



# ANNUAL REPORT

2020-21



**KALUBOWITIYANA TEA FACTORY LIMITED**  
**MINISTRY OF PLANTATION INDUSTRIES**



## **VISION**

To be the most recognized model in manufacturing and marketing of best Sri Lankan CTC and Orthodox Tea.

## **MISSION**

To manufacture superior quality, tasty and consumer friendly Sri Lankan Tea aiming at Internal and External markets.





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Corporate Information (Inner Back Cover)



You can get this Annual Report as PDF on Our website [www.kalubowitiyanatea.lk](http://www.kalubowitiyanatea.lk).



# Preamble

## Corporate Profile Kalubowitiyana Tea Factory Limited

Kalubowitiyana Tea Factory Limited (KTFL) is a limited liability company incorporated under the Companies Act No; 17 of 1982 and re-registered under the new Companies Act No; 07 of 2007. The Company was established to produce Cut, Tear and Curl (CTC) Tea and commenced commercial operations on 1st August 1994, with an initial capital of Rs. 50 Million consisting of five million shares valued Rs.10 per share. The initial capital was provided under the Indian line of Credit. Our second tea factory at Derangala was established under the same line of credit and commenced its operations in March 2000. Our third Tea factory is the Hiniduma Hills Tea Factory, was previously under the Tea Shakthi Fund, was transferred to KTFL under a profit sharing agreement. The Company re-established this factory using its own funds and the Hiniduma Tea Factory commenced operations from 2012.

The latest addition to the Company is the Manikdiwela Factory which was previously belonged to the Tea Shakthi Fund, located at Manikdiwela Village, Yatinuwara Electorate in Kandy District. The Company used its own funds to re-establish this factory as well.

The Company produces approximately 2,000,000 Kgs, of quality teas annually, using the selected green leaf purchased from the smallholders.

The kalubowitiyana, Factory produces CTC Teas using the CUT, TEAR and CURL process, whilst Derangala, Hiniduma and Manikdiwela adopt the conventional orthodox process to produce range of leafy and small grades.

KTFL owns and operates 4 ISO 22000; 2005 Certified Factories, which manufacture the highest-quality Pure Ceylon Tea for the global market. Also add considerable brand value to KTFL's credentials as the leading CTC Tea manufacturer in the country. Reinforcing the commitment to be a world class Tea manufacturer, KTFL has adopted the internationally-accepted best practices including Global Gap framework, RA/UTZ standards and guidelines, in addition to Good Manufacturing Practices.

The Company's Tea production – around 90% is sold at the Colombo Tea Auction through Brokers, whilst a small proportion is destined for the local market through Sales Centers located island wide, Factories and Head Office.

The mandate of the company as per the Articles of Association is as follows:

- ▶ To carry on the business of tearing, curing, preparing, processing and manufacturing tea leaf purchased from growers.
- ▶ To cultivate, grow, manage and superintend tea plantations.

### Garden Marks and Type of Teas

Kalubowitiyana which Garden Mark of CTC is famous for its premium grade; PF1 as it helps the busy world experience the true flavours of Teas by filling easy to use Tea Bags is the leader of CTC manufacturer in the country. Other grade which gives a considerable value is BP1, uses for the local pack, is becoming popular among local consumers.

Derangala, and Hiniduma marks has its reputation for appearance of its dark Tea Leaves of various shapes, when brewed, it materialises as a rich red liquid, full flavoured, strong and robust, a liquor distinctively unique from the other six regions.

Manikdiwela mark produces typical low grown style range of Tea grades which has a distinctive bright intensely full bodied taste.

### Our Products CTC

BP 1	PD	PF 1
------	----	------

### Orthodox

FBOP 1	FBOPF	BOP 1	FBOPF 1
FBOP	BOP	OP 1	SILVER TIP
FBOPF SP	PEKOE	OP	

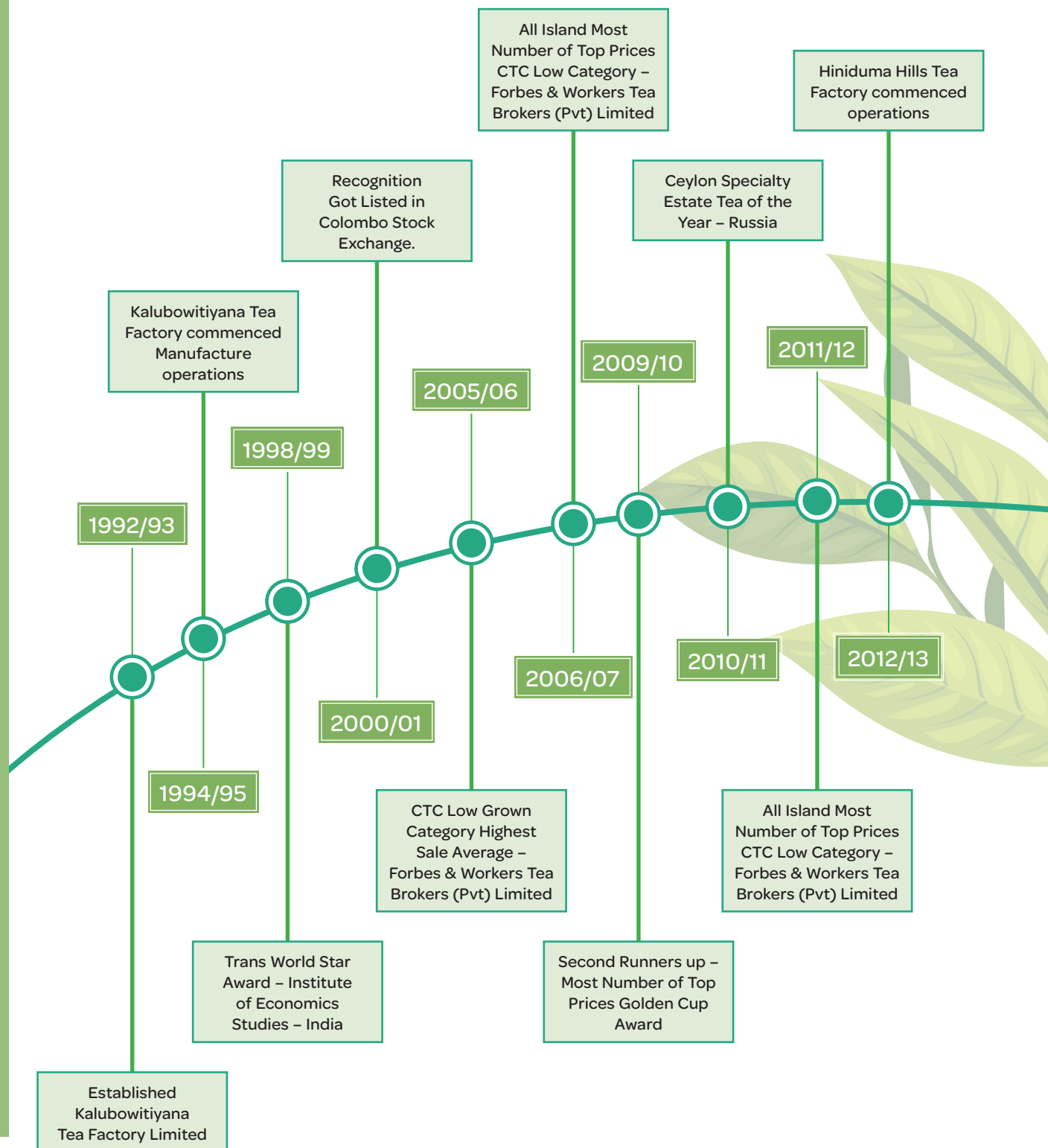
### Standard

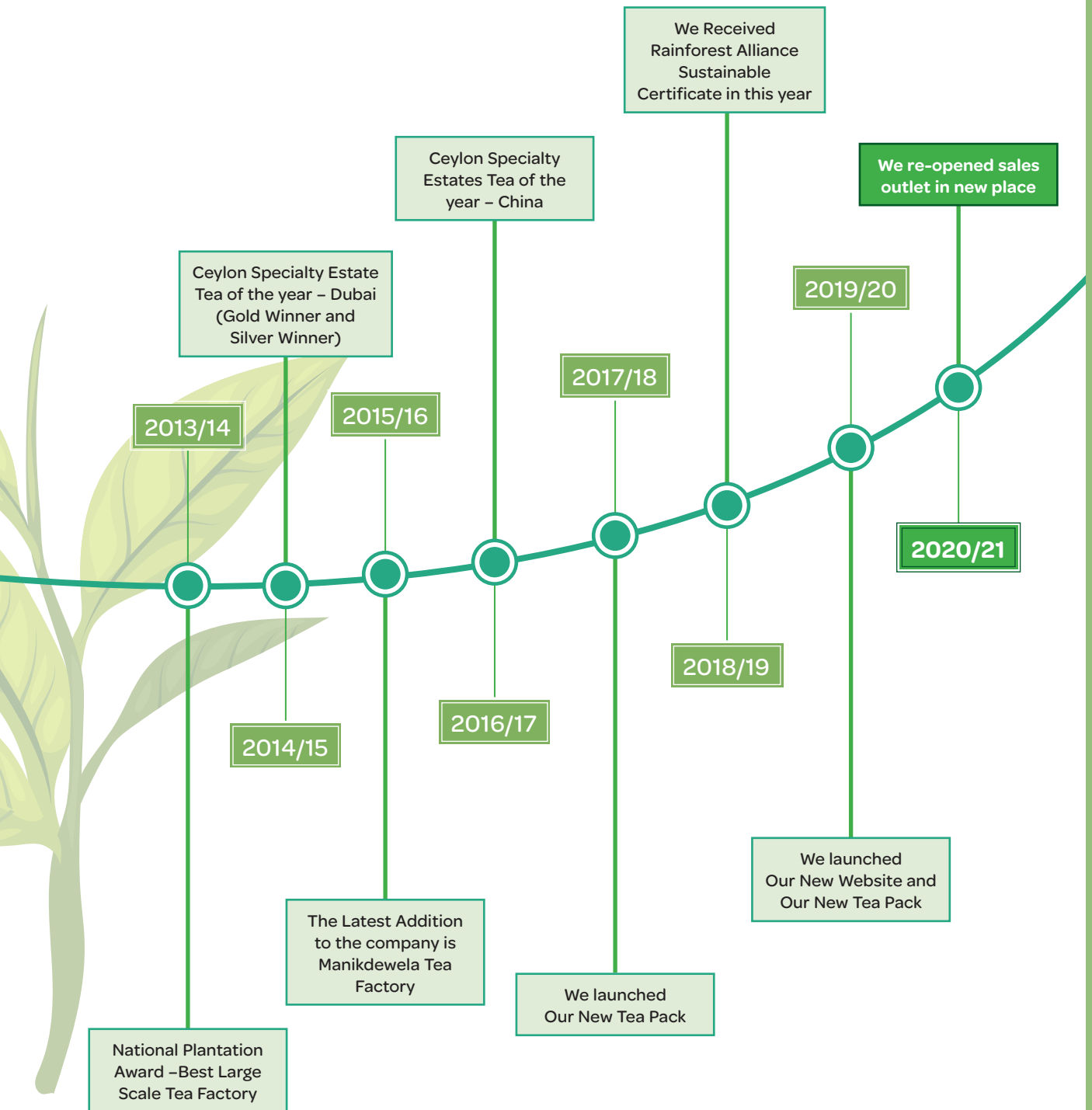
Our Teas are renowned for its excellent quality, having been certified for accepted quality certifications, product responsibility and customer health & safety. All products and processes are fully compliant with ISO 22000:2005 and HACCP certification issued by the Sri Lanka Accreditation Board and additionally all the factories have received GMP Certification. Implementation and maintaining Food Safety Management System (ISO 22000:2005 and HACCP) for all Black Tea manufacturing facilities reinforces our commitment towards product responsibility and ensures Food Safety and quality standards are maintained from end-to-end. Tea Quality is tested annually for heavy metals; Microbiological criteria and Agro-Chemical residues are per the requirement of ISO 3720 standard.





## Our Journey





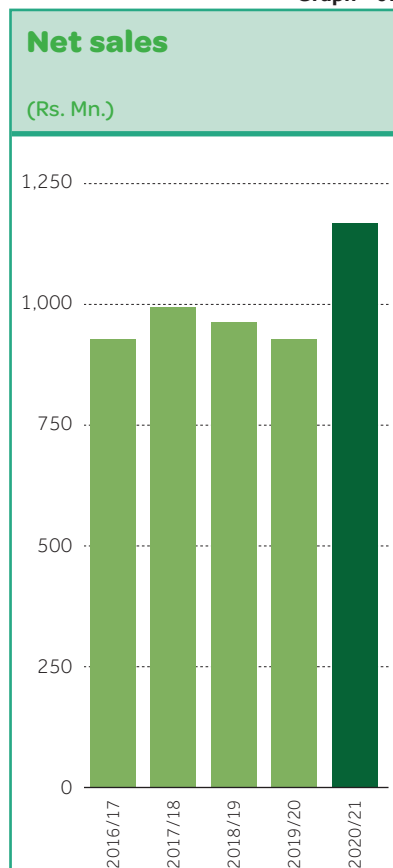


# Financial Highlights

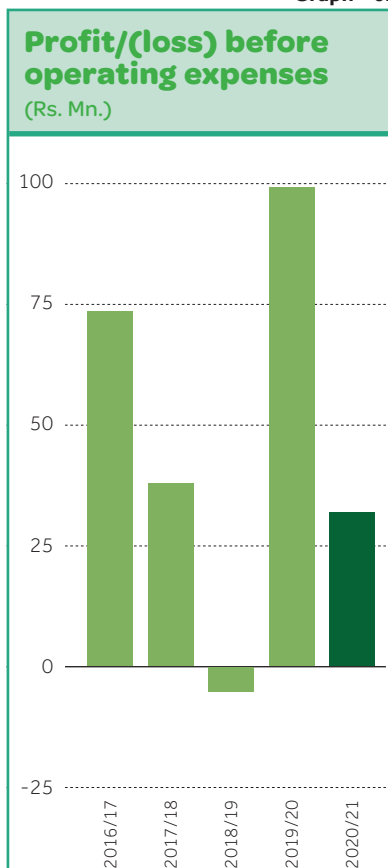
**Table – 01**

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Net sales	1,175,716,247.36	937,789,275.06
Cost of sales	(1,158,860,303.57)	(845,680,912.50)
<b>Gross profit</b>	<b>16,855,943.79</b>	92,108,362.56
Other operating income	15,240,381.46	7,201,625.87
<b>Profit/(loss) before operating expenses</b>	<b>32,096,325.25</b>	99,309,988.43
Administration expenses	(43,913,954.35)	(50,712,394.91)
Selling, distribution and other expenses	(646,594.68)	(400,677.07)
<b>Profit/(loss) from operating activities</b>	<b>(12,464,223.78)</b>	48,196,916.43
Finance income	11,508,748.27	14,724,355.11
Finance expenses	(14,189,483.93)	(19,653,694.91)
<b>Net finance income</b>	<b>(2,680,735.66)</b>	(4,929,339.80)
<b>Net profit/(loss) before taxation</b>	<b>(15,144,959.44)</b>	43,267,576.63
Taxation	1,001,556.55	(5,535,371.27)
<b>Net profit after taxation</b>	<b>(14,143,402.89)</b>	37,732,205.36
Earnings per share	(3.07)	8.19

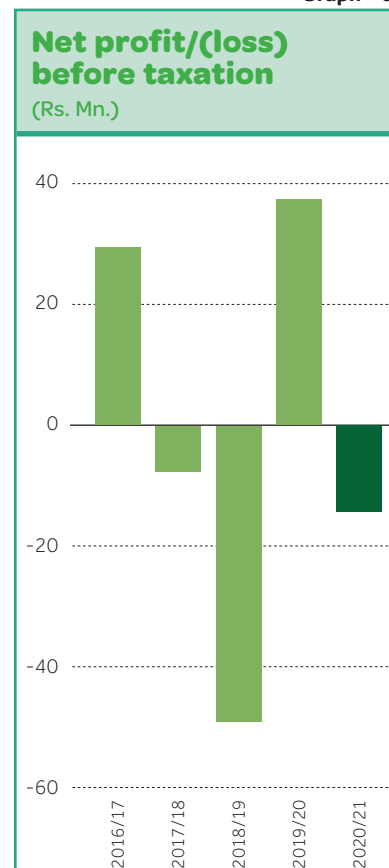
**Graph – 01**



**Graph – 02**



**Graph – 03**

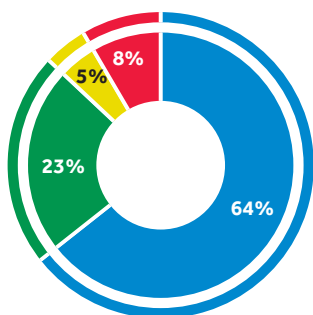






Graph – 04

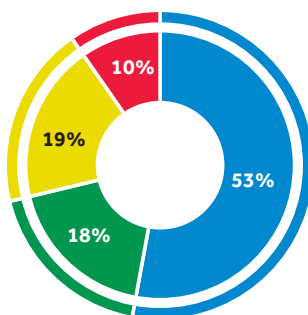
## Green leaf suppliers



**Total  
3,658 Suppliers**

Graph – 05

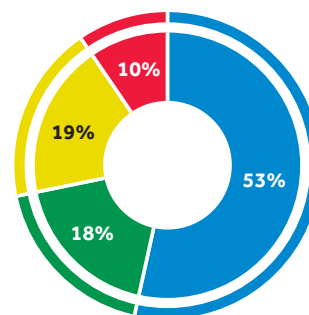
## Green leaf intakes



**Total  
8,271,529 Kg**

Graph – 06

## Tea production



**Total  
1,716,130 Kg**

Table – 02

Factory	Green leaf suppliers (Nos.)	Green leaf intakes (Kg)	Tea production (Kg)
● – Kalubowitiyana Tea Factory	2,423	4,375,321	916,577
● – Derangala Tea Factory	784	1,517,906	314,390
● – Hiniduma Hills Tea Factory	159	1,577,904	321,655
● – Manikdewela Tea Factory	292	800,398	163,508

## Importers of Sri Lankan tea in 2021





## Chairman's Review

**I am pleased to present to you the Annual Report for the Financial Year ended 31st March 2021. The tea industry plays a significant role in the Sri Lankan economy in terms of foreign exchange earnings and providing employment opportunities. For more than a century, the tea industry was the main employment provider, the main source of foreign exchange and the main source of government revenue. The period under review proved to be a challenging one for the Sri Lankan Tea Industry, due to the impact of COVID-19 Pandemic and the operation of the tea industry had huge get back. Furthermore macro – economic factors continued to fundamentally challenge the tea industry frame work with fluctuations in supply and demand, currencies, political climate in importing countries, policy decisions severely affecting the industry climate change which has a severe impact globally is a factor the industry needs to consider, a decisive factors in agriculture and crop production. \_\_\_\_\_**

### Global Challenges

COVID-19 negatively affected industry across the globe measures implemented to try and curb the spread of virus disrupted business systems and routines. The tea industry was of no exception from the struggles that the global business market is currently experiencing, restricted product access, lack of the production, loss of income, uncertainly are some of the factors that affected tea industry globally.

The total tea production of Sri Lankan tea for the year 2020 recorded 278.49 Mn/kgs in comparison to 300.12 Mn/kgs for the same period in 2019 (-21.63 Mn/Kgs). High, Medium and Low Grown shows a decline in volume in comparison to 2019.

The CTC High and Medium Grown shows an increase whilst CTC Low Grown shows a decline in volume when compared to the year 2019. Production has decreased by -21.63 Mn/kgs (Lowest since 1997) and when compared to the same period in 2019. Exports have decreased by -27.09 Mn/kgs when compared to the same period in 2019.

The total national average of teas sold for the year 2020 was Rs. 628.21 (Highest Ever) (\$ 3.39) per kilo in comparison to Rs. 544.54 (\$ 3.05) (+Rs. 83.67) for the same period in 2019.

The averages for High, Medium and Low Grown in Rupee and Dollar terms, shows an increase for the period January – December 2020 when compared to the same period in year 2019.

Low Grown with the largest market share with 60.94% of the production recorded an increase of (+Rs. 89.71), High and Medium Grown recorded an increase of (+Rs. 72.27) and (+Rs. 84.98) respectively when compared to the corresponding period in the year 2019.

Country wise analysis of exports shows that the Turkey emerged as the largest importer of Sri Lanka tea for the period of January-December 2020 followed by Iraq, Russia and Iran. However, tea exports to Turkey and Iraq have dropped by -0.22 Mn/kg, -5.03 Mn/kg respectively compared to the year 2019 whilst tea exports to Russia has increased by 0.54 Mn/Kg. Tea exports to Iran has decreased by -7.14 Mn/Kg. China has increased by +2.25 Mn/Kg, other CIS countries have decreased by -1.66 Mn/Kg, Syria has decreased by -1.45 Mn/Kg whilst Chile has increased by +2.19 Mn/Kg. Europe and Central Asia movement in the region is estimated to have fallen by 2.9% in 2020.



## Company Performance

Against this challenging backdrop, the Company reported revenue of Rs. 938 Million and a post-tax profit of Rs. 37.7 Million for the year.

## Our Strategy

Our key focus consists of following Good Manufacturing Practices (GMP) to produce quality end products. In this context, the Management spearheads quality parameters on Green Leaf, processing and marketing in order to achieve the final goals of the company. From a strategic perspective, the Company intends to educate and upgrade the knowledge levels of the Tea Small Holder segment in relation to sound agricultural practices, in an effort to increase yields and add on a higher premium to the end product. The introduction of Randalu Societies intends to establish a good relationship with the smallholder segment, while marketing tea to the local market via the "Kalubowitiyana" brand continues. As a means to expand awareness and understanding, Kalubowitiyana Tea Factory Limited will continue to conduct relevant training programmes for its executive staff and workers to further enhance knowledge growth and improve overall productivity. The Company continues to operate on strong fundamentals and considers its people to be its biggest asset.

## Future Prospects

Amongst the difficulties faced by the tea industry in Sri Lanka, the low planting rate, low productivity, high cost of production, stagnant and shrinking tea growing land, and labour shortages have been highlighted. Fluctuations in exports and production in the tea industry, and importantly, the availability of mass produced, low production cost tea in African countries and India have been listed as contributing factors.

It is need to take into all of the above factors and others, and very importantly the dilemma that the industry will face without tea pluckers in time to come when they plan the future of the industry. Such a plan should have immediate, medium term and long term goals and strategies. In the medium to long term, strategies like innovations, mechanisation opportunities and value adding, perhaps should form the basis for the industry, along with a strong marketing strategy, while maintaining as best as possible, the existing methodologies for meeting market demand.

The long-term future of the tea industry depends on innovation and adaptability to changing consumption patterns and methods. While the overall clientele will consist of even connoisseurs, but a smaller number, and tea bag consumers, the economic future of the industry may lie in a product like tea concentrate with its tea flavour and aroma, which could be very easily made into a traditional cup of tea, or an iced tea or a flavoured tea.

## Appreciation

On behalf of the Board of Directors I would like to extend my appreciation to the Tea Smallholder sector on whom we remain dependent, as well as the employees at Kalubowitiyana Tea Factory Limited and the Management, whose combined efforts continue to steer forward our operations successfully. Our appreciation extends to the Minister of Plantation Industries Hon. Dr. Ramesh Pathirana, for his valuable advises and the guidance given to us all the time and the unstinted support of the Secretary and Board of Directors of KTFL, the Officials of the Ministry of Plantation Industries. We greatly valued the support rendered to us by all the Tea Brokering Companies and the Buyers of our products, who have constantly, gave us the precise premium for our Teas. Although the year ahead poses challenges on many fronts, I draw confidence from the support and loyalty of our people, our stakeholders, and their strong partnerships, which give us determination in moving forward with confidence.

**Aminda Rodrigo**  
Chairman



## Board of Directors

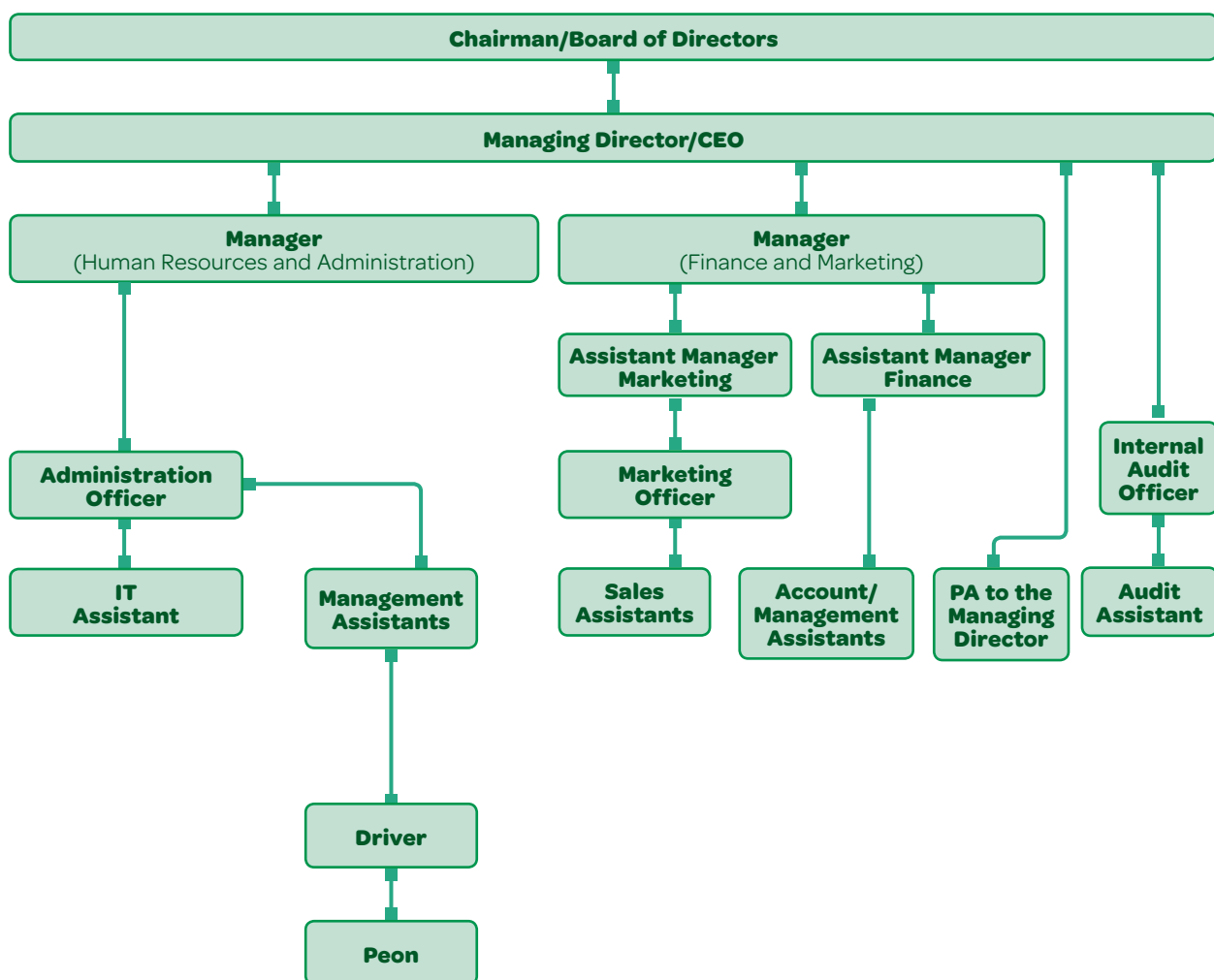
Chairman	→	Mr. B. K. Aminda Umesh Rodrigo
Director	→	Mrs. W. A. Indrani Sugathadasa
Director	→	Mr. H. Hemal Kasthuriarachchi
Director	→	Mr. Don Upul Abeysundera
Director	→	Mr. W. K. B. T. Kumara Alwis
Director	→	Mr. Jayantha Wijesinghe
Director	→	Mr. R. C. D. Jayawardena
Director	→	Mrs. D. M. M. Dissanayake

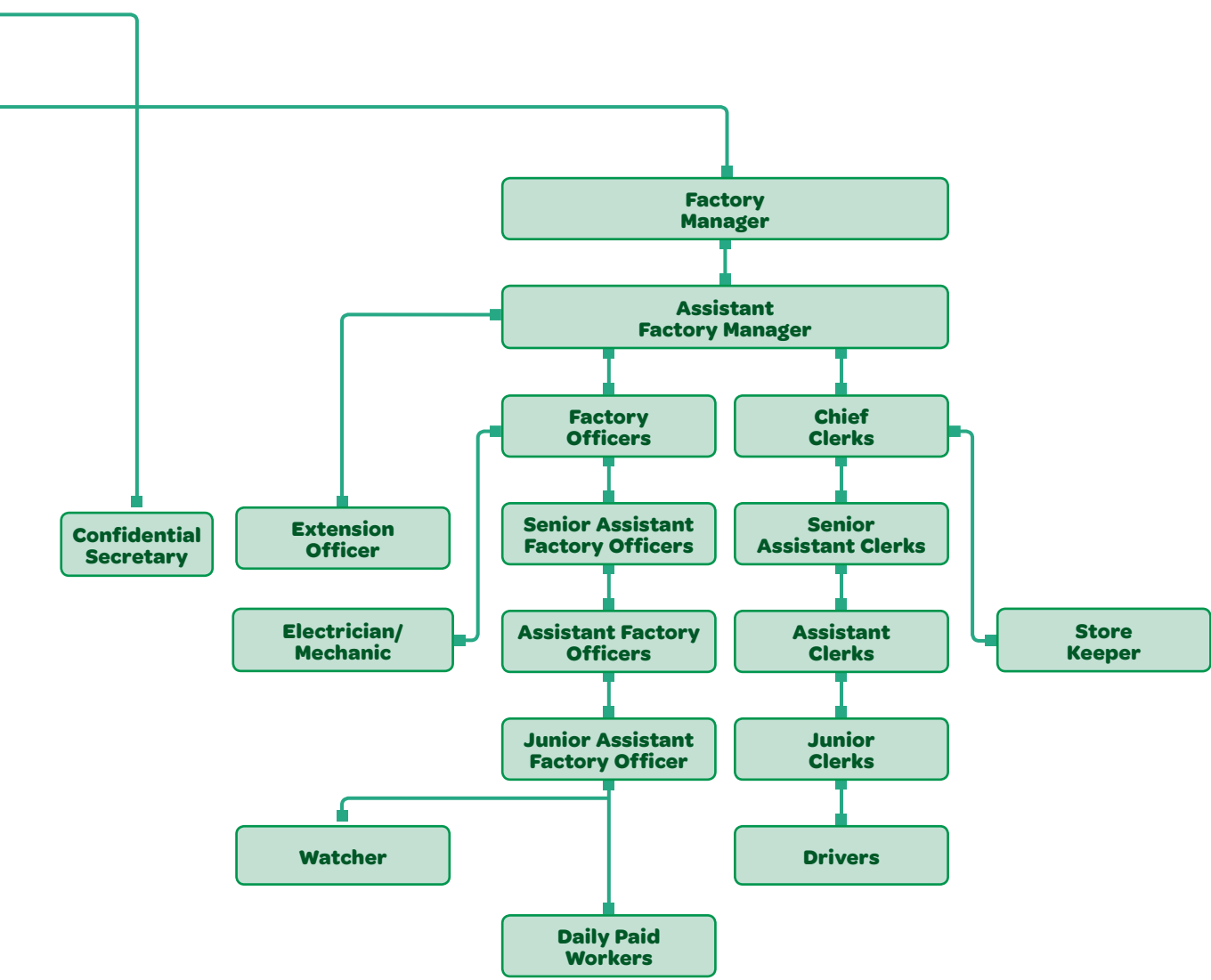


Managing Director/CEO	→	Dr. M. N. Jayawardena
Manager/Finance	→	Mrs. S. A. Nirosha Lalani
Manager/Administration and Human Resources	→	Mr. T. W. M. S. P. Bandara
Assistant Manager/Finance	→	Mr. P. Dehiwalage
Manager/Kalubowitiyana Tea Factory	→	Mr. T. A. D. J. C. Thilakarathna
Manager/Derangala Tea Factory	→	Mr. T. Siriwardana
Assistant Manager/Hiniduma Hills Tea Factory	→	Mr. L. A. D. D. I. Nandasiri
Manager/Manikdewela Tea Factory	→	Mr. R. J. K. Hettiarachchi



# Organisational Structure









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# Operational Information

## Head Office

<b>Address</b>	No. 53, Rathnayaka Mawatha, Pelawatta, Thalangama South, Battaramulla, Sri Lanka.					
<b>Human Resources</b>	Managing Director	-	1	Internal Audit Officer	-	1
	Manager/Administration and HR	-	1	Accounts Assistant	-	2
	Manager Finance	-	1	Management Assistant	-	11
	Assistant Manager Finance	-	1	Peon	-	3
	Assistant Manager Marketing	-	1	Driver	-	3



## Kalubowitiyana CTC Tea Factory

<b>District</b>	Matara	<b>Sub District</b>	Morawaka	
<b>Village</b>	Kalubowitiyana	<b>Elevation</b>	Low Country	
<b>Trade Mark</b>	Kalubowitiyana	<b>Type of Production</b>	CTC Teas	
<b>Human Resources</b>	Factory Manager	– 1	Factory Staff	– 15
	Office Staff	– 6		



## Derangala Tea Factory

District	Matara	Sub District	Morawaka			
Village	Kiriwelkelle	Elevation	Low Country			
Trade Mark	Derangala/ Kiriwelkelle	Type of Production	Orthodox Teas			
Human Resources	Factory Manager	-	1	Factory Staff	-	10
	Office Staff	-	4			



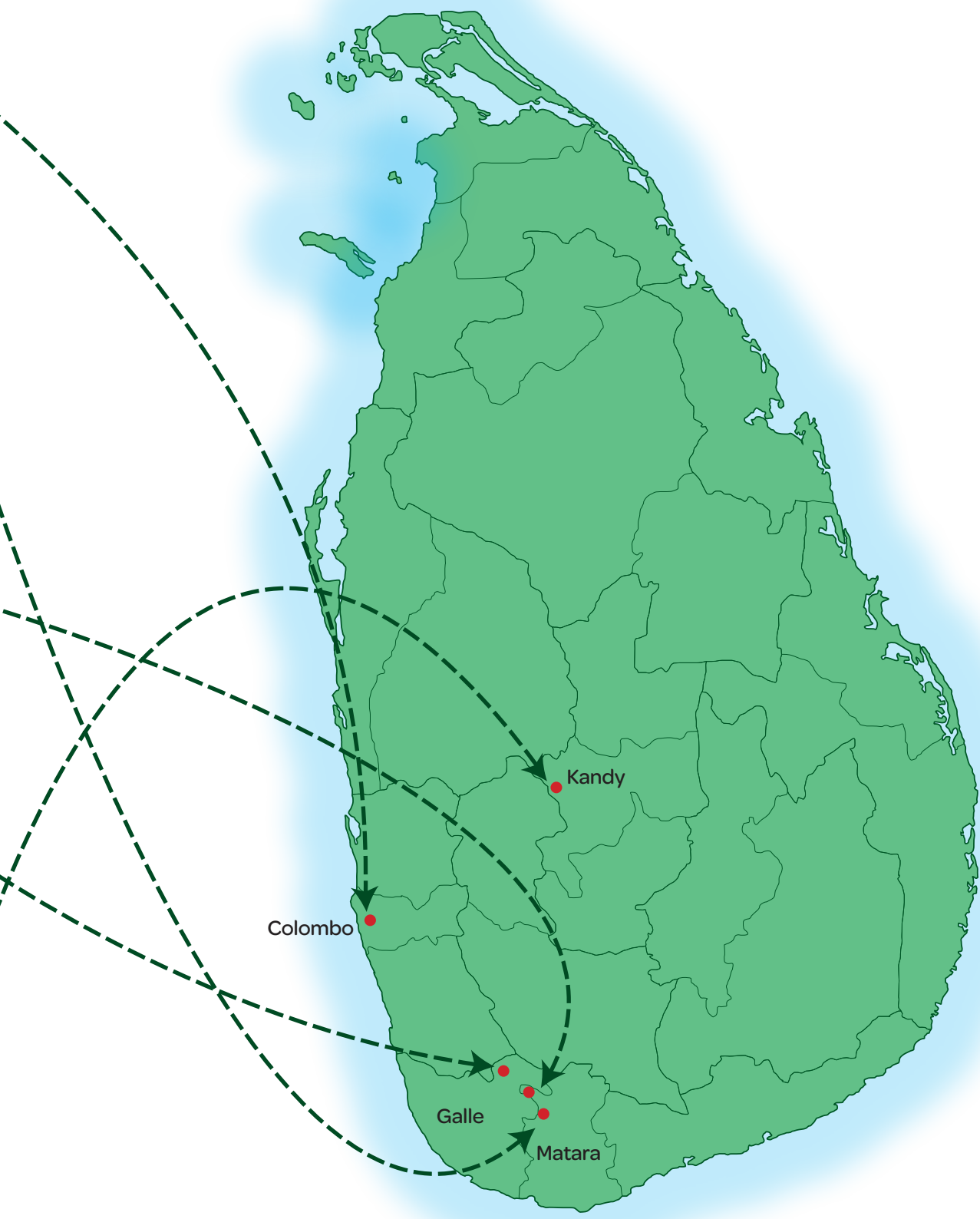
## Hiniduma Hills Tea Factory

<b>District</b>	Galle	<b>Sub District</b>	Thawalama	
<b>Village</b>	Jasmine valley	<b>Elevation</b>	Low Country	
<b>Trade Mark</b>	Hiniduma Hills/ Thawalama Hills	<b>Type of Production</b>	Orthodox Teas	
<b>Human Resources</b>	Assistant Factory Manager	- 1	Factory Staff	- 13
	Office Staff	- 4		



## Manikdewela Tea Factory

<b>District</b>	Kandy	<b>Sub District</b>	Yatinuwara			
<b>Village</b>	Manikdewela	<b>Elevation</b>	Western Medium			
<b>Trade Mark</b>	Manikdewela	<b>Type of Production</b>	Orthodox Teas			
<b>Human Resources</b>	Factory Manager	-	1	Factory Staff	-	8
	Office Staff	-	5			





## Factory wise Profit/(Loss)

### Kalubowitiyana Tea Factory

During the financial year of 2020/21, Kalubowitiyana Tea Factory secured a crop of 4,375,283 kgs which recorded as 94.09% of the estimated crop of 4,650,000 kgs, in spite of unfavourable weather conditions prevailed in the region. As the prices for Low grown and CTC increased, there was heavy competition among the Factories for sourcing of Green Leaf which was inevitable, however Kalubowitiyana Factory continued to pay the highest rate in the region during the year 2020/21 thereby demanded Small Holders to supply Good Leaf to the factory.

Kalubowitiyana Tea Factory recorded a profit of Rs. 49.7 Mn. during the financial year.

Kalubowitiyana Tea Factory contributed to support the Tea Small Holders by way of improving their income and living standards by paying a reasonable price for Green Leaf Supplied by them.

### Derangala Tea Factory

Although Derangala Tea Factory secured 1,517,906 kgs as against the estimated crop of 2,160,000 kgs, it made a loss of Rs. (9.2) Mn at the end of the financial year 2020/21. One of the areas which resulted the adverse outcome was the securing of Good Quality Leaf, which was limited and challenging, also the competition prevailed among factories too affected, obtaining desired Quality Leaf to the Factory. Management has addressed the issues faced by the Factory, in relation to securing of Good Quality Leaf, is in the process of strategising same to optimize the profits of this unit.

### Hiniduma Tea Factory

This factory recorded 1,577,904 kg green leaf which is 123.27% of the estimated crop. Hiniduma Hills Tea Factory made a loss of Rs. (5.6) Mn at the end of Financial Year 2020/21. During the year management of the factory had made attempts to introduce new bought leaf lines which would ensure increases in crop intakes during ensuing period.

The focus of the factory is to accept only good quality leaf in order to produce a better end product to achieve a NSA above the Elevation Average.

### Manikdewela Tea Factory

Due to unfavourable climate conditions, the factory recorded 800,398 kg Green Leaf, which is 63.52% of the estimated crop. There were multiple reasons for the loss of (Rs. 19.6) Mn, securing of Good Quality Leaf, artificial rates paid by the competing factories, lack of competency of the employees were few concerns, which are been address by the corporate management at present. Management is optimistic that Factory would produce a reasonable end product, obtain premium prices, enabling Factory to make profits during ensuing period.

**Table – 03**

	Kalubowitiyana Tea Factory (Rs.)	Derangala Tea Factory (Rs.)	Hiniduma Hills Tea Factory (Rs.)	Manikdewela Tea Factory (Rs.)
<b>Revenue</b>				
Gross sales	649,038,260.00	203,705,580.00	209,035,610.00	78,175,940.00
Brokerage and sales expenses	(7,627,805.57)	(3,231,653.91)	(3,391,513.84)	(1,400,194.45)
Net sales	641,410,454.43	200,473,926.09	205,644,096.16	76,775,745.55
Add – Local sales	20,023,636.90	5,764,128.49	2,478,455.24	3,129,836
<b>Total revenue</b>	<b>661,434,091.33</b>	<b>206,238,054.58</b>	<b>208,122,551.40</b>	<b>79,905,581.55</b>
<b>Cost of sales</b>				
Bought leaf	466,296,828.09	158,180,301.64	168,259,179.97	64,583,463.46
Production cost	85,769,564.21	38,808,993.16	35,195,716.56	23,230,431.25
General charges	32,621,828.19	19,696,690.87	13,680,460.42	16,829,550.51
	584,688,220.49	216,685,690.87	217,135,356.95	104,643,445.22
Add: Opening stock	86,368,094.06	29,427,930.94	21,005,153.96	5,821,026.00
Less: Closing stock	(59,276,319.90)	(30,719,791.20)	(24,418,236.64)	(10,984,858.61)
<b>Total</b>	<b>611,779,994.65</b>	<b>215,393,830.61</b>	<b>213,722,274.27</b>	<b>99,479,612.61</b>
<b>Profit/(Loss)</b>	<b>49,654,096.68</b>	<b>(9,155,776.03)</b>	<b>(5,599,722.87)</b>	<b>(19,574,031.06)</b>

# Monthly Production of Tea



Table – 04

Month	Kalubowitiyana Tea Factory (Kg)	Derangala Tea Factory (Kg)	Hiniduma Hills Tea Factory (Kg)	Manikdewela Tea Factory (Kg)	Total (Kg)
April 2020	94,709	24,310	24,870	6,374	150,263
May	86,229	19,338	27,881	18,581	152,029
June	74,479	20,815	28,229	10,508	134,031
July	66,792	28,406	30,916	27,383	153,497
August	40,932	42,283	30,576	20,375	134,166
September	53,938	28,850	26,950	13,216	122,954
October	77,525	24,819	26,844	12,002	141,190
November	79,549	23,871	22,837	11,377	137,634
December	98,883	27,626	27,738	8,168	162,415
January 2021	85,874	24,170	26,249	7,396	143,689
February	75,477	19,730	21,185	12,535	128,927
March	82,190	30,172	27,380	15,593	155,335
<b>Total</b>	<b>916,577</b>	<b>314,390</b>	<b>321,655</b>	<b>163,508</b>	<b>1,716,130</b>

Graph – 07



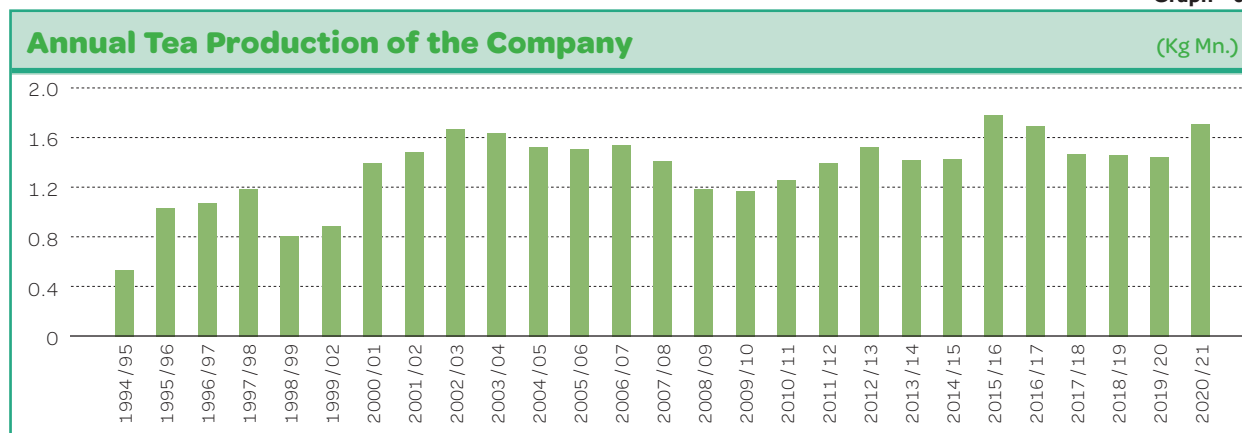


# Annual Production of Tea

**Table – 05**

Year	Kalubowitiyana Tea Factory (Kg)	Derangala Tea Factory (Kg)	Hiniduma Hills Tea Factory (Kg)	Manikdewela Tea Factory (Kg)	Total (Kg)
1994/95	536,780	–	–	–	536,780
1995/96	1,038,739	–	–	–	1,038,739
1996/97	1,082,973	–	–	–	1,082,973
1997/98	1,194,418	–	–	–	1,194,418
1998/99	809,741	–	–	–	809,741
1999/02	884,197	14,584	–	–	898,781
2000/01	914,433	494,894	–	–	1,409,327
2001/02	954,905	536,601	–	–	1,491,506
2002/03	1,039,447	636,762	–	–	1,676,209
2003/04	1,154,969	488,915	–	–	1,643,884
2004/05	1,173,659	361,154	–	–	1,534,813
2005/06	1,161,031	348,651	–	–	1,509,682
2006/07	1,272,903	278,828	–	–	1,551,731
2007/08	1,097,681	320,512	–	–	1,418,193
2008/09	967,631	227,617	–	–	1,195,248
2009/10	950,347	222,824	–	–	1,173,171
2010/11	994,746	269,314	–	–	1,264,060
2011/12	1,170,972	240,901	–	–	1,411,873
2012/13	1,110,907	254,706	168,425	–	1,534,038
2013/14	995,844	281,666	146,031	–	1,423,541
2014/15	943,706	315,854	171,751	–	1,431,311
2015/16	994,541	460,860	219,765	117,017	1,792,183
2016/17	811,708	429,382	253,157	209,464	1,703,711
2017/18	731,750	289,634	242,955	210,107	1,474,446
2018/19	807,843	276,186	174,272	202,120	1,460,421
2019/20	900,125	290,262	138,805	125,078	1,454,270
2020/21	916,577	314,390	321,655	163,508	1,716,130
<b>Total</b>	<b>26,612,573</b>	<b>7,354,497</b>	<b>1,836,816</b>	<b>1,027,294</b>	<b>36,831,179</b>

**Graph – 08**



# Monthly Green Leaf Intakes



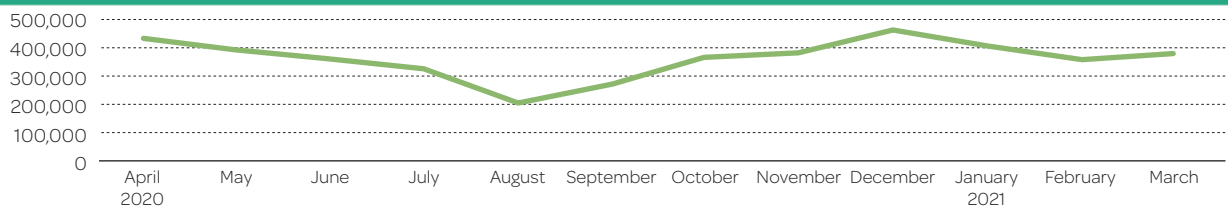
Table – 06

Month	Kalubowitiyana Tea Factory		Derangala Tea Factory		Hiniduma Hills Tea Factory		Manikdewela Tea Factory		Total	
	No. of Suppliers	Supplied (Kg)	No. of Suppliers	Supplied (Kg)	No. of Suppliers	Supplied (Kg)	No. of Suppliers	Supplied (Kg)	No. of Suppliers	Supplied (Kg)
April 2020	2,342	438,622	801	119,638	156	121,199	251	30,501	3,550	709,960
May	2,322	396,234	802	95,065	159	137,345	282	92,589	3,565	721,233
June	2,295	364,227	795	101,437	152	138,756	259	50,394	3,501	654,814
July	2,304	326,410	792	139,240	158	153,008	264	132,046	3,518	750,704
August	2,260	197,275	789	202,863	159	145,996	266	98,238	3,474	644,372
September	2,244	269,040	793	140,044	158	123,750	266	64,095	3,461	596,929
October	2,240	369,092	805	119,209	145	131,587	266	58,090	3,456	677,978
November	2,309	385,976	800	114,483	148	113,821	266	56,298	3,523	670,578
December	2,359	472,589	790	131,489	154	135,303	253	54,275	3,556	793,656
January 2021	2,361	412,605	787	114,890	159	130,913	230	34,277	3,537	692,685
February	2,329	360,374	771	93,803	157	104,863	263	57,904	3,520	616,944
March	2,423	382,877	784	145,745	159	141,363	292	71,691	3,658	741,676
<b>Total</b>		4,375,321		1,517,906		1,577,904		800,398		8,271,529
<b>Average</b>		364,610		126,492		131,492		66,698		689,294

Graph – 09

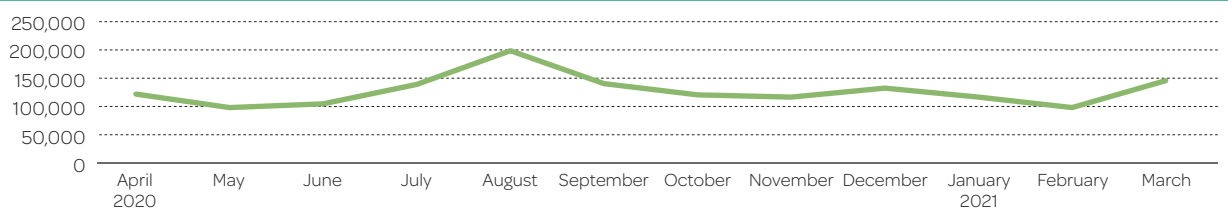
## Kalubowitiyana Tea Factory

(Kg)



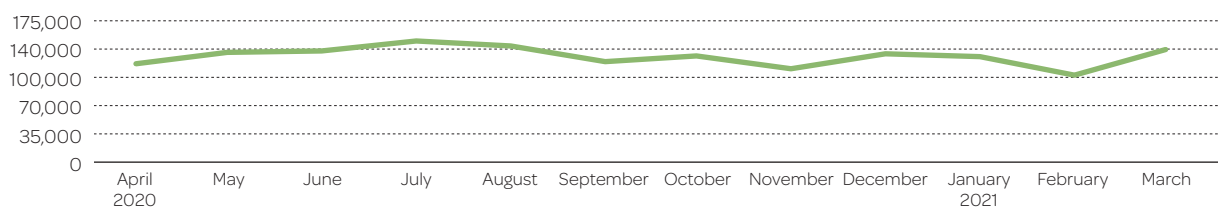
## Derangala Tea Factory

(Kg)



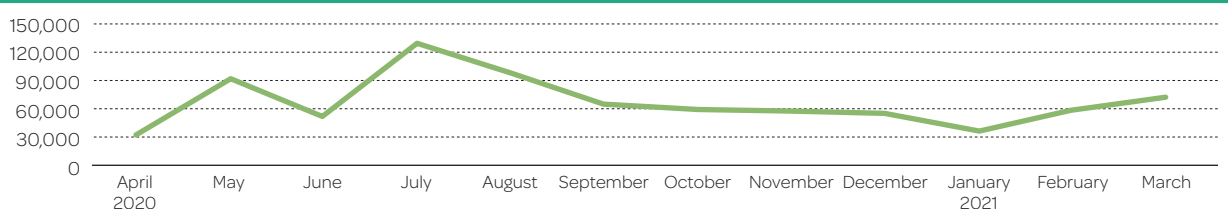
## Hiniduma Hills Tea Factory

(Kg)



## Manikdewela Tea Factory

(Kg)





# Annual Green Leaf Intakes

Year	Kalubowitiyana Tea Factory			Derangala Tea Factory			
	Quantity (Kg)	Rate (Rs.)	Amount Paid (Rs.)	Quantity (Kg)	Rate (Rs.)	Amount Paid (Rs.)	
1994/95	2,539,978	11.65	29,590,743.70	—	—	—	
1995/96	4,758,850	13.50	64,244,475.00	—	—	—	
1996/97	5,011,298	16.76	83,989,354.48	—	—	—	
1997/98	5,619,161	21.49	120,755,769.89	—	—	—	
1998/99	3,764,498	20.99	79,016,813.02	—	—	—	
1999/02	4,092,958	20.54	84,069,357.32	68,377	21.00	1,435,917.00	
2000/01	4,225,019	24.73	104,484,719.87	2,283,999	23.21	53,011,616.79	
2001/02	4,406,549	25.76	113,512,702.24	2,452,187	23.33	57,209,522.71	
2002/03	4,779,581	27.06	129,335,461.86	3,042,878	22.67	68,982,044.26	
2003/04	5,316,428	29.28	155,665,011.84	2,274,012	23.82	54,166,965.84	
2004/05	5,464,753	34.08	186,238,782.24	1,727,312	27.70	47,846,542.40	
2005/06	5,362,732	36.30	194,667,171.60	1,688,298	29.11	49,146,354.78	
2006/07	5,859,734	38.42	225,130,980.28	1,339,562	32.27	43,227,665.74	
2007/08	5,061,084	51.08	258,520,170.72	1,559,138	46.92	73,154,754.96	
2008/09	4,455,756	53.57	238,694,848.92	1,129,629	46.22	52,211,452.38	
2009/10	4,406,749	62.56	275,686,217.44	1,114,004	57.22	63,743,308.88	
2010/11	4,634,137	66.28	307,150,600.36	1,359,341	59.29	80,595,327.89	
2011/12	5,421,437	69.59	377,277,800.83	1,136,937	58.20	66,169,733.40	
2012/13	5,161,301	71.16	367,278,179.16	1,243,421	64.55	80,262,825.55	
2013/14	4,638,578	80.13	371,689,255.14	1,386,298	74.78	103,667,364.44	
2014/15	4,446,200	76.98	342,268,476.00	1,539,561	72.58	111,741,337.38	
2015/16	4,774,872	65.72	313,804,587.84	2,249,785	61.38	138,091,803.30	
2016/17	3,941,813	83.23	328,077,095.99	2,113,499	81.96	173,222,378.04	
2017/18	3,499,414	104.54	365,828,739.56	1,474,475	99.04	146,032,004.00	
2018/19	3,855,520	95.15	366,852,728.00	1,342,705	93.50	125,542,917.50	
2019/20	4,237,689	100.86	427,413,312.54	1,399,915	89.68	125,544,377.20	
2020/21	4,375,321	106.57	466,277,958.97	1,517,906	104.20	158,165,805.20	



**Table – 07**

	Hiniduma Hills Tea Factory			Manikdewela Tea Factory		
	Quantity (Kg)	Rate (Rs.)	Amount Paid (Rs.)	Quantity (Kg)	Rate (Rs.)	Amount Paid (Rs.)
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
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	838,887	65.05	54,569,599.35	—	—	—
	731,251	75.77	55,406,888.27	—	—	—
	834,380	72.15	60,200,517.00	—	—	—
	1,095,511	59.45	65,128,128.95	542,106	58.76	31,854,148.56
	1,235,080	81.32	100,436,705.60	1,033,573	67.62	69,890,206.26
	1,224,781	96.96	118,754,765.76	1,097,625	82.89	90,982,136.25
	875,077	91.23	79,833,274.71	1,023,085	73.86	75,565,058.10
	683,988	91.72	62,735,379.36	625,482	66.76	41,757,178.32
	1,577,904	106.63	168,251,903.52	800,398	80.68	64,576,110.64



## Comparison Details – Production

### Contribution to Low Grown CTC Production and National CTC Production

Table – 08

Month	CTC		Production of KTF* (Kg '000)	Contribution to the production	
	Low Grown (Kg '000)	National (Kg '000)		Low Grown (%)	National (%)
April 2020	862	1,692	94.71	10.99	5.60
May	874	2,409	86.23	9.87	3.58
June	906	2,333	74.48	8.22	3.19
July	891	2,183	66.79	7.50	3.06
August	757	1,675	40.93	5.41	2.44
September	778	1,693	53.94	6.93	3.19
October	867	1,796	77.53	8.94	4.32
November	960	2,249	79.55	8.29	3.54
December	1,171	2,723	98.88	8.44	3.63
January 2021	980	2,047	85.87	8.76	4.20
February	935	2,072	75.48	8.07	3.64
March	1,101	2,458	82.19	7.47	3.34
<b>Total</b>	<b>11,082</b>	<b>25,330</b>	<b>916.58</b>	<b>8.27</b>	<b>3.62</b>

\* Kalubowitiyana Tea Factory

### Contribution to Low Grown Orthodox Production and National Orthodox Production

Table – 09

Month	Orthodox Production			Production		Contribution to the production		
	Low Grown	Medium	National	DTF*/ HHTF**	MTF***	Low Grown	Medium	National
	(Kg '000)	(Kg '000)	(Kg '000)	(Kg '000)	(Kg '000)	(%)	(%)	(%)
April 2020	12,423	2,473	18,498	49.2	6.4	0.40	0.26	0.27
May	14,796	4,888	25,814	47.2	18.6	0.32	0.38	0.27
June	14,417	3,342	24,346	49.0	10.5	0.34	0.31	0.24
July	15,253	3,390	23,920	59.3	27.4	0.39	0.81	0.36
August	14,112	2,758	20,575	72.9	20.4	0.52	0.74	0.45
September	13,482	2,784	20,017	55.8	13.2	0.41	0.47	0.34
October	14,533	2,803	21,442	51.7	12.0	0.36	0.43	0.30
November	14,218	3,251	22,336	46.7	11.4	0.33	0.35	0.26
December	16,150	3,642	25,594	55.4	8.2	0.34	0.22	0.24
January 2021	13,931	2,613	20,830	50.4	7.4	0.36	0.28	0.28
February	13,265	2,848	20,142	40.9	12.5	0.31	0.44	0.27
March	15,828	4,030	25,706	57.6	15.6	0.36	0.39	0.28
<b>Total</b>	<b>172,408</b>	<b>38,822</b>	<b>269,220</b>	<b>636.0</b>	<b>163.5</b>	<b>0.37</b>	<b>0.42</b>	<b>0.30</b>

\* Derangala Tea Factory

\*\* Hiniduma Hills Tea Factory

\*\*\* Manikdewela Tea Factory



## Contribution to Low Grown Tea Production and National Tea Production by the Company

Table – 10

Month	Total Production			Total Production Company (Kg '000)	Contribution to the production		
	Low Grown	Medium	National		Low Grown	Medium	National
	(Kg '000)	(Kg '000)	(Kg '000)		(%)	(%)	(%)
April 2020	13,285	2,473	20,190	145.3	1.09	0.26	0.72
May	15,670	4,888	28,223	157.0	1.00	0.38	0.56
June	15,323	3,342	26,679	134.0	0.87	0.31	0.50
July	16,144	3,390	26,103	153.5	0.95	0.81	0.59
August	14,869	2,758	22,250	134.2	0.90	0.74	0.60
September	14,260	2,784	21,710	123.0	0.86	0.47	0.57
October	15,400	2,803	23,238	141.2	0.92	0.43	0.61
November	15,178	3,251	24,585	137.6	0.91	0.35	0.56
December	17,321	3,642	28,317	161.1	0.93	0.22	0.57
January 2021	14,911	2,613	22,877	143.7	0.96	0.28	0.63
February	14,200	2,848	22,214	128.9	0.91	0.44	0.58
March	16,929	4,030	28,164	155.3	0.92	0.39	0.55
<b>Total</b>	<b>183,490</b>	<b>38,822</b>	<b>294,550</b>	<b>1,714.7</b>	<b>0.93</b>	<b>0.42</b>	<b>0.63</b>



# Comparison of Sales Averages with Elevation

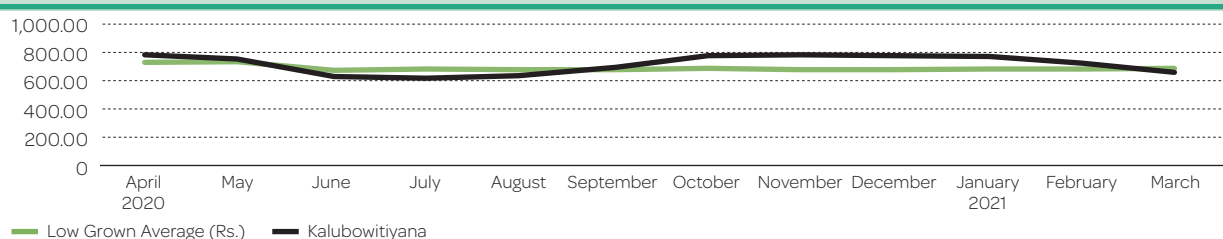
## Comparison with Low Grown Elevation Average

Table – 11

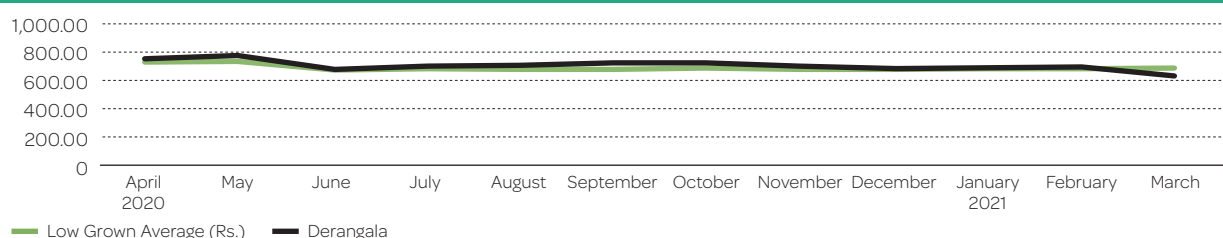
Month	Low Grown Average (Rs.)	Kalubowitiyana		Monthly Average		Hiniduma	
		(Rs.)	Variance	(Rs.)	Variance	(Rs.)	Variance
April 2020	744.66	795.02	50.36	764.91	20.25	838.91	94.25
May	745.82	766.24	20.42	793.63	47.81	794.65	48.83
June	657.45	615.84	(41.61)	672.16	14.71	684.01	26.56
July	669.87	600.88	(68.99)	698.04	28.17	713.31	43.44
August	666.97	624.64	(42.33)	704.31	37.34	718.78	51.81
September	663.13	695.45	32.32	729.79	66.66	713.88	50.75
October	679.99	792.50	112.51	731.06	51.07	717.82	37.83
November	665.25	794.41	129.16	703.20	37.95	708.42	43.17
December	663.03	789.27	126.24	680.15	17.12	688.68	25.65
January 2021	673.60	783.35	109.75	688.80	15.20	705.64	32.04
February	675.10	726.21	51.11	691.42	16.32	699.42	24.32
March	677.26	650.57	(26.69)	613.64	(63.62)	604.44	(72.82)

Graph – 10

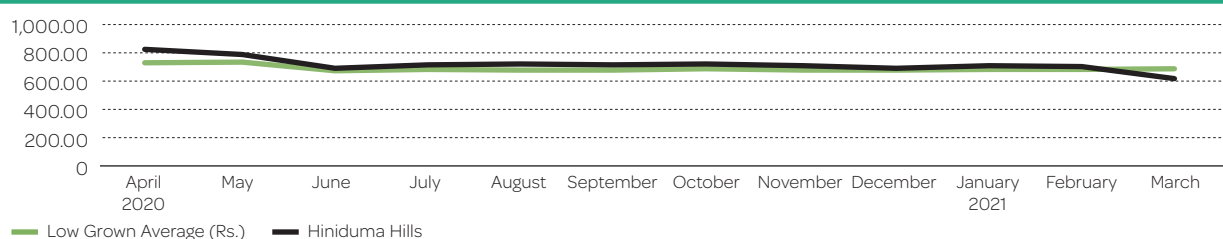
### Kalubowitiyana Tea Factory – Comparison with Low Grown Elevation Average (Rs.)



### Derangala Tea Factory – Comparison with Low Grown Elevation Average (Rs.)



### Hiniduma Hills Tea Factory – Comparison with Low Grown Elevation Average (Rs.)



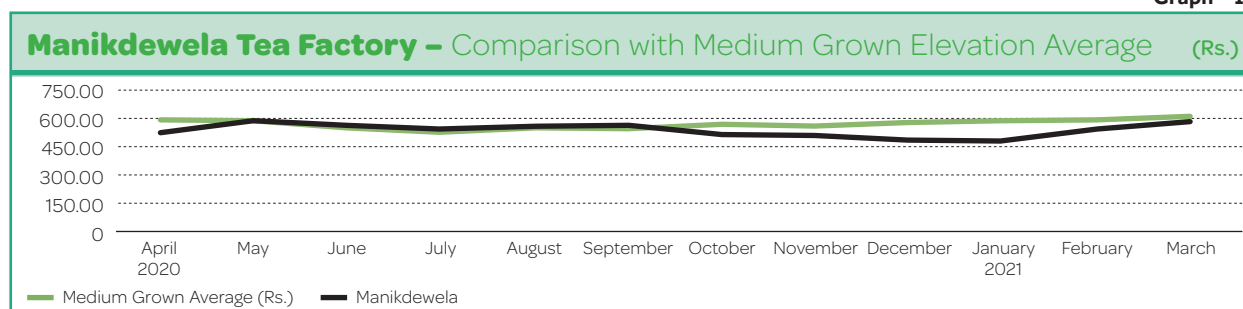


## Comparison with Medium Grown Elevational Average

Table – 12

Month	Medium Grown Average (Rs.)	Monthly Average	
		Manikdewela (Rs.)	Variance
April 2020	596.70	520.13	(76.57)
May	587.67	598.28	10.61
June	541.64	566.65	25.01
July	515.38	546.04	30.66
August	545.96	559.87	13.91
September	537.45	565.91	28.46
October	565.62	507.81	(57.81)
November	555.83	501.82	(54.01)
December	581.32	476.31	(105.01)
January 2021	588.33	465.73	(122.60)
February	593.30	543.92	(49.38)
March	617.05	588.29	(28.76)

Graph – 11





## Top Prices – 2020/21

**Table – 13**

Sale date	Sale No.	PF1			P-Dust			BP1		
		Broker	Invoice No.	Price	Broker	Invoice No.	Price	Broker	Invoice No.	Price
4/18/2020	14	John Keels	587,588	830.00						
4/18/2020	14	Forbes	581	830.00						
4/18/2020	14	Bartleet	583,584	830.00						
4/18/2020	14	Asia	585	830.00						
4/18/2020	14	Mercantile	586	830.00						
5/6/2020	17	LCBL	631	860.00						
5/14/2020	18	Forbes	7	860.00	Bartleet	622	720.00			
5/14/2020	18				Mercantile	621	720.00			
7/1/2020	25				Mercantile	68	560.00			
7/15/2020	27	CTB	153	650.00	Bartleet	169	650.00			
7/15/2020	27	LCBL	171	650.00						
7/22/2020	28	John Keels	179,180	620.00						
7/29/2020	29	Forbes	194	640.00	Forbes	145	760.00			
8/5/2020	30	John Keels	200	630.00						
8/5/2020	30	Mercantile	201	630.00						
8/12/2020	31	Asia	217	630.00			820.00			
9/2/2020					Bartleet	271	640.00			
9/9/2020					Bartleet	280	750.00			
9/16/2020								LCBL	294	690.00
12/9/2020	48				Bartleet	428	770.00			
12/16/2020	19				Bartleet	458	780.00			
12/22/2020	50	LCBL	466	840.00						
12/22/2020	50	CTB	468	840.00						
2/2/2021	5				Bartleet	559	660.00			
2/17/2021	7				Bartleet	595	790.00			



## Revenue Analysis

In the year under review, the company reported gross revenue of Rs. 1,176 Mn. in comparison to Rs. 938 Mn. recorded in the previous financial year, which reflects a 25.4% increase year on year. Some key challenges from the previous year prevailed during the year under consideration as well, such as unfavourable weather conditions that affected crop output; a loss of several buyers in Russia who shifted towards procuring CTC teas from Kenya; and serve competition among tea factories to source as much green leaf as possible from the Tea Small Holder segment.

Rs. 25.14 Local Sales in last year have been decreased to Rs. 20 Mn. in this year due to COVID-19 Pandemic situation in the country.

## Cost of Sales and Operating Expenses

The Cost of sales amounting to Rs. 1,158 Mn. witnessed a 37% increase from the previous financial year. The cost of green leaf and production cost were increased during the year. Company was able to lower its production overheads.

Administration expenses were decreased to Rs. 43.9 Mn. in 2020/21 against Rs. 50.7 Mn. in the previous year, in line with a decrease in multiple expenditure components.

## Other Operating Income

Other Operating Income increase to Rs. 15.2 Mn. from 7.2 Mn. recorded in the previous financial year. Consequently the operating Profit was decreased to Rs. (12.4) Mn., from Rs. 48.1 Mn. recorded in previous year.

## Finance Cost

During the year, the company's Finance expenses were Rs. 14.1 Mn. The company earned an interest income amounting to Rs. 11.5 Mn. during the current financial year. The company loan to BCC Lanka in 2003 continued to remain on the balance sheet and generated an interest income to the company.

## Financial Position and Liquidity Non-Current Assets

The Non-current assets comprise 28.2% of the total asset base. During the financial year under review, the company invested Rs. 9.2 Mn. for Plant and Machinery, Computer Equipment, Furniture and Fittings.

## Loan – BCC Lanka Ltd.

During the year, the company made several attempts to recover the loan of Rs. 10 Mn. given to BCC Lanka Ltd way back in 2004; together with accumulated interest of Rs. 48.4 Mn. (totalling Rs. 58.4 Mn.) however none of the attempts were successful.

## Working Capital

During the year, the company's current assets rose to 443.8 Mn. from Rs. 429.6 Mn. in the previous year. Inventories were decreased to Rs. 149 Mn from Rs. 164.3 Mn. The trade payables quantum increase of Rs. 83.5 Mn from Rs. 62.1 Mn. in the previous year. Bank overdrafts significantly decreased Rs. 63 Mn. from Rs. 87.10 in the previous year. The company therefore managed to maintain its working capital cycle within satisfactory limits.

## Capital Structure Equity

The company's issued ordinary share capital amounts to Rs. 46,375,070.00. Brought forward losses decrease the retained earnings and reserves for the financial year under review.

## Borrowings

The company obtained a working capital loan amounting to Rs. 18.5 Mn. from people's Bank, at the rate of 4% to support COVID-19 Hit Business.



# Human Capital

## Training and Development

Training and development forms a cornerstone of our efforts to build our human capital. The management continually assesses skill gaps and the Training and Development requirement is then driven by the results of the skill assessments to ensure staffs is skill and competent at regular intervals. During the year under review, the Company provided diverse training opportunities to employees in order to enhance their professional and technical skills.

On-the-job training is one of the key methods followed for training and development of our employees. Further, we have cross-trained our staff in order to empower them to operate in multiple divisions of the Company. Such development procedures have enhanced the flexibility of the Company and enabled it to leverage on skill utilisation and maximisation. In return, our employees have been given several opportunities for mobility across the Company and prominence has been given to career development prospects.

Training Programmes for Executives/Staff/Workers during the year:

- ▶ Staff training for Development of efficiency (National Institute of Plantation Management)
- ▶ Seminar for Executive Staff regarding Budget 2021 (Colombo Stock Exchange)

## Capital Investments

The Company periodically undertakes capacity enhancements in systems, processes and infrastructure to maintain its competitiveness. During the period under review, several projects were embarked on:

- ▶ Rs. 2.7 Mn. worth of Plant and Machinery add to Kalubowitiyana Tea Factory.
- ▶ Rs. 1 Mn. worth of Plant and Machinery add to Hiniduma Tea Factory.
- ▶ During the year Rs. 2.2 Mn. was spend to repairs and additions to Buildings.





The Company considers Tea small Holders, Staff and Workers to be its key stakeholders and ensures that it remains closely engaged with these valued stakeholders. Its strong stakeholder engagement means that the Company understands the challenges faced by them and in turn has conducted a host of Corporate Social Responsibility (CSR) projects to benefit the stakeholders and uplift them:

### Healthcare

The health and well-being of the Company's stakeholders is a pivotal concern and several projects are carried out every year to benefit them, such as:

- ▶ Providing lunch of pregnancy clinic.

### Educational and Other CSR Activities

- ▶ The Randalu Welfare Society has been formed for the improvement of quality standards for the welfare of all stakeholders in all four factories.
- ▶ Awareness Programmes on Tea Cultivation for the benefit of Tea Small Holders were held in all four factories.
- ▶ Keeping in mind the religious nature of our local communities, the Company understands that religion occupies an important part of its stakeholders' lives and therefore it facilitates this by organising arms giving to monks.



# Directors' Report

## ANNUAL REPORT OF THE DIRECTORS OF KALUBOWITIYANA TEA FACTORY LIMITED ON THE AFFAIRS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31st March 2021

### Nature of the Business

The principle activities of the Company are to carry on the business of treating, curing, preparing, processing and manufacturing tea leaf purchased from growers; and to cultivate, grow, manage and superintend tea plantations.

### Performance of the Company

The review of the Company's business and its performance during the year which comments of the financial results are contained in the Financial Statements including the Auditors Report (attached herewith), which forms part of this Annual Report.

The accounting policies adopted in the preparation of the Financial Statements are given on pages 42 to 46 in the Notes to the Financial Statements.

### Changes in the accounting policies

The accounting policies adopted by the Company have been consistently applied without any change from the previous years.

### Entries made in the Interest Register

Entries made in the Interest Register are disclosed under the heading "Related Party Transactions" on pages 58 to 59 in the Notes to the Financial Statements.

### Remuneration and other benefits of Directors

The Directors' emoluments for the financial year ending 31st March 2021 is addressed in page 48 of the Notes to the Financial Statements.

### Donations

Donations has not been paid for the financial year under review.

### Directors of the Company

The directors of the Company during the financial year ended 31st March 2021 are as follows:

Mr. A. Rodrigo  
Mrs. I. Sugathadasa  
Mr. K. H. Hemapala  
Mrs. P.S.M. Senadheera  
Mr. J. Wijesinghe  
Mr. D.U. Abeyesunderara  
Mr. W.A.K.B.T.K. Alwis  
Mr. R.C.D. Jayawardena

### Auditor's fee

The auditor's fee is Rs. 1,203,300.00 the financial year under review.

### Auditors interest in the Company other than as auditors

The Directors are satisfied that the auditors do not have any relationship or interest in the Company that would impair their independence.

Chairman

Director

Company Secretary

On this 29th day of November 2021.

# Financial Reports

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# Auditor's Report



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

} PLA/B/KTFL/01/2020/21/11

ඔබේ අංකය  
உமது இல.  
Your No.

}

දිනය  
திகதி  
Date

} 15th November 2021

Chairman  
Kalubovitiyana Tea Factory Limited

**Auditor General's report in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended 31 March 2021 of Kalubovitiyana Tea Factory Limited.**

### 1. Financial Statements 1.1 Qualified opinion

The audit of the financial statement of Kalubovitiyana Tea Factory Limited ("Company") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution.

In my opinion, except for the effects of the matters described in the basis for qualified opinion of my report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for the qualified opinion

- (a) Though any payment of taxes or recovery had not been made during the year under review, a receipt of income tax amounting to Rs. 4,162,195 was shown in the Cash Flow Statement.
- (b) Though the sum of Rs. 1,332,382 incurred on the acquisition of biological assets should be indicated under investment activities in the Cash Flow Statement in terms of Sri Lanka

Accounting Standard 07, its annual depreciation deducted value of Rs. 1,228,538 had been erroneously indicated as acquisition of assets under investment activities.

- (c) As a result of not reviewing the useful life of movable assets annually in terms of Section 51 of Sri Lanka Accounting Standard 16, even though assets such as plant and equipment, furniture and fittings, office equipment & motor vehicles amounting to Rs. 240,350,688 which had been fully depreciated were being further used, action had not been taken to revise this estimated error in terms of Sri Lanka Accounting Standard 08 and show the accurate carrying amount in the financial statements.
- (d) In terms of paragraph 34 of Sri Lanka Accounting Standard 16, action had not been taken to revalue the lands totalling Rs. 2,550,000 on which the Kalubovitiyana and Derangala Tea Factories are located after being acquired in the year 1994 and taken into accounts.
- (e) Though the bank loan interest expenditure in respect of the year under review was Rs. 1,674,073 it had been accounted as Rs. 1,298,624 less Rs. 375,450.
- (f) Since the sundry debtors' value was Rs. 8,875,372 as per the financial statements and was Rs. 8,682,151 as per the schedule, a non-reconciled difference of Rs. 193,221 was observed.
- (g) Though it had been indicated in the balance confirmation letters of the previous year and the year under review that there was no payable amount to the company from Giragama Plantations Limited belonging to Pussella Plantations Company, Rs. 1,046,771 was shown as a receivable amount from that company.
- (h) Even though the Cost of Living allowance should be added to the basic salary in calculating the provident fund contribution, it was observed at the audit that as a result of the Employees Provident Fund contribution being computed by the company without taking into account the Cost of Living allowance up to the year 2017/2018, the EPF contributions in arrears from the year 2012/2013 to the year 2017/2018 to be credited to the EPF was Rs. 1,695,177 with a surcharge of Rs. 874,589 thereon and the company had not made an allocation for this expenditure in the financial statements of the year under review.





I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### 1.3 Other information contained in the Annual Report 2020-2021 of the Company

Other information means information, though included in the Annual Report 2020/2021 of the Company which is expected to be handed over to me after the date of this audit but not included in the financial statements and in my audit report thereon. Those charged with management shall be responsible for other information.

My opinion on the financial statements does not cover other information and I do not provide an assurance of any manner or express an opinion on it.

My responsibility in relation to my audit on financial statements is to read other information whenever available and to consider whether there are material inconsistencies between the financial statements or my knowledge gained otherwise and other information in doing so.

In reading the annual report 2020/2021 of the Company, if I concluded that there are material misstatements, such matters shall be communicated to those charged with management. If there still are misstatements which have not been corrected, they will be included in the report to be tabled in Parliament by me in due course in terms of Article 154(6) of the Constitution.

### 1.4 Responsibilities of the 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 Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

### 1.5 Auditor's Responsibility in Auditing Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- ▶ Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- ▶ Evaluate the 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.



I have communicated with those charged with governance regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

## 2. Report on other legal and regulatory requirements

**2.1** Special provisions are included in respect of the following requirements in the National Audit Act No. 19 of 2018 and the Companies Act No. 7 of 2007.

**2.1.1** In terms of the requirements of section 162 (2) (d) of the Companies Act No. 7 of 2007 and section 12 (a) of the National Audit Act No. 19 of 2018, except for the effects of the matters described in the section on the 'Basis for the Audit Opinion' of this report, I obtained all information and explanations required for the audit and as far as it appears from my inspection, the Company had maintained proper financial reports.

**2.1.2** The financial statements of the Company are in compliance with the requirements indicated in section 151 of the Companies Act No. 7 of 2007.

**2.1.3** In terms of the requirement indicated in Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the financial statements presented by the Company are consistent with the preceding year.

**2.1.4** In terms of the requirement indicated in Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, other than the observations indicated in paragraphs 1.2 (d), (j), 2.2.4. 3 (b), (c), (i) of this report, the recommendations made by me in the previous year have been included in the submitted financial statements.

**2.2** On the basis of the procedures followed and evidence obtained and being restricted within the material matters, nothing that warrants the making of the following statements did not come to my attention.

**2.2.1** In terms of the requirement of section 12 (d) of the National Audit Act No. 19 of 2018, whether any member of the governing body of the Company has any interest, direct or otherwise, outside normal business status in any contract entered into by the Company.

**2.2.2** In terms of the requirement of section 12 (f) of the National Audit Act No. 19 of 2018, other than the following observations, whether the Company has not complied with any applicable written law, or other general or special directions issued by the governing body of the Company;

**Table – 14**

Reference to Laws, Rules, Regulations, etc.	Non-compliance
Public Enterprises Circular No: PED/12 and dated 02 June 2003	
(i) Section 8.2.2	Even though the approval of the Minister of Finance and the relevant Minister should be obtained in investing funds, the Company had invested Rs. 159,454,572 in short term deposits as at 31 March 2021 without obtaining the required approvals.
(ii) Section 9.14	Although a procedural manual should be prepared for obtaining the approval of the Secretary to the Treasury to formulate rules for Human Resource Management the Company had not acted accordingly.

**2.2.3** In terms of the requirement of Section 12 (f) of the National Audit Act No. 19 of 2018, whether the Company has not performed according to its powers, functions and duties, except for the following observations.

**2.2.4** In terms of the requirement of Section 12 (f) of the National Audit Act No. 19 of 2018, whether the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

- Since a private supplier from whom a steam generated was purchased at Rs. 23,414,275 in the year 2014 had failed to supply two radiators in terms of the supply conditions, Kalubovitiyana Tea Factory Limited had detained a sum of Rs. 1,566,002. Though the Board of Directors had decided on 21st December 2016 not to pay this amount since even the installation of the steam generator had been defective, this balance had not been settled even by the end of the year under review.





### 3. Other audit observations

- (a) During the year under review, overdraft facilities amounting to Rs. 8,490,000 had been obtained by pledging fixed assets as security and the overdraft balance by the end review period had been Rs. 63,067,584 and Rs. 9,358,767 had been paid as overdraft interest for the year 2020/2021. Further, Rs. 18,500,000 had been obtained as working capital for which Rs. 1,298,623 had been paid as interest during the year under review. Therefore the management had failed to maintain the financial position of the company in a satisfactory manner.
- (b) The company had granted a loan of Rs. 50 million at an interest rate of 11 percent to the Tea Shakthi Fund in the year 2015 and buildings had been constructed on the Menikdiwela land belonging to the Tea Shakthi Fund spending Rs. 59,532,264. In terms of the decision No: 19/0743/117/024 dated 19 March 2019 of the Cabinet of Ministers, approval had been granted to transfer the ownership of the Hiniduma and Menikdiwela tea factories lawfully to the Company for the loan, the interest thereto and the development expenditure incurred by the company. However, even by the end of the year under review, the ownership had not been acquired and interest receivable Rs. 5,500,000 per year too had not been taken to accounts.
- (c) Transferring the Hiniduma Hills and Menikdiwela tea factories founded by the Tea Shakthi Fund for production activities, it had been notified by Cabinet decision No: CP/19/0743/117/024 and dated 19 March 2019 that the Company should take all possible measures to maintain the two factories profitably without being charged to the Treasury. The two factories continued to be unprofitable since being transferred to the company in the year 2015 up to the end the year under review and the cumulative loss as at the end of the year under review was Rs. 112,475,388. Similarly, Derangala Tea Factory too had incurred losses continually since the year 2015.
- (d) A sum totaling Rs. 3,710,375 payable to the Tea Shakthi Fund and two other private companies for a period exceeding 04 years had been accounted and no action had been taken even by the end of the year under review to settle the amount. The relevant institutions not laying claims to this money is observed as contentious.
- (e) Cancellation of cheques and PAYE payments amounting respectively to Rs. 843,158 and Rs. 59,344 had been included in the accrued expenses account for over a period of four years and no action had been taken for settlement even by the end of the year under review.
- (f) Balances to the value of Rs. 1,582,797 payable for a period exceeding four years under trade creditors had been carried forward unchanged and no action had been taken to settle them even by the end of the year under review.
- (g) From the year 2009, a sum of Rs. 798,461 was due to the company from a private tea broker institution had been carried forward and the Company had not taken action to recover the amount even by the date of the audit.
- (h) Though a loan amounted to Rs. 10,000,000 had been granted to the BCC Lanka Company in the year 2003 at a 22 percent interest rate on a recovery basis in 12 instalments, not a single instalment had been recovered. Therefore, the total loan amount and the interest recoverable due as at the end of the year under review was Rs. 58,382,429.
- (i) Even though an Action Plan had been prepared for the achievement of several key objectives for the 04 tea factories during the year under review, in considering the progress as a whole of each division according to the information submitted to the audit, it was observed that out of the total estimated expenditure of Rs. 154 million, the utilization was only Rs. 12 million and physically too the company had failed to achieve a progress.
- (j) Though a provision of Rs. 3.32 million had been allocated for the development of human resources capacity of the head office of the Kalubovitiyaha Tea Factory Limited and for the purchase of office equipment and other requirements and a provision of Rs. 4.5 million had been set aside for conducting sales promotion programmes with the objective of increasing sales of the Sales Centre up to 16,000 Kilograms and seeking out foreign buyers, none of these provisions had been utilized by the end of the year.
- (k) Rs. 1,408,881 is shown as other advances under the payments made in advance and other receivable balances and according to the schedule submitted to the audit, these balances had resulted from transactions carried out from the year 2014 to the year 2018. These balances carried over a long period of time are observed as contentious items in the audit.

W.P.C. Wickremaratne

Auditor General



# kalubowitiyana Tea Factory Limited

## Statement of Profit/(Loss) and Other Comprehensive Income

Table – 15

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
Revenue	3	1,175,716,247.36	937,789,275
Cost of sales	4	(1,158,860,303.57)	(845,680,913)
<b>Gross profit</b>		<b>16,855,943.79</b>	92,108,362
Other operating income	5	15,240,381.46	7,201,626
<b>Profit before operating expenses</b>		<b>32,096,325.25</b>	99,309,988
Administration expenses	6	(43,913,954.35)	(50,712,395)
Selling and distribution expenses	7	(646,594.68)	(400,677)
<b>Profit from operating activities</b>		<b>(12,464,223.78)</b>	48,196,916
Finance income	8.1	11,508,748.27	14,724,355
Finance expenses	8.2	(14,189,483.93)	(19,653,695)
Net finance income		(2,680,735.66)	(4,929,340)
<b>Net profit before taxation</b>		<b>(15,144,959.44)</b>	43,267,577
Taxation	9	1,001,556.55	(5,535,371)
<b>Net profit after taxation</b>		<b>(14,143,402.89)</b>	37,732,205
Earnings per share	10.1	(3.07)	8.19
Net profit after taxation		(14,143,402.89)	37,732,205
Actuarial gain/(losses) on retirement benefits		(4,425,522.44)	(1,858,427)
Deferred tax gain/(losses)		(619,573.14)	–
<b>Total comprehensive income for the year</b>		<b>(19,188,498.47)</b>	35,873,778



# kalubowitiyana Tea Factory Limited

## Statement of Financial Position



Table – 16

As at 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	168,505,013.36	193,095,557
Biological assets	12	6,098,448.51	4,869,911
<b>Total non-current assets</b>		<b>174,603,461.87</b>	197,965,468
<b>Current assets</b>			
Inventories	13	149,056,716.07	164,264,492
Loan receivable from BCC Lanka limited		58,382,429.45	55,646,517
Trade and other receivables	14	59,974,106.68	26,240,371
Income tax receivable	25	6,687,095.25	10,849,290
Short term investment	15	159,715,975.08	167,092,024
Cash and cash equivalents	16	9,936,406.97	5,559,076
<b>Total current assets</b>		<b>443,752,729.50</b>	429,651,769
<b>Total assets</b>		<b>618,356,191.39</b>	627,617,237
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	17	46,375,070.00	46,375,070
Reserves	18	373,451,741.71	395,454,945
<b>Total equity</b>		<b>419,826,811.71</b>	441,830,015
<b>Non-Current Liabilities</b>			
Retirement benefit obligation	19	23,643,060.93	16,275,792
Loans and borrowing	20	6,027,778.19	4,600,000
Deferred tax liability	24	5,450,382.53	5,832,366
<b>Total non-current liabilities</b>		<b>35,121,221.65</b>	26,708,157
<b>Current Liabilities</b>			
Trade and other payables	21	83,499,046.84	62,059,997
Loans and borrowing	20	16,933,333.08	9,963,267
Bank overdrafts	22	62,975,778.11	87,055,800
<b>Total current liabilities</b>		<b>163,408,158.03</b>	159,079,064
<b>Total equity and liabilities</b>		<b>618,356,191.39</b>	627,617,237

Notes on pages 04 to 27 form an integral part of these Financial Statements.

We certify that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No.7 of 2007.

Managing Director

Manager Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed on behalf of the Board of Directors.

Chairman

18th June 2021  
Colombo.

Director



# kalubowitiyana Tea Factory Limited

## Statement of Changes in Equity

Table – 17

For the year ended 31st March 2021 Kalubowitiyana Tea Factory Limited	Stated Capital Rs.	General Treasury Rs.	Capital Reserves Rs.	Retained Profit Rs.	Total Rs.
Balance as at 1st April 2019	46,375,070.00	–	600,000.00	358,981,166.82	405,956,236.82
Net profit for the year	–	–	–	37,732,205.36	37,732,205.36
Other comprehensive income				(1,858,427.00)	(1,858,427.00)
Balance as at 1st April 2020	46,375,070.00	–	600,000.00	394,854,945.18	441,830,015.18
Recognised payable as per legal case				(2,814,705.00)	(2,814,705.00)
Net profit for the year	–	–	–	(14,143,402.89)	(14,143,402.89)
Other comprehensive income				(5,045,095.58)	(5,045,095.58)
Balance as at 31st March 2021	46,375,070.00	–	600,000.00	372,851,741.71	419,826,811.71

# kalubowitiyana Tea Factory Limited

## Statement of Cash Flows



**Table – 18**

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
<b>Cash from operating activities</b>			
Net Profit/(Loss) before taxation		(15,144,959)	43,267,577
<b>Adjustments for:</b>			
Depreciation		32,674,793	33,428,195
Provision for retirement benefit costs		4,120,319	3,093,374
Profit on disposal of assets		–	–
ESC written off		–	6,362,903
Interest income		(11,508,748)	(14,724,355)
<b>Operating Profit/(Loss) before working capital changes</b>		<b>10,141,405</b>	<b>71,427,693</b>
(Increase)/Decrease in inventory		15,207,775	(61,472,707)
(Increase)/Decrease in trade and other receivables		(33,733,736)	20,079,583
Increase/(Decrease) in trade and other payables		18,624,344	(16,980,303)
<b>Cash generated from/(Used In) operations</b>		<b>10,239,790</b>	<b>13,054,266</b>
Gratuity paid		(1,178,573)	(542,500)
Tax credits		4,162,195	(3,422,829)
<b>Net cash from/(Used in) operating activities</b>		<b>13,223,412</b>	<b>9,088,936</b>
<b>Cash flows from/(Used in) investing activities</b>			
Acquisition of property, plant and equipment		(8,084,250)	(2,375,616)
Acquisition of biological assets		(1,228,538)	(1,821,490)
Disposal of property, plant and equipment		–	–
Interest received		11,508,748	14,724,355
Net changes in financial assets		4,640,136	(4,995,266)
<b>Net cash from/(Used in) investing activities</b>		<b>6,836,097</b>	<b>5,531,983</b>
<b>Net cash from/(Used in) finance activities</b>			
Proceeds from loans and borrowing		8,397,844	(18,350,000)
<b>Net cash flows from/(Used in) finance activities</b>		<b>8,397,844</b>	<b>(18,350,000)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>28,457,353</b>	<b>(3,729,081)</b>
Cash and cash equivalents at the beginning of the year		(81,496,724)	(77,767,644)
<b>Cash and cash equivalents at the end of the year</b>	16	<b>(53,039,371)</b>	<b>(81,496,724)</b>



# Notes to the Financial Statements

## – Accounting Policies

### 1. Reporting Entity

#### 1.1 Corporate Information

Kalubowitiyana Tea Factory Limited is a Limited Liability Company incorporated on 30th September 1992 under the Companies Act No. 17 of 1982 and then re-registered under the new Companies Act No. 7 of 2007, on 16th June 2009 and domiciled in Sri Lanka.

The registered office of the Company is located at No. 53, Rathnayaka Mawatha, Pelawatta, Battaramulla.

#### 1.2 Principal Activities and the Nature of Operations

The principle activities of the Company are cultivation, manufacturing and sale of tea from tea leaf purchased from growers and from own estates.

#### 1.3 Directors

The Directors present herewith the audited financial statements for the year ended 31st March 2021. The Directors are responsible for preparing and presenting these financial statements.

The Directors of the Company as at 31st March 2021 were,

Mr. B. K. Aminda Umesh Rodrigo – (Chairman)

Mrs. W. A. Indrani Sugathadasa

Mr. H. Hemal Kasthuriarachchi

Mr. Don Upul Abeysundera

Mr. W. K. B. T. Kumara Alwis

Mr. Jayantha Wijesinghe

Mr. R. C. D. Jayawardena

Mrs. D. M. M. Dissanayake

#### 1.4 Company Secretaries

Corporate Services (Pvt) Limited  
No. 216, De Saram Place,  
Colombo 05.

#### 1.5 Registered Office

No. 53,  
Rathnayaka Mawatha,  
Pelawatta,  
Battaramulla.

#### 1.6 Auditors

Auditor General.  
National Audit Office  
No. 306/72,  
Polduwa Road,  
Battaramulla.

#### 1.7 Date of Authorisation for Issuing Financial Statements

The financial statements of Kalubowitiyana Tea Factory Ltd., for the year ended 31st March 2021 were authorised for issue by the directors on 25th of June 2021.

### 2. General Policies

#### 2.1 Basis of Preparation

The financial statements of Kalubowitiyana Tea Factory Limited comprise the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, accounting policies and notes to the financial statements. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka.

#### 2.2 Basis of Measurement

The financial statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant notes. Assets and liabilities are grouped by nature and in an order that reflect their relative liquidity.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are included in notes to the financial statements.

#### 2.3 Taxation

##### (a) Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.



## (b) Deferred Tax

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for the financial reporting purpose and amounts used for tax purpose. Deferred tax is measured at the tax rate that is expected to apply to temporary differences when they are reversed, based on the laws that have been enacted by the reporting date.

Deferred tax assets are recognised to the extent that is probable that future taxable profits will be available against which such timing difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 2.4 Valuation of Assets and their Bases of Measurement

### 2.4.1 Property, Plant and Equipment

Property, plant and equipment are stated at cost or fair value less accumulated depreciation and any accumulated impairment in value. The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. Revaluations are done with sufficient regularity. When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense.

Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings. Items of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

## (a) Depreciation

Provision for depreciation is calculated by using the straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets. The estimated useful lives of assets are as follows:

**Table – 19**

Asset category	Years
Buildings	20
Water and electricity	20
Motor vehicles	4
Plant and machinery	8
Equipment	8
Furniture and fittings	8
Computer equipment	8
Roads	10
Others	8
Biological Assets (Tea)	30

Freehold land is not depreciated as it is deemed to have an indefinite life.

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

## (b) Restoration Cost

Expenditure incurred in repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

### 2.4.2 Biological Assets

The entity recognises the biological assets, on cost basis. Biological asset of the company comprise of the tea bushes in Kalubowitiyana and Derangala Factories. The Company recognizes Plants up to 3 years as immature and Tea bushes more than 3 years as matured.



### 2.4.3 Financial Assets (Non-derivative)

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

For the purpose of classification of financial assets the assessment of the company's financial asset was made as of the date of initial application, 1 April 2020, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2020. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of SLFRS 9 did not have a material impact on the company's results and financial position, therefore the company has not restated comparative information for prior periods.

The Company has the following financial assets (non-derivative):

- ▶ Loans and receivables
- ▶ Cash and cash equivalents

#### (a) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

#### (b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a Component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents comprise cash in hand and deposits at bank. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the indirect method.

### 2.4.4 Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at collective level. All receivables with similar risk characteristics are grouped together and collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss.



## 2.4.5 Inventories

Inventories comprise processed, unprocessed and semi-processed agricultural produce, and other consumables. Processed, Unprocessed and semi-processed agricultural produce at the end of the financial period is considered as fully processed agricultural produce and is measured at net realisable value.

Other consumables are measured at lower of cost or net realisable value. When the inventories are sold, the Company recognises the carrying amount of those inventories as an expense in the period in which the related revenue is recognised.

## 2.5 Liabilities and Provisions

Liabilities are recognized in the statement of financial position when there is a present obligation arising from past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the financial position date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the financial position date are treated as non-current liabilities in the statement of financial position.

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

### 2.5.1 Retirement Benefit Obligations

#### (a) Defined Benefit Plan – Gratuity

A full provision has been made on account of retiring gratuity from the first year of employment in conformity with the Sri Lanka Accounting Standard No. 19 – “Retirement Benefits” according to the actuarial valuation.

The key assumptions used in determining the retirement benefit obligations include the followings:

**Disability:** 10% of the Mortality Table

**Staff Turnover Rates:** 1.00% across the board up to age 54 and thereafter zero.

**Normal Retirement Age:** 60 years (The employee who are aged over the specified retirement age have been assumed to retire on their respective next birthday).

**Rate of Discount:** 8.00% p.a.

**Salary Escalation Rates: Basic Salary: Staff:** 8.00% p.a.; Increments are due every year in the Month specified in the data.

**Basic Salary: Daily paid workers:** 8.00% p.a.; with next increment due in April 2019.

**Allowances:** N/A

**Retiring Gratuity Formula: Staff:** Half month’s Salary plus Allowances for each completed year of service for those with at least 5 years’ service.

**Daily paid workers:** 14 days wages for each completed year of service for those with at least 5 years’ service.

### (b) Defined Contribution Plan – Employees’ Provident Fund and Employees’ Trust Fund

Employees who are eligible for Employees’ Provident Fund contributions and Employees’ Trust Fund contributions in line with respective statutes and regulations.

## 2.6 Statement of Comprehensive Income

### 2.6.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of sales discounts and sales taxes.



(a) Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer with the Company retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses. Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

Any losses arising from guaranteed rentals are accounted for in the year of incurring the same. A provision is recognized if the best estimate indicates a loss.

(c) Interest Income

Interest income is recognized on accrual basis using effective interest method (EIR).

(d) Other Income

Other income is recognized on an accrual basis.

## 2.6.2 Expenditure Recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the statement of comprehensive income. For the purpose of presentation of the statement of comprehensive income, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company’s performance.

## 2.7 Basic Earnings/(Loss) Per Share

The Company presents Basic Earnings/(Loss) Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

## 2.8 Comparatives Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the financial statements of the current period and to improve the inter- period comparability. When the presentation or classifications of items in the financial statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

## 2.9 Events Occurring after the Reporting Date

All material post events of statement of financial position have been considered, and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.



## 3. Revenue

Table – 20

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
<b>Revenue</b>	30.1		
Gross sales		<b>1,139,955,390.00</b>	896,654,745
Less: Brokerage and sales expenses		<b>(15,651,167.77)</b>	(12,223,068)
		<b>1,124,304,222.23</b>	884,431,677
Add: Local sales		<b>51,412,025.13</b>	53,357,598
<b>Total</b>		<b>1,175,716,247.36</b>	937,789,275

## 4. Cost of Sales

Table – 21

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
<b>Cost of sales</b>	30.2		
Green leaf purchases		<b>857,319,773.16</b>	657,488,070
Production cost		<b>196,671,416.76</b>	141,682,393
Production overheads		<b>87,361,385.39</b>	108,544,719
<b>Cost of manufacturing</b>		<b>1,141,352,575.31</b>	907,715,182
<b>Movement in finished goods</b>			
Balance as at the beginning of the year		<b>144,185,225.24</b>	82,150,956
Balance as at the end of the year		<b>(126,677,496.98)</b>	(144,185,225)
<b>Cost of sales</b>		<b>1,158,860,303.57</b>	845,680,913

## 5. Other Income

Table – 22

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Sundry income	<b>15,240,381.46</b>	7,201,626
Profit on disposal of property, plant and equipment	–	–
Written off	–	–
<b>Total</b>	<b>15,240,381.46</b>	7,201,626



## 6. Administration Expenses

Table – 23

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
Directors' remuneration and staff cost	6.1	19,939,106.90	21,899,867
Travelling, subsistence and vehicle hire	6.2	3,098,712.88	4,104,663
Maintenance expenses – Equipment and vehicles	6.3	2,723,108.22	4,256,309
Professional fees	6.4	2,014,412.47	1,889,633
Insurance and license fees	6.5	1,321,961.44	1,688,479
Printing stationery and postage	6.6	1,065,496.61	1,024,555
Other administration expenses	6.7	13,751,155.83	15,848,889
<b>Total</b>		<b>43,913,954.35</b>	<b>50,712,395</b>

### 6.1 Directors' Emoluments and Staff Cost

Table – 24

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Staff salaries	11,340,939.63	12,534,116
Gratuity	951,455.83	710,385
Allowances	4,161,156.49	4,663,945
Overtime and holiday payments	303,985.57	460,010
Employee's Provident Fund Contributions	1,439,469.31	1,629,477
Employee's Trust Fund Contributions	365,411.56	408,689
Bonus	294,000.00	740,853
Board member fees	501,500.00	416,500
Staff welfare	581,188.51	335,893
<b>Total</b>	<b>19,939,106.90</b>	<b>21,899,867</b>

### 6.2 Traveling, Subsistence and Vehicle Hire

Table – 25

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Travelling and subsistence	1,253,851.29	1,687,510
Hire charges	1,844,861.59	2,417,153
<b>Total</b>	<b>3,098,712.88</b>	<b>4,104,663</b>



### 6.3 Maintenance of Office Building, Equipment and Vehicles

Table – 26

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Office building maintenance	112,247.75	463,611
Office equipment maintenance	227,723.07	346,875
Motor vehicles maintenance	863,702.85	1,244,952
Vehicle fuel cost	1,519,434.55	2,200,870
<b>Total</b>	<b>2,723,108.22</b>	<b>4,256,309</b>

### 6.4 Professional Fees

Table – 27

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Audit fee	1,203,300.00	1,043,625
Other professional fees	548,188.00	571,320
Secretarial fees	262,924.47	274,688
<b>Total</b>	<b>2,014,412.47</b>	<b>1,889,633</b>

### 6.5 Insurance and Licence Fees

Table – 28

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Insurance and License Fees	68,566.63	68,949
Staff Insurance	1,253,394.81	1,619,530
<b>Total</b>	<b>1,321,961.44</b>	<b>1,688,479</b>

### 6.6 Printing, Stationery and Postage

Table – 29

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Printing	118,888.00	396,550
Postage	42,201.03	39,859
Stationery	904,407.58	588,147
<b>Total</b>	<b>1,065,496.61</b>	<b>1,024,555</b>



## 6.7 Other Administration Expenses

Table – 30

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Legal fees	246,810.00	201,050
Depreciation	2,747,043.86	2,214,696
Donations	–	379,275
Telephone	926,629.70	713,695
Newspapers and periodicals	440.00	–
Rent	2,031,400.00	2,616,290
Electricity	634,798.57	555,826
News paper advertisements	285,536.00	985,258
Other utilities and services	1,312,919.70	1,690,903
Supplies and requisitions – others	158,344.71	27,517
Staff training	33,000.00	91,000
Stamp duty	11,650.00	10,475
MIS fee	125,000.00	–
Written off WHT/ESC	5,063,957.85	6,362,903
Bad and doubtful debts	173,625.44	–
<b>Total</b>	<b>13,751,155.83</b>	<b>15,848,889</b>

## 7. Selling and Distribution Expenses

Table – 31

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Trade fair and exhibition	–	–
Entertainment	646,594.68	197,138
Registration fees	–	203,539
New project expenses	–	–
Advertising	–	–
<b>Total</b>	<b>646,594.68</b>	<b>400,677</b>

## 8. Net Finance Income

### 8.1 Finance Income

Table – 32

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Fixed deposit interest	8,437,330.78	11,728,514
Treasury bill interest	11,620.26	19,477
Staff loan interest	140,425.97	240,452
Savings account interest	183,458.86	–
BCC Lanka Limited loan interest	2,735,912.40	2,735,912
<b>Total</b>	<b>11,508,748.27</b>	<b>14,724,355</b>



## 8.2 Finance Expenses

Table – 33

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Bank charges	485,256.49	31,717
Overdraft interest	9,358,767.42	13,509,808
Bank loan interest	1,298,623.51	3,536,466
Short term loan interest	3,046,836.51	2,575,704
<b>Total</b>	<b>14,189,483.93</b>	19,653,695
<b>Net finance income</b>	<b>(2,680,735.66)</b>	(4,929,340)

## 9. Taxation

The Company in terms of section 48 (A) of the Inland Revenue Act No. 10 of 2006 as amended by the amendment Act No. 22 of 2011, profits and Income from agricultural undertaking referred to in section 16 of the Inland Revenue Act is liable at the rate of 14% as per the first schedule to this Act. Other profits are liable at normal rates.

### 9.1 Current Tax Expenses

Table – 34

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Current year	-	-
Under/(Over) provisions of Income tax in previous year	-	-
	-	-

### 9.2 Reconciliation between Accounting Profit to Income Tax

Table – 35

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Accounting Profit/(loss) before taxation	(15,144,959.44)	43,267,577
Income from other sources and exempt Income	(33,739,578.41)	(48,349,274)
Aggregate disallowable items	42,784,135.46	43,557,802
Adjusted profit/(Loss) from the business	(6,100,402.39)	38,476,105
Income from other sources	-	-
Total Statutory Income	-	-
Sec 32 deductions	-	-
Qualifying payments	-	-
Taxable income	-	-
Tax on agricultural activities 14%	-	-
Tax on other income 28%	-	-
Deemed dividend tax	-	-
<b>Deferred tax expenses</b>		
Deferred tax charged/(Reversal)	(1,001,556.55)	5,535,371
<b>Total tax expense</b>	<b>(1,001,556.55)</b>	5,535,371



## 10. Earnings per Share/Dividend per Share

### 10.1 Earnings per Share

The basic earnings per share is based on profits attributable to the ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year calculated as follows:

Table – 36

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Net profit for the year	(14,143,403)	37,732,205
Weighted average number of shares	4,637,507	4,637,507
Basic earnings per share	(3.05)	8.14

### 10.2 Dividend per Share

Table – 37

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Dividend for the Year	–	–
Number of Shares	4,637,507	4,637,507
Dividend per Share	–	–

## 11. Property, Plant and Equipment

	Free Hold Land Rs.	Buildings Rs.	Plant and Machinery Rs.	Factory Equipment Rs.	Computer Equipment Rs.
<b>Cost</b>					
Cost as at 01st April 2020	4,605,690.64	272,542,878.26	284,721,103.06	10,902,945.34	12,666,398.75
Additions	–	3,250,794.97	3,901,561.00	318,372.23	246,860.00
Disposals	–	–	–	–	–
Transfer	–	–	–	–	–
Cost as at 31st March 2021	4,605,690.64	275,793,673.23	288,622,664.06	11,221,317.57	12,913,258.75
<b>Accumulated depreciation</b>					
Accumulated depreciation as at 01st April 2020	–	163,344,004.44	228,095,626.64	8,580,777.03	7,580,557.29
Current year depreciation	–	11,478,828.12	15,542,479.22	763,068.13	1,032,808.95
Disposals	–	–	–	–	–
Accumulated depreciation as at 31st March 2021	–	174,822,832.56	243,638,105.86	9,343,845.16	8,613,366.24
Net book value as at 31st March 2021	4,605,690.64	100,970,840.67	44,984,558.20	1,877,472.41	4,299,892.51
Work-in-progress					
<b>Total</b>					

**Table – 38**

Office Equipment Rs.	Furniture and Fittings Rs.	Tools Rs.	Motor Vehicles Rs.	Other Rs.	Total Rs.
3,200,892.07	9,218,288.86	855,851.80	29,089,395.02	11,904,691.07	639,708,134.87
	164,040.00	–	–	1,340,941.10	9,222,569.30
–	–	–	–	–	–
–	–	–	–	–	–
3,200,892.07	9,382,328.86	855,851.80	29,089,395.02	13,245,632.17	648,930,704.17
2,657,999.35	7,032,266.84	748,525.15	27,445,960.64	4,794,294.26	450,280,011.63
158,916.41	584,176.77	38,392.75	1,643,434.17	1,432,688.91	32,674,793.43
–	–	–	–	–	–
2,816,915.76	7,616,443.61	786,917.90	29,089,394.81	6,226,983.17	482,954,805.06
383,976.32	1,765,885.25	68,933.90	0.21	7,018,649.00	165,975,899.11
					2,529,114.25
					168,505,013.36



## 12. Biological Assets

Table – 39

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Note	2020/2021 Rs.	2019/2020 Rs.
At the beginning of the year	12.1	4,869,910.60	3,048,420
Additions during the year		1,333,382.49	1,918,407
Current year depreciation		(104,844.58)	(96,917)
<b>At the end of the year</b>		<b>6,098,448.5</b>	4,869,911

### 12.1 Biological Assets

Table – 40

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Immature Plantation Rs.	Mature Plantation Rs.	Total Rs.
<b>Cost</b>			
Cost as at 1st April 2020	2,082,445.56	2,981,298.74	5,063,744.30
Additions	1,333,382.49	164,038.73	1,497,421.22
Disposals	–	–	–
Transfer	(164,038.73)	–	(164,038.73)
<b>Cost as at 31st March 2021</b>	<b>3,251,789.32</b>	<b>3,145,337.47</b>	<b>6,397,126.79</b>

Table – 41

For the year ended 31st March Kalubowitiyana Tea Factory Limited	Free Hold Land Rs.	Free Hold Land Rs.	Total Rs.
<b>Accumulated depreciation</b>			
Accumulated depreciation as at 1st April 2020	–	193,833.70	193,833.70
Current year depreciation	–	104,844.58	104,844.58
Disposals	–	–	–
<b>Accumulated depreciation as at 31st March 2021</b>	<b>–</b>	<b>298,678.28</b>	<b>298,678.28</b>
<b>Net book value as at 31st March 2021</b>	<b>3,251,789.32</b>	<b>2,846,659.19</b>	<b>6,098,448.51</b>

## 13. Inventories

Table – 42

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Food and beverages	2,839,460.72	15,412,595
Finished goods	126,677,496.98	144,185,225
Consumables stocks	963,421.67	1,190,740
General and other	18,576,336.70	3,475,932
<b>Total</b>	<b>149,056,716.07</b>	164,264,492





## 14. Trade and Other Receivables

Table – 43

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Trade debtors	31,839,202.45	7,475,546
Staff debtors	1,593,753.72	3,286,693
Deposits	6,895,829.34	6,130,829
Advances and prepayments	17,762,483.17	9,490,170
Non-moving balances	3,472,508.71	845,658
Other debit balances	135,124.57	562,644
	61,698,901.96	27,791,541
Less: Provision for bad debts	(1,724,795.28)	(1,551,170)
<b>Total</b>	<b>59,974,106.68</b>	<b>26,240,371</b>

## 15. Short Term Investment

Table – 44

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Treasury bills	261,401.64	261,402
Fixed deposits – People's Bank	97,940,450.53	105,781,259
Fixed deposits (Gratuity investment) – People's Bank	7,364,122.91	8,024,363
Tea Shakthi Fund*	50,000,000.00	50,000,000
Short term investments – ISA	4,150,000.00	3,025,000
<b>Total</b>	<b>159,715,975.08</b>	<b>167,092,024</b>

\* This amount of Rs. 50 Mn. given to Tea Shakthi Fund as a Loan/Lease. Relevant Agreement with the Tea Shakthi Fund has not been finalised.

## 16. Cash and Cash Equivalents

Table – 45

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
People's Bank Account No. 204100140084885 – Headquarters	25,250.00	25,000
People's Bank Account No. 204100130084961 – Headquarters	25,000.00	25,000
People's Bank Account No. 204100140084911 – Headquarters	5,802,768.36	812,712
People's Bank Account No. 060100110000681 – Morawaka	406,271.97	612,838
People's Bank Account No. 060100100000592 – Morawaka	156,263.44	409,068
Bank of Ceylon Account No. 0006065711 – Neluwa	-	1,938
Bank of Ceylon Account No. 75958665 – Pelawatta	25,000.00	25,000
Bank of Ceylon Account No. 205604 – Thawalama	39,368.47	10,424
People's Bank Account No. 256100110021039 – Pilimathalawa	-	-
Cash in hand	155.00	657,592
Cash in transit	811,411.34	578,044
Savings Accounts – People's Bank	2,644,918.39	2,401,460
<b>Total</b>	<b>9,936,406.97</b>	<b>5,559,076</b>



## Unfavourable Cash and Cash Equivalents

Table – 46

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Bank overdraft	(62,975,778.11)	(87,055,800)
<b>Total cash and cash equivalents for the purpose of Cash Flow Statements</b>	<b>(53,039,371.14)</b>	(81,496,724)

## 17. Stated Capital

Table – 47

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
<b>Issued and fully paid</b>		
4,637,507 numbers ordinary shares	46,375,070.00	46,375,070
<b>Total</b>	<b>46,375,070.00</b>	46,375,070

## 18. Reserves

Table – 48

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Grant – General Treasury	–	–
Capital reserves	600,000.00	600,000
Profit and loss account	372,851,741.7	394,854,945
<b>Total</b>	<b>373,451,741.71</b>	395,454,945

## 19. Retirement Benefit Obligation

Table – 49

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
<b>Movement in the present value of defined benefit obligation</b>		
At the beginning of the year	16,275,791.50	11,866,491
Current service cost	2,492,740.26	1,788,060
Interest cost	1,627,579.22	1,305,314
Actuarial gain/Loss	4,425,522.45	1,858,427
Prior year adjustments		
Payments during the year – In cash	(1,178,572.50)	(542,500)
Payable		
<b>At the end of the year</b>	<b>23,643,060.93</b>	16,275,792



## 20. Loan Borrowings – Peoples' Bank

Table – 50

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Balance beginning of the year	14,563,266.92	32,913,267
Loans obtained during the year*	18,500,000.00	–
Repayment during the year	10,102,155.65	18,350,000
<b>Balance of the year</b>	<b>22,961,111.27</b>	14,563,267
Long term borrowings – Peoples' Bank	6,027,778.19	4,600,000
Short term borrowings – Peoples' Bank	16,933,333.08	9,963,267
	<b>22,961,111.27</b>	14,563,267

\* Company obtained Rs. 18.5 Mn. Working Capital loan from Peoples Bank, Head Quarters Branch. Company mortgaged the property at Ambewila, Kalubowitiyana as a security for the above facility.

## 21. Creditors and accrued charges

Table – 51

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Bought Leaf Suppliers	36,776,932.80	18,356,500
Trade Creditors	11,148,254.25	8,326,129
Service Contractors	3,037,978.67	1,118,478
Staff Creditors	2,899,705.79	1,903,517
Accrued Expenses	27,696,309.81	31,375,719
Unclaimed Balances	1,900,136.85	979,654
Suspense and Other Credit Balances	39,728.67	–
<b>Total</b>	<b>83,499,046.84</b>	62,059,997

## 22. Bank Overdrafts

Table – 52

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
People's Bank      Account No.204100140084885	62,973,869.66	87,055,800
People's Bank      Morawaka A/C 060100100000592	1,908.45	–
<b>Total</b>	<b>62,975,778.11</b>	87,055,800

\* Company has taken Rs. 84.9 Mn. Overdraft facility from Peoples Bank, Battaramulla Branch against the fixed deposit worth of Rs. 94,360,820.62 as the security.

## 23. Deferred Tax Liability/(Asset)

Table – 53

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
At the beginning of the year	5,832,365.94	296,995
Transferred to/(from) Income Statement	(381,983.41)	5,535,371
<b>At the end of the year</b>	<b>5,450,382.53</b>	5,832,366

## 24. Income tax payable/Receivable

Table – 54

For the year ended 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Balance as at the beginning of the year	(10,849,289.93)	(1,374,109)
Provision for the Year	–	–
	(10,849,289.93)	(1,374,109)
Payments for the Previous Year		
Payments for the Year		
Gross		
	(10,849,289.93)	(1,374,109)
<b>Tax credits</b>		
Economic service charge	4,773,471.09	(8,196,300)
With holding tax	(611,276.41)	(1,278,881)
<b>Net payable/(Refundable)</b>	<b>(6,687,095.25)</b>	<b>(10,849,290)</b>

## 25. Capital Commitments

There is no Capital expenditure commitment at the balance sheet date.

## 26. Contingencies

### Pending Legal Cases

- (i) A labour case has been filed (Case No. LT/KP/34/19/07) by Mr. L. S. Wijayamanna at Kotapola Labour Tribunal against the Company pleading the courts to reinstate him at his duties stating his dismissal from the service is unfair. The Company has made an appeal at High Court Matara (Case No. HC/AP/232/2019)
- (ii) A labour case has been filed (Case No. LT/KP/34/06/2018) by Mr. H. C. L. P. Heendeniya at Kotapola Labour Tribunal against the company pleading for his retirement.
- (iv) Former Executive Director Mr. A. U. C. Athukorala has lodged a complain at Wanathawilluwa police station with regard to sale of tea fraudulently using the company brand name in Puttalam area. Police has filled a case at Puttalam district court in this regard.

## 27. Events After the Reporting Date

No material events have taken place after the reporting date, that require adjustments to or disclosures in the financial statements.

## 28. Related Party Disclosures

Transactions with the related parties in the ordinary course of business carried out on an arm's length basis.

### 28.1 Transactions with Key Management Personnel (KMP)

KMPs are persons who have authority and responsibility directly or indirectly for planning, directing and controlling the activities of the Company.

The KMP of the Company comprise of the Board of Directors of the Company.



**28.1.1** The compensation of KMPs are disclosed in the note 6 to the accounts.

**28.1.2** No loans were given to KMPs during the Year.

**28.1.3** The shareholdings of the KMPs together with their close family members – None.

**28.1.4** The names of the Directors of the Company, who are also directors of other companies – None.

## 28.2 Transactions with Close Family Members

Close family members are those who may be expected to influence or be influenced in their dealings with the Company.

There were no transactions with close family members during the year.

## 28.3 Dealing with Subsidiaries, Associates and Joint Ventures – None

## 29. Factory Segments

### 29.1 Sales

Table – 55

	Kalubowitiyana Factory Rs.	Derangala Factory Rs.	Hiniduma Hills Factory Rs.	Manikdiwela Factory Rs.	Sales Centre Rs.	Total Rs.
Gross sales	649,038,260.00	203,705,580.00	209,035,610.00	78,175,940.00		1,139,955,390.00
Less: Brokerage and sales expenses	(7,627,805.57)	(3,231,653.91)	(3,391,513.84)	(1,400,194.45)	–	(15,651,167.77)
	641,410,454.43	200,473,926.09	205,644,096.16	76,775,745.55	–	1,124,304,222.23
Add/Less – Inter factory transaction						–
Add: Local sales	20,023,636.90	5,764,128.49	2,478,455.24	3,129,836.00	20,015,968.50	51,412,025.13
<b>Total</b>	<b>661,434,091.33</b>	<b>206,238,054.58</b>	<b>208,122,551.40</b>	<b>79,905,581.55</b>	<b>20,015,968.50</b>	<b>1,175,716,247.36</b>

### 29.2 Cost of Sales

Table – 56

	Kalubowitiyana Factory Rs.	Derangala Factory Rs.	Hiniduma Hills Factory Rs.	Manikdiwela Factory Rs.	Sales Centre Rs.	Total Rs.
Bought leaf	466,296,828.09	158,180,301.64	168,259,179.97	64,583,463.46		857,319,773.16
<b>Manufacturing cost</b>						–
Production cost	85,769,564.21	38,808,993.16	35,195,716.56	23,230,431.25	13,666,711.58	196,671,416.76
General charges	32,621,828.19	19,696,396.07	13,680,460.42	16,829,550.51	4,533,150.20	87,361,385.39
	584,688,220.49	216,685,690.87	217,135,356.95	104,643,445.22	18,199,861.78	1,141,352,575.31
Add: Opening stock	86,368,094.06	29,427,930.94	21,005,153.96	5,821,026.00	1,563,020.28	144,185,225.24
Less: Closing stock	(59,276,319.90)	(30,719,791.20)	(24,418,236.64)	(10,984,858.61)	(1,278,290.63)	(126,677,496.98)
<b>Total</b>	<b>611,779,994.65</b>	<b>215,393,830.61</b>	<b>213,722,274.27</b>	<b>99,479,612.61</b>	<b>18,484,591.43</b>	<b>1,158,860,303.57</b>
Profit/(Loss)	49,654,096.68	(9,155,776.03)	(5,599,722.87)	(19,574,031.06)	1,531,377.07	16,855,943.79



# Detailed Schedules to the Financial Statements

## 1. Trade and Other Receivables

### 1.1 Trade Debtors

Table – 57

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Bought leaf supplier debts	2,203,548.49	2,381,606
Bought leaf supplier loans	—	—
Bought leaf transport loans	175,995.93	316,947
Fertilizer debtors	533.34	—
Trade debtors	29,459,124.69	4,776,993
<b>Sub total</b>	<b>31,839,202.45</b>	7,475,546

### 1.2 Staff Debtors

Table – 58

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Check-roll loan	—	—
Check-roll debts	51,995.91	134,531
Distress loans	1,359,269.75	3,014,658
Festival advances	37,251.87	252
Labour festival advance	2,022.83	4,400
Staff debtors	127,985.96	130,452
Payee tax receivable	15,227.40	2,400
<b>Sub total</b>	<b>1,593,753.72</b>	3,286,693

### 1.3 Deposits

Table – 59

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Deposits Receivable	6,895,829.34	6,016,829
Bungalow Key Money	—	114,000
<b>Sub total</b>	<b>6,895,829.34</b>	6,130,829



## 1.4 Prepayments and Other Receivables

Table – 60

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Accounts payable/receivable	1,265,595.44	–
Co-operative marketing federation	2,824.28	–
Emergency advance	–	–
FD interest receivable	5,623,494.08	–
Kotapola MPCS	–	–
Laugh petroleum	2,018.58	–
Short delivery	44,046.34	43,896
Tea sales centre	9,758.51	–
Telephone dialog bill	–	7,816
Insurance receivable	–	–
Anniversary celebration	–	669,680
New cleaning field	–	–
Officers welfare society	4,238,125.77	–
Other advances	1,408,881.71	1,394,322
Petty cash	–	32,490
Pre payments	3,527,993.69	3,361,831
Stamps	5,111.50	5,007
Sundry debtors	1,450,166.27	446,515
Refuse tea suppliers	184,467.00	–
<b>Sub total</b>	<b>17,762,483.17</b>	<b>5,961,557</b>

## 1.5 Non-Moving Balances

Table – 61

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Tea small holding development authority	18,931.25	18,931
Somerville & Company	798,461.15	798,461
T.G. Hemachandra	27,258.70	27,259
Interest receivable	–	(0.9)
Over paid insurance	1,008.24	1,008
Cic fertilizer	348,750.00	348,750
Hayleys agro	366,029.96	366,030
ISO programme	356,972.00	356,972
M.P.C.S. Agalawatta	227,024.65	227,025
Unidil packaging	52,914.10	52,914
Site preparation	202,037.70	202,038
Giragama state	1,046,770.96	1,046,771
WHMU priyantha	26,350.00	26,350
Withholding tax receivable	–	901,763
Staff debts	–	–
<b>Sub total</b>	<b>3,472,508.71</b>	<b>4,374,271</b>



## 1.6 Other Debit Balances

Table – 62

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Suspense account	–	562,644
Sundry abatement/Bank remittance	135,124.57	–
<b>Sub total</b>	<b>135,124.57</b>	562,644
<b>Grand total</b>	<b>61,698,901.96</b>	27,791,541
Provision for bad and doubtful debts	(1,724,795.28)	(1,724,795)
<b>Net total</b>	<b>59,974,106.68</b>	26,066,746

## 2. Creditors and Accrued Charges

### 2.1 Bought Leaf Creditors

Table – 63

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Bought leaf suppliers	36,776,932.57	18,356,500
<b>Sub total</b>	<b>36,776,932.57</b>	18,356,500

### 2.2 Trade Creditors

Table – 64

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
A.W. Ranasighe filling station	–	–
Abyewickrama stores	–	–
Accounts payable	–	465,302
Agstar fertilizer	97,297.60	97,298
Allied commercial	–	–
Alliance trust insurance	–	–
Ariyasiri hardware	–	–
Bank loan	4,500.00	4,500
Baurs fertilizer	282,000.00	282,000
Britex safety	–	–
Ceylon fertilizer	348,750.00	348,750
Ceylon paper sacks	–	–
Chandana engineering	10,400.00	37,750
CIC fertilizer	–	–
CIC poultry farm	–	–
Colombo agro fertilizer	–	–
Colombo commercial company	–	–
CPPS account	–	–
Eagle traders	–	–
Eastern trading	10,082.58	–
Firewood	–	–
Firewood contractors	167,875.00	563,275
Hayleys agro	–	–
Helix engineering	381,226.60	974,417
Hettiarachchi hardware	–	–
Hightech engineers	74,350.00	74,350





Table – 64

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Jayakody filling station	-	-
Jayasinghe & company	46,000.00	-
Kotapola hardware	-	-
Kotapola MPCs	-	-
Lanka sathosa	-	-
Laugh petroleum	-	105,679
Liyanage stores	30,400.00	30,400
Morawaka hardware	-	-
Morawaka stores	-	-
MPCS agalawattha	-	-
Manur debt	-	-
P A Ariyadasa & son	-	-
Quikpack (pvt) Ltd.	-	1,274
Rent payable to BCC Lanka	750,000.00	750,000
Retention payable	70,000.04	-
Refuse tea cash deposit payable	-	40,000
Sandaru products	-	-
Sales centre	-	-
Singer Sri Lanka	-	-
SLN sangamaya	-	-
Southern engineering company	-	-
St Regis packaging	-	-
Sundry creditors/other suppliers	8,875,372.23	4,551,136
<b>Sub total</b>	<b>11,148,254.05</b>	<b>8,326,129</b>

## 2.3 Service Contractor Payments

Table – 65

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Green leaf transport	3,037,978.46	1,005,830
Leaf bag unloading contractors	-	41,300
Green leaf spreading	-	38,743
Leaf bag loading contractors	-	32,605
Sundry contractors	-	-
<b>Sub total</b>	<b>3,037,978.46</b>	<b>1,118,478</b>

## 2.4 Staff Creditors

Table – 66

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Check roll/Casual work	1,552,283.81	1,448,684
Provision for holiday wages	402,200.93	-
Staff overtime	499,859.05	122,002
Provision for incentive bonus	-	-
Gratuity payable	445,362.00	332,832
<b>Sub total</b>	<b>2,899,705.79</b>	<b>1,903,517</b>



## 2.5 Accrued Expenses

Table – 67

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Audit fee payable	612,000.00	793,500
B'leaf supplier deposits payable	4,662,228.30	4,154,468
Cancelled cheques	903,380.00	843,158
CCC plantation	1,518,500.94	1,515,501
CESU	31,646.00	24,806
Cargills bank	1,328,747.12	1,813,294
Ceylon electricity board	-	1,203,490
Co- Operative – Yatinuwara	136,937.00	154,472
Coconut suppliers	-	-
Deposit payable	201,650.00	176,650
Dialog Telecom	-	-
Diesel purchases – LJ3402	-	-
ELKA rice mill	-	-
ESC payable	-	-
Employees' Provident Fund	1,525,863.81	2,012,959
Employees' Trust Fund	271,733.84	283,384
CPPS	45,178.58	47,858
Eastern trading agency	-	10,083
Filling station	-	-
G.W. Sriyaratne	-	-
Gamini engineering	144,914.75	144,915
General engineering services	-	-
Holiday payments	-	482,618
Head office STN	1,105,253.60	1,593,643
Insurance	-	276,400
Lalain engineering	1,566,001.92	1,566,002
Lanka jathika states work	-	1,224
Laudgh petroleum	43,515.88	27,291
Co operative marketing federation	-	213,639
Mobile phone bill	-	-
National water supply	-	9,567
Other accrued expenses	5,978,000.88	7,276,404
PAYE surcharge	59,344.00	59,344
PAYE tax	-	(7,797)
Return cheque	-	10,000
SANASA b'leaf supplier loan	-	21,200
Shantha electricals	-	-
Sponsorship receipts	-	195,500
Sri Lanka co-operative	-	-
Sri Lanka Telecom	3,184.97	7,099
Stamp duty payable	113,089.44	3,906
Stamps	-	-
Sundry abatement/Bank remittance	-	(141,009)
Sundry transport	-	-
Sundry cash	-	-
Sri Lanka tea board	-	-
Tax fees	-	-
Ranmeer holding	61,566.39	61,566



Table – 67

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Tea shakthi fund	2,049,959.82	2,049,960
Tea sale centre	-	-
UPW union	2,746.00	6,188
WHT payable	-	25,250
Welfare society	35,200.00	72,746
Randalu welfare society	214,600.00	202,150
Officers welfare society	5,081,066.57	4,184,293
<b>Sub Total</b>	<b>27,696,309.81</b>	<b>31,375,719</b>

## 2.6 Other Credits

Table – 68

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Suspense account	-	-
Tea short deliveries	-	-
Short advance	39,728.67	-
<b>Sub total</b>	<b>39,728.67</b>	<b>-</b>

## 2.7 Unclaimed Balances

Table – 69

As at 31st March Kalubowitiyana Tea Factory Limited	2020/2021 Rs.	2019/2020 Rs.
Check-roll wages	869,370.90	92,297
Insurance	-	-
Bought leaf suppliers	-	41,476
Salaries and wages	273,698.78	-
Staff salaries	56,106.86	813,944
Staff medical	-	-
Bonus	700,960.31	26,960
Festival advance	-	4,977
<b>Sub total</b>	<b>1,900,136.85</b>	<b>979,654</b>
<b>Grand total</b>	<b>83,499,046.20</b>	<b>62,059,997</b>



## Financial Highlights of Preceding Ten Years

	2020/2021 Rs.	2019/2020 Rs.	2018/2019 Rs.	2017/2018 Rs.
Net sales	<b>1,175,716,247.36</b>	937,789,275.06	971,792,179.69	1,004,319,623.10
Cost of sales	<b>(1,158,860,303.57)</b>	(845,680,912.52)	(985,257,848.93)	(983,007,160.69)
<b>Gross profit</b>	<b>16,855,943.79</b>	92,108,362.54	(13,465,669.24)	21,312,462.41
Other income	<b>26,749,129.73</b>	21,925,980.98	24,262,802.24	26,091,300.53
<b>Profit before operating expenses</b>	<b>43,605,073.52</b>	114,034,343.52	10,797,133.00	47,403,762.94
<b>Administration and establishment expenses</b>				
Selling and distribution and other expenses	<b>(44,560,549.03)</b>	(51,113,071.98)	(45,165,514.15)	(41,116,894.46)
<b>Profit from operating activities</b>	<b>(955,475.51)</b>	62,921,271.54	(34,368,381.15)	6,286,868.48
Finance expenses	<b>(14,189,483.93)</b>	(19,653,694.91)	(18,579,649.64)	(13,219,529.74)
<b>Net profit before taxation</b>	<b>(15,144,959.44)</b>	43,267,576.63	(52,948,030.79)	(6,932,661.26)
Income tax	<b>1,001,556.55</b>	(5,535,371.27)	4,167,928.45	(654,697.98)
<b>Net profit after taxation</b>	<b>(14,143,402.89)</b>	37,732,205.36	(48,780,102.34)	(7,587,359.24)

**Table – 70**

2016/2017 Rs.	2015/2016 Rs.	2014/2015 Rs.	2013/2014 Rs.	2012/2013 Rs.	2011/2012 Rs.
935,591,884.34	775,730,199.81	751,044,477.30	779,486,292	769,483,494	638,941,282
(881,617,227.76)	(767,358,579.26)	(737,909,957.50)	(747,630,426)	(732,146,392)	(536,329,532)
53,974,656.58	8,371,620.55	13,134,519.80	31,855,865	37,337,103	102,611,750
19,676,356.10	43,465,176.11	42,923,956.86	26,770,146	18,908,625	13,697,746
73,651,012.68	51,836,796.66	56,058,476.66	58,626,011	56,245,728	116,309,496
(33,262,579.21)	(31,413,579.54)	(36,183,737.86)	(28,971,387)	(29,231,329)	(25,279,941)
40,388,433.47	20,423,217.12	19,874,738.80	29,654,625	27,014,399	91,029,555
(9,164,033.62)	(8,428,981.00)	(2,885,464.36)	(2,105,842.47)	(107,679.26)	(585,336.80)
31,224,399.85	11,994,236.12	16,989,274.44	27,548,782	26,906,720	90,444,218
(1,723,391.30)	(2,178,708.00)	(3,851,962.00)	(8,213,713)	(5,112,710)	(11,182,452)
29,501,008.55	9,815,528.12	13,137,312.44	19,335,069	21,794,010	79,261,766



## Notes

# Corporate Information

## Name of the Company

Kalubowitiyana Tea Factory Limited

## Company Registration No.

PB 1020

## Shifted Office

No. 53, Rathnayaka Road, Pelawatta, Battaramulla.

## Legal Firm

A Public Company with Limited Liability Incorporated in Sri Lanka on 30th September 1992.

## Telephone No.

+94 11 278 6734  
+94 11 278 6469  
+94 11 278 6713

## Fax No.

+94 11 464 5279

## Email Address

office.gen@kalubowitiyanatea.lk

## Auditors

National Audit Office  
No. 306/72,  
Polduwa Road,  
Battaramulla.

## Secretaries

Corporate Services Limited,  
No. 216, De Saram Place,  
Colombo 10.

## Lawyers

F J & G De Saram  
Attorney-at-Law & Notaries Public  
No. 216, De Saram Place,  
Colombo 10.

## Bankers

People's Bank

## Board of Directors

Mr. B. K. Aminda Umesh Rodrigo – (Chairman)  
Mrs. W. A. Indrani Sugathadasa  
Mr. H. Hemal Kasthuriarachchi  
Mr. Don Upul Abeysondera  
Mr. W. K. B. T. Kumara Alwis  
Mr. Jayantha Wijesinghe  
Mr. R. C. D. Jayawardena  
Mrs. D. M. M. Dissanayake

## Corporate Management

Mrs. S. A. Nirosha Lalani  
(Manager Finance)  
Mr. T. W. M. S. P. Bandara  
(Manager/Administration and Human Resources)  
Mr. P. Dehiwalage  
(Assitant Manager Finance)  
Mr. A. A. M. Afras  
(Assistant Manager/Marketing)  
Mr. T. A. D. J. C. Thilakarathna  
(Manager/Kalubowitiyana Tea Factory)  
Mr. Thusitha Siriwardana  
(Manager/Derangala Tea Factory)  
Mr. L. A. D. D. I. Nandasiri  
(Assistant Manager/Hiniduma Hills Tea Factory)  
Mr. D. J. Mohottige  
(Manager/Manikdewela Tea Factory)

## Factories

**Kalubowitiyana CTC Factory**  
Abeywila, Kalubowitiyana.  
Tel/Fax : +94 91 378 3020  
Email : ktf.gen@kalubowitiyanatea.lk

**Derangala Tea Factory**  
Kiriwelkelle, Pitabeddara.  
Tel/Fax : +94 91 378 3621  
Email : dtf.gen@kalubowitiyanatea.lk

**Hiniduma Hills Tea Factory**  
Jesmin Velly Junction, Thawalama.  
Tel/Fax : +94 41 720 1222  
Email : htf.gen@kalubowitiyanatea.lk

**Manikdewela Tea Factory**  
Thismada Road, Manikdewela.  
Tel/Fax : +94 81 206 9620/21  
Email : mtf.gen@kalubowitiyanatea.lk

Design and Concept by

**Kalubowitiyana Tea Factory Limited**

No. 53, Rathnayaka Road, Pelawatta,  
Battaramulla. Sri Lanka.

Telephone No. : +94 11 278 6734/6469/6713

Email : [office.gen@kalubowitiyanatea.lk](mailto:office.gen@kalubowitiyanatea.lk)