,655	25,278	11,619
Operating Profit/(Loss) Before Management Fee & Interest	**386,263**	(909,570)	174,564	732,960	202,989	(62,523)	(186,297)	158,403	120,020	(342,642)
Share of Profit /(Loss) from an associate	**-**	-	-	-	-	-	-	-	(2,197)	-
Profit/(Loss) before Tax	**135,430**	(1,194,392)	(103,162)	541,921	27,697	(208,230)	(395,318)	(5,624)	(1,594)	(458,917)
Profit/(Loss) after Tax	**189,596**	(1,211,934)	(102,942)	511,469	27,693	(206,965)	(394,974)	(8,312)	(2,473)	(482,677)
Other comprehensive Income/(Loss)	**72,933**	776,174	(83,107)	(130,142)	213,113	236,739	5,430	(42,476)	4,895	(46,084)
Total Comprehensive Income/(Loss)	**262,529**	(435,761)	(186,049)	381,327	240,806	29,774	(389,543)	(50,787)	2,422	(528,761)
Statement of Financial Position										
Non Current Assets	**5,333,865**	5,166,391	4,173,817	4,043,842	3,669,024	3,420,538	3,244,369	2,978,610	2,681,487	2,466,942
Current Assets	**1,348,667**	734,703	908,099	1,133,539	739,403	663,967	781,811	854,837	721,612	860,571
	6,682,533	5,901,094	5,081,916	5,177,381	4,408,426	4,084,505	4,026,180	3,833,447	3,403,099	3,327,513
Stated Capital	**1,270,787**	910,787	910,787	910,787	667,787	667,787	667,787	667,787	667,787	667,787
Reserves	**1,835,818**	1,667,032	(731,185)	674,066	570,407	491,153	416,500	310,568	228,647	207,767
Retained Profit/(Loss)	**(2,452,842)**	(2,546,585)	(1,174,977)	(931,810)	(1,209,477)	(1,371,029)	(1,326,150)	(834,658)	(701,950)	(683,492)
Shareholders' Funds	**653,763**	31,234	466,995	653,044	28,717	(212,089)	(241,863)	978,355	194,484	192,062
Deferred Income	**197,098**	203,195	208,755	217,479	225,296	233,994	231,184	232,823	237,789	243,596
Interest Bearing Borrowings - Non current	**753,168**	920,224	849,869	1,118,961	567,827	552,448	504,060	232,631	286,651	237,697
Retirement Benefit Obligations	**1,557,599**	1,531,479	1,341,107	1,177,097	1,019,104	1,120,988	1,225,068	1,091,733	950,175	898,759
Lease Liability	**128**	130	143	145	146	148	149	150	153	153
Deferred Tax Liability	**112,097**	159,138	-	-	-	-	-	-	-	-
Current Liabilities	**3,408,679**	3,055,694	2,215,046	2,010,656	2,567,336	2,389,016	2,307,582	2,132,413	1,733,847	1,755,246
	6,682,533	5,901,094	5,081,916	5,177,381	4,408,426	4,084,505	4,026,180	4,668,105	3,403,099	3,327,513
Net Cash Flow										
From/(Used in) Operating Activities	**(92,217)**	(142,796)	82,054	(7,592)	346,272	32,418	(278,771)	168,777	169,457	16,572
From/(Used in) Investing Activities	**(87,892)**	(125,311)	(134,825)	(294,843)	(138,260)	(135,302)	(139,302)	(124,006)	(191,639)	(318,707)
From/(Used in) Financing Activities	**252,703**	242,273	(108,929)	644,575	(197,901)	36,025	295,273	(116,004)	(71,871)	401,468
Increase/(Decrease) in Cash & Cash Equivalent	**72,594**	(25,834)	(161,700)	342,140	10,111	(66,859)	(123,362)	(71,233)	(94,053)	99,332

NOTICE OF MEETING

Notice is hereby given that the Twenty Ninth Annual General Meeting of Agarapatana Plantations Limited will be held on 22nd October 2021, at 9.30 a.m. and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or 98, Sri Sangaraja Mawatha, Colombo 10, for the following purposes :

1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2021 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. S. S. Poholiyadde who retires in accordance with Articles 92 & 93 of the Articles of Association.
3. To reappoint Mr. C. P. R. Perera who is over seventy years of age as a Director.

   Special notice has been received from a Shareholder of the intention to pass a resolution which is set out below in relation to his reappointment. (see Note No. 5)
4. To reappoint Mr. S. D. R. Arudpragasam who has attained seventy years of age as a Director.

   Special notice has been received from a Shareholder of the intention to pass a resolution which is set out below in relation to his reappointment. (see Note No. 6)
5. To reappoint as Auditors, Messrs. Ernst & Young and to authorize the Directors to determine their remuneration.

By Order of the Board

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LTD.
Secretaries
Colombo

21st September 2021

Notes:

1. A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited at No.8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than forty eight hours before the time fixed for the meeting.
3. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same in accordance with the instructions given on the reverse of the Form of Proxy.
4. Please refer the "Circular to Shareholders" dated 21st September 2021 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.
5. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "That Mr. C. P. R. Perera who is seventy seven years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. C. P. R. Perera."
6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "That Mr. S. D. R. Arudpragasam who has attained seventy years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. S. D. R. Arudpragasam."

NOTES

FORM OF PROXY

I/We* .... of ....

.... being a member/members* of Agarapatana Plantations Limited, hereby appoint

.... of

.... whom failing

1.	Sri Dhaman Rajendram Arudpragasam	of Colombo or failing him
2	Chrisantha Priyange Richard Perera	of Colombo or failing him
3.	Denham Rohan Madena	of Colombo or failing him
4.	Sunil Somindranath Poholiyadde	of Colombo or failing him
5.	Anushman Rajaratnam	of Colombo

as my/our *proxy to represent me/us*,and to vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Ninth Annual General Meeting of the Company to be held on 22nd October 2021 at 9.30 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof

		For	**Against**
1.	To receive & consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2021 with the Report of the Auditors thereon.		
2.	To re-elect Mr. S. S. Poholiyadde as a Director.		
3.	To re-appoint Mr. C. P. R. Perera as a Director.		
4.	To re-appoint Mr. S. D. R. Arudpragasam as a Director.		
5.	To re-appoint as Auditors, Messrs. Ernst & Young and to authorise the Directors to determine their remuneration.		

Signed this .... day of ....Two Thousand and Twenty one.

....
Signature(s)

Note: *Please delete the inappropriate words.

1. A Proxy need not be a member of the Company.
2. If no words are struck out or there is in view of the Proxy doubt (by reason of the way in which the instructions contained in the form of Proxy have been completed) as to the way in which the Proxy should vote, the Proxy will vote as he thinks fit.
3. Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Please write legibly, your name, address and date, and sign in the space provided.
2. The completed Form of Proxy should be received at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Pvt) Ltd at 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than 48 hours before the time appointed for the holding of the meeting.
3. In the case of a Company/Corporation, this Form of Proxy shall be executed either under its Common Seal or by its Attorney or by an Officer on behalf of such Company/ Corporation duly authorised in writing.
4. In the case of Proxy signed by an Attorney, the relevant Power of Attorney must be deposited at the Registered Office of the Company's Secretaries for registration.

CORPORATE INFORMATION

NAME OF THE COMPANY	:	Agarapatana Plantations Limited		
LEGAL FORM	:	A Public Company with Limited Liability		
DATE OF INCORPORATION	:	22nd June 1992		
COMPANY REGISTRATION NO.	:	PB 899		
PRINCIPLE ACTIVITIES	:	Cultivation, Manufacture and Sale of Tea		
REGISTERED OFFICE	:	53 1/1, Sir Baron Jayatilaka Mawatha, Colombo 1		
E-MAIL	:	info@lankemplantations.lk		
WEB	:	www.lankemplantations.lk		
DIRECTORS	:	Mr. S.D.R.Arudpragasam	-	Chairman
		Mr. C.P.R.Perera	-	Deputy Chairman
		Mr. D. R. Madena	-	Chief Executive Officer
		Mr. S. S. Poholiyadde		
		Mr. Anushman Rajaratnam		
SENIOR MANAGEMENT	:	S. S. Poholiyadde	-	F.I.P.M
(Lankem Tea & Rubber Plantations	:	D. R. Madena		
(Pvt) Ltd)- Manging Agents		M. S. Madugalle	-	Dip. (Plantation Mgt) (NIPM)
GENERAL MANAGERS	:	Ms. J. Kariyawasam	-	Attorney – at – Law & Notary Public and Commissioner for Oaths, Dip. in Intellectual Property Law (USA), Dip. in Human Resource Management, Training & Development (IPM), MBA (AUS)
		G Srishankar		
		M Kowdu	-	F.C.A/ F.C.M.A (UK)
SECRETARIES	:	Corporate Managers & Secretaries (Private) Limited 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1		
AUDITORS	:	Ernst & Young Chartered Accountants, 201, De Saram Place, Colombo 10		
BANKERS	:	Bank of Ceylon Hatton National Bank PLC Nations Trust Bank PLC Commercial Bank of Ceylon PLC Sampath Bank PLC		

Designed & produced by
emagewise
Digital Plates & Printing by Nethu Print Solutions

Agarapatana Plantations Limited
53 1/1, Sir Baron Jayatilaka Mawatha,
Colombo 1