Creating a New Cycle

AGALAWATTE PLANTATIONS PLC
Annual Report 2019

Our Vision

To be the benchmark among plantation Companies

Our Mission

To Contribute towards the growth of the company through optimum utilization of available resources and opportunities with the use of best management practices, whilst enhancing shareholder wealth and improving the quality of life of all stakeholders, thereby being a partner in National Development.

Contents

Financial Information

Financial Highlights

Summary of Results		Group			Company		
		2019	2018	Change	2019	2018	Change
		Rs.000	Rs.000		Rs.000	Rs.000	
Earnings Highlights and Ratios							
Revenue		**2,809,967**	2,650,407	6%	**2,664,164**	2,479,687	7%
Results from Operating Activities		**(32,584)**	(105,345)	-69%	**(27,261)**	(74,002)	-63%
Loss before tax		**(159,877)**	(260,004)	-39%	**(210,618)**	(235,826)	-11%
Loss after tax		**(179,635)**	(252,948)	-29%	**(224,114)**	(238,347)	-6%
Loss per share	Rs.	**(7.19)**	(10.12)	-29%	**(8.96)**	(9.53)	-6%
Interest cover	No of times	**(0.18)**	(0.64)	-73%	**(0.15)**	(0.46)	-67%
Financial Highlights and Ratios							
Total assets		**4,673,989**	4,297,026	9%	**4,440,419**	4,111,536	8%
Total debt		**471,930**	670,691	-30%	**464,141**	661,050	-30%
Stated capital		**250,000**	250,000	0%	**250,000**	250,000	0%
Total shareholders' funds/Equity		**(1,899,139)**	(1,789,727)	6%	**(2,083,180)**	(1,929,131)	8%
Net liability per share	Rs.	**(75.97)**	(71.59)	6%	**(83.33)**	(77.17)	8%
Debt / equity	%	**-25%**	-37%	-34%	**-22%**	-34%	-35%
Debt / total assets	%	**10%**	16%	-35%	**10%**	16%	-35%
Market / Shareholder Information							
Market price of share							
'- Highest		**17.00**	22.80	-25%	**17.00**	22.80	-25%
'- Lowest		**12.50**	12.50	0%	**12.50**	12.50	0%
'- Year End		**15.10**	14.00	8%	**15.10**	14.00	8%

Chairman's Statement

"The Company recorded a significant increase in revenue from Rs. 2.48 billion in 2018 to Rs. 2.66 billion, a growth of 7.5% during the year"

Dear Shareholder,

On behalf of the Board of Directors of Agalawatte Plantations PLC, I am pleased to present to you the Annual Report and Audited Financial Statements of the company for the year ended 31st December 2019. The company continued to achieve its turnaround goals and also improve the business operation amidst many socio-economic challenges that prevailed during the year under review. This report will provide you a clear record of company past performance, strategies and management practices in achieving our organizational goals.

Operating Environment

The year 2019 was an unprecedented year with numerous challenges faced by the country in terms of environmental, political and economic factors. The first half of the year saw the most violent terrorist attack in recent memory, with a disruptive impact on our economy. The upward momentum of the economy was interrupted and the Sri Lankan economy grew only 2.3 percent compared to 3.2 percent recorded the previous year. The agricultural sector contributed 7.4 percent of the GDP with a 2.1 percent growth year on year (YOY).

During the year 2019, climate change severely impacted crop production and the uncertain political climate and volatile market conditions also negatively affected the industry. During the second and third quarter of the year 2019, market activity was substantially disrupted by the Easter Sunday Attack. However, the company continued to maintain its growth momentum, resulting in an increase in group revenue to over Rs. 2.8 billion during FY2019 as compared to Rs. 2.65 billion in FY2018 while maintaining average production volume compared to the last year. Despite the many challenges and financial constraints prevailing, the company continued to invest in replanting activities, infrastructure development and factory renovations to maintain a sustainable business model.

Tea Sector

The production of tea in Sri Lanka reduced to 300 million kilos as compared to 304 million kilos in 2018 and marked the third consecutive year of decline. The reduction in tea production was driven by climate change and the associated adverse weather patterns and difficulties in the labour market. The export of Ceylon Tea reached 292.6 million kilos in 2019 compared to 282.3 million kilos in 2018, demonstrating a growth of 3.6% from last year.

Despite the decline in production and the increase in exports, auction prices have declined compared to 2019. Accordingly, the sales average (NSA) for tea in year 2019 has decreased to Rs.544.54 per kilo from Rs.581.91 per kilo recorded in year 2018. This is following the all-time high of Rs.618.14 per kilo recorded in 2017. The sales average of high grown tea declined to Rs. 508.63 per kilo when compared to 571.51 per kilo in 2018. Low grown tea was averaging at Rs. 576.61 per kilo, a reduction of Rs. 24.18 per kilo when compared to Rs. 600.79 per kilo in 2018.

Even in the face of declining auction prices, the company managed to achieve an 11% increase in tea segment revenue to Rs. 1,619 million, Rs. 165 million increase from 2018. This was achieved by increasing the production of tea to 2,265 million kilos of made tea during the year under review. The increase in production has reduced the impact of declining auction prices in 2019. The increased production has also led to an increase in the cost of production. The tea segment has recorded a loss of Rs. 42 million in 2019 compared to a profit of Rs. 19 million in 2018. The company has taken a long term view and continuously invested in improving productivity and the quality of tea produced, which is expected to benefit the company for years to come.

Rubber Sector

The rubber sector in Sri Lanka continued to incur losses during the year due to the volatile market conditions, adverse weather and also the impact of global economic conditions. Rubber production of the country has further decreased by 9.5% to 74.8 million kilos in 2019 recording the lowest annual production in history. The lowest output during the year has caused a significant drop in export volume while international and domestic demand for natural rubber has also fallen due the impact of global economic slow-down and lower petroleum prices.

In 2019, the company produced 2.18 million kilos of rubber which is a 15.7% decrease when compared to the previous year's production of 2.59 million kilos. Extreme weather conditions prevailed in the cultivation regions and shortages of skilled labour have caused the production drop during the year. The revenue of the rubber segment in 2019 has dropped to Rs.588.4 million from Rs.675.4 million recorded in 2018. The company has incurred a loss of Rs.278.0 million from rubber in 2019 against a loss of Rs.171.1 million recorded in 2018. Climatic, political and socio-economic factors and also labour wage increase has impacted negatively on the segment profitability. The decline of NSA of rubber has also affected the company performance with the NSA in 2019 dropping to Rs.256.0 per kilo compared with Rs.268.7 in 2018.

Financial Performance

The Company recorded a significant increase in revenue from Rs. 2.48 billion in 2018 to Rs. 2.66 billion, a growth of 7.5% during the year, despite a slight decline in the rubber sector revenue experienced in the year under purview. Increases in the cost of sales in rubber segment has mainly caused the loss of rubber segment which has negatively impacted the profitability of the company. The loss for the year has decreased marginally to Rs.224 million from Rs.238 million loss recorded in 2018. As a result of the success of the management's efforts and dedication the cost of administration and other expenses have been minimized to ensure the sustainability of future operations.

At a group level, the consolidated revenue has been increased by 6% to Rs.2.8 billion in 2019 when compared with Rs. 2.65 billion revenue recorded in the previous year. While our subsidiary Mackply Industries has contributed to the consolidated operating results marginally, the company has received a significant share of equity from the investments reducing the consolidated net loss to Rs. 179 million in 2019 as compared to net loss of Rs. 252 million recorded in 2018. At the end of FY 2019, net assets of the company stood at negative Rs.2.08 billion which has subsequently become positive following the rights issue of ordinary shares completed during the first quarter of FY 2020.

People and welfare

We highly encourage a positive relationship with our valued employees, which will really set direction to achieve common goals of the organization. The company continued to develop the skills and productivity of our workforce, which is the most valuable resource of the company. We have also made numerous efforts in motivating the employees to engage in their work efficiently and effectively. These measures include welfare and education programs covering the workers and their families at all levels. The company has also implemented many initiatives to develop facilities and infrastructure aiming to uplift the living standard of the workers and the communities in our estates.

Way Forward

The year 2020 will be very challenging amidst the outbreak of COIVD-19 that have impacted the global economy drastically. Despite the many operating constraints and limitations prevailing, there was some upward momentum trend in auction prices of tea. The shift in demand caused by the pandemic and prevailing weather patterns have positively helped the Sri Lankan tea market to stay stable during the pandemic. Perceived health benefits of black tea in combating the virus have also affected the positive trend in demand substantially. As a company, we continue to focus on our efforts towards sustainability and achieving the organizational goals, making best use of our resources and technology.

We also have substantially developed our land productivity and operational system and procedures, committing to good agricultural practices to ensure future sustainability. Amidst financial constraints we have continued our replanting program in future perspectives and 82.68 hectares of rubber have been replanted during the year. Factory upgrades and facility enhancements are in the pipeline to ensure long term viability of the company.

Acknowledgment

On behalf of the Board of Directors, I wish to thank the entire management team and all our employees for their commitment and hard work towards sustainable development during the year despite many difficulties. I also express my gratitude to our brokers, suppliers, customers and all the business partners for their support and the continued relationship with the company. I also wish to extend my appreciation to all the members of the board for their untiring effort, commitment and support extended to achieve the common goals for the benefit of all the stake holders of the company. Further I wish to express my deep gratitude for the support and guidance given by the regulators, professionals, financial institutions. I would also like to thank all our shareholders for their continued trust and confidence placed in the company. Last but not least my appreciation is extended to DAMRO Group for their unwavering commitment towards the success of Agalawatte Plantations PLC.

A.S. Amarasuriya
Chairman

Agalawatte Plantations PLC
10th September 2020

Board of Directors

Mr. A.S. Amarasuriya
Chairman
Independent Non-Executive Director

Chairman of Agalawatte Plantations PLC. Appointed to the Board of Agalawatte Plantations PLC in June 2017.

Mr. Anil Amarasuriya is a Fellow of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants UK and also the Society of Chartered Management Accountants Sri Lanka. He is also Honorary Fellow of the Institute of Bankers of Sri Lanka.

Mr. Anil Amarasuriya counts over 35 years of experience in the banking industry both in Sri Lanka and abroad. He has held senior corporate level positions at Abu Dhabi Commercial Bank and Sampath Bank prior to assuming duties as the General Manager and subsequently as the Managing Director of Sampath Bank. He served as Director/CEO of Union Bank of Colombo before retirement in November 2014.

He served as Chairman of Sri Lanka Banks' Association and Financial Ombudsman Sri Lanka (G'tee) Ltd, Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board and of the Financial Sector Cluster, Member of the Governing Council of the National Institute of Business Management and Chairman of the Lanka Financial Services Bureau Ltd. He also served as Director of BOI, the subsidiaries of Sampath Bank Ltd, i.e. S C Securities (Pvt.) Ltd., Sampath Surakum Ltd, Sampath Leasing & Factoring Ltd, Sampath Trade Services (HK) Ltd, Sampath IT Solutions Ltd and Associate Company Lanka Bangla Finance Ltd. Mr. Amarasuriya currently serves as Chairman of Lanka Clear (Pvt.) Ltd, Chairman/ Director of Pussellawa Plantations Ltd and several private companies in Sri Lanka.

Mr. R. K. A. Ranaweera
Independent Non - Executive Director

Appointed to the Board of Agalawatte Plantations PLC in September 2017.

Mr. Ranaweera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Institute of Certified Management Accountants of Sri Lanka and the Institute of Accounting Technicians of Sri Lanka. He also holds Honors degree in Business Administration (B.Sc. Business Admin.) from the University of Sri Jayewardenepura.

He serves as Board Member of Gampaha Wickramarachchi Ayurveda Institute – University of Kelaniya, where he is also a member of the Finance Committee and chairs the Audit Committee.

Further, he serves as an independent director of AgStar PLC, where he is also chairs the Audit Committee.

Mr. Ranaweera counts over 40 years of experience in the accounting profession. He is the managing partner of Ranaweera Associates (Chartered Accountants) while serving as the Managing Director of Assent Advisory Partners (Pvt) Ltd, engaged in consultancy services.

In addition to the audit practice, Mr. Ranaweera has a wide experience in tax and company secretarial services and also in investment advisory and promotions. Further, he is actively involved in preparation of taxation books of leading accounting professional institutions in Sri Lanka while conducting lectures and seminars in taxation at these institutions.

Mr. G. P.N. A. G. Gunathilake
Managing Director/Chief Executive Officer

Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Gunathilake is a graduate of the University of Kelaniya in Human Resources Management. He counts over 17 years of service in Damro and has an extensive exposure in Human Resource and Corporate Management Practices. Mr. Gunathilake was appointed as a Director of Damro Group in 2010. He currently serves as a Group director of Damro in charge of Human Resources, Legal affairs, Special projects and Public relations.
He also serves as Managing Director/ Chief Executive Officer of Pussellawa Plantations Ltd and Director of related private companies including AEN Palm Oil Processing (Pvt) Ltd, F L M C Plantations (Pvt) Ltd, Mackply Industries (Pvt) Ltd, Melfort Green Teas (Pvt) Ltd and Ceylon Estate Teas (Pvt) Ltd.

Mr. W.A. Arosha Asanga
Non Independent, Non-Executive Director

Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Asanga is also a Director of Damro Group and carries responsibilities in finance and regulatory functions of the Group. He is well versed and proficient in accounting, auditing and taxation having over 20 Years expertise in the field. He joined Damro in the year 2002. Since then he has been playing an anchor role in the financial management and strategic planning of the Group. He is also a Director of Pussellawa Plantations Ltd, F L M C Plantations (Pvt) Ltd, Mackply Industries (Pvt) Ltd, Melfort Green Teas (Pvt) Ltd and Ceylon Estate Teas (Pvt) Ltd.

Mr. L.R.W. Susantha Rajasekara
Non Independent, Non-Executive Director

Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Rajasekara is a member of the Institute of Chartered Accountants of Sri Lanka. He also a graduate in Accountancy & Financial Management of the University of Sri Jayewardenepura.

He is also a Director of Damro Group and counts over 15 years of experience in Auditing, Accounting & Financial Management. He joined Damro in 2006 and handles the Group Tax, Financial Reporting & Corporate Compliances. Mr. Rajasekara is also a Director of Pussellawa Plantations Ltd, F L M C Plantations (Pvt) Ltd, Mackply Industries (Pvt) Ltd, Melfort Green Teas (Pvt) Ltd and Ceylon Estate Teas (Pvt) Ltd.

Mr. R.P.L. Ramanayake
Non Independent, Non-Executive Director

Appointed to the Board of Agalawatte Plantations PLC in May 2017.

Mr. Lahiru Ramanayake is a graduate in marketing and management from Monash University in Melbourne, Australia. He was appointed to the Board of Damro Group in 2013. He serves as the Deputy Chairman and Group Director involved in the supervision of key functional operations of the Group including Production and Administration. Mr. Ramanayake is also a Director of Pussellawa Plantations Ltd, Mackply Industries (Pvt) Ltd and F L M C Plantations (Pvt) Ltd.

Management Discussion & Analysis

Economic Overview

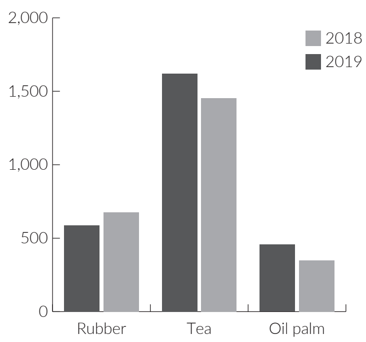
The Sri Lankan economy recorded a sluggish growth of 2.3% in 2019 as compared to 3.3% in 2018. Overall growth prospects were severely affected by the Easter Sunday attacks in April 2019, an as a consequence the Agricultural sector grew by only 0.6% YOY. The plantation sector faced much difficulties with adverse weather conditions, political instability and also the impact of slowing down of global economic activities. The production costs increased significantly due to wage increases and lower crop production due to prolonged spells of unfavorable weather. The plantation sector witnessed further deterioration of both tea and rubber prices in the year 2019, having a negative impact on profitability.

Operations Review of the Company

The primary crop of the company comprise of tea, rubber an oil palm and such plantations are located in Kalutara, Ratnapura and Nuwara Eliya Regions. Despite external pressures that prevailed during the year, the Company achieved a growth of 7.5% in revenue recording Rs.2664 million in 2019 when compared to Rs.2479 million achieved in year 2018. The Group turnover was Rs.2809 million in 2019 against Rs.2650 million recorded a year earlier.

The comparative performance of each business segment of the company during the year 2019 is as follows.

Segmental Revenue 2019 Vs 2018 – Rs. Million



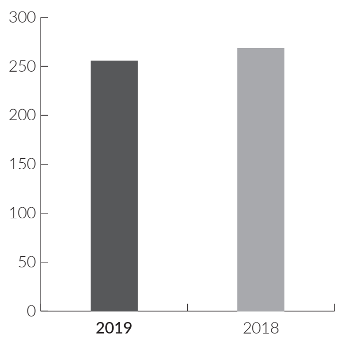
Rubber

The Rubber Estates of the company are located in Kalutara and Ratnapura Districts. The factories on Clyde, Culloden, Doloswella, Kiribathgala, Kiriwanaketilya and Peenkande estates are collectively capable of processing daily, approximately 17, 000 Kgs of Thick Pale Crepe (TPC) rubber, whilst the recently developed Ribbed Smoke Sheets (RSS) facilities on Clyde, Culloden, Doloswella, Kiribathgala, Kiriwanaketiya, Niriella and Peenkande have a capacity of producing over 3500 Kgs of RSS a day.

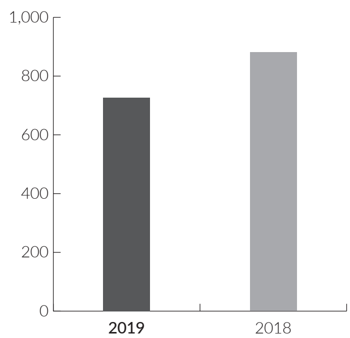
Due to the extreme weather conditions that prevailed in the rubber planting districts during the year under review, the rubber production of the company reduced to 2,186,139 Kgs in 2019 from 2,594,988 Kgs in 2018, which is a decrease of 408,849 Kgs (i.e.16%). Accordingly, the Yield per Hectare (YPH) of the company has declined to 726 Kgs in 2019 from 881 Kgs achieved during the previous season. The average intake per tapper which measures the productivity of rubber tappers too reduced to 7.93 Kgs in 2019 against 8.56 Kgs recorded in 2018, which is a decrease of 7%. With the implementation of Rain Guarding and Low Frequency Tapping Systems, the impact of external factors that affected crop production have been substantially mitigated.

In the year 2019 the rubber market behaved in an erratic manner. Despite periodic fluctuations in rubber prices, which in most instances were negative the annual Net Sales Average (NSA) of Rubber dropped to Rs. 256.00 per kilo from Rs.268.71 per kilo the decline being 4.73 % against the previous season.

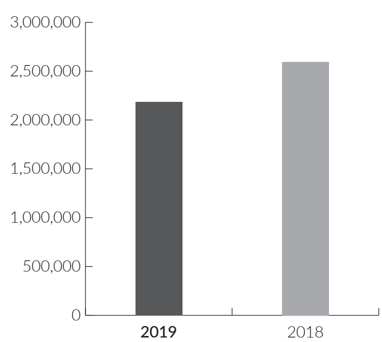
NSA (Rs/kg)



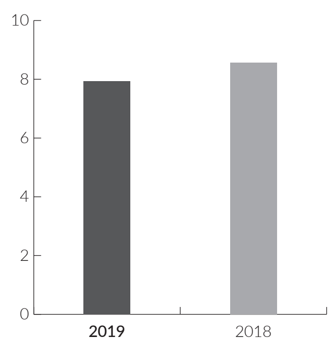
YPH



Crop Production



Intake per tapper

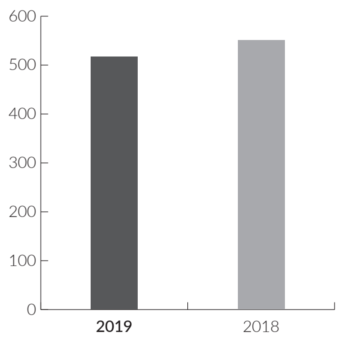


Tea

The downward trend in tea production in Sri Lanka continued in year 2019 as well and the reduced tea prices and higher costs on wages had a significant impact on the sector earnings. Tea segment recorded Rs.1619 million revenue in 2019 as compared to Rs.1454 million in 2018. The Company reported a gross loss of Rs. 42 million in 2019 against a gross profit of Rs. 19 Million recorded in year 2018. Made tea produced during the year was 2.26 million Kgs which is a marginal increase of 1.5% against 2.23 million Kgs of made tea produced in 2018. The NSA decreased from Rs.550.53 per kilo in 2018 to Rs.517.00 per kilo in 2019, it being the major contributor towards the notable losses in the sector.

The Company successfully implemented an accelerated tea replanting and infilling program during the year the extent replanted being 21.44 hectares.

NSA (Rs/kg)

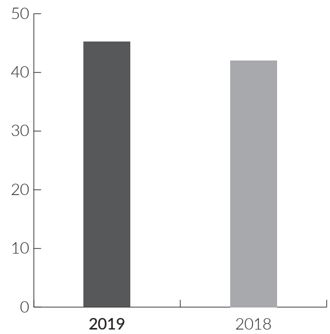


Oil Palm

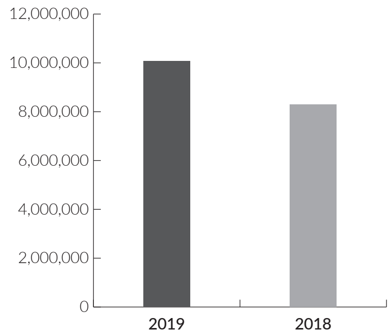
Oil Palm segment continued to make profits during the current year as well. The crop production of the company increased to 10,076,560 Kgs in 2019, which is up 21% against the volume of 8,293,497 kgs achieved in 2018. Accordingly, the Yield per Hectare of the company too has increased to 8113 kg per hectare in 2019 from 6693 kg per hectare recorded in 2018

The appreciable performance of the Oil Palm segment is certainly the main contributor towards the company's gross profit of Rs. 231.49 million recorded in 2019 as against Rs. 143.23 million a year earlier.

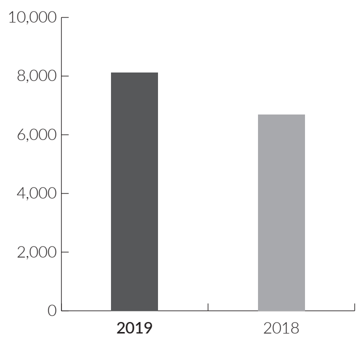
NSA (Rs/kg)



Crop Production



YPH



Capital Expenditure

The company focuses on developing a sustainable business model and also increase land productivity. Continued capital investment in replanting, field development, factory renovation and upgrading etc has contributed significantly towards achieving sustainable growth. Therefore, the management has given much priority on capital investment during the current year as well, despite many financial and operational constraints.

In 2019, an extent of 82.68 hectares of rubber was replanted against 141.14 hectares replanted in 2018. In spite of financial constraints an in accordance to the accelerated replanting program of the company, a further 216 hectares of uneconomical lands have been scheduled for replanting in rubber during the ensuing year.

The expenditure incurred on rubber replanting and up keep of immature areas was approximately Rs. 124.9 million and the company also spent Rs.37.4 million on replanting and up keep of tea.

During the year, in excess of Rs.75.5 million has been invested in building renovations, plant and machinery, vehicles, equipment etc. Corresponding investments in fixed assets during the previous year amounted to Rs.247.3 million.

Financial Review of the Company

The Company recorded a loss of Rs. 224.1 Million after tax against the loss of Rs. 238.3 Million recorded during the previous year. At Group level the loss for the year was Rs.179.6 million as compared to a loss of Rs.252.9 million in 2018.

Management Discussion & Analysis

Summary of key financial performance indicators:

Performance Measure	2015	2016	2017	2018	2019
Revenue (Rs. 000)	1,630,229	1,226,933	1,825,626	2,479,687	**2,664,164**
Revenue Growth	(19%)	(25%)	49%	36%	**7%**
Gross Profit/ (Loss) (Rs.000)	(32,704)	(187,427)	71,988	(8,266)	**(89,246)**
Gross Profit/ (Loss) Margin	(2%)	(15%)	4%	(0.33%)	**(0.03)**
EBIT (Rs.000)	(243,463)	(783,394)	458,211	(74,002)	**(27,261)**
EBIT Growth (%)	(61%)	222%	(158%)	(116%)	**(63%)**
Capital Expenditure (Rs.000)	127,584	55,301	451,440	540,517	**256,303**
Cash Flow from Operations (Rs. 000)	9,197	(53,419)	1,512,815	629,958	**359,845**
Total Debts (Rs.000)	2,008,483	1,680,254	802,880	661,050	**464,141**

Annual turnover of the company increased to Rs.2.664 million, which is an all-time high considering last five year performance of the company. Tea and oil palm mainly contributed to the increase in revenue of the company, which is a 7.4% increase year-on-year. During the past five years, the company revenue has increased by 63.4% and the cost of sales too have similarly risen which has affected the company gross profits over the previous years. Earnings before interest and tax (EBIT) has eroded to a loss of Rs.27.2 million in 2019, mainly due to decreased rubber prices and the impact on wage increase.

The company continued to invest in replanting, factory renovations, plant and machinery etc even though the net losses has restricted company operational cash flows. However total debt of the company has decreased from Rs. 661.0 million in 2018 to Rs.464.1 million in 2019 as the continued commitment of the management to settle bank borrowings promptly and reduce interest costs accordingly.

Social Welfare and Training Programs

The company focuses on welfare and skills development measures aimed towards uplifting the living standard of workers and their families. The objectives of social welfare and training programs have been to identify and prioritize strategies to provide resources and facilities to enhance the education and also living status of the workforce and their community. Even during difficult times, our commitment to the wellbeing of our workforce and the plantation community continued.

During the year, the Plantation Human Development Trust (PHDT) continued to support APL and assist towards upgrading the Quality of Life of workers and their socioeconomic conditions, along with the health and welfare status of the Plantation Communities. The Company in collaboration with PHDT assisted the community in providing much needed water & sanitary facilities, Upgrading of Child Development Centres such as on Watapotha and Culloden estates.

The company organized numerous awareness programs in order to help the community in prevention of diseases, alcoholism and to maintain good health. Immunization, ante-natal and family planning clinics too were conducted routinely in collaboration with PHDT and government health institutions. Diagnostic clinics were also conducted on cancer, diabetes, tuberculosis and eye diseases on a regular basis.

In-house and external training programs have been conducted to improve skills and competencies of the workforce. The company also implemented awareness and skill development programs with the assistance of the national co-operative council to enhance the knowledge and technical know-how of the employees.

Sustainability and way forward

In achieving a long term sustainable development the company continued to apply its strategic approaches aimed at optimizing operational efficiencies and land productivity. We have identified the importance of continuous replanting of Tea and Rubber together with planting commercial timber for future perspectives of the company. The investments in field and factory developments have also continued to increase the productivity and overall performance. Margins in the Rubber Sector will continue to be pressured by increasing cost of production and low prices. However, we seek to reduce sector losses through productivity and efficiency gains in existing Rubber lands.

Our corporate strategies are directed to ensure continuous development and consolidation of our core plantation business whilst pursuing diversification-led growth through multiple non-crop value creation initiatives and thereby achieve long term sustainability and also to look after the interests of the stakeholders of the company.

Annual Report of the Board of Directors

The Directors of Agalawatte Plantations PLC have pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company and the Group for the year ended 31st December 2019 and the Auditor's report thereon.

The Board of Directors approved this report at the Board meeting held on 10th September 2020.

Principal Activities

The principal activities of the Company consist of cultivation, production, processing and sale of Tea, Rubber and Oil Palm and selected non-crop diversification initiatives.

Agalawatte Plantations PLC is a holding Company that owns, directly, 100% stake in Mackply Industries (Pvt.) Ltd. The principal activity of Mackply Industries (Pvt) Ltd is the production and sale of Plywood products.

Parent Enterprise

D.R. Investments (Pvt.) Ltd, an affiliated company of Damro Group is the parent undertaking of the Company as at 31st December 2019 and holds 61.22% of stake as at 31st December 2019.

The financial statements of the Company and the Group are given on pages 34 to 103.

Auditors' Report

The Auditors' report on the financial statements is given on pages 30 to 33.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 41 to 54.

Review of Operations and performance

Review of financial and operational performance and future business developments of the Company are discussed in the Chairman's Statement on pages 4 to 5 and Management Discussion & Analysis on pages 8 to 10.

Corporate Governance/Internal Control

The Board has overall responsibility for the Company's corporate governance and systems of internal controls. The company has complied with the Corporate Governance Rules laid down under the listing rules of the Colombo Stock Exchange. Details of Corporate Governance practices of the Company and specific measures taken with regard to internal controls are elaborated on pages 14 & 18.

Directorate

The members of the Board during the financial year ended 31st December 2019 were as follows.

Mr. A.S. Amarasuriya *(Chairman/ Independent Non-Executive Director)*
Mr. R.K.A. Ranaweera *(Independent Non-Executive Director)*
Mr. G.P.N.A.G. Gunathilake *(Executive Director/ CEO/Managing Director)*
Mr. W.A. A. Asanga *(Non-Independent Non-Executive Director)*
Mr. L.R.W.S. Rajasekara *(Non-Independent Non-Executive Director)*
Mr. R.P.L. Ramanayake *(Non-Independent Non-Executive Director)*

The Profiles of the Board of Directors of the company as at 31st December 2019 are set out on pages 6 to 7 of the Annual Report.

Independence of Directors

The Board has made a determination as to the independence of each non-executive director and confirms that two of the non-executive directors meet the criteria of independence in terms of rule 7.10.4 of Listing Rules.

Each of the independent directors has submitted a signed and dated declaration of his independence against all the specified criteria. Mr. A.S. Amarasuriya is a Director of Pussellawa Plantations Ltd. The Board taking into account all the circumstances is of the opinion that Mr. A.S. Amarasuriya is nevertheless independent.

Directors' Remuneration

Directors' remuneration is disclosed in Note 10 to the Financial Statements.

Directors' Interest in Transactions

The Directors of the Company made the general disclosures provided for in Section 192 (2) of the Companies Act No.07 of 2007. Note 35 to the financial statements have dealt with related party disclosures and include details of their interests in transactions. The shareholdings of Directors as at 31st December 2019 are as follows.

Name of the Director	(No of shares)
Mr. A.S. Amarasuriya	Nil
Mr. R. K. A. Ranaweera	Nil
Mr. G.P.N.A.G. Gunathilake	Nil
Mr. W.A.A. Asanga	Nil
Mr. L.R.W.S. Rajasekara	Nil
Mr. R.P.L. Ramanayake	Nil

Annual Report of the Board of Directors

Auditors

M/S KPMG, Chartered Accountants are deemed to be re-appointed as auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

The Auditors were paid Rs.3,500,000/- as audit fees and Rs. 125,000/- for non-audit related work.

Based on the declaration made by M/S KPMG (Chartered Accountants) as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than disclosed above.

Earnings and Net Assets per Share

Earnings per share and net assets per share figures are given below:

	2019 Rs.	2018 Rs.
Loss per share	**(8.96)**	(9.53)
Net liability per share	**(83.32)**	(77.17)

Segment Reporting

A segmental analysis of the activities of the Group is given in note 43 to the Financial Statements.

Related Party Transactions

Details of related party transactions of the Company are given on note 35 to the Financial Statements. Respective transactions and the information provided are in compliance with Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued under Section 13(c) of the Securities Exchange Commission Act.

There were no non-recurrent related party transactions which exceeds 10% of equity or 5% of the total assets of the Group, whichever is lower as per the audited financial statements for the year ended 31st December 2019.

Recurrent related party Transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per the audited financial statements for the year ended 31st December 2019 were disclosed in Note no 35.4 to the Financial Statements.

Capital Expenditure

The total capital expenditure on acquisition of property, plant and equipment and biological assets of the Company Rs. 256.3 million (2018 - Rs. 540.5 million).

Contingent Liabilities and Capital Commitments

There were no material contingent liabilities or capital commitments as at 31st December 2019.

Personnel

The Company had in its employment 4709 (2018: 5431) persons as at 31st December 2019.

Share Trading Information

The shares of the Company were listed in the Colombo Stock Exchange from 22nd January 1996.

Information relating to the trading of the Company's shares during 2019 are given below:

	2019 Rs.	2018 Rs.
Market value per share -High	**17.00**	22.80
Market value per share – Low	**12.50**	12.50
Market value per share - 31 Dec	**15.10**	14.00

Shareholder Information

As at 31st December 2019, the Company had 11,312 registered shareholders. An analysis of the shareholding, distribution and names of the 20 Major shareholders are given in the Shareholders Information section (Pages 104 to 105).

Float adjusted market capitalization

The Company had a float adjusted market capitalization of Rs. 146.3 million and 11,311 public shareholders as at 31st December 2019. Accordingly, the Company is compliant under option 5 of the minimum threshold requirements for the Main Board of the CSE, as per section 7.13. 1. (a) of the Listing Rules of the CSE.

Going Concern

The Directors have adopted the going concern concept in preparing the Financial Statements which is highlighted in the Note 36 to the Financial Statements.

Compliance with Laws and Regulations

The Company and the Group has complied with all applicable laws and regulations. The Directors confirm to the best of their knowledge all taxes, duties and levies payable by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group and all other known statutory dues as were due and payable by the Group as at the end of the reporting period have been paid or where relevant provided for.

Donations

There were no donations given during the year ended 31st December 2019.

Notice of Annual General Meeting

The Notice of the 25th Annual General Meeting of the Company appears on page 112.

For and on behalf of the Board

W.A. Arosha Asanga
Director

L.R.W.S. Rajasekara
Director

Nexia Corporate Consultants (Pvt.) Ltd
Secretaries
Agalawatte Plantations PLC

10th September 2020
Colombo

Corporate Governance

Corporate Governance is the system of rules, practices and processes by which a company is directed and controlled. The corporate governance principles and guidelines primarily revolve around the Code of Best Practices on Corporate Governance jointly issued by Institutes of Chartered Accountants, Sri Lanka and Securities and Exchange Commission of Sri Lanka and the Listing Rules of the Colombo Stock Exchange (CSE).

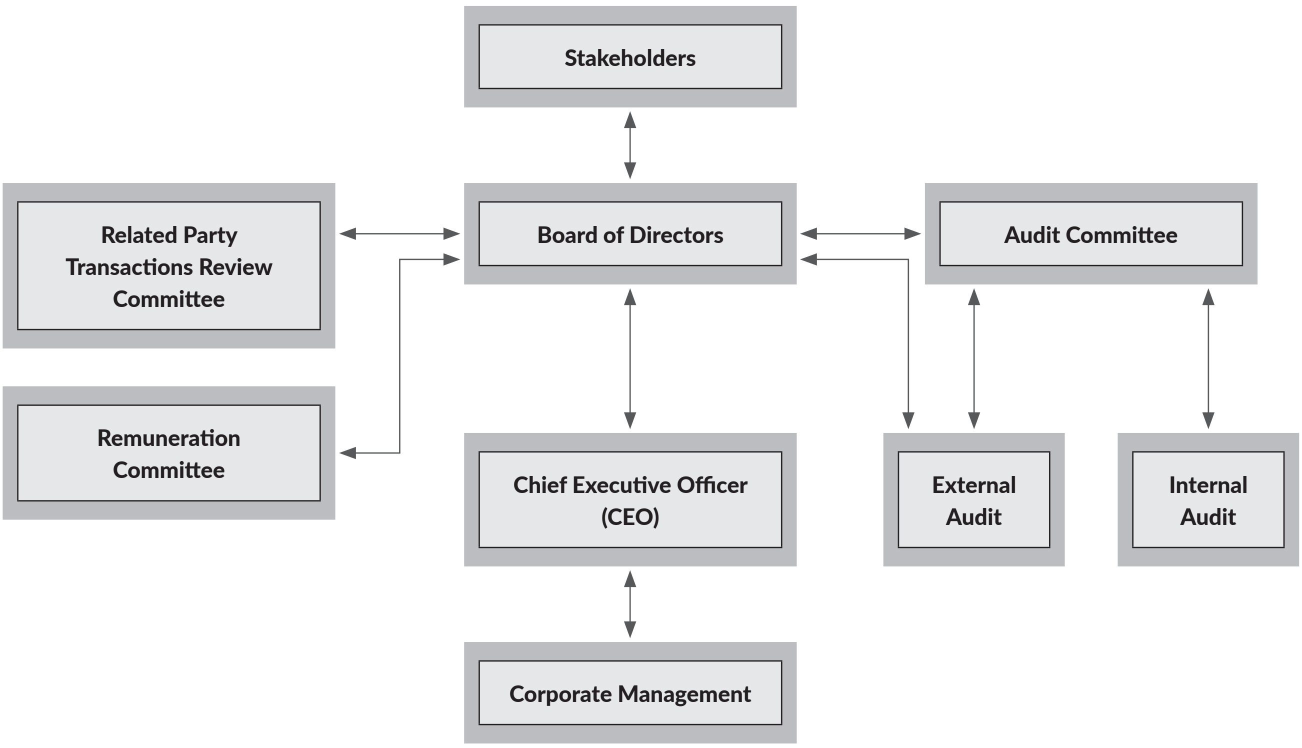
The Statement of Corporate Governance provides Key highlights on how Agalawatte Plantations PLC complies with the aforementioned principles and practices during the financial year 2019. While upholding the highest standard of corporate governance in providing valuable oversight and guidance to Management to navigate all day to-day activities through effective strategies and procedures that effect on the achievement of medium to long term targets of the company, the Board has also ensured to strengthen its role and responsibilities in order to enhance transparency and accountability and emphasize the Board's commitment to provide the long term growth and sustainability of the company.

The corporate governance framework at Agalawatte Plantations PLC is considered as a vital element to provide sustainable returns for the benefit of all internal and external stakeholders. The Company has continuously focused on developing and implementing a sound and transparent corporate governance structure whereas the Board members, the senior management team and also entire staff should be bound with the commitment towards adoption and implementation of transparent and effective corporate governance practices within the company which resulted improving corporate accountability, business prosperity and shareholder value of the Company.

Corporate Governance Framework

Good corporate governance covers the entire accountability framework of an organization. Therefore, it takes into consideration both corporate and business governance and is based on the premise that good governance policy alone cannot make an organization successful. It is only by having in place good corporate governance practices, which are strategically linked to performance management of an organization and able to focus on the key drivers of the business. Consequently, the corporate governance emphasizes the dual role of the Board of Directors in ensuring conformity to good governance and strategic management for adding the value.

The Governance principles and practices provide Directors and management a clear guidance on their duties and responsibilities. The governance structure of Agalawatte Plantations PLC is as follows.



Board of Directors

The Board of Directors has overall responsibility for protecting the rights and interests of the stakeholders and accountability for the management of the affairs of the Company. Also, accountable towards attaining a high standard of corporate governance practices as specified by the regulatory bodies and legislations. Therefore, the Board is committed to uphold appropriate standards of corporate governance practices which are fundamental for the achievement of overall objectives, enhancement of shareholders' value and safeguard stakeholders' interests.

Further, the role & key responsibilities of the Board include the followings,

- Ensure all stakeholders' interests are considered in corporate decisions.
- Direct, manage and control the business and affairs of the Company.
- Planning, implementation and controlling of short and long term strategies to achieve the company's overall performance objectives.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems are in place.
- Ensure that internal controls are adequate and effective.
- Preparation and presentation of interim and annual financial statements of the Company.
- Accurate and efficient financials plans, performance evaluation and budgeting
- Ensure compliance with laws and regulations

The composition of the Board of Directors during the year 2019, and the attendance of each Director at the Board meetings held during the financial year are as follows: Brief profiles of the Directors are set in page 6 to 7.

Name of Director	Appointment/ Resignation	Directorship	Independent	Attendance of the meetings
Mr. A.S. Amarasuriya	Appointed w.e.f. 22/06/2017	Chairman Non-Executive Director	Yes	4/4
Mr. R. K. A. Ranaweera	Appointed w.e.f. 20/09/2017	Non-Executive Director	Yes	4/4
Mr. G.P.N.A.G. Gunathilake	Appointed w.e.f. 22/05/2017	Executive Director/ CEO	No	4/4
Mr. W.A. A. Asanga	Appointed w.e.f. 22/05/2017	Non-Executive Director	No	4/4
Mr. L.R.W. S. Rajasekara	Appointed w.e.f. 22/05/2017	Non-Executive Director	No	4/4
Mr. R.P.L. Ramanayake	Appointed w.e.f. 22/05/2017	Non-Executive Director	No	4/4

Board Meetings

The Board meetings have been scheduled on a regular basis during the year 2019 and adhoc meetings were held as required. The Board has met 4 times during the year under review.

The Directors are provided with adequate Board reports and management analysis and relevant information on discussion topics to ensure effective decision making and informed deliberation. The compliance department of the company has provided necessary support to the Board in ensuring that the Board receives timely and accurate information, advices related to corporate governance matters, Board procedures and regulatory requirements during the year under reviewed. Minutes of meetings of the Board are also tabled at the Board meetings for the Board's information. The Company Secretary is responsible for the administration of the Board meetings and maintaining board minutes and records.

Independence

Independence of the Directors has been determined in accordance with the CSE Listing Rules and Independent Non-Executive Directors have submitted declarations of their independence up on appointments and during the year as required.

The Independence of all its Non-executive directors was reviewed on the basis of criteria given by the CSE Listing Rules 7.10.4 as follows;

Corporate Governance

Non-executive director shall not be considered independent if he/she,

A. has been employed by the Listed Entity during the period of two years immediately preceding appointment as director;

B. currently has/had during the period of two (2) years immediately preceding appointment as a director, a Material Business Relationship with the Listed Entity, whether directly or indirectly;

C. has a Close Family Member who is a director, Chief Executive Officer (and/ or an equivalent position) in the Listed Entity;

D. has a 10% Shareholding in the Listed Entity;

E. has served on the board of the Listed Entity continuously for a period exceeding nine (9) years from the date of the first appointment; provided however, if such director is re-appointed after a period of two (2) years from the date of completion of the preceding nine (9) year period,

F. is employed in another company or business,

   i) in which a majority of the other directors of the Listed Entity are employed or are directors; or

   ii) in which a majority of the other directors of the Listed Entity have a 10% Shareholding or Material Business Relationship; or

   iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection;

G. is a director of another company,

   i) in which a majority of the other directors of the Listed Entity are employed or are directors; or

   ii) that has a Business Connection in the Listed Entity or a Significant Shareholding;

H. has a Material Business Relationship (income or non-cash benefits equivalent to 20% of the director's income) or a Significant Shareholding in another company or business,

   i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or

   ii) which has a Business Connection (transaction value equivalent to 10% of the turnover) with the Listed Entity or 10% Shareholding in the same

Board Committees

The Board has set up following committees delegated with specific tasks and responsibilities.

- Audit Committee
- Remuneration Committee
- Related Party Transaction Review Committee

The Board has adopted a formal charter that outlines the functions, duties and responsibilities of the Board Committees in line with the Board's objective in pursuing good governance practices.

Audit Committee

The composition of the Audit Committee meets the requirements in continuous listing rule 7.10.6 of Colombo Stock Exchange, where Independent Directors form the majority of non-executive directors. The members of the Audit Committee as at 31st December 2019 comprised of:

Mr. R.K.A. Ranaweera *(Chairman, Independent Non-Executive Director)*

Mr. A.S. Amarasuriya *(Independent Non-Executive Director)*

Mr. L.R.W.S. Rajasekara *(Non-Independent Non-Executive Director)*

In compliance with CSE continuous listing rule 7.10.6 (a), all committee members are membership of the institute of chartered accountants of Sri Lanka.

The Audit Committee reviews, monitor and supervise financial reporting process, monitors the works of the internal audit function and ensures an objective and professional relationship is maintained with external auditors. The Committee ensures that the accuracy and timely disclosure, transparency, integrity, consistency and quality financial reporting of the Company. The Audit Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Audit Committee. The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report on page no. 25 to 26.

Remuneration Committee

Remuneration Committee consists of the following Directors, all of whom are Non-Executive Directors:

Mr. A.S. Amarasuriya *(Chairman, Independent Non-Executive Director)*

Mr. R.K.A. Ranaweera *(Independent Non-Executive Director)*

Mr. W.A.A. Asanga *(Non-Independent Non-Executive Director)*

The remuneration committee of the company recognizes the following as its key duties and responsibilities.

- Assist the Board by establishing a remuneration policy which attract, retain and motivate all executive directors, the CEO and key management personnel (KMP).
- The committee will track the competitors' remuneration structures in order to persuade executive directors to remain with the company.
- Assist the Board in evaluating the performance of the CEO and KMPs, in order to recommend suitable rewards.

The report of the Remuneration Committee is on the Page 24.

Related Party Transactions Review Committee

The key objective of the Related Party Transactions Review Committee is to ensure that the interests of shareholders as a whole are taken into account by the company when entering into Related Party Transactions. Further, the Committee provides an independent review, approval and oversight of all the proposed related party transactions to maintain the key principles of the company, accountability and the transparency. The committee members as at 31st December 2019 are as follows.

Mr. R.K.A. Ranaweera *(Chairman, Independent Non-Executive Director)*

Mr. A.S. Amarasuriya *(Independent Non-Executive Director)*

Mr. W.A.A. Asanga *(Non-Independent Non-Executive Director)*

The related party transactions review committee report on page 23 describes the activities carried out during the financial year.

Corporate Management

The Board has delegated its responsibilities to be discharged by Board through sub-committees and senior management team headed by Chief Executive Officer. Management team comprises of Chief Executive Officer, Chief Operating Officers, Head of Finance, and General Managers etc. The senior management team oversees the day to day management of the business and affairs of the Company under the direction and supervision by the CEO. For administrative purposes, the operations of the Company have been effectively divided into three geographic regions, namely the Nuwara Eliya, Ratnapura and Kalutara Districts. The General Managers are in charge of Tea, Rubber and Oil Palm estates respectively.

Relationship with Shareholders

The Board of Directors is directly responsible for overall company's activities to the shareholders of the Company. Therefore the Board of directors and its management provide utmost priority and importance to ensure that complete and accurate disclosure of financial and non-financial information are made to the shareholders on regular basis.

The Annual General Meetings/Extra-ordinary General Meeting are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the annual report, quarterly financial statements and press releases. Further, contact details are published in both Quarterly Financial Statements as well as in the Annual Report & the Shareholders are able to contact the Company Secretaries or Senior Management at any given time.

Risk Management and Internal Control

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The Board periodically reviews and assesses the internal control system with a view to increase the efficiency and productivity of the Company's wealth.

The governance structure of the company is designed to ensure that the internal audit division of the Group reporting to the Audit Committee, regularly evaluates the internal control system and its findings are reviewed and significant issues are thereafter reported to the Board.

The structure is designed to provide reasonable care of,

- Reliability of financial and other management information
- The prevention of fraud and irregularities.
- Efficiency and effectiveness of operations
- Compliance with relevant national laws and Company regulations.

Further the Board confirms that there is an ongoing process to identifying, evaluating and managing the significant risk associated with the operation of the company. Strategies adopted by new management during the period under review, to manage its risk are set out in its report on Risk Management on page 19 to 22.

Stakeholder Relations

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders. The fundamental mode of communication between the Company and the shareholders are through the Annual Report, Interim Reports and Annual General Meeting. Further other stake holders such as trade suppliers, customers, and regulatory authorities including the government would also have significant importance in keeping active dialogue and relationship which ensures the continuous success of the business.

Compliance

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations and financial statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly.

Corporate Governance Requirements listed under Section 7 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE Listing Rules Section	Provision	Level of Compliance
7.10.a	Publishing a statement in the annual report for the financial year confirming compliance with the Corporate Governance rules and if unable to confirm compliance setting out the reasons for non-compliance	Complied
7.10.b	Giving an affirmative statement in the annual report with regard to complying with Corporate Governance rules or vice versa	Complied
7.10.c	Exemption to comply with Corporate Governance rules	Not Applicable
7.10.1.a	Composition of Board of Directors	Complied
7.10.1.b	Basis of calculating the total number of Directors	Complied
7.10.1.c	Rectification of changes to the ratio between total and Non-executive Directors	Not Applicable
7.10.2.a	Presence of independent Non-executive Directors and the ratio	Complied
7.10.2.b	Declaration by Non-executive Directors with regard to independence or otherwise	Complied
7.10.3.a	Annual determination of independence or non-independence of Non-executive Directors, by the Board of Directors and setting out in the annual report the names of Directors determined to be independent	Complied
7.10.3.b	Disclosure in the annual report with regard to determination of independence of a Director who does not meet the criteria for being independent	Complied
7.10.3.c	Publishing in the annual report a brief resume of each Director including the nature of expertise in the relevant functional areas	Complied
7.10.3.d	Providing a brief resume of each Director to the exchange upon appointment	Complied
7.10.4.a-h	Criteria for defining 'independence'	Complied
7.10.5.a	Composition of the Remuneration Committee	Complied
7.10.5.b	Functions of the Remuneration Committee	Complied
7.10.5.c	Disclosure in the annual report of the names of the Directors on the remuneration Committee, remuneration policy and setting out the aggregate remuneration paid to executive and Non-executive Directors	Complied
7.10.6.a	Composition of the Audit Committee	Complied
7.10.6.b	Functions of the Audit Committee	Complied
7.10.6.c	Disclosure in the Annual Report	Complied
7.10.7.a-k	Failure to comply with rule 7.10 and resultant regulatory procedures	Not Applicable
9.2.1	Reviewing of related party transactions by Related Party Transactions Review Committee	Complied
9.2.2	Composition of the Related Party Transactions Review Committee	Complied
9.2.4	The Committee shall meet at least once a calendar quarter and minutes of meetings are properly documented and communicated to the Board of Directors	Complied
9.2.5	Access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions	Complied
9.2.6 & 9.2.7	Where necessary, the committee shall request the Board of Directors to approve the Related Party Transactions prior to entering in to the relevant Related Party Transaction.	Complied
9.3	Immediate disclosures and the disclosures in the Annual Report	Complied

Risk Management

Risk implies that the uncertainty, arising due to deviating the actual outcome from its expected outcome. The consequences of risks can range from positive to negative. However, the outcome can often be led to direct financial losses, resulting in earnings volatility or in an extreme scenario in financial distress. The effective risk management is vital for a company to minimize the negative consequences of risks. Risk management is the process, analyzing, assessing, controlling, minimizing or elimination of risks to achieve company objectives.

Since the Company operates in a challenging environment, it is exposed to a multiple of risks associated with cultivating and processing of tea,rubber and oil palm within the economic environment and industry in which it operates. Therefore, the Board of Directors has placed special emphasis on the assessment and managing risk of the company during the year under review.

Risk management principles

The risk management principles of the company indicate its approach to the management of risks and the culture that the Group wishes to sustain.

- Key objectives of risk management

The company aims to achieve the following key objectives by implementation of an effective risk management process management,

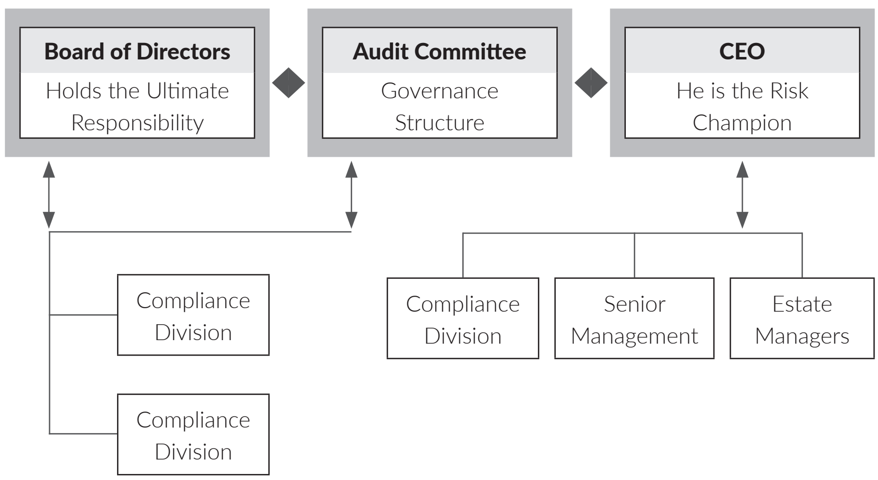
i) Provide clear accountability and responsibility for risk management

ii) Material issues are determined and resolved through a strong risk management process

iii) Ensures to implement a sound system of controls including financial, operational and compliance are in place, to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.

iv) Internal audit team provides assurance on the effective functioning of processes and a whistle blowing policy is in place providing a direct line to the Board.

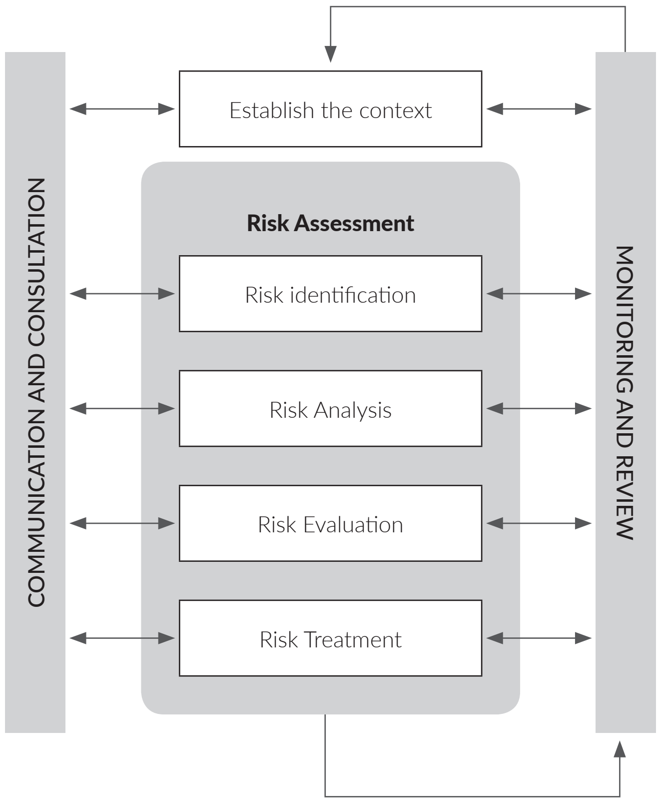
Risk management structure of the company is as follows.



Risk management steps

The risk management is considered as one of the important functions of the Company. With an understanding of vast opportunities and threats prevailing in the plantations industry, the management has stepped in to the following risk management process/steps.

The risk management steps include:



Establish the context

- Define the scope of objectives: i.e. what activity, decision, project, program, issue requires analysis
- Identify relevant stakeholders/areas involved or impacted
- Internal and/or external environment/ factors

Identify the risk

Assess, what could happen? How and where it could happen? Why it could happen? What is the impact or potential impact?

Analyze the risk

- Identify the causes, contributing factors and actual or potential consequences
- Identify existing or current controls
- Assess the likelihood & impact/ consequence to determine the risk rating

Evaluate the risk

- Is the risk acceptable or unacceptable?
- Does the risk need treatment or further action?
- Do the opportunities outweigh the threats?

Treat the risk

- If existing controls are inadequate identify further treatment options
- Devise a treatment plan
- Seek endorsement & support for treatment
- Determine the residual risk rating once the risk is treated

Communicate & consult

At all stages of the process, it ensures those responsible for managing risk, and those with vested interests, understand the basis on which decisions are made, why particular treatment options are selected or why risks are accepted/tolerated.

Monitor & review

Continually checking of effectiveness of risk controls and/or treatments, changes in context or circumstances, and document & report this activity accordingly.

PRINCIPAL RISKS

Risk	Potential Impact	Risk Minimization Strategies	Risk rating
Business risks			
Crude oil prices impacting tea prices. Supply of Competitors affecting Sri Lankan auction prices. Fluctuation of interest rates Domestic instability in foreign markets Political Risk	Increase in cost of sales in contrasted to net sales Affect on capital expenditure, liquidity, new investments, etc Change in government regulations affects on operational aspects and new investment ,etc.	Improve the quality of tea, rubber and oil palm to attract higher prices Implement cost control strategies Negotiate forward sale contracts Crop diversification Comply with the rules and regulations while maintaining good relationship with government authorities in order to highlight them the industry practices,norms,etc.	Overall Rating: High Probability of occurrence: High Severity of Impact: High
Climatic Changes Unfavorable weather patterns and natural disasters	Loss of crop/harvest and higher cost of production Loss of revenue Due to the natural disasters, potential physical damage to employees, estate residents, fields and factories.	Crop diversification Rain guarding Introduce weather resistant clones Identify landslide prone areas Analysis and forecast of weather patterns facilitating early preparations Preparing contingency plans	Overall Rating: High Probability of occurrence: High Severity of Impact: High
Increase in labour cost Increase in wage rates which are not linked to output	Higher cost of production Liquidity issues Less cost effectiveness	Implementing of out grower purchasing system Better HR practices at estate levels to increase the output Enhance the productivity by having a linkage of cost and output	Overall Rating: High Probability of occurrence: High Severity of Impact: High

Risk Management

Risk	Potential Impact	Risk Minimization Strategies	Risk rating
Credit risk Possibility of defaulting payments which are mainly selling through the auction mechanism.	Liquidity issues Impact on the bottom line Loss of inventories	Implementing a system to control & maximize the recovery of debts arising from direct sales Sound credit control policies and a system of evaluation of credit worthiness of the direct buyers.	Overall Rating: Medium Probability of occurrence: Low Severity of Impact: Moderate
Risk of Land acquisition The risk exposed to the acquisition of productive land for public purposes	Reducing the cultivation extent of the company Loss of the land leads o a loss for the company	Continuous replanting program on viable land areas Discussion and negotiation to enable losses to be minimized Compensation claims to be lodged for any lands acquired	Overall Rating: Low Probability of occurrence: Low Severity of Impact: Low
Operational risks			
Risk of High Staff Turnover/ Worker Migration Shortage of skilled/ unskilled labour and lower labour productivity The risk of losing workers to other industries/businesses and increasing tendency to avoid plantation work among youth generation.	High labour cost and cost of production Lower bottom line in the income statement Lower growth prospects	Implementation of better HR practices to attract and retain workers Continuous training programmes Target social and welfare projects,	Overall Rating: Medium Probability of occurrence: Moderate Severity of Impact: High
Ineffective accounting and information systems Ineffective internal information, inaccurate information and lack of timely information	Loss of investor confidence Delay in decision making Non-compliances	Implementing a sound system of internal control system Technology driven information system & new accounting software introduced. Qualified and experienced staff	Overall Rating: Medium Probability of occurrence: Moderate Severity of Impact: High
Risk of fraud Misappropriation of assets, frauds and misstatements of Financial statements	Impact on the income and profitability Loss of reputation Non-compliances	Sound internal control and information system Effective internal audit Better HR practices	Overall Rating: Medium Probability of occurrence: Moderate Severity of Impact: High
Legal & Regulatory Risk Non- Compliance with all legal, Company, secretarial, stock market and other regulations	Penalties Loss of reputation Demotivation of employees	Sound internal control and information system Qualified and experienced staff Better supervision	Overall Rating: Medium Probability of occurrence: Moderate Severity of Impact: High

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee is governed by the charter of Related Party Transactions Review Committee of Agalawatte Plantations PLC and in terms of the code of Best Practice on related party transactions issued by the securities and exchange commission of Sri Lanka and the section 9 of the listing rules of the Colombo Stock Exchange.

The Composition of the Committee

The Related Party Transactions Review Committee appointed by the Board comprises of four (04) Non-Executive Directors, two of whom are independent. The following Directors were functioned in the Related Party Transactions Review Committee as at 31st December 2019.

Mr. R.K.A. Ranaweera – *Chairman*
(Independent Non-Executive Director)

Mr. A.S. Amarasuriya
(Independent Non-Executive Director)

Mr. W.A. A. Asanga
(Non-Independent Non-Executive Director)

Mr. L.R.W.S. Rajasekara
(Non-Independent Non-Executive Director)

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

Brief profiles of the Directors representing the Committee are given in page 6 of this Annual Report.

Charter of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee is governed by 'Terms of Reference' approved by the Board of Directors. The Statutory and Fiduciary responsibilities of such Committee are those as envisaged in the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka (the "Code") and regulations promulgated by the Colombo Stock Exchange ("The CSE Rules"), Financial Reporting under LKAS 24 and Code of Best Practices on Corporate Governance 2017 jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

The charter of the Related Party Transactions Review Committee sets out key elements like the composition of the Committee, the Chairman should be a Non - Executive Independent Director, and the Committee should meet at least once in every Quarter. It also includes the guidelines on Related Party Transactions and its reporting. The Committee has direct access to the required data and information in order to discharge its duties and responsibilities and when in doubt, the Committee has the right to obtain appropriate opinions from external Specialists. The charter of the committee is subject to periodic review based on regulatory as well as operational requirements.

Meetings of the Related Party Transactions Review Committee

The Committee met four time during the year for the purpose of reviewing related party transactions.

The Chief Executive Officer and Head of Finance of the Company attend the meetings to update the Committee and to provide all the necessary information with regard to related party transactions. The Committee reviewed the related party transactions during the financial year at its meetings. The minutes of the meetings were duly recorded and disseminated to the Committee and to the Board of Directors. There were no non-recurrent related parties' transactions occurred during the year under review, requiring immediate announcement to the CSE and/or shareholder approval.

Members	Status	Committee Member Since	Attendance at meetings during 2019
Mr. R.K.A. Ranaweera (Chairman)	Independent Non-Executive Director	21st March 2018	4/4
Mr. A.S. Amarasuriya	Independent Non-Executive Director	31st July 2017	4/4
Mr. L.R.W.S. Rajasekara	Non-Independent Non-Executive Director	31st July 2017	4/4
Mr. W.A.A. Asanga	Non-Independent Non-Executive Director	31st July 2017	4/4

Policies and Procedures

The Committee is constituted and functions as per Section 9 of CSE Listing Rules, LKAS 24: Related Party Disclosures and the Code of Best Practices on related party transactions issued by the Securities Exchange Commission. The details of related party transactions were circulated to the Committee in advance. All transactions with related parties were based on the arm's length price.

All recurring related party transactions are disclosed in Note No. 35 to the Financial Statements; page No. 85 to 90 of this Annual Report.

On behalf of the Related Party Transactions Review Committee

R.K.A. Ranaweera
Chairman - Related Party Transactions Review Committee

10th September 2020

Remuneration Committee Report

Composition of the Remuneration Committee

The Committee appointed by the Board of Directors comprises three Non-Executive Directors, of whom two including the Chairman are Independent Directors. The following Directors serve on the Remuneration Committee as at 31st December 2019 in conformity with the listing rules of Colombo Stock Exchange.

Mr. A.S. Amarasuriya – *Chairman*
(Independent Non-Executive Director)

Mr. R.K.A. Ranaweera
(Independent Non-Executive Director)

Mr. W.A. A. Asanga
(Non-Independent Non-Executive Director)

Brief profiles of the committee members are given on page 6 to 7 of this Annual Report.

Charter of the Remuneration Committee

The Charter determines the terms of reference for the Remuneration Committee. The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, other Directors and setting the Broad parameters of remuneration for senior executives and assisting the Board in the performance evaluation of the Executive Board.

Meetings of the Remuneration Committee

The committee met twice during the year under review. The Minutes of the Remuneration Committee approved by the said committee is circulated and affirmed by the Board of Directors.

Attendance at the meetings is as follows.

Members	Status	Committee Member Since	Attendance at meetings during 2019
Mr. A.S Amarasuriya (Chairman)	Independent Non-Executive Director	31st July 2017	2/2
Mr. R.K.A. Ranaweera	Independent Non-Executive Director	21st March 2018	2/2
Mr. W.A. A. Asanga	Non-Independent Non-Executive Director	31st July 2017	2/2

Remuneration Policy

The committee defines the term “remuneration” as cash and all non-cash benefits whatsoever received in consideration of employment with the company (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).

The remuneration policy is to determine the remuneration and other benefits of the Executive Directors including the Chief Executive Officer, other Directors and other Senior Executives, annually. For this purpose, the committee assists the Board in the performance evaluation of the Executive Board. Therefore, the remuneration packages are linked to individual performances and are aligned with the Company’s short-term and long-term strategy.

The aggregated remuneration/director fees paid to Executive and Non-Executive Directors are disclosed in Note No. 10 to the Financial Statements.

Non-executive Directors

In the case of determining remuneration for Non-Executive Directors, compensation will be based on time commitment and responsibilities taken on by the Director, and general market practices. The remuneration of Non-Executive Directors will be determined by the Board, as a whole.

The Company Secretary functions as the Secretary of the Remuneration Committee.

On behalf of the Remuneration Committee

A.S. Amarasuriya
Chairman- Remuneration Committee

10th September 2020

Audit Committee Report

Composition of the Audit Committee

The Audit Committee is a sub-committee of the Board of Directors, appointed by and responsible to the Board of Directors, comprises the following two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as at 31st December 2019 in conformity with the listing rules of Colombo Stock Exchange.

Mr. R.K.A. Ranaweera – *Chairman*
(Independent Non-Executive Director)

Mr. A.S. Amarasuriya
(Independent Non-Executive Director)

Mr. L.R.W. S. Rajasekara
(Non-Independent Non-Executive Director)

Brief profiles of the committee members are set out on page 6 to 7 of this Annual Report.

The Audit Committee Members have significant and sufficient financial experience as required by the Code of Best Practice in Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange. Their financial knowledge and valuable insight are brought to stand on their judgments, deliberations and directions on matters that come within the Committee's purview.

The Executive Director, Mr. G.P.N.A.G. Gunathilake who is the Chief Executive Officer of the company and Head of Finance attend audit committee meetings by invitation. Also, the External Auditors attend the meetings whenever committee requires their presence. The company secretary functions as the secretary to the Audit Committee.

Charter of the Audit Committee

The objectives and duties & responsibilities of the Audit Committee of Agalawatte Plantations PLC are governed by the Terms of References called 'Audit Committee Charter' which is approved and adopted by the Board. The Audit Committee Charter has been reviewed and revised periodically, in line with the Section 7.10 of the Continued Listing Requirements of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

Meetings of the Audit Committee

The Audit Committee meets as and when necessary or appropriate in its judgment, and at least quarterly each year. During the financial year 2019, there were four (4) meetings and attendance of the Committee members are given below. The Chief Executive Officer, Head of Finance, Chief Operating Officer, General Manager and Auditors attended such meetings by invitation and updated the Committee on specific issues.

Attendance at Audit Committee Meetings

Members	Status	Committee Member Since	Attendance at meetings during 2019
Mr. R.K.A. Ranaweera (Chairman)	Independent Non-Executive Director	21st March 2018	4/4
Mr. A.S. Amarasuriya	Independent Non-Executive Director	31st July 2017	4/4
Mr. L.R.W.S. Rajasekara	Non-Independent Non-Executive Director	31st July 2017	4/4

Duties and Responsibilities

The Audit Committee Charter of the Company stated that the primary function of the Audit Committee is to assist the Board of Directors of Agalawatte Plantations PLC in fulfilling its oversight responsibilities and its subsidiary with respect to the following:

- **Accounting and financial reporting**

With the purpose of enhancing the integrity of accounting & financial reporting of Agalawatte Plantations PLC, the committee shall;

i) Oversee the preparation, presentations and adequacy of disclosures in the financial statements, as per the Sri Lanka Accounting Standards (LKASs/SLFRSs)

ii) Ensure compliance with rules and regulations which include financial reporting requirements, information requirements of the Companies Act and relevant related regulations.

iii) Confer with the management and the independent external auditors about the financial statements.

iv) Review significant or unusual events and accounting estimates.

v) Assess whether the financial report represents a true and fair view of the company's financial position and performance, and whether it complies with regulatory requirements.

- **Assessment and management of risk and internal controls**

The Committee should oversee the adequacy of internal controls and risk assessment procedures to meet the requirements in risk assessment and management principals laid down in CSE listing rules, Code of Best Practices on Corporate Governance and Sri Lanka Auditing Standards.

Audit Committee Report

- **Compliance with laws and regulations**

The Committee should oversee company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. It must also review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function.

- **Internal and external audit processes**

Monitor internal audit function to ensure that it is effective. Also, oversee the external audit function by evaluating and monitoring performance and independence of the company's external auditors. The Audit Committee is also responsible for the development, implementation and monitoring of the Company's policies on external audit.

Summary of Activities during the Financial Year

- **Financial Reporting and Disclosure Requirements**

The Committee reviewed the financial reporting system of the company in preparation of its quarterly and annual financial statements to ensure the compliance with statutory and regulatory requirements.

The Committee also reviewed the accounting policies of the Company and the Group and such other matters as are required to be discussed with the independent External Experts.

The committee reviewed the Annual Report containing the financial statements and also the interim financial statements prior to release, on the compliance with statutory and regulatory requirements including Sri Lanka Accounting Standards, Companies Act No.7 of 2007, Continued Listing Requirements of the Colombo Stock Exchange and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and recommended their adoption to the Board.

Commencing from the financial year 2018, the company had implemented a new accounting and operating software. Thus, the committee evaluated the performance of the new system and provided their feedback for improvements.

- **External Audit**

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policies on external audit. The committee closely reviewed the performance of external auditors- M/s KPMG (Chartered Accountants) during the year. The external auditors kept the audit committee informed on an ongoing basis of all matters of significance. The Committee discussed issues with auditors, which were arisen from the audit and corrective action taken where necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the Company while ensuring that the independence of Auditors has not been compromised.

The Audit Committee, having evaluated the performance of the external auditors, decided to recommend to the Board of Agalawatte Plantations PLC, the re-appointment of Messrs. KPMG as auditors of the Company, subject to the approval of the Shareholders at the Annual General Meeting.

- **Internal Controls and Risk Management**

The Audit Committee ensures that the internal controls and the risk management process are effective and adequate enough to meet the requirements of the Sri Lanka Auditing Standards and that the company is in compliance with legal, regulatory and ethical requirements.

Conclusion

Audit Committee is satisfied with the implementation of the accounting policies and operational controls provide reasonable, assurance that the affairs of the Company and the Subsidiary are managed in accordance with accepted policies and that assets are properly accounted for and adequately safeguarded.

The Audit Committee concurs that the adoption of the going concern premises in the preparation of the financial statement is appropriate, as described in the Note No 36 to the Financial Statements. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved and Messrs KPMG chartered accountant be re-appointed as auditors for the forthcoming year subject to the approval of the shareholder.

On behalf of the Audit Committee

R.K.A. Ranaweera
Chairman- Audit Committee

10th September 2020

Responsibilities of the Managing Director and Head of Finance for Financial Reporting

We hereby confirmed that the Financial Statements of the Agalawatte Plantations PLC are prepared and presented in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange, Code of Best Practices on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka. The Accounting Policies used in the preparation of the financial statements are appropriate and are consistently applied by the Company. Further, the significant accounting policies used in the preparation of the Financial Statements are appropriate and are constantly applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors.

The management has also taken proper and sufficient steps in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company has closely worked with the external auditors to review their audit plans, assess the manner in which the auditors are performing their responsibilities and to discuss their reports on financial reporting issues. To ensure complete independence, the external auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

The financial statements of the company were audited by M/S KPMG, Chartered Accountants and their report is given on page 30 to 33 of the Annual Report.

The Company has complied with all applicable laws, regulations and prudential requirements and in the opinion of the Company's legal council, the litigations which are currently pending will not have a material impact on the reported financial results or future operations of the Company. It's also confirmed that all taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes paid on behalf of and in respect of the employees of the Company as at the date of Statement of Financial Position have been paid or where relevant provided for.

G.P.N.A.G. Gunathilake
Managing Director/CEO

T.A.D.A.K. Thudugala
Head of Finance

Colombo
10th September 2020

The Statement of Directors' Responsibility

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities set out in their report page no 32, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the preparation and presentation of financial statements.

Directors of Agalawatte Plantations PLC acknowledged their responsibility under the Sections 150(1), 151, 152(1) and 153 of the Companies Act No. 7 of 2007, to prepare Financial Statements for each financial year, which give 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 and loss for the financial year. The Directors ensure to prepare these financial statements on the going concern basis where it's assumed that the Company would continue in business for foreseeable future.

The Financial Statements of the Company for the year ended 31 December 2019 included in this Report, have been prepared and presented in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, and the Listing Rules of the Colombo Stock Exchange. The Directors confirmed that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the Financial Statements. All material deviations from these standards if any, have been disclosed where applicable. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Board of Directors have taken necessary steps to establish and maintain proper books of accounts and ensure the accuracy and Completeness accounting records. The Directors are also responsible for taking reasonable measures to safeguard the assets of the Company and of the Group, and in that context to have proper regarded to implement appropriate & sufficient internal control with a view to prevent and detect frauds, errors and other irregularities.

The Board and the audit committee closely liaised with the Auditors, M/S KPMG, Chartered Accountants, and provided relevant information and facilitate to the best of their knowledge to carry out the reviews, tests and examination that they consider appropriate and necessary for the performance of their responsibilities.

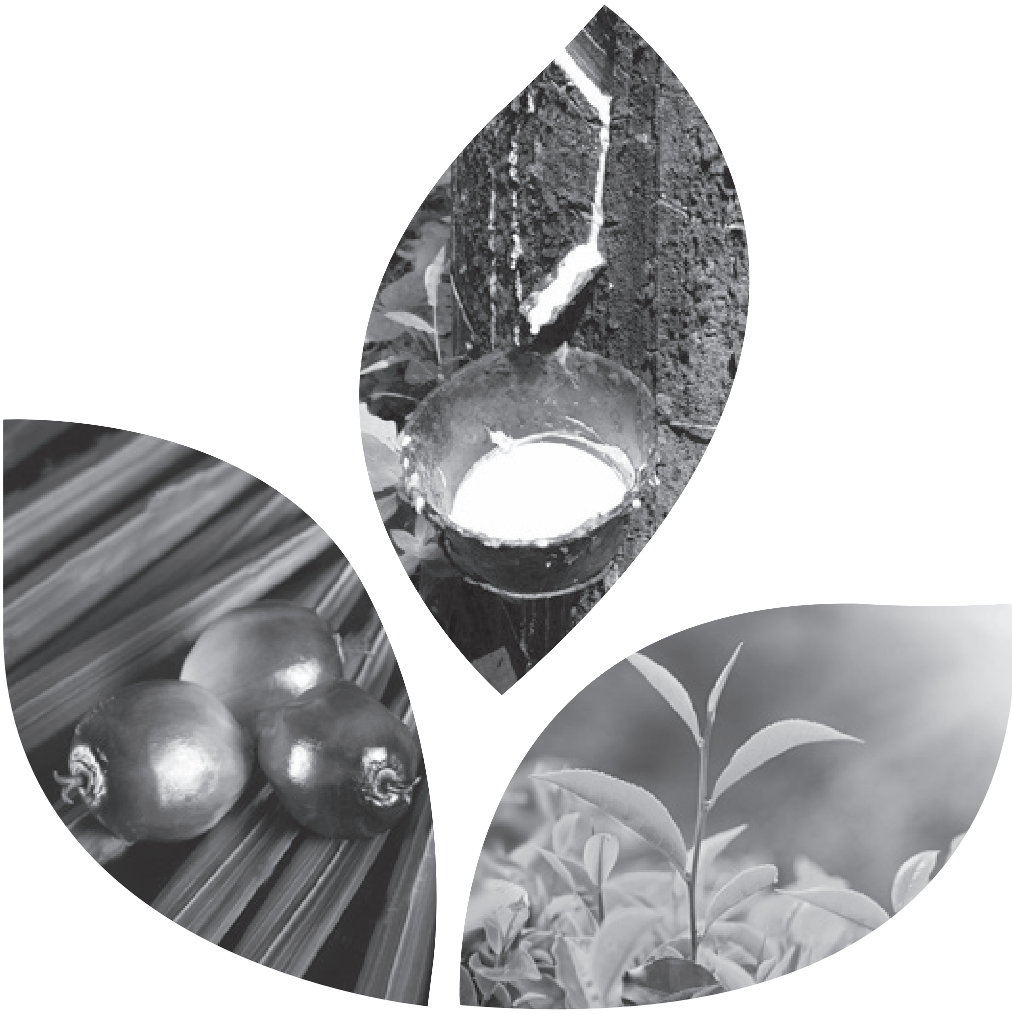
The Directors of the Company are of the view that they have discharged their responsibilities as set out in this statement during the year under review.

By order of the Board

Nexia Corporate Consultants (Pvt) Ltd
Secretaries
Agalawatte Plantations PLC

Colombo
10th September 2020

Financial *Information*



Independent Auditor's Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF AGALAWATTE PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agalawatte Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 41 to 103.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st December 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

1. Measurement of Biological Assets

Refer to the significant accounting policies in note 3.4.3 and explanatory notes 15 and 16 of the financial statements.

Risk Description

The Company has reported consumable biological assets carried at fair value, amounting to Rs. 656.9 Mn and bearer biological assets amounting to Rs. 2,068.2 Mn as at 31st December 2019.

The valuation of consumable biological assets involves significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Management engaged an independent external valuation expert to assist in determining the fair value of the consumable biological assets. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber quantity used for the valuation of consumable biological assets could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date.

Bearer biological assets mainly include mature and immature tea, rubber, oil palm and other trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depending on the soil condition, weather patterns and plant breed.

KPMG

We identified the measurement of biological assets as a key audit matter because the valuation of consumable assets involved significant assumptions and judgments exercised by the management and the independent valuation expert could be subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer of bearer biological assets require management to exercise their judgment in determining the point at which a plant is deemed ready for commercial harvesting.

Our audit procedures for consumable biological assets included;

- Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price, expected timber content at harvest and harvesting plan.
- Obtaining estate wise census books of timber trees and comparing the number of timber trees with the valuation report to ensure the completeness and accuracy of the data and checking the mathematical accuracy of the consumable biological assets valuation.
- On sample basis, physically verifying trees during estate visits to assess the girth and height of the respective trees.
- Assessing the adequacy of the disclosures made on the fair value of biological assets in the financial statements

Our audit procedures for bearer biological assets included;

- Testing the design, implementation and operating effectiveness of key internal controls in respect of the capitalization of bearer biological assets.
- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Assessing the reasonableness of the capitalized costs by comparing actual costs transferred to mature plantations from immature plantations with budgeted costs included in annual board approved budgets to assess if the actual costs are consistent with management expectations at the beginning of the financial year.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amount transferred during the year was consistent with the Company's accounting policy and industry norms.
- Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies and related accounting standards.

2. Valuation of Retirement benefit obligation

Refer to the significant accounting policies in note 3.8.1 and explanatory note 31 of the financial statements.

Risk Description

The Group has recognized retirement benefit obligation of Rs. 566.5 Mn as at 31st December 2019. The retirement benefit obligation of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Management engaged an independent actuary to assist them in the estimation of the Retirement benefit obligation.

We considered the estimation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent actuary engaged by the management.
- Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist.
- Challenging the key assumptions used in the valuation, in particular the discount rate, future salary increases and mortality rates.
- Assessing the adequacy of the disclosures made on the financial statements in accordance with the accounting policy of the Group and related accounting standards.

3. Management assessment of the Group's ability to continue as going concern

Refer to the significant accounting policies in note 2.7 and explanatory note 36 of the financial statements.

Risk Description

The Group has recorded a loss of Rs. 188.7 Mn during the year ended 31st December 2019 and as of that

KPMG

date, accumulated losses amounted to Rs. 2,149.1 Mn. Further, the Group's current liabilities exceeded its current assets by Rs. 4,352.5 Mn and total liabilities exceed total assets by Rs. 1,899.1 Mn as at the reporting date. This indicates a serious loss of capital situation in terms of section 220 of the Companies Act No.07 of 2007.

However, the directors of the Company are of the opinion that the going concern assumption is valid in the preparation of Financial Statements, due to future growth potential of the Group and continuous financial support from ultimate parent company, D.R. Investments (Private) Limited. Further, note 37 to the financial statements describes the impact of COVID 19 outbreak to the current year financial statements and the preliminary assessment carried out by the Board of Directors on the potential implications of COVID 19 outbreak on the Group's prospects, performance and liquidity.

We identified going concern assessment as a key audit matter as the directors of the Company have formed a judgment that the going concern basis is appropriate in preparing these financial statements of the Group. Further, adequate disclosure is required on possible events or conditions that may cast doubt on the Group's ability to continue as a going concern in preparing the financial statements.

Our audit procedures included;

- Evaluating the performance of the significant components of the Group and assessing the significance of going concern indications.
- Assessing the appropriateness corrective actions stipulated and the viability of action plans.
- Obtaining letter of comfort from the parent Company and evaluating their ability to provide the financial support in order to meet the liabilities of the Group as and when they fall due.
- Challenging the appropriateness of key assumptions used in the cash flow projections and assessing the timing and mathematical accuracy of the projections including evaluating the reasonableness of the assumptions used in the projected cash flow analysis against the actual operating results of the subsequent period.
- Assessing the adequacy of disclosures in the financial statements in relation to going concern of the Group.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

However, it should be noted that the Company's net assets is less than half of its stated capital resulting in a serious loss of capital situation as per the section 220 of the Companies Act No 07 of 2007. Further, as disclosed in Note 36 to the financial statements, the Company has complied with the requirement to call the extra ordinary general meeting on 5th May 2017.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

Chartered Accountants
Colombo

10th September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Revenue	5.1	**2,809,967**	2,650,407	**2,664,164**	2,479,687
Cost of sales	5.2	**(2,890,182)**	(2,625,174)	**(2,753,410)**	(2,487,953)
Gross (loss)/profit	5.3	**(80,215)**	25,233	**(89,246)**	(8,266)
Other income	6	**156,382**	153,678	**154,146**	153,682
Gain on changes in fair value of biological assets	7	**63,361**	52,062	**63,361**	52,062
Impairment loss on trade and other receivables		**-**	(38,287)	**-**	-
Selling and distribution expenses		**(6,218)**	(6,280)	**(186)**	(902)
Administration expenses		**(138,311)**	(227,243)	**(127,753)**	(206,070)
Other expenses	8	**(27,583)**	(64,508)	**(27,583)**	(64,508)
Results from operating activities		**(32,584)**	(105,345)	**(27,261)**	(74,002)
Finance costs	9	**(186,018)**	(165,140)	**(183,357)**	(161,824)
Share of profit of equity accounted investee, net of tax	18.1.1	**58,725**	10,481	**-**	-
Loss before taxation	10	**(159,877)**	(260,004)	**(210,618)**	(235,826)
Income tax (expenses)/reversal	11	**(19,758)**	7,056	**(13,496)**	(2,521)
Loss for the Year		**(179,635)**	(252,948)	**(224,114)**	(238,347)
Other comprehensive income					
Actuarial loss on retirement benefit obligations	31.3	**(10,942)**	(24,630)	**(11,162)**	(26,246)
Equity investments measured at FVOCI - net change in fair value	19.1	**344**	(1,285)	**344**	(1,285)
Tax on other comprehensive income	30	**1,501**	3,222	**1,563**	3,674
Other comprehensive expense for the year, net of taxes		**(9,097)**	(22,693)	**(9,255)**	(23,857)
Total comprehensive expense for the year		**(188,732)**	(275,641)	**(233,369)**	(262,204)
Loss attributable to:					
Equity holders of the company		**(179,635)**	(252,948)	**(224,114)**	(238,347)
Non controlling interests		**-**	-	**-**	-
Loss for the year		**(179,635)**	(252,948)	**(224,114)**	(238,347)
Total comprehensive expense attributable to:					
Equity holders of the company		**(188,732)**	(275,641)	**(233,369)**	(262,204)
Non controlling interests		**-**	-	**-**	-
Total comprehensive expense for the year		**(188,732)**	(275,641)	**(233,369)**	(262,204)
Basic loss per share (Rs.)	12	**(7.19)**	(10.12)	**(8.96)**	(9.53)

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 41 to 103.

Consolidated Statement of Financial Position

As at 31st December		Group		Company	
		2019	2018	2019	2018
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
ASSETS					
Non-current assets					
Rights to use Assets	13	**440,214**	139,916	**438,672**	139,916
Property, plant and equipment	14	**821,531**	866,682	**792,431**	836,222
Bearer biological assets	15	**2,068,262**	2,021,062	**2,068,262**	2,021,062
Consumable biological assets	16	**656,958**	594,084	**656,958**	594,084
Investment in subsidiary	17	**-**	-	**12,500**	12,500
Investment in joint venture	18	**178,168**	119,443	**6,990**	6,990
Investments classified as Fair value through OCI	19	**-**	8,136	**-**	8,136
		4,165,133	3,749,323	**3,975,813**	3,618,910
Current assets					
Produce on bearer biological assets	20	**6,549**	8,971	**6,549**	8,971
Inventories	21	**292,152**	338,179	**248,158**	296,000
Trade and other receivables	22	**161,678**	178,691	**145,042**	154,211
Amount due from related parties	23	**34,918**	1,047	**55,465**	17,103
Cash and cash equivalents	24	**13,559**	20,815	**9,392**	16,341
Total current assets		**508,856**	547,703	**464,606**	492,626
Total Assets		**4,673,989**	4,297,026	**4,440,419**	4,111,536
EQUITY AND LIABILITIES					
Stated capital and reserves					
Stated capital	25	**250,000**	250,000	**250,000**	250,000
General reserves	26	**-**	515,000	**-**	515,000
FVOCI reserves	27	**-**	(73,323)	**-**	(73,323)
Accumulated Losses		**(2,149,139)**	(2,481,404)	**(2,333,180)**	(2,620,808)
Equity attributable to the equity holders of the parent		**(1,899,139)**	(1,789,727)	**(2,083,180)**	(1,929,131)
Non controlling interests		**-**	-	**-**	-
Total equity		**(1,899,139)**	(1,789,727)	**(2,083,180)**	(1,929,131)
Non-current liabilities					
Lease liabilities	28.3	**450,649**	214,288	**450,104**	214,288
Loans and borrowings	29	**292,490**	366,223	**287,702**	364,724
Deferred tax liabilities	30.1	**308,928**	290,671	**308,928**	296,995
Retirement benefit obligations	31	**566,502**	524,504	**557,469**	516,141
Deferred income	32	**93,134**	89,680	**93,134**	89,680
Total non current liabilities		**1,711,703**	1,485,366	**1,697,337**	1,481,828

Consolidated Statement of Financial Position

As at 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Current liabilities					
Trade and other payables	33	**750,660**	660,836	**737,322**	644,297
Amounts due to related parties	34	**3,702,879**	3,460,809	**3,699,603**	3,457,183
Loans and borrowings	29.1	**179,440**	304,467	**176,439**	296,326
Lease liabilities	28	**3,740**	4,948	**2,631**	4,948
Bank overdrafts	24	**224,706**	170,327	**210,267**	156,085
Total current liabilities		**4,861,425**	4,601,387	**4,826,262**	4,558,839
Total Liabilities		**6,573,128**	6,086,753	**6,523,599**	6,040,667
Total Equity And Liabilities		**4,673,989**	4,297,026	**4,440,419**	4,111,536

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 41 to 103.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007..

T. A. D. A. K. Thudugala
Head of Finance

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

Approved and signed for and on behalf of the Board of Directors of Agalawatte Plantations PLC.

W.A.A. Asanga
Director

L.R.W.S. Rajasekara
Director

Colombo
10th September 2020

Consolidated Statements of Changes in Equity

For the year ended 31st December Group	Stated Capital	General Reserve	FVOCI Reserve	Accumulated Losses	Non Controlling Interests	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2018	250,000	515,000	-	(2,207,050)	-	(1,442,050)
Adjustment on initial application of SLFRS 9	-	-	(72,038)	-	-	(72,038)
Adjusted Balance as at 1st January 2019	250,000	515,000	(72,038)	(2,207,050)	-	(1,514,088)
Total comprehensive expense for the year						
Loss for the year	-	-	-	(252,948)	-	(252,948)
Other comprehensive expense for the year, net of taxes	-	-	(1,285)	(21,408)	-	(22,693)
	-	-	(1,285)	(274,356)	-	(275,641)
Balance as at 31st December 2018	250,000	515,000	(73,323)	(2,481,404)	-	(1,789,727)
Balance as at 1st January 2019	**250,000**	**515,000**	**(73,323)**	**(2,481,404)**	**-**	**(1,789,727)**
Adjustment on initial application of SLFRS 16 (Note 3.1.1)	**-**	**-**	**-**	**79,320**	**-**	**79,320**
Adjusted Balance as at 1st January 2019	**250,000**	**515,000**	**(73,323)**	**(2,402,084)**	**-**	**(1,710,407)**
Total comprehensive expense for the year						
Loss for the year	**-**	**-**	**-**	**(179,635)**	**-**	**(179,635)**
Other comprehensive expense for the year, net of taxes	**-**	**-**	**344**	**(9,441)**	**-**	**(9,097)**
Transfer of general reserve to retained earnings	**-**	**(515,000)**	**-**	**515,000**	**-**	**-**
Trasnfer of FVOCI/AFS Reserve to Accumulated loss	**-**	**-**	**72,979**	**(72,979)**	**-**	**-**
	-	**(515,000)**	**73,323**	**252,945**	**-**	**(188,732)**
Balance as at 31st December 2019	**250,000**	**-**	**-**	**(2,149,139)**	**-**	**(1,899,139)**

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 41 to 103.

Consolidated Statements of Changes in Equity

Company	Stated Capital	General Reserve	FVOCI Reserve	Accumulated Losses	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1st January 2018	250,000	515,000	-	(2,359,889)	(1,594,889)
Adjustment on initial application of SLFRS 9	-	-	(72,038)	-	(72,038)
Adjusted Balance as at 1st January 2019	250,000	515,000	(72,038)	(2,359,889)	(1,666,927)
Total comprehensive expense for the year					
Loss for the year	-	-	-	(238,347)	(238,347)
Other comprehensive expense for the year, net of taxes	-	-	(1,285)	(22,572)	(23,857)
	-	-	(1,285)	(260,919)	(262,204)
Balance as at 31st December 2018	250,000	515,000	(73,323)	(2,620,808)	(1,929,131)
Balance as at 1st January 2019	**250,000**	**515,000**	**(73,323)**	**(2,620,808)**	**(1,929,131)**
Adjustment on initial application of SLFRS 16 (Note 3.1.1)				**79,320**	**79,320**
Adjusted Balance as at 1st January 2019	**250,000**	**515,000**	**(73,323)**	**(2,541,488)**	**(1,849,811)**
Total comprehensive expense for the year					
Loss for the year	**-**	**-**	**-**	**(224,114)**	**(224,114)**
Other comprehensive income/ (expense) for the year, net of taxes	**-**	**-**	**344**	**(9,599)**	**(9,255)**
Transfer of general reserve to retained earnings	**-**	**(515,000)**	**-**	**515,000**	**-**
Trasnfer of FVOCI Reserve to Accumulated loss	**-**	**-**	**72,979**	**(72,979)**	**-**
	-	**(515,000)**	**73,323**	**208,308**	**(233,369)**
Balance as at 31st December 2019	**250,000**	**-**	**-**	**(2,333,180)**	**(2,083,180)**

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 41 to 103.

Consolidated Statement of Cash Flows

For the year ended 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(159,877)**	(260,004)	**(210,618)**	(235,826)
Adjustments for :					
Share of profit of equity accounted investee	18	**(58,725)**	(10,481)	**-**	-
Gain on changes in fair value of biological assets	7	**(63,361)**	(52,062)	**(63,361)**	(52,062)
Provision for impairment of trade & other receivables	22.1	**-**	38,287	**-**	-
Provision for/(Reversal of) obsolete and slow moving inventories	21.1	**(6,698)**	9,879	**(6,698)**	9,879
Provision for litigation	8	**-**	47,000	**-**	47,000
Gain on settlement of litigation	6	**(18,501)**	-	**(18,501)**	-
Reversal of over provision of statutory dues and surcharge	6	**-**	(59,698)	**-**	(59,698)
Depreciation and amortization	10	**221,043**	180,242	**216,961**	177,593
Write off of bearer biological assets	8	**16,056**	17,508	**16,056**	17,508
Write off of unusefull nursuries	8	**4,356**	-	**4,356**	-
Write off of obsolete inventories	8	**706**	-	**706**	-
Write off of other receivables	8	**1,265**	-	**1,265**	-
Gain on disposal of rubber/firewood trees	6	**(50,790)**	(15,323)	**(50,790)**	(15,323)
Gain on disposal of Property, Plant and Equipment	6	**(17,365)**	(4,615)	**(17,365)**	(4,615)
Provision for retirement benefit obligations	31.3	**94,403**	78,420	**92,944**	78,316
Under provision of unsettled gratuity payable	31.1	**15,148**	13,932	**15,148**	13,932
Interest expenses	9	**186,018**	165,140	**183,357**	161,824
Amortization of government grants	6	**(2,726)**	(3,766)	**(2,726)**	(3,766)
Operating profit before working capital changes		**160,952**	144,459	**160,734**	134,762
Working capital changes					
(Increase) / decrease in inventories		**52,019**	(115,507)	**53,834**	(111,788)
(Increase) / decrease in trade and other receivables		**15,745**	(29,836)	**7,906**	(57,464)
(Increase) / decrease in amounts due from related parties		**(33,871)**	(1,045)	**(38,362)**	9,282
Increase in trade and other payables		**136,827**	7,782	**140,026**	30,559
Increase in amounts due to related parties		**242,070**	816,646	**242,420**	813,021
Cash generated from operations		**573,742**	822,499	**566,558**	818,372
Interest paid		**(131,105)**	(115,679)	**(128,786)**	(112,371)
Income tax paid		**-**	(8,042)	**-**	-
Gratuity paid	31.1	**(78,494)**	(77,389)	**(77,927)**	(76,043)
Net cash generated from operating activities		**364,143**	621,389	**359,845**	629,958

Consolidated Statement of Cash Flows

For the year ended 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in bearer biological assets	15	**(178,149)**	(293,124)	**(178,149)**	(293,123)
Investment in consumable biological assets	16	**(2,560)**	-	**(2,560)**	-
Purchase of property, plant and equipment	14	**(77,076)**	(248,820)	**(75,594)**	(247,394)
Proceeds from disposal of property, plant and equipment		**18,172**	4,615	**18,172**	4,615
Proceeds from disposal of rubber/firewood trees		**51,341**	15,323	**51,341**	15,323
Proceeds from sale of timber trees	16.1	**5,469**	10,613	**5,469**	10,613
Capital grant received	32	**6,180**	6,189	**6,180**	6,189
Proceed from disposal of FVOCI Investment		**8,480**	-	**8,480**	-
Net cash used in investing activities		**(168,142)**	(505,205)	**(166,661)**	(503,777)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long term borrowings	29.2	**15,035**	97,500	**15,035**	97,500
Repayment of long term borrowings	29.2	**(213,795)**	(242,176)	**(211,944)**	(239,330)
Lease rentals paid	28.1 & 28.2	**(58,876)**	(54,557)	**(57,406)**	(54,557)
Net cash used in financing activities		**(257,636)**	(199,233)	**(254,315)**	(196,387)
Net decrease in cash and cash equivalents		**(61,635)**	(83,049)	**(61,131)**	(70,206)
Cash and cash equivalents at beginning of the year		**(149,512)**	(66,463)	**(139,744)**	(69,538)
Cash and cash equivalents at end of the year (a)	24	**(211,147)**	(149,512)	**(200,875)**	(139,744)
(a) Analysis of cash and cash equivalents at end of the year					
Cash in hand and at bank		**13,559**	20,815	**9,392**	16,341
Bank overdrafts		**(224,706)**	(170,327)	**(210,267)**	(156,085)
		(211,147)	(149,512)	**(200,875)**	(139,744)

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 41 to 103.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

1.1. Domicile and Legal Form

Agalawatte Plantations PLC is a limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (reregistered under the Companies Act No. 7 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government Owned Business Undertaking into Public Companies Act No. 23 of 1987. The registered office of the Company is located at No 361, Kandy Road, Nittambuwa and Plantations are situated in the planting districts of Nuwara Eliya, Rathnapura and Kalutara.

1.2. Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended 31st December 2019 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities").

1.3. Authorization for issue

The financial statements of Agalawatte Plantations PLC for the year ended 31st December 2019 were authorized for issue in accordance with a resolution of the Board of Directors of the Company dated on 10th September 2020.

1.4. Principal Activities and Nature of Operations

1.4.1. Principal Activities

During the year the principal activities of Agalawatte Plantations PLC consist of cultivation, production, processing and sale of tea, rubber and oil palm.

1.4.2. Subsidiaries and Joint Ventures

All the Companies in the Group have a common financial year, which ends on 31st March other than Agalawatte Plantations PLC which has been prepared up to 31st December.

Name of the Company	Relationship	Principal business activity
Mackply Industries (Private) Limited (MIPL)	Subsidiary	Manufacturing of plywood sheets & wooden flush doors
AEN Palm Oil Processing (Private) Limited	Joint Venture	Processing and selling of palm oil

Financial Statements for the period ending on 31st December reviewed by the Auditors have been used in these preparation of this Consolidated Financial Statement.

1.4.3. Immediate and Ultimate Parent Enterprise

The Group's immediate and ultimate parent undertaking as at the date of statement of financial position is D.R. Investments (Private) Limited, a Company incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements ("the Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 07 of 2007.

This is the first set of the financial statements in which SLFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 3.1 to the financial statements.

2.2. Basis of Preparation

These financial statements of the Group have been prepared subject to Note 3.1 and in accordance with the historical cost conversion except for the following material items in the statement of financial position:

- Consumable biological assets are measured at fair value less cost to sell as per LKAS 41 – Agriculture.
- Liability for retirement benefit obligations is recognized as the present value of the defined benefit obligation based on the actuarial valuation.
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41- Agriculture.

2.3. Functional and Presentation Currency

The financial Statements of the Group and the Company are presented in Sri Lankan Rupees, which is the Group's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Thousand, unless otherwise indicated.

2.4. Presentation of Financial Statements

The assets and liabilities of the Group and the Company presented in its statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.5. Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - 1 on 'Presentation of Financial Statements.

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

2.6. Significant Accounting judgments, Estimates and Assumptions

The preparation of the financial statements of the Group in conformity with SLFRS and LKAS 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. Actual results may differ from these estimates.

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

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

(a) Judgments

Information about critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Group are included in the following notes to these Financial Statements;

Financial Statement Area	Disclosure Reference	
	Note	Page
Consumable Biological Assets – Timber	16	69-71
Retirement Benefit Obligation	31	82-83
Deferred Taxation	30	81-82

(b) Measurement of fair value

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financials and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to Head of Finance.

The said officer regularly reviews significant unobservable inputs and valuation adjustments.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Fair Value Measurement Hierarchy

- **Level I : Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.**

  The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

- **Level II : Inputs other than quoted market prices included within Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).**

  For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

- **Level III : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).**

  Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the best estimate of the most appropriate model assumptions.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes.

Financial Statement Area	Disclosure Reference	
	Note	Page
Consumable Biological Assets - Timber	16	69-71
Retirement Benefit Obligation	31	82-83
Fair Values of Financial Instruments	42	97-101

2.7. Going Concern

The Board of Directors is informed about the conditions which raise doubt whether the Company will be able to continue as a going concern in the future as further explained in Note 36.

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID-19 on the Group and appropriateness of the use of the going concern basis. Refer Note 37.1 to the Financial Statements for impact of COVID-19 on the Financial Statements of the Group/ the Company.

However, the financial statements of the Group/ the Company have been prepared on the going concern as the present immediate and ultimate parent Company, D R Investments (Private) Limited have agreed to provide continuous financial support as necessary.

2.8. Comparative Information

Previous period figures and notes have been reclassified wherever necessary to conform to the current year's presentation of the Group.

2.9. Serious Loss of Capital

The Group has reported negative net assets as at 31st December 2019.

The company held an extra-ordinary general meeting on 5th May 2017 as per section 220 of Companies Act No.07 of 2007, in order to address the serious loss of capital prevailing in Agalawatte Plantations PLC.

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Group unless otherwise indicated.

3.1. Changes in Accounting Policies

The Group initially applied SLFRS 16 Leases from 1st January 2019. A number of other new standards are also effective from 1st January 2019 but they do not have a material effect on the Financial Statements of the Group.

The following changes in accounting policies are reflected in Group's financial statements for the year ended 31st December 2019.

The Group has adopted SLFRS 16 Leases using the modified retrospective approach from 1st January 2019 and therefore the comparative information has not been restated and continues to be reported under LKAS 17 – Leases and IFRIC 4 – "Determining Whether an Arrangement Contains a Lease.

The effect of initially applying this standard mainly attributed to the following:

- recognition of right-of-use assets
- recognition of corresponding lease liabilities

3.1.1. SLFRS 16 Leases

(i) Definition of a Lease

Previously, The Group determined at contract inception whether an arrangement is or contains a lease under LKAS 17. Under SLFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applied SLFRS 16 only to contacts that were previously identified as leases. Contacts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1st January 2019.

(ii) Accounting treatment by Lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognizes right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet.

(a) Lease Classified as Operating Lease Under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1st January 2019. Right-of-use assets are measured at either:

- their carrying amount as if SLFRS

16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application

or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all the leases.

- The Group has tested its right to use assets for impairment on the date of transition and has concluded that there is no indication that the right to use assets are impaired.

The Group used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of LKAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(b) Leases previously classified as finance leases

For leases that were classified as finance leases under LKAS 17, the carrying amount of the right-of use asset and the lease liability as at 1st January 2019 are determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

(c) Recognition of leases of JEDB/ SLSPC estates

On transition to SLFRS 16, there was a material impact on the Group's financial statements from leases of JEDB/SLSPC estates handed over to the Group by the Government. The remaining lease period of this contract was 26 years as at 1st January 2019.

Policy applicable before 1st April 2019

The leasehold rights to the land on all these estates have been taken into the books of the Company on 22th June 1992 the date of formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist Dr. Wickramasinghe, in line with the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka.

Policy applicable on 1st April 2019 (Transition)

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued a special application guidance which is applicable to the Companies previously adopted SoAT/ UITF regulation.

As per this guidance, the Group elected not to restate the comparative information, instead the Group recognised the cumulative effect of initial application of SLFRS 16 as an adjustment to the opening balance of retained earnings as at the date of initial application. On transition to SLFRS 16, the Group meet an incremental borrowing rate of 12.9% for the estimation of future lease liability of JEDB/SLSPC lands as at 1st January 2019. The change in accounting policy affected the following items in the statement of financial position as at 1st January 2019.

Group	Right of Use Asset			Lease Liabilities		
	JEDB/ SLSPC Lease hold lands Rs '000	Buildings Rs.'000	Total Rs '000	JEDB/ SLSPC Lease hold lands Rs '000	Buildings Rs.'000	Total Rs '000
Balance as at 31st December 2018 as previously reported	139,916	-	139,916	219,236	-	219,236
Impact of Re measurement as per SLFRS 16	296,533	2,783	299,316	217,213	2,783	219,996
Adjusted opening balance as at 1st January 2019 as per SLFRS 16	436,449	2,783	439,232	436,449	2,783	439,232

Company	Right of Use Asset	Lease Liabilities
	JEDB/SLSPC Lease hold lands Rs '000	JEDB/SLSPC Lease hold lands Rs '000
Balance as at 31st December 2018 as previously reported	139,916	219,236
Impact of Re measurement as per SLFRS 16	296,533	217,213
Adjusted opening balance as at 1st January 2019 as per SLFRS 16	436,449	436,449

Impact to the Equity

	Accumulated Losses (Company) Rs.'000	Accumulated Losses (Group) Rs.'000
Balance as at 1st January 2019 as previously reported	(2,620,808)	(2,481,404)
Impact due to initial application of SLFRS 16	79,320	79,320
Adjusted balance as at 1st January 2019 as per SLFRS 16	(2,541,488)	(2,402,084)

3.2. Basis of Consolidation

3.2.2. Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the results, and assets and liabilities of the Company and its subsidiary and joint venture Company. Uniform accounting policies have been adopted by the Company and its subsidiary in all significant respects in the preparation and presentation of financial statements.

Intra group balances and transactions and any unrealized gains from intra group transactions are eliminated in preparing the consolidated financial statements.

The investment in subsidiary is shown at cost in the Company's financial statements.

3.2.3. Jointly Control Entities

Jointly controlled entities are those entities over whose activities of the Group have joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognized gains and losses of joint venture on an equity accounted basis (LKAS-11), from the date that joint control commences until the date that joint control ceases.

Financial periods of the subsidiary and the joint venture represent twelve months period from 1st April to 31st March.

3.3. Foreign Currency Translations

All foreign exchange transactions are converted to Sri Lankan Rupees, which is the functional and reporting currency of the Group, at the rates of exchange prevailing at the time the payment was made. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the statement of profit or loss.

3.4. Assets and Basis of their Valuation

3.4.1. Leased Assets

The Group has adopted SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 3.1.

Policy applicable from 1st January 2019

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1st January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflater, the Group shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

(i) As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payments.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short Term Leases and Leases of Low Value Assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low value assets and short terms leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1st January 2019

Property, plant and equipment financed by leasing arrangements which transfer substantially all the risks and rewards incidental to ownership, (i.e. finance leases) are treated as if they have been purchased outright and are classified as such in the financial statements. The capital element of the leasing commitment is shown as an obligation under finance leases.

Lease rentals are treated as consisting of a capital and an interest element. The capital element is applied to reduce the outstanding obligation while the interest element is charged against profit in proportion to the reducing capital element outstanding.

Leasehold rights are amortized / depreciated in equal annual amounts over the following periods:

Bare land	53 years (i.e. period of lease)
Mature plantations	30 years
Buildings	25 years
Machinery	15 years
Improvements to land	30 years
Motor vehicles	5 years
Other vested assets	30 years

3.4.2. Property, Plant and Equipment

3.4.2.1. Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

3.4.2.2.Basis of Measurement

Property, Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

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 direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

3.4.2.3. Subsequent Cost

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognizes the cost of replaced part, and recognizes the new part as individual assets (major Components) with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in the statement of profit or loss as incurred.

3.4.2.4. De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized 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.

3.4.2.5. Land Development cost

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

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

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

3.4.2.6. Depreciation

Depreciation is recognized in the statement of profit or loss on a straight line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Plant and Machinery	13 1/3 years to 5 years
Office Equipment	8 years to 3 years
Motor Vehicles	5 years
Furniture and Fittings	10 years
Sanitation, water and electricity	20 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is 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.

3.4.2.7. Capital Work– In–Progress

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

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

3.4.3. Biological Assets

3.4.3.1. Recognition

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

3.4.3.2. Basis of Classification

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, Oil Palm, Timber, Other plantations and nurseries are classified as biological assets.

Biological assets of the Group are further classified as bearer biological assets and consumable biological assets.

Bearer biological assets includes tea, rubber, oil Palm and other crops, 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 include managed timber trees those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

3.4.3.3. Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing etc, incurred between the time of planting and harvesting (When the planted area attains maturity) are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest (borrowing cost) attributable to long-term loans used for financing immature plantations. The expenditure incurred on bearer biological assets (Tea, Rubber & Coconut fields), which come into bearing during the year, has been transferred to mature bearer biological assets and depreciated over their useful life in accordance with the LKAS 16 – Property, Plant and Equipment.

3.4.3.3.1. Immature and Mature Plantations

The cost of replanting and new planting are classified as immature plantations up to the time of harvesting the crop. Further, the general charges incurred on the plantation are apportioned based on the labour days spent on respective replanting and new planting and capitalized on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred. The cost of areas coming into bearing is transferred to mature plantations at end of the financial year.

3.4.3.3.2. Infilling Costs

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only if it increases the expected future benefits from that field, beyond its pre-infilling standard of performance assessment. Infilling costs so capitalized are depreciated over the newly assessed remaining useful life of the relevant mature plantation or the unexpired lease period, whichever is lower.

Infilling cost that are not capitalized have been charged to the statement of Profit or loss for the year in which they are incurred

3.4.3.3.3. Growing Crop Nurseries

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

3.4.3.3.4. Amortization

The cost of areas coming in to bearing are transferred to mature plantation and depreciated as follows.

Bearer Biological Asset at Cost (Replanting and New Planting)

	No. of Years	Rate
Tea	33 1/3 years	3%
Rubber	20 Years	5%
Oil Palm	20 Years	5%

No amortization is provided for immature plantations.

3.4.3.4. Consumable Biological Assets

Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees of the 15 estates of the Company are measured on initial recognition at cost and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41–"Agriculture". The cost of young plants which are below 4 years is treated as an approximation to the fair value as the impact on biological transformation of such plants to price during the period is immaterial.

The fair value of timber trees are measured using discounting cash flows method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

3.4.3.5. Non-harvested Produce crop on Bearer Biological Assets

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and is measured at fair value less costs to sell. Changes in the fair value of such agricultural produce are recognized in profit or loss at the end of each reporting period.

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows,

Tea-Three days crop (50% of 6 days cycle), Oil palm-five days crop(50% of 10 days cycle) Rubber-One day's crop.

Value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board and the value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers. Rubber crop is fair valued using RSS prices.

3.4.4. Capitalization of Borrowing Costs

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

Borrowing costs that are not capitalized are recognised as expense in the period in which they are incurred and charged to the statement of Profit or Loss for the period.

The amount of borrowing costs which are eligible for capitalization are determined in accordance with the LKAS 23 - "Borrowing Costs".

Borrowing cost incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature bearer biological assets. The capitalization will cease when the crops are ready for commercial harvesting.

The amount so capitalized is disclosed in the notes to the financial statements.

3.5. Financial Instruments

3.5.1. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.5.2. Classification and subsequent measurement

3.5.2.1. Financial assets

On initial recognition, a financial asset is classified as measured at; amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(a) Business model assessment:

The Group makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

(b) Subsequent measurement and gains and losses:

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.5.2.2. Financial liabilities

(i) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.5.3. Derecognition

3.5.3.1. Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3.5.3.2. Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.5.4. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.5.5. Impairment – Financial Assets
Non-derivative financial assets

3.5.5.1. Financial instruments

The Group recognizes loss allowances for ECLs on financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be high credit rates.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3.5.5.2. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3.5.5.3. Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

3.5.5.4. Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For the debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3.5.5.5. Write-off

For individual customers, the Group has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

3.5.5.6. Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sell and 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. Where the carrying amount of an asset 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 pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations is recognised in the Statement of Profit or Loss and Other Comprehensive Income, in those expenses' categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 and Other Comprehensive Income.

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, after making due allowance for obsolete and slow moving items. Net realizable value is the estimated selling price at which inventories can be sold in the ordinary course of business after allowing cost of realization and/or cost of conversion from their existing state to saleable condition.

Input Materials, Spares and Consumables

At actual Cost using Weighted Average Cost Formula.

Agricultural Produce Harvested from Biological Assets

Agricultural produce represent the tea leaves, latex and coconut harvested at the reporting date and which were not further processed at the end of the reporting period. Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest.

The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to their fair value of the agricultural produce.

3.7. Liabilities and Provisions

3.7.1. General

(a) Liabilities

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Noncurrent liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements.

Provisions and liabilities are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

(b) Provisions

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

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

3.8. Retirement Benefits to Employees

3.8.1. Defined Benefit Plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

Retiring Gratuity

The Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983. This item is grouped under Retirement Benefit Obligation in the Statement of Financial Position.

Provision for Gratuity on the employees of the Group is on an actuarial basis using the Projected Unit Credit Method (PUC Method) as recommended by Sri Lanka Accounting Standard 16 (Revised 2006), “Employee Benefits” which became effective from the financial year commencing after 1st July 2007. The Group continues to use actuarial method under Sri Lanka Accounting Standard 19, “Employee Benefits” effective from the financial year commencing on 1st January 2012.

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.

A provision is recognized in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Group adopted LKAS 19 “Employee Benefits” (Revised in 2013) with effect from 1st January 2013 in accordance with the transitional provisions in the standard and changed its basis for determining the income or expense related to defined benefit plans;

The Group recognizes all the re-measurements of the net defined benefit liability in other comprehensive income. Re measurements of the net defined benefit liability comprise an actuarial gain or loss.

The liability is not externally funded. However according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

3.8.2. Defined Contribution Plans - EPF, ESPS, CPPS and ETF

All employees who are eligible for defined Provident Fund Contributions (EPF, ESPS and CPPS) and Employees Trust Fund Contributions are covered by relevant contributory funds in line with respective statutes.

3.9. Income Tax Expense

The tax liability is computed according to the provisions of the Inland Revenue Act using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3.10. Statement of Comprehensive Income

For the purpose of presentation of the statement of comprehensive income, the nature of expenses method is adopted, as it represents fairly the elements of the Group performance.

3.10.1. Revenue

Revenue principally consists of sale of tea, rubber and oil palm. Revenue will be recognised upon satisfaction of performance obligation. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and service.

Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group's revenue comprises only selling of tea, rubber and oil palm and no disaggregation is required.

3.11. Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing product or services (business segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business. Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact. Thus, there are no distinguishable components to be identified as geographical segment for the Group. The business segments are reported based on the Group management and reporting structure.

The activities of the segments are described in note 43 in the Notes to the Financial Statements. The Group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

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, investments, consumer biological assets, receivable/payable which cannot be directly allocated 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.

3.12. Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether or not a price is being charged. A detailed Related Party Transaction analysis is presented in note 35.3.

3.13. Earnings per share

The Group presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

3.14. Comparative Figures

The Accounting Policies have been consistently applied by the Group and are consistent with those of the previous year's figures and phrases and have been re-arranged wherever necessary to conform to the current presentation.

3.15. Events occurring after the reporting date

All the events after the reporting date known to the present management with certainty and matters arisen during the audit are considered, and where necessary adjustments are made in the financial statements or appropriate disclosures made in accompanying notes. Further, explained in note 37 for more details.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1st January 2020. Accordingly, the Group has not applied the following Amendments to the Standards in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

4.1. Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards

These amendments are effective 1st January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

4.2. Definition of material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of 'material' across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Group's financial statements.

4.3. Definition of a business (Amendments to SLFRS 3)

Amendments to IFRS 3 Business Combinations These amendments are effective 1st January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
5.1. Revenue				
Revenue from contracts with customers				
Rubber	**588,472**	675,406	**588,472**	675,406
Tea	**1,619,880**	1,454,893	**1,619,880**	1,454,893
Oil palm	**455,812**	349,388	**455,812**	349,388
Others	**145,803**	170,720	**-**	-
Total Revenue (Note 5.1.1)	**2,809,967**	2,650,407	**2,664,164**	2,479,687
5.1.1. Timing of Revenue Recognition				
Producst transferred at point in time	**2,809,967**	2,650,407	**2,664,164**	2,479,687
Products transferred over the time	**-**	-	**-**	-
Total Revenue	**2,809,967**	2,650,407	**2,664,164**	2,479,687
5.1.2. Contract Balances				
The following table provides information about receivables from contracts with customers and contract liabilities.				
Receivables, which are included in "trade and other recievables" (Note 22)	**69,446**	93,138	**59,120**	36,907
Contract Liabilities (Note 33)	**(290,335)**	(167,214)	**(290,335)**	(164,531)

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
5.2. Cost of Sales				
Industry segment				
Rubber	**(866,505)**	(846,535)	**(866,505)**	(846,535)
Tea	**(1,662,592)**	(1,435,259)	**(1,662,592)**	(1,435,259)
Oil palm	**(224,313)**	(206,159)	**(224,313)**	(206,159)
Others	**(136,772)**	(137,221)	**-**	-
	(2,890,182)	(2,625,174)	**(2,753,410)**	(2,487,953)

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
5.3. Gross Profit/(Loss)				
Industry segment				
Rubber	**(278,033)**	(171,130)	**(278,033)**	(171,130)
Tea	**(42,712)**	19,634	**(42,712)**	19,634
Oil palm	**231,499**	143,230	**231,499**	143,230
Others	**9,031**	33,499	**-**	-
	(80,215)	25,233	**(89,246)**	(8,266)

Notes to the Consolidated Financial Statements

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
6. OTHER INCOME				
Amortization of government grants	**2,726**	3,766	**2,726**	3,766
Reversal of provsion for obsolete inventories	**6,698**	-	**6,698**	-
Gain on the settlement of litigation (Note 6.1)	**18,501**	-	**18,501**	-
Gain on sale of rubber/firewood trees	**50,790**	15,323	**50,790**	15,323
Sale of refuse Tea	**39,256**	33,723	**39,256**	33,723
Gain on disposal of property, plant and equipment	**17,365**	4,615	**17,365**	4,615
Over provision of statutory dues and surcharges	**-**	59,698	**-**	59,698
Restaurant income	**-**	14,026	**-**	14,026
Sundry income	**21,046**	22,527	**18,810**	22,531
	156,382	153,678	**154,146**	153,682

6.1. Pursuent to the settlement agreement entered into between the Company and the petitioner on the cases filed against the Company in the years of 2016 and 2017, a provision of Rs. 47 Million equivalant to the fair value of the liability was recognized in the Financial Statements of the Company as at 31st December 2018. The difference between the amount recgnized as such and the carrying amount of the land disposed in settlement of the liability was recognized as a gain during the year ended 31st December 2019.

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
7. GAIN ON CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS				
Consumable biological assets (Note 16.1)	**65,783**	50,550	**65,783**	50,550
Produce on bearer biological assets (Note 20)	**(2,422)**	1,512	**(2,422)**	1,512
	63,361	52,062	**63,361**	52,062

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
8. OTHER EXPENSES				
Write off of bearer biological assets (Note 15.2.1 & 15.2.2)	**16,056**	17,508	**16,056**	17,508
Write off of unusefull nurseries (Note 15.2.3)	**4,356**	-	**4,356**	-
Write off of obsolete inventories	**706**	-	**706**	-
Write off of other receivables	**1,265**	-	**1,265**	-
Provision for settlement of litigations	**-**	47,000	**-**	47,000
Loss of restaurant operation (Note 8.1)	**5,200**	-	**5,200**	-
	27,583	64,508	**27,583**	64,508

8.1. Loss from restaurant operation is has recorded after charging all relevant expenses incurred in order to generate the sales.

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
9. FINANCE COSTS				
Interest on Leases (Note 28.1 & 28.2)	**54,913**	49,456	**54,572**	49,456
Interest on broker advances	**37,294**	10,162	**37,294**	10,162
Interest on loans and overdrafts	**93,811**	105,522	**91,491**	102,206
	186,018	165,140	**183,357**	161,824

10. LOSS BEFORE TAXATION

Loss before taxation is stated after charging all the expenses including the followings;

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Directors' remunerations	**8,400**	8,720	**8,400**	8,720
Auditors' remunerations				
- Statutory Audit	**3,620**	3,400	**3,500**	3,300
- Non audit Services	**222**	90	**125**	-
Depreciation / Amortization				
- Right to use Assets (Note 13.1 & 13.3)	**18,138**	5,280	**16,897**	5,280
- Property, Plant and equipment (Note 14)	**92,919**	66,541	**90,078**	63,892
- Bearer Biological Assets (Note 15)	**109,986**	108,422	**109,986**	108,422
Personnel Costs				
- Salaries and Wages	**1,260,388**	1,104,451	**1,223,912**	1,061,536
- Defined benefit plan costs - Retiring gratuity (Note 31.3)	**94,402**	78,420	**92,945**	78,316
- Defined contribution plan cost - EPF / CPPS / ESPS and ETF	**143,460**	201,195	**138,401**	196,429

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
11. INCOME TAX EXPENSES				
11.1. Current Income Tax Expense / (Reversal)				
Income tax expense on current year's profit (Note 11.2)	**-**	-	**-**	-
Over provision with respect to previous years	**-**	(5,559)	**-**	(4,552)
Charge/ (reversal) of deferred tax (Note 30)	**19,758**	(1,497)	**13,496**	7,071
	19,758	(7,056)	**13,496**	2,521

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
11.2. Reconciliation between the Taxable Income and the Accounting Loss				
Accounting loss before tax	**(159,877)**	(260,004)	**(210,618)**	(235,826)
Less : Exempt income				
Gain on Change in Fair Value of Biological Assets	**(63,361)**	(52,062)	**(63,361)**	(52,062)
Other Exempt Income	**(78,816)**	(78,560)	**(20,091)**	(68,079)
Accounting loss chargeable to income tax	**(302,054)**	(390,626)	**(294,070)**	(355,967)
Aggregate disallowable expenses	**547,034**	524,880	**541,373**	521,458
Aggregate allowable expenses	**(438,150)**	(464,035)	**(434,626)**	(460,856)
	(193,170)	(329,781)	**(187,323)**	(295,365)
Aggregate non business income	**-**	-	**-**	-
Statutory loss from business	**(193,170)**	(329,781)	**(187,323)**	(295,365)
Income Tax Expense at 14%	**-**	-	**-**	-
11.3. Tax Losses Carried Forward				
Tax Losses Brought Forward	**3,042,190**	2,712,409	**3,007,774**	2,712,409
Add : Tax Losses for the Year	**193,170**	329,781	**187,323**	295,365
	3,235,360	3,042,190	**3,195,097**	3,007,774

Applicable Rates of Income Tax

The Company is liable to pay income tax at the rate of 14% as the Company is Predominantly conducting agricultural business as per the Inland Revenue Act No. 24 of 2017. Other income is taxed at the rate of 28%.

The Subsidiary is liable to pay income tax at the rate of 28% per annum.

12. BASIC LOSS PER SHARE

The basic loss per share has been computed based on loss attributable to ordinary shareholders for the year divided by weighted average number of ordinary shares in issue during the year and calculated as follows:

For the year ended 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
Loss Attributable to Ordinary Shareholders (Rs. '000)	**(179,635)**	(252,948)	**(224,114)**	(238,347)
Weighted Average Number of Ordinary Shares in Issue (Nos '000)	**25,000**	25,000	**25,000**	25,000
Basic Loss Per Ordinary Share (Rs.)	**(7.19)**	(10.12)	**(8.96)**	(9.53)

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
13. RIGHT TO USE OF ASSETS				
Buildings (Note 13.1)	**1,542**	-	**-**	-
JEDB/SLSPC Lands (Note 13.2)	**438,672**	139,916	**438,672**	139,916
	440,214	139,916	**438,672**	139,916

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
13.1. Buildings				
Cost				
Balance as at 1st January	**-**	-	**-**	-
Adjustment due to initial application of SLFRS 16 (Note 3.1.1)	**2,783**	-	**-**	-
Additions during the year	**-**	-	**-**	-
Balance as at 31st December	**2,783**	-	**-**	-
Accumulated amortization				
Balance as at 1st January	**-**	-	**-**	-
Charge for the year	**1,241**	-	**-**	-
Balance as at 31st December	**1,241**	-	**-**	-
	1,542	-	**-**	-

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
13.2. JEDB/SLSPC Lands				
As at 1st January	**279,832**	279,832	**279,832**	279,832
Adjustment due to initial application of SLFRS 16 (Note 3.1.1)	**296,533**	-	**296,533**	-
Adjusted balance as at 1st January	**576,365**	279,832	**576,365**	279,832
Remeasurement during the year	**19,120**	-	**19,120**	-
As at 31st December 2019	**595,485**	279,832	**595,485**	279,832
Accumulated amortization				
Balance as at 1st January	**139,916**	134,636	**139,916**	134,636
Charge for the year	**16,897**	5,280	**16,897**	5,280
Balance as at 31st December	**156,813**	139,916	**156,813**	139,916
Carrying amount as at 31st December	**438,672**	139,916	**438,672**	139,916

Notes to the Consolidated Financial Statements

13.3. Right To Use of Land

Lease agreements of all JEDB/SLSPC estates handed over to the Company have been executed to date. All of these lease are retroactive to 22nd June 1992, the date of formation of the Company. The leasehold rights to the bare land on all of these estates have been taken into the books of the Company on 22nd June 1992, immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board of Directors of the Company decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr.Wickramasinghe just prior to the formation of the Company. The fair value as at 22nd June 1992 was taken into the books of Company.

(a) The Company has obtained 17 estates on lease from Janatha Estates Development Board (JEDB) and Sri Lanka State Plantations Corporation (SLSPC). Some important terms under which these leases have been obtained are as follows:

(i) The period of the leases is 53 years from 22nd June 1992 to 21st June 2045.

(ii) The effective total lease rental for any twelve-month period is the previous twelve-month period's lease rental escalated by the applicable Gross Domestic Product (GDP) deflator. The lease rental is payable quarterly in advance.

(b) The present value of future lease rentals (excluding the portion arising from the annual escalation of the amount due by using the GDP deflator)is shown as a liability.

13.4. Leasehold Rights to Bare Land of JEDB/SLSPC Estate

The Government of Sri Lanka has initiated actions under provisions of the Land Acquisition act to acquire land from lands leased to the Company in Peenkande,Kiribathgalla, Doloswella, Niriella and Noragalla estates located in Ratnapura district; Ambetenna, Mohamedi, Culloden, Clyde, Pimbura and Kiriwanaketiya located in Kalutara district and Labookelle, Weddamulla and Frotoft located in Nuwara eliya district. The total extent of land in question is approximately 289.47 Hectare which has been taken over. As per the lease agreement, the company is entitled to the compensations of any lands acquired. The details are given below.

The details of lands required by the government are given below.

13.4.a. Land Acquired by the Government

District	Estate	Purpose of acquisition	Extent (Hectares)
Kaluthara	Pimbura	Provide land for war heros and to construct a Police station	10.39
	Kiriwanaketiya	Provide land for war heros	4.59
	Mohamadi	Provide land and houses for war heros and construct a bridge	14.23
	Clyde	Southern Highway and Provide land for Soldiers	36.02
	Culloden	Southern Highway and Provide land for Soldiers	6.99
Rathnapura	Noragalla	Village expansion and construct a school and for Flood victims	20.64
	Peenkanda	Village expansion	71.62
	Niriella	Village expansion and construct houses for Flood victims	28.63
	Doloswella	Landside Victims and Village expansion	31.68
	Kiribathgala	Village expansion and contract hospital	44.19
	Watapotha	Construct houses for Flood victims	9.90
Nuwara Eliya	Labookellie	Gampola Highway	6.50
	Weddamulla	Gampola Highway and construct School	2.47
	Frotoft	Construct hospital and School	1.61
			289.46

No adjustments have been made to the Financial statements in respect of the lands acquired as the compensation receivable on these acquisitions are not known and the transactions pertaining to those acquisitions have been incomplete as at 31st December 2019.

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
14. PROPERTY, PLANT AND EQUIPMENT				
Immovable (JEDB/SLSPC) assets on lease (other than bare land) (Note 14.1)	**1,575**	2,193	**1,575**	2,193
Tangible assets other than biological assets (Note 14.2)	**819,956**	864,489	**790,856**	834,029
	821,531	866,682	**792,431**	836,222

14.1. Immovable (JEDB/SLSPC) assets on lease (other than bare land) (Company/Group)

As more fully explained in Note 13.3 to financial statements, all JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in the JEDB/SLSPC estates under leases have been taken into the books of the Company as at 22nd June 1992. These assets are taken into the statement of financial position of Company as at 22nd June 1992 and the amortization of immovable lease assets as at 31st December 2019 are as follows.

As at 31st December	**Vested improvements to land**	**Buildings**	**Machinery**	**Other vested assets**	**Total**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Capitalized value (22nd June 1992)	**14,275**	**46,430**	**11,259**	**4,283**	**76,247**
As at 31st December 2019	**14,275**	**46,430**	**11,259**	**4,283**	**76,247**
Amortization					
As at 1st January 2019	**12,582**	**46,430**	**11,259**	**3,783**	**74,054**
Charge for the year	**475**	**-**	**-**	**143**	**618**
As at 31st December 2019	**13,057**	**46,430**	**11,259**	**3,926**	**74,672**
Written down value					
As at 31st December 2019	**1,218**	**-**	**-**	**357**	**1,575**
As at 31st December 2018	**1,693**	**-**	**-**	**500**	**2,193**

14.2. Tangible and Intangible assets other than biological assets

As at 31st December	2019					
Company	**Land and buildings**	**Plant and machinery**	**Motor Vehicles**	**Sanitation, water and electricity**	**Equipment**	**Others**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost						
(a) Freehold assets						
As at 1st January	**677,223**	**267,829**	**293,408**	**30,055**	**74,658**	**18,177**
Additions during the year	**11,947**	**11,117**	**16,553**	**480**	**8,032**	**6,751**
Transfers of CWIP	**29,947**	**2,388**	**-**	**-**	**-**	**-**
Disposal of the year	**(29,150)**	**(24)**	**(4,957)**	**-**	**-**	**-**
Transferred from leasehold assets	**-**	**-**	**75,755**	**-**	**-**	**-**
As at 31st December	**689,967**	**281,310**	**380,759**	**30,535**	**82,690**	**24,928**
(b) Leasehold assets						
As at 1st January	**-**	**-**	**75,755**	**-**	**-**	**-**
Transferred to freehold assets	**-**	**-**	**(75,755)**	**-**	**-**	**-**
As at 31st December	**-**	**-**	**-**	**-**	**-**	**-**
(c) Total gross carrying amount	**689,967**	**281,310**	**380,759**	**30,535**	**82,690**	**24,928**
Depreciation and Impairment						
(a) Freehold assets						
As at 1st January	**(74,635)**	**(130,257)**	**(161,816)**	**(26,796)**	**(45,405)**	**(9,563)**
Charge for the year	**(29,373)**	**(17,132)**	**(34,795)**	**(854)**	**(4,607)**	**(1,555)**
Disposal of the year	**-**	**-**	**4,824**	**-**	**-**	**-**
Transferred from leasehold assets	**-**	**-**	**(75,755)**	**-**	**-**	**-**
Provision for Impairment (Note 14.2.1)	**(108,475)**	**-**	**-**	**-**	**-**	**-**
As at 31st December	**(212,483)**	**(147,389)**	**(267,542)**	**(27,650)**	**(50,012)**	**(11,118)**
(b) Leasehold assets						
As at 1st January	**-**	**-**	**(74,611)**	**-**	**-**	**-**
Charge for the year	**-**	**-**	**(1,144)**	**-**	**-**	**-**
Transferred to freehold assets	**-**	**-**	**75,755**	**-**	**-**	**-**
As at 31st December	**-**	**-**	**-**	**-**	**-**	**-**
(c) Total depreciation and Impairment	**(212,483)**	**(147,389)**	**(267,542)**	**(27,650)**	**(50,012)**	**(11,118)**
Written down value						
As at 31st December	**477,484**	**133,921**	**113,217**	**2,885**	**32,678**	**13,810**

		2018							
Capital work in progress	Total	Land and buildings	Plant and machinery	Motor Vehicles	Sanitation, water and electricity	Equipment	Others	Capital work in progress	Total
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
28,482	1,389,832	444,751	222,918	255,266	29,948	55,258	10,534	127,057	1,145,732
20,714	75,594	115,218	43,561	41,437	107	19,400	7,643	20,029	247,395
(32,335)	-	117,254	1,350	-	-	-	-	(118,604)	-
-	(34,131)	-	-	(3,295)	-	-	-	-	(3,295)
-	75,755	-	-	-	-	-	-	-	-
16,861	1,507,050	677,223	267,829	293,408	30,055	74,658	18,177	28,482	1,389,832
-	75,755	-	-	75,755	-	-	-	-	75,755
-	(75,755)	-	-	-	-	-	-	-	-
-	-	-	-	75,755	-	-	-	-	75,755
16,861	1,507,050	677,223	267,829	369,163	30,055	74,658	18,177	28,482	1,465,587
-	(448,472)	(62,555)	(118,407)	(138,014)	(25,795)	(40,661)	(9,033)	-	(394,465)
-	(88,316)	(12,080)	(11,850)	(27,097)	(1,001)	(4,744)	(530)	-	(57,302)
-	4,824	-	-	3,295	-	-	-	-	3,295
-	(75,755)	-	-	-	-	-	-	-	-
-	(108,475)	(108,475)	-	-	-	-	-	-	(108,475)
-	(716,194)	(183,110)	(130,257)	(161,816)	(26,796)	(45,405)	(9,563)	-	(556,947)
-	(74,611)	-	-	(69,203)	-	-	-	-	(69,203)
-	(1,144)	-	-	(5,408)	-	-	-	-	(5,408)
-	75,755	-	-	-	-	-	-	-	-
-	-	-	-	(74,611)	-	-	-	-	(74,611)
-	(716,194)	(183,110)	(130,257)	(236,427)	(26,796)	(45,405)	(9,563)	-	(631,558)
16,861	790,856	494,113	137,572	132,736	3,259	29,253	8,614	28,482	834,029

Notes to the Consolidated Financial Statements

As at 31st December	2019					
Group	**Land and buildings**	**Plant and machinery**	**Motor Vehicles**	**Sanitation, water and electricity**	**Equipment**	**Others**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost						
(a) Freehold assets						
As at 1st January	**695,873**	**300,471**	**297,177**	**30,055**	**81,120**	**20,098**
Additions during the year	**12,426**	**11,445**	**16,553**	**480**	**8,331**	**7,127**
Transfers of CWIP	**29,947**	**2,388**	**-**	**-**	**-**	**-**
Disposals during the year	**(29,150)**	**(24)**	**(4,957)**	**-**	**-**	**-**
Transferred from leasehold assets	**-**	**-**	**75,755**	**-**	**-**	**-**
As at 31st December	**709,096**	**314,280**	**384,528**	**30,535**	**89,451**	**27,225**
(b) Leasehold assets						
As at 1st January	**-**	**-**	**75,755**	**-**	**-**	**-**
Transferred to freehold assets	**-**	**-**	**(75,755)**	**-**	**-**	**-**
As at 31st December	**-**	**-**	**-**	**-**	**-**	**-**
(c) Total gross carrying amount	**709,096**	**314,280**	**384,528**	**30,535**	**89,451**	**27,225**
Depreciation and Impairment						
(a) Freehold assets						
As at 1st January	**(78,531)**	**(150,401)**	**(165,152)**	**(26,796)**	**(48,980)**	**(11,595)**
Charge for the year	**(30,087)**	**(18,591)**	**(34,956)**	**(854)**	**(4,979)**	**(1,690)**
Disposal of the year	**-**	**-**	**4,824**	**-**	**-**	**-**
Transferred from leasehold assets	**-**	**-**	**(75,755)**	**-**	**-**	**-**
Provision for Impairment (Note 14.2.1)	**(108,475)**	**-**	**-**	**-**	**-**	**-**
As at 31st December	**(217,093)**	**(168,992)**	**(271,039)**	**(27,650)**	**(53,959)**	**(13,285)**
(b) Leasehold assets						
As at 1st January	**-**	**-**	**(74,611)**	**-**	**-**	**-**
Charge for the year	**-**	**-**	**(1,144)**	**-**	**-**	**-**
Transferred to freehold assets	**-**	**-**	**75,755**	**-**	**-**	**-**
As at 31st December	**-**	**-**	**-**	**-**	**-**	**-**
(c) Total depreciation and Impairment	**(217,093)**	**(168,992)**	**(271,039)**	**(27,650)**	**(53,959)**	**(13,285)**
Written down value						
As at 31st December	**492,003**	**145,288**	**113,489**	**2,885**	**35,492**	**13,940**

		2018							
Capital work in progress	**Total**	**Land and buildings**	**Plant and machinery**	**Motor Vehicles**	**Sanitation, water and electricity**	**Equipment**	**Others**	**Capital work in progress**	**Total**
Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
28,481	**1,453,275**	462,665	255,258	259,035	29,948	61,720	12,067	127,057	1,207,750
20,714	**77,076**	115,954	43,863	41,437	107	19,400	8,031	20,028	248,820
(32,335)	**-**	117,254	1,350	-	-	-	-	(118,604)	-
-	**(34,131)**	-	-	(3,295)	-	-	-	-	(3,295)
-	**75,755**	-	-	-	-	-	-	-	-
16,860	**1,571,975**	695,873	300,471	297,177	30,055	81,120	20,098	28,481	1,453,275
-	**75,755**	-	-	75,755	-	-	-	-	75,755
-	**(75,755)**	-	-	-	-	-	-	-	-
-	**-**	-	-	75,755	-	-	-	-	75,755
16,860	**1,571,975**	695,873	300,471	372,932	30,055	81,120	20,098	28,481	1,529,030
-	**(481,455)**	(65,755)	(137,244)	(141,188)	(25,795)	(44,159)	(10,659)	-	(424,800)
-	**(91,157)**	(12,776)	(13,157)	(27,259)	(1,001)	(4,821)	(936)	-	(59,950)
-	**4,824**	-	-	3,295	-	-	-	-	3,295
-	**(75,755)**	-	-	-	-	-	-	-	-
-	**(108,475)**	(108,475)	-	-	-	-	-	-	(108,475)
-	**(752,018)**	(187,006)	(150,401)	(165,152)	(26,796)	(48,980)	(11,595)	-	(589,930)
-	**(74,611)**	-	-	(69,203)	-	-	-	-	(69,203)
-	**(1,144)**	-	-	(5,408)	-	-	-	-	(5,408)
-	**75,755**	-	-	-	-	-	-	-	-
-	**-**	-	-	(74,611)	-	-	-	-	(74,611)
-	**(752,018)**	(187,006)	(150,401)	(239,763)	(26,796)	(48,980)	(11,595)	-	(664,541)
16,860	**819,956**	508,867	150,070	133,169	3,259	32,140	8,503	28,481	864,489

14.2.1. Provision for Impairment

The Company has made an impairment provision of Rs.93.12Mn and Rs.15.35Mn for Tea Museum and Helipad in Labookellie Estate respectively in the financial year 2016 since the Management is of the view that no future economic benefits will flow to the company through these assets.

14.2.2. The cost of fully depreciated property, plant and equipment as at 31st December 2019 are as follows.

As at 31st December	Group	Company
	Cost	Cost
	Rs.000	Rs.000
Buildings	10,348	10,348
Plants and machineries	88,913	78,123
Motor Vehicles	195,929	193,772
Sanitation, water and electricity	13,647	13,647
Equipment	35,906	33,098
Others	9,098	8,152
	353,841	337,140

15. BEARER BIOLOGICAL ASSETS (COMPANY/GROUP)

As at 31st December	2019					2018				
	Tea	Rubber	Oil palm	Others	Total	Tea	Rubber	Oil palm	Others	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
On lease (Note 15.1)	6,743	17,322	-	-	24,065	9,442	24,104	-	-	33,546
Investments after formation of the company (Note 15.2)	381,871	1,223,683	434,498	4,145	2,044,197	354,880	1,150,195	478,058	4,383	1,987,516
	388,614	1,241,005	434,498	4,145	2,068,262	364,322	1,174,299	478,058	4,383	2,021,062

As at 31st December	2019					2018				
	Tea	**Rubber**	**Oil palm**	**Others**	**Total**	**Tea**	**Rubber**	**Oil palm**	**Others**	**Total**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
15.1. On Lease										
Balance as at 1st January	**80,925**	**203,448**	**-**	**-**	**284,373**	80,925	203,448	-	-	284,373
Balance 31st December	**80,925**	**203,448**	**-**	**-**	**284,373**	80,925	203,448	-	-	284,373
Amortization										
Balance as at 1st January	**(71,483)**	**(179,344)**	**-**	**-**	**(250,827)**	(68,785)	(172,932)	-	-	(241,717)
Amortization for the year	**(2,699)**	**(6,782)**	**-**	**-**	**(9,481)**	(2,698)	(6,782)			(9,480)
Balance 31st December	**(74,182)**	**(186,126)**	**-**	**-**	**(260,308)**	(71,483)	(179,344)	-	-	(250,827)
Carrying Amount	**6,743**	**17,322**	**-**	**-**	**24,065**	9,442	24,104	-	-	33,546

As at 31st December	**2019**	**2018**
	Rs. 000	Rs. 000
15.2. Investments after Formation of the Company		
Immature plantations (Note 15.2.1)	**617,587**	668,840
Mature plantations (Note 15.2.2)	**1,416,119**	1,306,742
Growing Crop Nurseries (Note 15.2.3)	**10,491**	11,934
	2,044,197	1,987,516

Notes to the Consolidated Financial Statements

As at 31st December	2019					2018				
	Tea	**Rubber**	**Oil palm**	**Others**	**Total**	**Tea**	**Rubber**	**Oil palm**	**Others**	**Total**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
15.2.1. Immature plantations										
Balance as at 1st January	**68,354**	**521,330**	**79,156**	**-**	**668,840**	71,261	434,896	49,346	564	556,067
Additions during the year	**39,611**	**124,907**	**10,718**	**-**	**175,236**	58,735	185,951	44,086	-	288,772
Transfer out during the year	**(4,319)**	**(190,335)**	**(17,806)**	**-**	**(212,460)**	(54,495)	(99,517)	(2,825)	(34)	(156,871)
Adjustments/Write-off during the year	**(323)**	**-**	**(13,706)**	**-**	**(14,029)**	(7,147)	-	(11,451)	(530)	(19,128)
Transfers	**-**	**3,567**	**(3,567)**	**-**	**-**	-	-	-	-	-
Balance 31st December	**103,323**	**459,469**	**54,795**	**-**	**617,587**	68,354	521,330	79,156	-	668,840
15.2.2. Mature plantations										
Balance as at 1st January	**434,720**	**1,169,268**	**703,437**	**8,388**	**2,315,813**	380,225	1,069,751	700,612	8,354	2,158,942
Transfer in during the year	**4,319**	**190,335**	**17,806**	**-**	**212,460**	54,495	99,517	2,825	34	156,871
Adjustments/Write-off during the year	**(2,027)**	**-**	**-**	**-**	**(2,027)**	-	-	-	-	-
Disposal During the Year	**-**	**(10,184)**	**-**	**-**	**(10,184)**	-	-	-	-	-
Balance 31st December	**437,012**	**1,349,419**	**721,243**	**8,388**	**2,516,062**	434,720	1,169,268	703,437	8,388	2,315,813
Depreciation										
Balance as at 1st January	**(155,974)**	**(542,274)**	**(306,818)**	**(4,005)**	**(1,009,071)**	(144,020)	(492,395)	(271,788)	(3,546)	(911,749)
Charge for the year	**(12,475)**	**(52,620)**	**(35,172)**	**(238)**	**(100,505)**	(13,574)	(49,879)	(35,030)	(459)	(98,942)
Adjustments/Write-off during the year	**-**	**-**	**-**	**-**	**-**	1,620	-	-	-	1,620
Disposal During the Year	**-**	**9,633**	**-**	**-**	**9,633**	-	-	-	-	-
Balance 31st December	**(168,449)**	**(585,261)**	**(341,990)**	**(4,243)**	**(1,099,943)**	(155,974)	(542,274)	(306,818)	(4,005)	(1,009,071)
Carrying Amount Mature Plantations	**268,563**	**764,158**	**379,253**	**4,145**	**1,416,119**	278,746	626,994	396,619	4,383	1,306,742
15.2.3. Growing Crop Nurseries										
Balance as at 1st January	**7,780**	**1,871**	**2,283**	**-**	**11,934**	1,117	488	4,639	1,338	7,582
Increase / (Decrease) during the year	**3,683**	**(382)**	**(388)**	**-**	**2,913**	6,663	1,383	(2,356)	(1,338)	4,352
Write-off during the year	**(1,478)**	**(1,433)**	**(1,445)**	**-**	**(4,356)**	-	-	-	-	-
Balance 31st December	**9,985**	**56**	**450**	**-**	**10,491**	7,780	1,871	2,283	-	11,934
Total	**381,871**	**1,223,683**	**434,498**	**4,145**	**2,044,197**	354,880	1,150,195	478,058	4,383	1,987,516

15.2.3. These are investments in bearer biological assets carried at cost (Tea, Rubber, Palm Oil and Mixed Crop) which comprises of immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases are set out in the Notes 15.1 to the Financial Statements. Investment in immature plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since, taken over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out under the note 15.2.1.

15.3. Bearer Biological Assets - Capital Expenditure

As at 31st December	31/12/2019		31/12/2018	
	Extent - Ha	**Rs. 000**	**Extent - Ha**	**Rs. 000**
Uprooting				
- Tea	**6.81**	**2,192**	33.97	22,029
- Rubber	**9.86**	**1,218**	71.14	15,419
- Oil Palm	**-**	**-**	38.78	8,071
Planting				
- Tea	**21.44**	**10,495**	31.70	31,426
- Rubber	**82.68**	**35,946**	141.14	75,678
- Oil Palm	**4.56**	**1,332**	59.81	33,182
Upkeep				
- Tea	**86.80**	**26,924**	14.69	5,280
- Rubber	**773.37**	**87,743**	681.03	94,853
- Oil Palm	**86.80**	**9,386**	53.64	2,834
		175,236		288,772

16. CONSUMEBLE BIOLOGICAL ASSETS

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Mature Plantations (Note 16.1)	**654,398**	594,084	**654,398**	594,084
Immature Plantations	**2,560**	-	**2,560**	-
	656,958	594,084	**656,958**	594,084
16.1. Mature Plantations - at fair value				
Balance as at 1st January	**594,084**	554,147	**594,084**	554,147
Harvested Trees During the Year	**(5,469)**	(10,613)	**(5,469)**	(10,613)
	588,615	543,534	**588,615**	543,534
Gain Arising from Changes in Fair Value (Note 16.2)	**65,783**	50,550	**65,783**	50,550
Fair value as at 31st December	**654,398**	594,084	**654,398**	594,084

16.2. Measurement of Fair value

The valuation of consumable biological assets was carried by Mr.K.T.D.Tissera, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31st December 2019 has been prepared based on the physically verified timber statistics provided by the Company.

The future cash flows are determined by reference to current timber prices.

The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

(c) Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used for the valuation as at 31st December 2019.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber	**Discounted cash flows**	**Determination of Timber Content**	The estimated fair value would increase/(decrease) if;
Standing timber older than 4 years.	The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .	Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age.	- the estimated timber content were higher/(lower). - the estimated timber prices per cubic meter were higher/(lower).
	Expected cash flows are discounted using a risk-adjusted discount rate of 14.5% comprising a risk premium of 3.5%.	Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.	- the estimated selling related costs were lower/(higher).”
		Determination of Price of Timber	- the estimated maturity age were higher/(lower).
		Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka.	- the risk-adjusted discount rate were lower/(higher).
		In this exercise, following factors have been taken into consideration.	
		a) Cost of obtaining approval of felling.	
		b) Cost of felling and cutting into logs.	
		c) Cost of transportation.	
		d) Sawing cost.	
		e) Cost of sale	
		Risk-adjusted discount rate.	
		2019- 14.5% (Risk Premium - 3.5%)	
		2018- 15.5% (Risk Premium - 3.5%)	

The Company is exposed to the following risks relating to its timber plantations:

Regulatory and environmental risks

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

Supply and demand risk

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

Climate change and other risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

16.3. Sensitivity Analysis

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	-10%	**2019**	**+10%**
	Rs. 000	Rs. 000	Rs. 000
Timber	588,958	654,398	719,838
Total	588,958	654,398	719,838

Sensitivity Variation on Discount Rate

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

	-1%	**2019**	**+1%**
	Rs. 000	Rs. 000	Rs. 000
Timber	570,824	654,398	538,403
Total	570,824	654,398	538,403

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
17. INVESTMENT IN SUBSIDIARY				
Mackply Industries (Private) Limited	**-**	-	**12,500**	12,500
	-	-	**12,500**	12,500

The Company has invested in 1,250,000 ordinary shares of Mackply Industries (Private) Limited which is a fully owned subsidiary of the Group.

As at 31st December	2019	2018
	Rs. 000	Rs. 000
17.2. Summarized financial information of subsidiary		
Assets and liabilities		
Total assets	**102,227**	102,508
Total liabilities	**68,779**	60,014
Net assets	**33,448**	42,494
Revenue and loss		
Total revenue	**145,803**	170,721
Total loss after tax	**(7,978)**	(25,078)

18. INVESTMENT IN JOINT VENTURE

As at 31st December	Percentage of holding		Group		Company	
	2019	2018	2019	2018	2019	2018
			Rs. 000	Rs. 000	Rs. 000	Rs. 000
AEN Palm Oil Processing (Private) Limited	**33.33%**	33.33%	**178,168**	119,443	**6,990**	6,990
			178,168	119,443	**6,990**	6,990

18.1. Summarized information of the Joint Venture

18.1.1. AEN Oil Palm Processing (Private) Limited

The Group has invested in 33.33% of stated capital of AEN Oil Palm Processing (Pvt) Ltd, a Joint Venture involved in the business of processing crude Palm Oil. The Group's interest in AEN Palm Oil Processing (Pvt) Ltd is accounted for by using the equity method in the consolidated financial statements. Summarised financial information of this Joint Venture are set out below.

Summarised statement of financial position of AEN Palm Oil Processing (Pvt) Ltd

As at 31st December	2019	2018
	Rs. 000	Rs. 000
	(Audited)	(Audited)
Current assets, including cash and cash equivalents	**340,165**	185,922
Non current assets	**364,928**	257,556
Current liabilities, including tax payable	**(126,863)**	(39,974)
Non current liabilities, including deferred tax liabilities	**(43,725)**	(45,174)
Total Equity	**534,505**	358,330
Group's carrying amount of the investment	**178,168**	119,443

Summarized statement of profit or loss of AEN Palm Oil Processing (Pvt) Ltd

As at 31st December	**2019**	**2018**
	Rs. 000	Rs. 000
	(Audited)	(Audited)
Revenue	**3,245,139**	2,448,204
Cost of sales	**(2,942,287)**	(2,308,723)
Other income	**15,630**	18,879
Administration expenses including depreciation	**(111,960)**	(97,303)
Selling & distributions expenses	**(1,138)**	(1,028)
Impairment of Assets	**-**	(17,750)
Finance cost	**(26)**	(671)
Profit before taxation	**205,358**	41,610
Income tax expense	**(29,182)**	(10,168)
Profit for the year	**176,176**	31,442
Total comprehensive income for the year	**176,176**	31,442
Group's share of profit for the year	**58,725**	10,481
Group's share of profit before tax	**68,453**	13,870
Group's share of profit after tax	**58,725**	10,481
Number of shares invested (Nos)	**698,997**	698,997

19. INVESTMENT CLASSIFIED AS FAIR VALUE THROUGH OCI (GROUP / COMPANY)

As at 31st December	2019		2018	
	No of shares	**Value**	**No of shares**	**Value**
		(Rs.000)		(Rs.000)
Cost				
Mackwoods Energy PLC	**4,282,079**	**59,977**	4,282,079	59,977
Mackwoods Rubber Products (Private) Limited	**625,000**	**7,145**	625,000	7,145
Taprospa Resorts (Private) Limited	**7,200,000**	**14,337**	7,200,000	14,337
		81,459		81,459
Less: Provision for fall in value (Note 19.1)		**-**		(73,323)
		81,459		8,136
Less: Disposed during the year		**(81,459)**		-
Net Carrying Amount		**-**		8,136
19.1. Loss in fair value				
Balance as at 1st January		**73,323**		72,038
Change in fair value		**(344)**		1,285
Adjustment due to disposal		**(72,979)**		-
Balance as at 31st December		**-**		73,323

Pursuant to the settlement agreement entered into between the Company and the petitioner on the cases filed against the Company in the years of 2016 and 2017, these investments were disposed during the year ended 31st December 2019.

Notes to the Consolidated Financial Statements

20. PRODUCE ON BEARER BIOLOGICAL ASSETS

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1st January	**8,971**	7,459	**8,971**	7,459
Change in fair value of growing crops	**(2,422)**	1,512	**(2,422)**	1,512
Balance as at 31st December	**6,549**	8,971	**6,549**	8,971

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. Value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board and the value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers. Rubber crop is fair valued using RSS prices.The Volume of Produce growing on bearer plants are measured using the estimated crop of the harvesting cycle of the year as follows,

Tea- Three days crop (50% of 6 days Cycle), Oil palm- Five days Crop (50% of 10 days Cycle) Rubber - one day's Crop.

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
21. INVENTORIES				
Input materials	**18,862**	42,058	**18,862**	42,058
Inventory at Labookellie tea centre	**11,526**	84,935	**11,526**	84,935
Harvested crops :				
- Tea	**146,672**	175,757	**146,672**	175,757
- Rubber	**49,734**	54,848	**49,734**	54,848
Consumables and spares	**21,364**	12,858	**21,364**	12,858
Others	**45,040**	43,225	**-**	-
	293,198	413,681	**248,158**	370,456
Less : Provision for obsolete inventories (Note 21.1)	**(1,046)**	(75,502)	**-**	(74,456)
	292,152	338,179	**248,158**	296,000
21.1. Provision for obsolete and slow moving inventories				
Balance as at 1st January	**75,502**	65,623	**74,456**	64,577
Write off During the year	**(67,758)**	-	**(67,758)**	-
Provision (for) / reversal during the year	**(6,698)**	9,879	**(6,698)**	9,879
Balance as at 31st December	**1,046**	75,502	**-**	74,456

As at 31st December	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
22. TRADE AND OTHER RECEIVABLES				
Trade receivables	**69,446**	93,138	**59,120**	36,907
Advances, deposits and prepayments	**59,186**	108,060	**56,579**	104,377
Other debtors	**38,550**	142,182	**34,846**	139,024
	167,182	343,380	**150,545**	280,308
Less : Provision for impairment (Note 22.1)	**(5,504)**	(164,689)	**(5,503)**	(126,097)
	161,678	178,691	**145,042**	154,211
22.1. Movement of Provision for impairment				
Balance as at 1st January	**164,689**	126,402	**126,097**	126,097
Provision made during the year	**-**	38,287	**-**	-
Write off During the year	**(159,185)**	-	**(120,594)**	
Balance as at 31st December	**5,504**	164,689	**5,503**	126,097

As at 31st December	Group		Company	
	2019	2018	2019	2018
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
23. AMOUNT DUE FROM RELATED COMPANIES				
Taprospa Resorts (Private) Limited	**-**	73,892	**-**	73,892
Mackply Industries (Private) Limited	**-**	-	**16,819**	16,969
D.R. Wooden Furniture (Private) Limited	**15,474**	49	**15,474**	49
Diliganz Fashion (Private) Limited	**-**	2	**-**	2
Pussellawa Plantation Ltd	**13,975**	-	**17,703**	-
D.R.Industires (Private) Limited	**-**	118	**-**	-
AEN Oil Palm Processing (Pvt) Ltd	**5,469**	-	**5,469**	-
Marino Beach (Private) Limited	**-**	878	**-**	83
	34,918	74,939	**55,465**	90,995
Less : Provision for Impairment (Note 23.1)	**-**	(73,892)	**-**	(73,892)
	34,918	1,047	**55,465**	17,103
23.1. Provision for impairment				
Balance as at 1st January	**(73,892)**	(73,892)	**(73,892)**	(73,892)
Writeoff during the year	**73,892**	-	**73,892**	-
Balance as at 31st December	**-**	(73,892)	**-**	(73,892)

Notes to the Consolidated Financial Statements

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
24. CASH AND CASH EQUIVALENTS				
Favorable balances				
Cash in hand	**5,628**	6,358	**3,443**	2,087
Cash at banks	**7,931**	14,457	**5,949**	14,254
	13,559	20,815	**9,392**	16,341
Unfavorable balances				
Less: Bank overdrafts	**(224,706)**	(170,327)	**(210,267)**	(156,085)
Cash and cash equivalents for the purpose of cash flows	**(211,147)**	(149,512)	**(200,875)**	(139,744)

	2019	**2018**
	Rs. 000	Rs. 000
25. STATED CAPITAL		
25,000,001 Ordinary Shares Including One Golden Share Held by the Treasury	**250,000**	250,000
	250,000	250,000

25.1. Golden Shareholder

The holders of ordinary shares and the Golden Share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Golden Share has been allotted to the Secretary to the Treasury by capitalization of revaluation reserve on 1st August 1995. Articles of Association of the Company embodies the specific rights assigned to the Golden Shareholder on behalf of the State of Democratic Socialist Republic of Sri Lanka. In addition to the rights of the normal ordinary shareholders, in terms of the Articles of the Company, following special rights are vested with the Golden Shareholder.

The Golden share of Rs. 10/- held by the Secretary to the Treasury, enjoys the following special rights:

(a) The concurrence of the Golden Shareholder should be obtained to sub-lease estate lands and amend the Articles of Association of the Company in which the Golden Shareholder's rights are given.

(b) The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.

(c) The company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre- specified format agreed to by the Golden Shareholder and the Company.

(d) The Golden Shareholder shall be entitled to call upon the Board of Directors once in three months to meet him or his nominee to discuss matters of the Company of interest to the estate.

(e) The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information related to the company in a pre-specified format agreed to by the Golden Shareholder and the Company.

Definition of the 'Golden share' - a share allotted to the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the state of the Democratic Socialist Republic of Sri Lanka, and or by any transferee permitted in terms of the Articles. Definition of 'Golden shareholder' – the holder of the 'Golden Share'.

The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(12) of the Articles of Association of the Company which deals with the Golden shareholder.

The Company shall obtain the written consent of the Golden Shareholder prior to subleasing, ceding or assigning its rights in part or all of the lands set out in the Article of Association of the Company.

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
26. GENERAL RESERVE				
Opening balance	**-**	515,000		515,000
Closing balance	**-**	515,000	**-**	515,000

*The Board of Directors has decided to transfer the general reserve of Rs. 515,000,000/- which was held for the general purposes, to retained earnings, with effect from 31st March 2019.

27. FVOCI RESERVE

Changes in the fair value of the other financial investments is recognized as a separate reserve within equity.

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
28. LEASE LIABILITY				
Net liability to lessor of JEDB / SLSPC (Note 28.1)	**452,735**	219,236	**452,735**	219,236
Other lease liabilities (Note 28.2)	**1,654**	-	**-**	-
	454,389	219,236	**452,735**	219,236

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
28.1. Net liability to lessor of JEDB / SLSPC				
Balance as at 1st January 2019 as previously reported	**219,236**	223,993	**219,236**	223,993
Impact due to Initial application of SLFRS 16 (Note 3.1.1)	**217,213**	-	**217,213**	-
Balance as at 1st January 2019 after SLFRS 16 adjustment	**436,449**	223,993	**436,449**	223,993
Remeasurement during the year	**19,120**	-	**19,120**	-
	455,569	223,993	**455,569**	223,993
Repayments during the year	**(57,406)**	(13,717)	**(57,406)**	(13,717)
Interest Charge for the year	**54,572**	8,960	**54,572**	8,960
Balance as at 31st December	**452,735**	219,236	**452,735**	219,236

Notes to the Consolidated Financial Statements

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
28.2. Other lease liabilities				
Gross liability				
Adjustment due to initial application of SLFRS 16 (Note 3.1.1)	**2,783**	-	**-**	-
Additions during the year	**-**	-	**-**	-
Repayments during the year	**(1,470)**	-	**-**	-
Interest expense for the year	**341**	-	**-**	-
Balance as at 31st December	**1,654**	-	**-**	-

Other lease liabilities represents the liability related to the lease contract signed by the subsidiary Company to lease out its showrooms located in Nawinna and Nugegoda.

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
28.3. Analysis of net lease liability				
Current liability	**3,740**	4,948	**2,631**	4,948
Non current liability	**450,649**	214,288	**450,104**	214,288
	454,389	219,236	**452,735**	219,236
28.4. Maturity analysis of undiscounted cash flows				
(a) Amount payable within one year	**59,274**	55,612	**58,004**	55,612
(b) Amount payable after one year and less than five years	**232,667**	222,449	**232,014**	222,449
(c) Amount payable after five years	**1,189,072**	1,195,663	**1,189,072**	1,195,663
	1,481,013	1,473,724	**1,479,090**	1,473,724
28.5. Leases as lessee				
(i) Amount recognised in the profit or loss				
Lease interest for the year	**54,913**	49,456	**54,572**	49,456
	54,913	49,456	**54,572**	49,456
(ii) Amount recognised in the separate statement of cash flows				
Lease rental paid	**58,876**	13,717	**57,406**	13,717
	58,876	13,717	**57,406**	13,717

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
29. LOANS AND BORROWINGS				
Term loans (Note 29.2)	**471,930**	670,690	**464,141**	661,050
	471,930	670,690	**464,141**	661,050
29.1. Maturity analysis				
Amount payable within one year				
Term loans	**179,440**	304,467	**176,439**	296,326
Amount payable after one year and less than five years				
Term loans	**292,490**	366,223	**287,702**	364,724
Total	**471,930**	670,690	**464,141**	661,050
29.2. Term loans				
(a) Summary				
Balance as at 1st January	**670,690**	815,366	**661,050**	802,880
Loans obtained during the year	**15,035**	97,500	**15,035**	97,500
Repayments during the year	**(213,795)**	(242,176)	**(211,944)**	(239,330)
Balance as at 31st December	**471,930**	670,690	**464,141**	661,050
(b) Lender-wise summary				
Hatton National Bank PLC	**68,404**	92,155	**63,115**	85,015
Sampath Bank PLC	**239,705**	332,525	**239,705**	332,525
Commercial Bank of Ceylon PLC	**134,575**	161,810	**134,575**	161,810
National Development Bank PLC	**2,667**	51,780	**2,667**	51,780
Sri Lanka Tea Board	**24,079**	29,920	**24,079**	29,920
LOLC Factors Limited	**2,500**	2,500	**-**	-
	471,930	670,690	**464,141**	661,050

29.3. Assets pledged as collaterals by the Company/Group

Name of financial institution	Nature of facility	Facility granted / rescheduled	Balance as at 31.12.2019	Balance as at 31.12.2018	Securities pledged
		Rs. 000	Rs. 000	Rs. 000	
Hatton National Bank PLC	Term loan	108,740	**63,115**	85,015	Leasehold rights of Niriella estate,Kiriwanaketiya estate,Watapotha estate,Clyde estate & Ambatenna estate and Primary floating mortgage bond over trade stock
Sampath Bank PLC	Term loan	377,200	**239,705**	332,525	Leasehold rights of Frotoft ,Delgoda, Pimbura & Culloden Estate
Commercial Bank of Sri Lanka PLC	Term loan	80,450	**46,825**	64,310	Leasehold rights of Weddamulla estate & Noragalla estate
	Term Loan	97,500	**87,750**	97,500	Leasehold rights of Weddamulla estate & Noragalla estate & Letter of Undertaking from John keels Rubber
National Development Bank PLC	Term loan	250,000	**-**	47,280	Leasehold rights of Mohamedi estate & letter of undertaking from Forbes & Walkers Tea
	Short term loan	10,000	**2,667**	4,500	Leasehold rights of Mohamedi estate & buildings and plant machinery of Mohamedi estate
Sri Lanka Tea Board	RPC-Distress Loan	34,280	**6,076**	17,781	
	RPC-Distress Loan	23,000	**4,472**	12,139	
	RPC - Festival Advance Loan	15,034	**13,531**		
Assets pledged as collaterals by the Company			**464,141**	661,050	
Hatton National Bank PLC	Term loan		**500**	1,500	Registered primary floating mortagage bond for Rs. 17 Mn over the factory property at Pohorabawa, Parakaduwa
	Import Loan		**4,789**	5,640	
LOLC Factors Limited			**2,500**	2,500	
Assets pledged as collaterals by the Group			**471,930**	670,690	

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
30. NET DEFERRED TAX LIABILITIES				
Balance as at 1st January	**290,671**	295,390	**296,995**	293,598
Recognised in profit or loss				
Deferred tax Charged/(reversed) during the year	**19,758**	(1,497)	**13,496**	7,071
Recognised in other comprehensive income				
Deferred tax Charged/(reversed) during the year	**(1,501)**	(3,222)	**(1,563)**	(3,674)
Balance as at 31st December	**308,928**	290,671	**308,928**	296,995

The effective rate used to calculate deferred tax liability as at 31st December 2019 is 14% (2018-14%)

The net deferred tax liability is relating to the following,

	2019		2018	
	Temporary Difference	**Tax Effect**	**Temporary Difference**	**Tax Effect**
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group				
Retirement benefit obligation	**(566,502)**	**(80,575)**	(524,504)	(74,573)
Provision for Warranties	**(406)**	**(114)**	(406)	(114)
Accumulated tax losses	**(202,126)**	**(29,571)**	(252,939)	(40,241)
Net lease liability	**(14,175)**	**(2,000)**	-	-
Property, plant and equipment	**288,685**	**43,026**	294,955	44,175
Bearer biological assets	**2,044,197**	**286,188**	1,987,516	278,252
Consumable biological assets	**656,958**	**91,974**	594,084	83,172
	2,206,631	**308,928**	2,098,706	290,671
Company				
Retirement benefit obligation	**(557,469)**	**(78,046)**	(516,141)	(72,260)
Accumulated tax losses	**(193,032)**	**(27,025)**	(218,443)	(30,582)
Net lease liability	**(14,063)**	**(1,969)**	-	-
Property, plant and equipment	**270,041**	**37,806**	274,377	38,413
Bearer biological assets	**2,044,199**	**286,188**	1,987,516	278,252
Consumable biological assets	**656,958**	**91,974**	594,084	83,172
	2,206,632	**308,928**	2,121,393	296,995

30.1. The Board of directors of the Company/ Group assumes that the prices of rubber will increase favourably in the future resulting the Company/ Group earning a taxable profit. The deferred tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st December 2019.

30.2. The Company/ Group has not recognised the following deferred tax assets on accumulated tax losses since it is not probable that future taxable profits will be available against which the Company can utilise the benefit there-from.

As at 31st December	2019		2018	
Company	**Deductible Temporary Difference**	**Tax Effect**	**Deductible Temporary Difference**	**Tax Effect**
	Rs.000	Rs.000	Rs.000	Rs.000
On Accumulated Tax Losses	**3,002,065**	**420,289**	2,789,330	390,506

As at 31st December	2019		2018	
Group	**Deductible Temporary Difference**	**Tax Effect**	**Deductible Temporary Difference**	**Tax Effect**
	Rs.000	Rs.000	Rs.000	Rs.000
On Accumulated Tax Losses	**3,033,234**	**429,017**	2,789,330	390,506

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
31. RETIREMENT BENEFIT OBLIGATIONS				
31.1. Movement in the present value of the retirement benefit obligations				
Provision for Gratuity				
As at 1st January	**478,584**	433,487	**470,221**	422,266
Add :				
Expenditure recognized in the Profit or Loss for the year	**94,402**	78,420	**92,945**	78,316
Actuarial Loss in Other Comprehensive income	**10,942**	24,630	**11,162**	26,246
	583,928	536,537	**574,328**	526,828
Less:				
Benefits paid during the year	**(57,169)**	(57,953)	**(56,602)**	(56,607)
Transfer of unsettled gratuity claimed during the year to current liability	**(20,636)**	-	**(20,636)**	-
	506,123	478,584	**497,090**	470,221
Unsettled Gratuity Payable				
As at 1st January	**45,920**	51,424	**45,920**	51,424
Add:				
Unsettled gratuity claimed during the year	**20,636**	-	**20,636**	-
Adjustment to under provision of gratuity payable	**15,148**	13,932	**15,148**	13,932
Less:				
Benefits paid during the year	**(21,325)**	(19,436)	**(21,325)**	(19,436)
As at 31st December	**60,379**	45,920	**60,379**	45,920
Grand Total	**566,502**	524,504	**557,469**	516,141

31.2. The retirement benefit obligation of the company as at 31st December 2019 is based on the Actuarial Valuation carried out by Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries. The valuation is carried out based on the "Projected Unit Credit" method.

31.3. Expenses recognized in the Profit or Loss and Other Comprehensive income.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Statement of Profit or Loss				
Current service costs	**37,139**	31,971	**36,518**	31,867
Interest Costs	**57,264**	46,449	**56,426**	46,449
	94,403	78,420	**92,944**	78,316
Other Comprehensive Income				
Actuarial loss for the year	**10,942**	24,630	**11,162**	26,246
	10,942	24,630	**11,162**	26,246

31.4. Actuarial assumptions

The key assumptions used by M/s Actuarial & Management Consultants (Private) Limited include the following,

		2019	2018
Rate of Discount (Long Term Government Bond)		**11%**	12%
Rate of Future Salary Increases			
	- For Staff (Per Annum)	**7.5%**	7.5%
	- For Workers (Every Two Years)	**18%**	18%
Retirement Age			
	- For Staff	**55 years**	55 years
	- For Workers	**60 years**	60 years
Daily Wage rate			
	- Tea	**Rs. 700/-**	Rs. 700/-
	- Rubber	**Rs. 700/-**	Rs. 700/-

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the acturial valuation. Following " 1949/52 Mortality Table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the company.

31.5. Sensitivity Analysis

The sensitivity analysis on the total Comprehensive Expense and financial position based on the assumed rate on salary increment and discount rate as at 31st December 2019 is given below,

Discount Rate	**Salary Escalation Rate**	**Present value of defined benefit obligation**	**Change**
		Rs. 000	Rs. 000
One percentage point increase		461,429	(35,660)
One percentage point decrease		537,963	40,873
	One percentage point increase	520,071	22,981
	One percentage point decrease	475,598	(21,492)

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
32. DEFERRED INCOME				
Capital grants				
(a) Total capital grants received				
Balance as at 1st January	**141,790**	135,601	**141,790**	135,601
Add : Total grants received during the year	**6,180**	6,189	**6,180**	6,189
Balance at the 31st December	**147,970**	141,790	**147,970**	141,790
(b) Total amortization				
Balance as at 1st January	**52,110**	48,344	**52,110**	48,344
Add : Amount amortized during the year	**2,726**	3,766	**2,726**	3,766
Balance at the 31st December	**54,836**	52,110	**54,836**	52,110
(c) Total unamortized capital grants at the end of the year	**93,134**	89,680	**93,134**	89,680

The above represents the following;

(a) The funds received from the Plantation Housing and Social Welfare Trust (PHSWT), Plantation Development Project (PDP) and Plantation Human Development Trust (PHDT) for the development of workers' welfare facilities and improvements to institutional facilities.

(b) The funds received from the plantation reform project for the development of forestry plantations.

(c) The amount spent is capitalized under the relevant classification of property, plant and equipment and corresponding grant component is reflected under deferred grants and subsidies and is amortized over the useful life span of the related assets.

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
33. TRADE AND OTHER PAYABLES				
Trade creditors	**67,521**	68,535	**65,115**	67,594
Employee related payables	**219,464**	207,608	**216,315**	207,530
Dividends payable	**20,855**	20,855	**20,855**	20,855
Broker Advances	**290,335**	164,531	**290,335**	164,531
Accrued Interest	**6,805**	10,235	**6,805**	6,863
Other creditors	**145,680**	142,072	**137,897**	129,924
Provision on settlement of litigation	**-**	47,000	**-**	47,000
	750,660	660,836	**737,322**	644,297

As at 31st December	Group		Company	
	2019	**2018**	**2019**	**2018**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
34. AMOUNTS DUE TO RELATED PARTIES				
D.R. Industries (Pvt) Ltd	**1,512,514**	1,318,117	**1,512,564**	1,318,117
D.R. Funiture Manufacturing (Pvt) Ltd	**772,213**	772,967	**772,213**	772,967
D.R. Export (Pvt) Ltd	**45,368**	45,345	**45,368**	45,345
Piysestra Funiture (Pvt) Ltd	**642,339**	611,715	**642,281**	611,715
Furnimix (Pvt) Ltd	**25,890**	24,831	**24,831**	24,831
F L M C Plantations (Pvt) Ltd	**670,292**	365,000	**670,292**	365,000
Pusellawa Plantations Ltd	**-**	301,104	**-**	300,382
AEN Oil Palm Processing (Pvt) Ltd	**-**	1,800	**-**	1,800
D.R. Home Appliances (Pvt) Ltd	**1,823**	655	**1,823**	647
D.R. Transport Services (Pvt) Ltd	**1,167**	3,158	**826**	3,151
D.R. Enterprises (Pvt) Ltd	**7,679**	3,770	**7,489**	3,770
Damro Exports (Pvt) Ltd	**14,996**	4,386	**15,468**	4,386
D.R. Apparels (Pvt) Ltd	**335**	151	**-**	-
Marino Beach (Pvt) ltd	**1,355**	-	**451**	-
D.R. Wooden Furniture (Pvt) Ltd	**-**	465	**-**	-
D.R. Manufacturing (Pvt) Ltd	**6,908**	7,345	**5,997**	5,072
	3,702,879	3,460,809	**3,699,603**	3,457,183

35. RELATED PARTY DISCLOSURES

35.1. Substantial Shareholding and Ultimate Parent Company

The immediate and ultimate parent company is D.R.Investments (Pvt) Ltd which holds 61.22% of shares at Agalawatte Planatations PLC.

35.2. Transactions with Key Management Personnel (KMP)

The Company considers the Board of Directors as key management personnel of the company.

Compensations to Key Management Personnel of the Company

Emoluments to the directors of the company are disclosed in Note 10 to the Financial Statements.

Other than those disclosed on Note 10 to the financial statements, there are no transactions with the key management personnel of the company.

35.3. Transactions with Related Companies

				Company			
Name of the Company	Nature of Relationship	Name of the Directors	Nature of the Transactions	Transaction Amount		Balance as at 31st December	
				2019	2018	2019	2018
				Rs. 000	Rs. 000	Rs. 000	Rs. 000
Mackply Industries (Private) Limited	Subsidiary	Mr. G.P.N.A.G.Gunathilake	Settlement of current account balance	(150)	(9,415)	16,819	16,969
		Mr. W.A.A.Asanga					
		Mr. L.R.W.S.Rajasekara					
		Mr. R.P.L.Ramanayake					
AEN Oil Processing (Private) Limited	Joint venture	Mr. G.P.N.A.G.Gunathilake	Palm oil sales	455,812	349,388	5,469	(1,800)
			Settlement of dues	(449,488)	(354,200)		
			Vehicle hiring expenses	(10,314)	(5,326)		
			Payment for vehicle hiring	10,128	3,525		
			Vehicle Instalement payment	1,132	-		
D R Industries (Pvt) Ltd	Affiliated company	Mr. G.P.N.A.G.Gunathilake	Provided for working capital and capital expenditure	(335,277)	(510,922)	(1,512,564)	(1,318,117)
		Mr. W.A.A.Asanga	Repayments of advances	136,999	275,503		
		Mr. L.R.W.S.Rajasekara	Sale of timber logs,tea products, etc (net)	-	3,176		
		Mr. R.P.L.Ramanayake	Purchase of Furniture and Electronic items	3,831	-		
D R Furniture Manufacturing (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Funds provided to settlement of overdue loans & borrowings	-	(65,000)	(772,213)	(772,967)
		Mr. R.P.L.Ramanayake	Provided for working capital and capital expenditure	-	(202,800)		
			Sale of tea products, etc (net)	-	446.00		
			Settlement of Current account balance	754	-		
D R Export (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of tea products, etc (net)	-	212	(45,368)	(45,345)
		Mr. R.P.L.Ramanayake	Settlement of Current account balance	(23)	-		

Name of the Company	Nature of Relationship	Name of the Directors	Nature of the Transactions	Company			
				Transaction Amount		Balance as at 31st December	
				2019	**2018**	**2019**	**2018**
				Rs. 000	Rs. 000	Rs. 000	Rs. 000
Piyestra Furniture (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Provided for working capital and capital expenditure	(500)	(26,700)	(642,281)	(611,715)
		Mr. R.P.L.Ramanayake	Repayments of advances	-	26,000		
			Purchase of G FLEX / RRIM FLOW & DOUBLE TEX/ polythne	(30,066)	(39,259)		
			Sale of tea products, etc (net)	-	537		
Furnimix (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of tea products, etc (net)	-	169	(24,831)	(24,831)
		Mr. R.P.L.Ramanayake					
D R Home Appliances (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Purchases made for estate bungalow maintenance	(1,175)	(878)	(1,823)	(647)
		Mr. R.P.L.Ramanayake	Sale of tea products, etc (net)	-	230		
D R Transport Services (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Re-imbursement of expenses	22,074	204	(826)	(3,151)
		Mr. R.P.L.Ramanayake	Vehicle service cost , repair expenses, transport charges, etc	(19,749)	(3,355)		
D R Enterprises (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Purchases made for estate bungalow maintenance including furnitures	(3,718)	(3,770)	(7,489)	(3,770)
		Mr. R.P.L.Ramanayake					
Damro Exports (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Purchase of packing materials, etc	(119,679)	(64,273)	(15,468)	(4,386)
		Mr. R.P.L.Ramanayake	Sale of tea products, etc	-	24,185		
			Provided for Working Capital	(4,500)	-		
			Settelements for sale & purchases (net)	113,097	35,701		

Name of the Company	Nature of Relationship	Name of the Directors	Nature of the Transactions	Company Transaction Amount 2019 Rs. 000	Company Transaction Amount 2018 Rs. 000	Company Balance as at 31st December 2019 Rs. 000	Company Balance as at 31st December 2018 Rs. 000
D R Wooden Furniture (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of tea products, etc	-	49	15,474	49
		Mr. R.P.L.Ramanayake	Sale of Firewood , log	25,594	-		
			Part Settelements of sale	(10,169)	-		
D R Manufacturing (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of rubber trees	-	3,418	(5,997)	(5,072)
		Mr. R.P.L.Ramanayake	Settlement of invoices	-	(3,418)		
			Purchase of furnitures	-	(4,128)		
			Purchase of Plywood sheets, etc	(925)	(944)		
Diliganz Fashion (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of tea products, etc	-	2	-	2
		Mr. R.P.L.Ramanayake	Settlement of Bill	(2)			
Marino Beach (Pvt) Ltd	Affiliated company	Mr. W.A.A.Asanga	Sale of tea products, etc	-	83	(451)	83
		Mr. R.P.L.Ramanayake	Payment of Bill	(534)			
F L M C Plantations (Pvt) Ltd	Affiliated	Mr. G.P.N.A.G.Gunathilake	Funds Provided for Settlement of related party balances	(305,292)	(365,000)	(670,292)	(365,000)
	company	Mr. W.A.A.Asanga					
		Mr. L.R.W.S.Rajasekara					
		Mr. R.P.L.Ramanayake					

				Company			
Name of the Company	**Nature of Relationship**	**Name of the Directors**	**Nature of the Transactions**	Transaction Amount		Balance as at 31st December	
				2019	**2018**	**2019**	**2018**
				Rs. 000	Rs. 000	Rs. 000	Rs. 000
Pusellawa Plantations (Pvt) Ltd	Affiliated company	Mr.A .S Amarasuriya	Funds provided for working capital requirements	(668,422)	(299,211)	17,703	(300,382)
		Mr. G.P.N.A.G.Gunathilake	Expenses incurred for material,labour,transport,estate visiting charges , budling rent, electricity, salaries and miscelleous expenses, etc	-	(51,195)		
		Mr. W.A.A.Asanga	Settlement of cash advances	929,296	131,185		
		Mr. L.R.W.S.Rajasekara	Sale/ purchase of green leaf (net)	(16,486)	(20,170)		
		Mr. R.P.L.Ramanayake	Sale of refuce tea	11,881	10,070		
			Sales of firewood	1,047	6,340		
			Purchase of G FLEX / RRIM FLOW & DOUBLE TEX/ polythne	15,943	(32,575)		
Taprospa Resorts (Pvt) Ltd	Associate		Written off Balances	(73,892)	-	-	73,892

35.4. There were no non recurrent related party transactions of which aggregate value exceeds 10% of Equity or 5% of total Assets.

The following recurrent related party transactions were taken place during the financial year 2019 in the ordinary course of business where the aggregate value of series of recurrent transactions exceeds 10% of gross revenue as per the financial statements for the year ended 31st December 2019.

Name of the Related Party	Relationship	Nature of the transactions	Aggregate value of related party transactions entered into during the financial year	Aggregate value of related party transactions as a % of group revenue	Terms and Conditions of the Related Party Transaction
			Rs 000		
F L M C Plantations (Pvt) Ltd	Affiliated Company	Refer note 35.3	305,292	11%	Advances to be paid back in short run with no interest charges
Pusellawa Plantations Ltd	Affiliated Company	Refer note 35.3	(273,258)	10%	Settlement of Previous Advances with no Interest Charges

36. GOING CONCERN

The following factors have been considered by the Board of Directors in preparing and presenting these financial statements on going concern basis.

The Group has recorded a loss of Rs. 188,731,592 (2018: Rs.275,640,927) for the year ended 31st December 2019 and has reported an accumulated loss of Rs. 2,149,138,721 (2018: Rs. 2,481,404,780). Further, its current liabilities exceeded its current assets by Rs. 4,352,569,729 (2018: Rs. 4,053,684,394) and total liabilities exceeded its total assets by Rs. 1,899,139,346 (2018: Rs. 1,789,726,820) as at the same date. Further, the net assets are less than half of its stated capital and faces a serious loss of capital as at the reporting date. The directors of the Company have tabled a report on this situation to the shareholders at the extra ordinary general meeting held on 5th May 2017. These events and conditions raise significant doubt whether the Group will be able to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Additional capital of Rs. 2,008,125,000 was infused by the shareholders on 2nd March 2020 by way of right issue, Proceed of which was used to settle part of the amount due to related parties. This has improved the net asset position of the Company/ Group subsequent to the reporting date.

Notwithstanding this, the Directors of the ultimate parent entity D.R Investments (Private) Limited has provided a letter of support dated 3rd September 2020. Through this letter of support, the Directors of the ultimate parent entity undertakes to provide financial assistance to the Group to ensure that it can pay its debts as and when they fall due and payable for a period of at least 12 months from the date of signing these financial statements.

As a consequence of the above, the Directors are in the view that the Group will be able to continue as a going concern and accordingly, the financial statements have been prepared on a going concern basis.

37. EVENTS OCCURING AFTER REPORTING DATE

37.1 Impact on COVID-19

On 11th March 2020 the World Health Organization declared the COVID-19 as an Global Pandemic Situation. The pandemic has been significantly affected to the Sri Lanka economy as well as the Company's business environment.

The Board of Directors have evaluated and determined the below impact to the business carried out by the Group.

(a) Agalawatte Plantations PLC (Company)

With the Government declaring the Plantation Sector an 'essential service", the Company continued to operate its estates with executive supervision established through a process of online meetings and reporting framework, following many stakeholder meetings, the industry rallied together and established the Country's first-ever electronic tea auction performed, resulting in the first ever Auction being held on Saturday, 4th April 2020. Although an improvement in tea prices was noted at auctions, the traded quantities were relatively low, primarily also due to crop losses arising from the prolonged drought in the first quarter of the year in tea growing regions, which resulted in a revenue drop.

However the Board of Directors are of the view that the Covid 19 pandemic would not have a significant impact to the business operations of the Company primarily due to:

- The Plantation sector being declared as an "essential service", enabling the Company to carry out its critical operations with minimum interruption during the lockdown period and the same prioritization will be provided to the industry in case of a future lockdown.
- The Company has sufficient financing arrangements both already negotiated and in the process of negotiation enabling to meet the financial commitments in a possible stressed situation. The behavioural pattern of tea and rubber prices will continue at the same trend.
- 'Shareholders of the Company has provided the assurance that they shall provide necessary financial support and other assistance to the Company to continue as a going concern in the future.

(b) Mackply Industries (Private) Limited (Subsidiary)

The Board of Directors are of the view that the subsidiary will have a minimum impact since the control of Covid 19 pandemic in the country has resulted in the trading being back at the normal levels. Further, since majority of raw materials are sourced locally, minimum impact is expected due to the disruption in the supply chain.

(c) AEN Oil Palm Processing (Private) Limited (Joint Venture)

The Company is engaged in processing oil palm which accounts for the highest volume of edible oils imported into the country. Measures taken by the Government of Sri Lanka in April 2019 to control import has resulted in a significant increase to the locally processed oil palm. As such the directors expect a favorable environment to the business operation of the joint venture.

37.2. Rights issue

The Company has issued additional 131,250,000 of shares on 2nd March 2020 by way of a right issue to the shareholders. Accordingly the Stated Capital has been increased by Rs. 2,008,125,000.

38. COMMITMENTS

There are no material commitments as at the reporting date where require disclosures in the financial statements.

39. CONTINGENT LIABILITIES

There are no material contingent liabilities as at the reporting date that require adjustment to or disclosure in the financial statements.

40. COMPARATIVE INFORMATION

To facilitate comparison and, where relevent , balances pertaining to the previous year have been reclassified.

Notes to the Consolidated Financial Statements

41. FINANCIAL RISK MANAGEMENT

41.1. Financial Risk Factors

The Group's principal financial liabilities comprise with loans and borrowings and trade and other payables, amounts due to related companies and loans from related companies. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. Further, the Group has amounts due from related companies, trade and other receivables and cash that arrive directly from its operations.

Accordingly, the Group's activities exposed to variety of financial risks:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

41.2. Risk management framework

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

41.2.1. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables).

The Group is exposed to credit risk from its operating activities (primarily trade receivables) ,other advances including loans and advances to staff/workers, bought leaf suppliers and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents and short term investments, the Group's exposure to credit risk from default of the counterparty.The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

The Group has loan and other receivables , Trade and other receivables, cash and short term deposits that arise directly from its operations. The Group's principle financial liabilities, comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group is exposed to market risk, credit risk and liquidity risk.

41.2.1.1. Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following figures shows the maximum risk positions.

As at 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trade and other receivables	22	**102,492**	70,631	**88,463**	49,834
Amounts due from related parties	23	**34,918**	1,047	**55,465**	17,103
Cash at bank	24	**7,931**	14,457	**5,949**	14,254
Total Credit Risk Exposure		**145,341**	86,135	**149,877**	81,191
41.2.1.2. Trade and other receivables					
Neither past due nor impaired.		**102,491**	70,632	**88,463**	49,834
Past due but not impaired		**-**	-	**-**	-
90-365 days		**-**	-	**-**	-
> 365 days		**5,504**	164,689	**5,503**	126,097
Gross carrying value		**107,995**	235,321	**93,966**	175,931
Less: impairment provision		**(5,504)**	(164,689)	**(5,503)**	(126,097)
Total		**102,491**	70,632	**88,463**	49,834

The requirement for an impairment is analysed at each reporting date on an individual basis for all clients. The calculation is based on actual incurred historical date.

41.2.1.3. Amounts due from related parties

The Company's amounts due from related parties mainly consist of balances due from companies under common control and from affiliate companies.

41.2.1.4. Cash and Cash Equivalents

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Company consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

41.3. 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's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The company holds cash and undraws committed facilities to enable the company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected capital cash flows from operations.

Notes to the Consolidated Financial Statements

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

41.3.1. Net (debt) / cash ratio

As at 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash in hand and at bank	24	**13,559**	20,815	**9,392**	16,341
Liquid assets		**13,559**	20,815	**9,392**	16,341
Current portion of borrowings	29	**179,440**	304,467	**176,439**	296,326
Bank overdrafts	24	**224,706**	170,327	**210,267**	156,085
Liquid liabilities		**404,146**	474,794	**386,706**	452,411
Net (debt)/ Cash		**(390,587)**	(453,979)	**(377,314)**	(436,070)

41.3.2. Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets or other secured borrowings.

The table below summarises the maturity profile of the Company's financial liabilities based on undiscounted payments excluding interest.

Company		**Carrying Amount**	**Contractual cash flows**	**Less than 3 months**	**3 to 12 Months**	**More than 12 Months**
	Note	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 31st December 2019						
Lease liability	28	**1,479,090**	**1,479,090**	**14,501**	**43,503**	**1,421,086**
Trade and other payables	33	**446,987**	**446,987**	**111,747**	**335,240**	**-**
Amounts due to related Companies	34	**3,699,603**	**3,699,603**	**-**	**3,699,603**	**-**
Interest bearing borrowings	29	**464,141**	**464,141**	**44,110**	**132,329**	**287,702**
Bank overdrafts	24	**210,267**	**210,267**	**210,267**	**-**	**-**
		6,300,088	**6,300,088**	**380,625**	**4,210,675**	**1,708,787**
As at 31st December 2018						
Lease liability	28	1,473,724	1,473,724	13,903	41,709	1,418,112
Trade and other payables	33	432,767	432,767	108,192	324,575	-
Amounts due to related Companies	34	3,457,184	3,457,184	-	3,457,184	-
Interest bearing borrowings	29	661,050	661,050	74,081	222,245	364,724
Bank overdrafts	24	156,085	156,085	156,085	-	-
		6,180,809	6,180,809	352,261	4,045,713	1,782,836

Group	Note	Carrying Amount Rs.000	Contractual cash flows Rs.000	Less than 3 months Rs.000	3 to 12 Months Rs.000	More than 12 Months Rs.000
As at 31st December 2019						
Lease liability	28	**1,481,013**	**1,481,013**	**14,818**	**44,456.16**	**1,421,739**
Trade and other payables	33	**460,325**	**460,325**	**115,081**	**345,244**	**-**
Amounts due to related Companies	34	**3,702,879**	**3,702,879**	**-**	**3,702,879**	**-**
Interest bearing borrowings	29	**471,930**	**471,930**	**44,860**	**134,580**	**292,490**
Bank overdrafts	24	**224,706**	**224,706**	**224,706**	**-**	**-**
		6,340,853	**6,340,853**	**399,465**	**4,227,159**	**1,714,229**
As at 31st December 2018						
Lease liability	28	1,473,724	1,473,724	13,903	41,709	1,418,112
Trade and other payables	33	449,305	449,305	112,326	336,979	-
Amounts due to related Companies	34	3,460,809	3,460,809	-	3,460,809	-
Interest bearing borrowings	29	670,691	670,691	76,117	228,350	366,223
Bank overdrafts	24	170,327	170,327	170,327	-	-
		6,224,856	6,224,856	372,673	4,067,848	1,784,335

41.4. Market risk

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

(a) Interest rate risk
(b) Currency risk
(c) Commodity price risk
(d) Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) Currency risk

The Company is exposed to currency risk mostly on purchases that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which these transactions primarily denominated are United Stated Dollars (USD). Since the frequency of the transaction done in foreign currency is very low, the company is not exposed to a higher degree of currency risk.

(b) 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's exposure to the risk of changes in market interest rates relates primarily to the deposits and borrowings.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were,

As at 31st December		Carrying Amounts			
		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Variable rate Instruments					
Financial Liabilities	24 & 29	**696,636**	841,017	**674,408**	817,135
		696,636	841,017	**674,408**	817,135

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Effect on Profit before Tax			
	Group		Company	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
31st December 2019	**6,966**	**(6,966)**	**6,744**	**(6,744)**
31st December 2018	8,410	(8,410)	8,171	(8,171)

41.5. Operational risk

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit and also finance team. The results of Internal Audit reviews are discussed with the Management, summaries submitted to the senior Management of the Company.

41.6. Capital management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The Company's Debt to Equity ratio at the end of the reporting periods is as follows:

As at 31st December		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Total Liabilities		**6,573,128**	6,086,753	**6,523,599**	6,040,667
Less: Cash and cash equivalents	24	**(13,559)**	(20,815)	**(9,392)**	(16,341)
Net debts		**6,559,569**	6,065,938	**6,514,207**	6,024,326
Total Equity		**(1,899,139)**	(1,789,727)	**(2,083,180)**	(1,929,131)
Debt to Equity ratio(Gearning Ratio)		**N/A**	N/A	**N/A**	N/A

42. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. However the company does not have any financial instruments carried at fair values as at the reporting date.

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of the valuation technique is to arrive at a fair value determination that reflect the price of the financial instrument at the reporting date, that would have determined by the market participants acting at the arms length.

42.1. Fair values versus the Carrying amounts

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

As at 31st December	Company			
	2019		2018	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Assets carried at amortised cost				
Investment Classified as FVOCI	-	-	8,136	8,136
Trade and other receivables	**88,463**	**88,463**	49,834	49,834
Amounts due from related parties	**55,465**	**55,465**	17,103	17,103
Cash & Cash Equivalents	**9,392**	**9,392**	16,341	16,341
Total	**153,320**	**153,320**	91,414	91,414

As at 31st December	Group			
	2019		2018	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Assets carried at amortised cost				
Investment Classified as FVOCI	-	-	8,136	8,136
Trade and other receivables	**102,492**	**102,492**	70,631	70,631
Amounts due from related parties	**34,918**	**34,918**	1,047	1,047
Cash and Cash Equivalents	**13,559**	**13,559**	20,815	20,815
	150,969	**150,969**	100,629	100,629

As at 31st December	Company			
	2019		2018	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Liabilities carried at amortised cost				
Loans and Borrowings	**464,141**	**464,141**	661,050	661,050
Trade and other payables	**446,987**	**446,987**	432,767	432,767
Amounts due to related parties	**3,699,603**	**3,699,603**	3,457,183	3,457,183
Bank overdrafts	**210,267**	**210,267**	156,085	156,085
	4,820,998	**4,820,998**	4,707,085	4,707,085

As at 31st December	Group			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Liabilities carried at amortised cost				
Loans and Borrowings	**471,930**	**471,930**	670,690	670,690
Trade and other payables	**460,325**	**460,325**	449,305	449,305
Amounts due to related parties	**3,702,879**	**3,702,879**	3,460,809	3,460,809
Bank overdrafts	**224,706**	**224,706**	170,327	170,327
	4,859,840	**4,859,840**	4,751,131	4,751,131

42.2. Financial assets and liabilities by categories

(a) Financial Assets

As at 31st December 2019

	Classification					
	Group			Company		
	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trade and Other Receivables	**102,492**	**-**	**-**	**88,463**	**-**	**-**
Amount Due from Related Companies	**34,918**	**-**	**-**	**55,465**	**-**	**-**
Cash and Cash Equivalents	**13,559**	**-**	**-**	**9,392**	**-**	**-**
	150,969	**-**	**-**	**153,320**	**-**	**-**

As at 31st December 2018

	Classification					
	Group			Company		
	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income	Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investments classified as FVOCI	-	-	8,136	-	-	8,136
Trade and Other Receivables	70,631	-	-	49,834	-	-
Amount Due from Related Companies	1,047	-	-	17,103	-	-
Cash and Cash Equivalents	20,815	-	-	16,341	-	-
	92,493	-	8,136	83,278	-	8,136

(b) Financial Liabilities

As at 31st December 2019

	Classification			
	Group		Company	
	Amortised Cost	**Fair value through profit or loss**	**Amortised Cost**	**Fair value through profit or loss**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Loans and Borrowings	**471,931**	**-**	**464,141**	**-**
Trade and Other Payables	**460,325**	**-**	**446,987**	**-**
Amounts Due To Related Parties	**3,702,879**	**-**	**3,699,603**	**-**
Bank Overdrafts	**224,706**	**-**	**210,267**	**-**
	4,859,841	**-**	**4,820,998**	**-**

As at 31st December 2018

	Classification			
	Group		Company	
	Amortised Cost	**Fair value through profit or loss**	**Amortised Cost**	**Fair value through profit or loss**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Loans and Borrowings	670,690	-	661,050	-
Trade and Other Payables	449,305	-	432,767	-
Amounts Due To Related Parties	3,460,809	-	3,457,183	-
Bank Overdrafts	170,327	-	156,085	-
	4,751,131	-	4,707,085	-

42.3. Financial assets and liabilities by fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique as explained in Note 2.6 to the financial statements:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : Other techniques for which all inputs with significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31st December 2019

	Group				Company			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Assets Carried at amortised Cost								
Trade and other receivables	-	-	102,492	102,492	-	-	88,463	88,463
Amounts due from related parties	-	-	34,918	34,918	-	-	55,465	55,465
Cash & Cash Equivalents	13,559	-	-	13,559	9,392	-	-	9,392
	13,559	-	137,410	150,969	9,392	-	143,928	153,320
Liabilities Carried at amortised Cost								
Trade and other payables	-	-	460,325	460,325	-	-	446,987	446,987
Amounts due to related parties	-	-	3,702,879	3,702,879	-	-	3,699,603	3,699,603
Loans and borrowings	-	-	471,931	471,931	-	-	464,141	464,141
Bank overdrafts	224,706	-	-	224,706	210,267	-	-	210,267
	224,706	-	4,635,135	4,859,841	210,267	-	4,610,731	4,820,998

As at 31st December 2018

	Group				Company			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Assets Carried at amortised Cost								
Investments classified as Available for sale/ Fair value through OCI	8,136	-	-	8,136	8,136	-	-	8,136
Trade and other receivables	-	-	70,631	70,631	-	-	49,834	49,834
Amounts due from related parties	-	-	1,047	1,047	-	-	17,103	17,103
Cash & Cash Equivalents	20,815	-	-	20,815	16,341	-	-	16,341
	28,951	-	71,678	100,629	24,477	-	66,939	91,415
Liabilities Carried at amortised Cost								
Trade and other payables	-	-	449,305	449,305	-	-	432,767	432,767
Amounts due to related parties	-	-	3,460,809	3,460,809	-	-	3,457,183	3,457,183
Loans and borrowings	-	-	670,690	670,690	-	-	661,050	661,050
Bank overdrafts	170,327	-	-	170,327	156,085	-	-	156,085
	170,327	-	4,580,804	4,751,131	156,085	-	4,551,000	4,707,085

43. SEGMENTAL ANALYSIS - COMPANY

For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows.The following table presents the revenue, profit information and other disclosures regarding Company's business segments.

Income Statement- For the year ended 31st December	Tea		Rubber	
	2019	2018	2019	2018
	Rs.000	Rs.000	Rs.000	Rs.000
Revenue	**1,619,880**	1,454,893	**588,472**	675,406
Cost of sales	**(1,662,592)**	(1,435,259)	**(866,505)**	(846,535)
Gross profit/(loss)	**(42,712)**	19,634	**(278,033)**	(171,129)
Other income	**39,256**	33,723	**50,790**	15,323
	(3,456)	53,357	**(227,243)**	(155,806)
Other income	**-**	-	**-**	-
Gain on changes in fair value of biological assets	**-**	-	**-**	-
Selling and distribution expenses	**-**	-	**-**	-
Administration expenses	**-**	-	**-**	-
Other expenses	**-**	-	**-**	-
Results from operating activities	**(3,456)**	53,357	**(227,243)**	(155,806)
Finance costs	**-**	-	**-**	-
Profit/(loss) before taxation	**(3,456)**	53,357	**(227,243)**	(155,806)
Income tax expenses	**-**	-	**-**	-
Profit/(loss) for the Year	**(3,456)**	53,357	**(227,243)**	(155,806)

Statement of Financial Position - As at 31st December	Tea		Rubber	
	2019	2018	2019	2018
	Rs.000	Rs.000	Rs.000	Rs.000
Non-current assets	**663,150**	932,105	**1,923,038**	1,495,115
current assets	**205,793**	261,995	**167,219**	197,993
Total assets	**868,943**	1,194,100	**2,090,257**	1,693,109
Non-current liabilities	**378,504**	531,015	**940,328**	422,945
Current liabilities	**1,076,252**	311,453	**2,673,759**	406,950
Total liabilities	**1,454,756**	842,468	**3,614,087**	829,895
Capital Expenditure				
Field development	**43,293**	65,398	**124,526**	187,334
Property, plant and equipment	**53,580**	217,510	**5,208**	21,594
Total	**96,873**	282,908	**129,734**	208,928
Total Depreciation/Amortization	**47,485**	45,156	**85,042**	85,195

Oil Palm		Other		Unallocated		Total	
2019	2018	2019	2018	2019	2018	2019	2018
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
455,812	349,388	-	-	-	-	2,664,164	2,479,687
(224,313)	(206,159)	-	-	-	-	(2,753,410)	(2,487,953)
231,499	143,229	-	-	-	-	(89,246)	(8,266)
-	-	-	-	-	-	90,046	49,046
231,499	143,229	-	-	-	-	800	40,780
-	-	-	-	64,100	104,636	64,100	104,636
-	-	-	-	63,361	52,062	63,361	52,062
-	-	-	-	(186)	(902)	(186)	(902)
-	-	-	-	(127,753)	(206,070)	(127,753)	(206,070)
-	-	-	-	(27,583)	(64,508)	(27,583)	(64,508)
231,499	143,229	-	-	(28,061)	(114,782)	(27,261)	(74,002)
-	-	-	-	(183,357)	(161,824)	(183,357)	(161,824)
231,499	143,229	-	-	(211,418)	(276,606)	(210,618)	(235,826)
-	-	-	-	(13,496)	(2,521)	(13,496)	(2,521)
231,499	143,229	-	-	(224,914)	(279,127)	(224,114)	(238,347)

Oil Palm		Other		Unallocated		Total	
2019	2018	2019	2018	2019	2018	2019	2018
Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
709,033	558,038	4,147	11,944	676,445	621,707	3,975,813	3,618,909
51,368	14,129	-	1,405	40,226	17,104	464,606	492,627
760,401	572,168	4,147	13,350	716,672	638,812	4,440,419	4,111,536
378,505	152,058	-	11,086	-	364,724	1,697,337	1,481,828
1,076,251	157,015	-	11,448	-	3,671,974	4,826,262	4,558,839
1,454,756	309,072	-	22,534	-	4,036,698	6,523,599	6,040,667
10,330	41,730	-	(1,338)	-	-	178,149	293,124
-	7,727	-	563	16,806	-	75,594	247,394
10,330	49,457	-	(775)	16,806	-	253,743	540,518
36,874	38,452	238	1,300	30,426	-	200,065	170,103

Shareholders' Information

01. Public share holdings

	As at 31.12.2019	As at 31.12.2018
The percentage of shares held by the public (%)	**38.78**	38.78
Number of public shareholders	**11,311**	11,323
Number of shares	**9,694,078**	9,694,078
Minimum public holding requirement		
Float adjusted market capitalisation as at 31.12.2019 (Rs.)	**146,380,578**	

The Company complies with option 5 of the listing rules 7.13.1 (a) as the company maintained the minimum public holding more than 20% and number of public shareholders more than 500 as at 31st December 2019.

02. Distibution of Shareholding

	Residents				Non-Residents				Total	
Shareholding	No of shareholders	(%)	No of Shares	(%)	No of shareholders	(%)	No of Shares	(%)	Local %	Foreign %
1 To 1000 Shares	11,185	99%	1,946,461	9%	7	54%	1,011	0%	7.79%	0.00%
1001 To 10000 Shares	94	1%	320,346	2%	-	0%	-	0%	1.28%	0.00%
10001 To 100000 Shares	18	0%	507,079	2%	4	31%	268,530	7%	2.03%	1.07%
100001 to 1000000	0	0%	0	0%	1	8%	290,000	7%	0.00%	1.16%
Over 1,000,000 Shares	2	0%	18,096,473	87%	1	8%	3,570,100	86%	72.39%	14.28%
	11,299	100%	20,870,359	100%	13	100%	4,129,641	100%	83.48%	16.52%

03. Categories of Shareholders

	Institutional				Non Institutional				Total			
Shareholding	No of shareholders	(%)	No of Shares	(%)	No of shareholders	(%)	No of Shares	(%)	No of shareholders	(%)	No of Shares	(%)
1 To 1000 Shares	27	69%	8,220	0%	11,165	99%	1,939,252	21%	11,192	99%	1,947,472	8%
1001 To 10000 Shares	4	10%	22,439	0%	90	1%	297,907	3%	94	1%	320,346	1%
10001 To 100000 Shares	6	15%	249,525	2%	16	0%	526,084	6%	22	0%	775,609	3%
100001 to 1000000	1	3%	290,000	2%	-	0%	0	0%	1	0%	290,000	1%
Over 1,000,000 Shares	1	3%	15,305,922	96%	2	0%	6,360,651	70%	3	0%	21,666,573	87%
	39	100%	15,876,106	100%	11,273	100%	9,123,894	100%	11,312	100%	25,000,000	100%

04. Market Value Analysis

	2019	2018
Highest	**17.00**	22.80
Lowest	**12.50**	12.50
Closing price	**15.10**	14.00

05. Twenty (20) largest shareholders as at 31st December 2019

Name	No of Shares held	% of the holding
D.R. INVESTMENT (PVT)LTD	15,305,922	61.22
MISS. SONIA WIN-YEN NG	3,570,100	14.28
DR. THIRUGNANASAMBANDAR SENTHILVERL	2,790,551	11.16
SSBT-DEUSTCHE BANK AG SINGAPORE A/C 01	290,000	1.16
MRS. MARIA STEPHANIE ELISABETH VERA EUGENIE ATHENAIS URSULA VON STUMM	100,000	0.40
MR. MOHAMED IMTIZAM ABDUL HAMEED	88,200	0.35
MOULDEX LIMITED	75,206	0.30
HARNAM HOLDINGS SDN BHD	69,019	0.28
MR. PATWANT SINGH NIRANJAN SINGH / MR. H.S.S. SINGH	61,525	0.25
BANK OF CEYLON NO. 1 ACCOUNT	45,600	0.18
MR. DULSHAN THIVANKA BERUWALAGE	44,288	0.18
MRS. JASBINDERJIT KAUR PIARA SINGH	37,986	0.15
MRS. ASHANI NIMALI KIRIDENA	30,000	0.12
MR. KANGASU CHELVADURAI VIGNARAJAH	25,634	0.10
POBRAN INVESTMENTS (PVT) LTD.	25,000	0.10
MR. ALLAN JAGATH MONESH JINADASA	23,155	0.09
DR.CHANDRASEKARA ALWISHEWA	20,000	0.08
WALDOCK MACKENIE LIMITED/MR.S.S.THANGARAJAH	18,000	0.07
MR. KOSALA MUNASINGHE DISSANAYAKE	17,300	0.07
MRS. HERATH MUDIYANSELAGE IRESHA DILANI JAYAWICKRAMA	17,129	0.07
	22,654,615	90.62
Balance Held by 11,291 shareholders	2,345,385	9.38
	25,000,000	100.00

The Golden Share Holder

The Golden share of Rs 10/- is currently held by the Secretary of the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned Public Company. In addition to the rights of the normal shareholder, the Golden Shareholder has specific rights according to the Articles of Association of the company which are specified in note 25.

Information on Estates and Factories

As at 31st December, 2019

			Area in Tea		Area in Rubber		Area in Oil Palm		Area in Others		
Estate	**Crop**	**Total Extent**	**Immature**	**Mature**	**Immature**	**Mature**	**Immature**	**Mature**	**Immature**	**Mature**	**Total revenue extent**
		Ha	**Ha**	**Ha**	**Ha**	**Ha**	**Ha**	**Ha**	**Ha**	**Ha**	**Ha**
RATNAPURA DISTRICT											
Peenkande	Rubber	1,401			133	710			-	15	725
	Oil Palm						10	157			157
Doloswella	Tea	871	-	72.59						6.61	79
	Rubber				94.12	240.25					240
Kiribathgala	Rubber	747			136.66	258.39	34.65			17.9	276
Noragalla	Tea	133	5.07	63.39					13		63
Watapotha	Tea	365	4.74	41.93						40.61	83
	Rubber				59.77	43.74					44
Niriella	Tea	932	-	9							9
	Rubber				104.26	293.57					294
	Oil Palm						3	32.52	47.54		33
Delgoda	Tea	7			2.02					0.91	1
KALUTARA DISTRICT											
Culloden	Rubber	1,232			108.66	419.29				7.35	427
	Oil Palm						5	388.6			389
Ambetenna	Rubber	613			32.17	163.52					164
	Oil Palm						7	278.96			279
Clyde	Rubber	616			71.44	281			-	14	295
Kiriwanaketiya	Rubber	768			57.60	294.50				3	298
	Oil Palm						32	18			18
Mohamedi	Tea	724	-	10.8						8.8	20
	Rubber				53.60	194.71					195
	Oil Palm						-	197.18			197
Pimbura	Rubber	370				112.24				7	119
	Oil Palm						-	169.86			170
NUWARA ELIYA DISTRICT											
Labookellie	Tea	538	0	303.68						66	370
Frotoft	Tea	1,016	0	417						184	601
Weddemulle	Tea	772	0	294						170	464
		11,104	10	1,212	853	3,011	91	1,242	60	541	6,006

	Tea	Rubber	Oil palm	Other
Total Mature Extent (Ha)	1,212	3,011	1,242	541
Total Immature Extent (Ha	10	853	91	60
Total Planted Extent (Ha)	1,221	3,864	1,333	602
Total Extent (Ha)	11,104			

		Crop (KG)							Building Information		
No. of Workers					Yield	Factory Elevation	Made Tea Production	Factory Capacity	No of Buildings	Buildings/ Bungalow Gardens/ Roads/other etc., (Ha)	Value of the Buildings (Rs.) as per books
Staff	Workers	Tea	Rubber	OIL	Kg/Ha	m	KG	Kg			
57	513		492,714		694	318		7,000	114	176.16	18,714,338
				1,595,430	10,161						
36	456	366,708			5,052		629,200	13,000	17	247.03	49,883,760
			182,411		759			2,000	15		1,748,000
22	261		219,467		849			2,000	90	177.65	3,648,547
6	101	272,180			4,294			-	45	36.18	8,338,258
9	120	161,488			3,851	330		-	21	25.01	5,800,407
			32,955		753						
		25,766			2,863						
20	222		216,182		736				187	330.21	6,396,177
				267,520	8,226						
8	44					180-252	608,414	12,500	17	3.89	10,233,560
34	328		329,249		785	46		2,000	137	291.55	20,629,521
				3,307,350	8,511						
11	149		98,228		601				17	98.14	1,328,894
				1,370,280	4,912						
18	184		214,093		762	30-100		1,600	36	135	2,086,672
16	177		200,307		680	90 -122		2,500	66	291.99	4,720,207
				184,540	10,252						
		46,546			4,310						
15	170		125,180		643				9	253.53	2,123,855
				1,493,290	7,573						
8	104		75,353		671				17	66.24	1,211,113
				1,858,150	10,939						
30	516	1,480,593			4,876	1543	378,563	12,500	480	160	37,435,802
31	538	1,547,052			3,712	1525	364,136	15,000	433	154	23,606,228
27	478	1,269,587			4,326	1327	285,198	9,500	773	245	29,573,767
348	4,361	5,169,920	2,186,139	10,076,560			2,265,511.00	79,600.00	2,474.00	2,691.42	227,479,103

	Tea	Rubber	Oil palm
Total Crop (kg)	5,169,920	2,186,139	10,076,560
Total NSA (Rs/kg)	517.00	256.00	45.23
Tota COP (Rs /KG)	733.87	376.59	22.26

Tea Production (Made Tea)	
Estate Crop (Kg)	1,116,512
Bought Crop (Kg)	1,148,999
	2,265,511

Glossary

FINANCIAL TERMS

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Agricultural Activity

Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Agricultural Produce

Is the harvested product of the entity 's biological assets.

AGM

Annual General Meeting.

Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

AWDR

Average Weighted Deposit Rate.

AWPLR

Average Weighted Prime Lending Rate.

Basic Earnings per Share

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

Bearer Biological Assets

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

Biological Assets

Is a living animal or plant.

Biological Transformation

It compr ises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in biological assets.

Borrowings

All interest-bearing liabilities.

Capital Employed

Total equity, minority interest and interest-bearing borrowings.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

CEA

Central Environment Authority.

Contingent Liability

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

Consumable Biological Assets

The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

CSR

Corporate Social Responsibility.

Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

DCF Method

Discounted Cash Flow method.

Deferred Taxation

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

Derivative

Is a financial instrument or other contracts whose prices are dependent upon or derived from one or another underline asset.

Dividends

Distribution of profits to holders of equity investments.

Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Yield

Dividend per share as a percentage of the market price. A measure of return on investment.

EBITDA

Abbreviation for Earnings Before Interest, Tax, Depreciation and Amortization.

Effective Tax Rate

Income tax expense divided by profit from ordinary activities before tax.

Equity

Shareholders' fund.

Equity Instruments

Is any contract that evidences a residual interest in the assets of a entity after deducting all its liabilities.

Equity Method

The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post- acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

ERP

Enterprise Resources Planning.

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.

Fair Value

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction.

Forward Currency Contract

A forward contract in the forex market that locks in the price at which an entity can buy or sell a currency on a future date. Also known as 'outright forward currency transaction', 'forward outright' or 'FX forward'.

FSC

Forest Stewardship Council.

Gearing

Proportion of total interest-bearing borrowings to capital employed.

HACCP

Hazard Analysis Critical Control Point System. Internationally accepted food safety standard.

IAS

International Accounting Standards.

ICASL

The Institute of Chartered Accountants of Sri Lanka.

IFRIC

International financial Reportting Interpretations Committee.

IFRS

International Financial Reporting Standards.

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

LIBOR

London Inter-Bank Offered Rate.

Market Capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets per Share

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

Non-controlling interest

Is the equity in a subsidiary not attributable, directly or indirectly, to a Parent.

Price Earning Ratio

Market price of a share divided by earnings per share as reported at that date.

Related Parties

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

Retirement Benefits

- **Present Value of a Defined Benefit Obligation**

Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

- **Current Service Cost**

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

- **Interest Cost**

Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

- **Actuarial Gains and Losses**

Is the effect of difference between the previous actuarial assumptions and what has actually occurred and effects of changes in actuarial assumption.

Return on Equity

Attributable profits to the shareholders divided by shareholders' funds.

Return on Capital Employed

Profit before tax plus net interest cost divided by capital employed.

Return on Assets

Profit before tax plus net interest cost divided by total assets.

Revenue Reserves

Reserves considered as being available for distribution and investments.

SIC

Standing Interpretations Committee.

Segments

Constituent business units grouped in terms of similarity of operations and location.

SLFRS/LKAS

Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

SoRP

Statement of Recommended Practice.

Subsidiary

A subsidiary is an entity y, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the Parent).

Glossary

SLAS

Sr i Lank a Accounting Standards. Also known as LKAS and SLFRS.

UITF

Urgent Issue Tasks Force of The Institute of Chartered Accountants of Sri Lanka.

Value Addition

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

Working Capital

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

VAT

Value Added Tax

NON-FINANCIAL TERMS

Crop

The total produce harvested over a given period of time (usually during a financial year).

GRI

Global Reporting Initiatives

Immature Plantation

The extent of plantation that is under development and is not being harvested.

ISO

International Standards Organization.

Mature Plantation

The extent of plantation from which crop is being harvested.

NSA

Net Sales Average. This is the average sale price obtained (over a period of time) after deducting brokerage fees, etc.

RSS-1

Ribbed Smoked Sheet – Grade 1

COP

The Cost of Production. This generally refers to the Cost of producing a kilo of produce (Tea/Rubber/Coconut)

SLSPC

Sri Lanka Plantations Corporation.

JEDB

Janatha Estate Development Board.

TASL

Tea Association of Sri Lanka.

Yield (YPH)

The average crop per unit extent of land over a given period of time (usually kgs. per hectare per year).

Field

A unit extent of land. Estates are divided into fields in order to facilitate management.

TRI

Tea Research Institute

RRI

Rubber Research Institute

HACCP

Hazard Analysis & Critical Control Point System. Internationally accepted food safety standard.

Infilling

A method of field development whereby panting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

Replanting

A method of field development where an entire unit of land is taken out of “bearing” and developed by way of uprooting existing trees/bushes and replanting with new trees/bushes.

COS

Cost of sale. The cost incurred on preparation to salable condition of the good sold.

Corporate Information

Name of the Company

Agalawatte Plantations PLC (PQ 214)

Legal Form

A Public Quoted Company with Limited Liability Incorporated in Sri Lanka on 22nd June 1992

Registered Office

No. 361
Kandy Road, Nittambuwa.
Tel : 033 4 679 200/ 033 2 299 000
Fax: 033 2 285 681
Email: apl@sltnet.lk

Directors

Mr. A.S. Amarasuriya -Chairman
Mr. R.K.A. Ranaweera
Mr. G.P.N.A.G. Gunathilake
Mr. R.P.L. Ramanayake
Mr. W.A.A. Asanga
Mr. L.R.W.S. Rajasekara

Auditors

KPMG
No: 32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186, Colombo 03.
Tel : +94 115 426426

Secretaries

Nexia Corporate Consultants (Private) Limited
No: 181, Nawala Road, Colombo 05.
Tel - 0114-510709 / 0112-368154
Fax -0112-368621

Registrar

Business Intelligence Limited
No: 08, Tickell Road, Colombo 08.
Tel – 011 5579950
Email : ms2@msl.lk

Bankers

Sampath Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
NDB Bank
Bank of Ceylon

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of the shareholders of AGALAWATTE PLANTATIONS PLC will be held on 19th October 2020 at 2.30 p.m at the Conference Hall, Sundale Hotel, No.22/1/B, Attanagalle Road, Nittambuwa.

The business to be brought forward before the meeting will be:

1. To receive and consider the Annual Report of the Directors and the Statement of Accounts for the year ended 31st December 2019 with the Report of the Auditors thereon.

2. Re-election of Directors

   (i) To re-elect Mr. R.P.L.Ramanayake - Director who retires by rotation in terms of Article 92 of the Articles of Association of the Company and being eligible offers himself for the re-election. (Resolution 1)

   (ii) To re-elect Mr.R.K.A.Ranaweera - Director who retires by rotation in terms of Article 92 of the Articles of Association of the Company and being eligible offers himself for the re-election. (Resolution 2)

3. To reappoint M/s KPMG, Chartered Accountants, who have consented to be re- appointed as Auditors of the Company until the conclusion of the next annual general meeting and to authorize the Directors to determine their remuneration. (Resolution 3)

4. To authorize the Directors to determine donations for charities for the ensuing year. (Resolution 4)

By order of the Board,

Nexia Corporate Consultants (Pvt) Ltd

Secretaries
Colombo, on this 18th September 2020

1. A shareholder who is entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him/her.

2. A proxy need not be a shareholder of the Company.

3. A Form of Proxy accompanies this notice.

4. Shareholders are required to bring their National Identity Card or any valid source of identification (e.g. Driving License, Passport) when attending the meeting

5. Shareholders appointing persons (other than Directors of the Company) to attend the meeting as their proxy holders are requested to indicate the number of the National Identity Card or any valid source of identification (e.g. Driving License, passport number) of the proxy holder on the form of proxy and request the proxy holder/s bring with them their National Identity Card or any valid source of identification. (e.g. Driving License, Passport) when attending the meeting.

Notes

Notes

Form of Proxy

I/We ....

of .... (address) being a Member/s of AGALAWATTE PLANTATIONS PLC hereby appoint:

Mr. A.S. Amarasuriya	or failing him
Mr. R.P.L. Ramanayake	or failing him
Mr. G.P.N.A.G. Gunathilake	or failing him
Mr. W.A. A. Asanga	or failing him
Mr. L.R.W. S. Rajasekara	or failing him
Mr. R.K.A. Ranaweera	or failing him

Mr/Mrs/Ms .... of .... (address) as *my /our Proxy to attend and *vote for me/us on *my/our behalf at the 25th Annual General Meeting of the Company to be held on 19th October 2020 and at any adjournment thereof.

Resolutions

	For	Against
RE ELCETION OF DIRECTORS		
1. Reelection of Directors (i) To re-elect Mr. R.P.L.Ramanayake Director who retires by rotation in terms of Article 92 of the Articles of Association of the Company.	◯	◯
(ii) To re-elect Mr. R.K.A.Ranaweera - Director who retires by rotation in terms of Article 92 of the Articles of Association of the Company.	◯	◯
2. To reappoint M/s KPMG, Chartered Accountants, as the auditors of the Company.	◯	◯
3. To authorize the Directors to determine donation for charities for the ensuing year.	◯	◯

Mark your preference with “X”

Signed on this .... day of .... 2020.

....

Signatures

Please furnish following details

Share Certificate No : ....

NIC No : ....

No: of Shares : ....

Form of Proxy

Instructions as to completion

i. A shareholder entitled to attend and vote at the Meeting is entered to appoint a Proxy to attend and vote instead of him/her. A Proxy need to be a member of the Company.

ii. Kindly perfect the Form of Proxy after filing legibly your full name and address by signing in the space provided and dating same.

iii. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her Attorney duly authorized in writing or if such appointer is a Company/ Corporation, either under its common seal, or under the hand of an officer/s or Attorney duly authorized in terms of the Articles of Association/Statute.

iv. The completed form of proxy should be deposited at the registered office at No: 361, Kandy Road, Nittambuwa not less than 48 hours before the time appointed for the holding of the meeting.

This Annual Report is conceptualised, designed and produced by Redworks.

REDWORKS

Member of the Ogilvy Group

Damro Buidling
No. 361, Kandy Road, Nittambuwa.