

01st March, 2019

The Board of Directors,
Bogawantalawa Tea Estate PLC,
No. 153, Nawala Road,
Narahenpita,
Colombo 05.

Dear Sirs,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF BOGAWANTALAWA TEA ESTATES PLC

Introduction

This report has been prepared for the inclusion in the Prospectus of Bogawantalawa Tea Estates PLC for the purpose of issue of senior, listed, rated, convertible, unsecured and redeemable debenture to raise LKR 850,000,000 (Rupees eight hundred and fifty million).

We have examined the financial statements of Bogawantalawa Tea Estate PLC from the financial years ended 31st March, 2014 to 31st March, 2018 and report as follows:

1. Incorporation

Bogawantalawa Tea Estates PLC is a public quoted company incorporated in Sri Lanka on 22nd June 1992 under the Companies Act No.17 of 1982. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 8th April 2008 and bears registration number PQ124. Accordingly, the name of the Company has changed to Bogawantalawa Tea Estates PLC. The shares of the Company have listed on Diri Savi Board on the Colombo Stock Exchange.

2. Financial statements

2.1 Five years summary of financial statements

A summary of the statement of comprehensive income and statement of financial position of the Company and the Group for the financial years ended 31st March 2014 to 31st March 2018, based on the audited financial statements are set out on Annexure 01 to 04 of the Accountants' Report.

2.2 Audit reports

We have audited the financial statements of the Company and the Group for the financial years ended 31st March 2014 to 31st March 2018. Unqualified audit opinions have been issued for the said financial years.

2.3 Going concern

No reservations have been made in the auditors' reports on the going concern of the Company and the Group during the last five years.



2.4 Accounting policies

The financial statements of the Company and the Group for the financial years ended 31st March, 2014 to 31st March, 2018 have been prepared in accordance with Sri Lanka Accounting Standards.

The accounting policies are stated in detail in the audited financial statements of Bogawantalawa Tea Estate PLC for the year ended 31st March, 2018. The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements.

2.5 Dividends

The Company has not paid dividends in respect of Ordinary Shares during the last five financial years ended up to 31st March, 2018.

2.6 Events after the reporting date - 31st March, 2018

Subsequent to the date of the reporting period, there have been no other events between the reporting period date and the date on which the financial statements are authorized for issue, which require adjustments to or disclosures in the financial statements.

2.7 Restriction on use

This report is made solely for the purpose of the Board of Directors of Bogawantalawa Tea Estate PLC in usage in the application for the purpose of issue of senior, listed, rated, convertible, unsecured and redeemable debenture to raise LKR 850,000,000 (Rupees eight hundred and fifty million). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for this report we have formed. This report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully,

BDO Partners

CHARTERED ACCOUNTANTS

HA/cc



BOGAWANTALAWA TEA ESTATES PLC
STATEMENT OF COMPREHENSIVE INCOME

Annexure 01
Group

For the year ended 31st March	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
Revenue	4,793,698,281	4,198,406,096	4,178,007,324	4,251,295,931	3,975,150,795
Cost of sales	(4,168,567,152)	(3,763,989,270)	(3,891,350,401)	(4,025,999,108)	(3,718,582,367)
Gross profit	625,131,129	434,416,826	286,656,923	225,296,823	256,568,428
Gain on fair value of consumable biological assets	152,039,686	116,436,579	123,914,689	186,797,979	118,734,030
Other income	139,270,060	169,827,977	149,721,020	213,611,554	134,427,677
	916,440,875	720,681,382	560,292,632	625,706,356	509,730,135
Administration and other expenses	(455,554,780)	(367,965,924)	(307,279,432)	(274,490,897)	(327,589,679)
Distribution expenses	(73,603,032)	(119,485,532)	(110,620,866)	(108,943,455)	(79,130,231)
Management fee expenses	(15,699,944)	(6,931,414)	(4,392,986)	(2,493,877)	(27,979,950)
Other expenses			(22,206,945)		
Net finance income/(expenses)	(186,454,789)	(164,219,080)	(116,858,115)	(108,080,455)	(98,974,192)
	(731,312,545)	(658,601,950)	(561,358,344)	(494,008,684)	(533,674,052)
Profit before taxation	185,128,330	62,079,432	(1,065,712)	131,697,672	(23,943,917)
Income tax expenses	(143,463,795)	(259,965)	(269,878)	(215,529)	(4,665,323)
Profit for the year	41,664,535	61,819,467	(1,335,590)	131,482,143	(28,609,240)
Earnings per share	0.50	0.74	(0.02)	1.57	(0.34)



BOGAWANTALAWA TEA ESTATES PLC
STATEMENT OF COMPREHENSIVE INCOME

Annexure 02
Company

For the year ended 31st March	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
Revenue	3,436,634,841	2,809,814,989	2,820,868,676	2,824,287,042	2,763,788,002
Cost of sales	(2,998,553,094)	(2,650,953,312)	(2,830,579,904)	(2,831,747,437)	(2,762,436,615)
Gross profit	438,081,747	158,861,677	(9,711,228)	(7,460,395)	1,351,387
Gain on fair value of consumable biological assets	152,039,686	116,436,579	123,914,689	186,797,979	118,734,030
Other income	138,719,830	152,934,489	149,679,959	175,230,098	165,975,323
	728,841,263	428,232,745	263,883,420	354,567,682	286,060,740
Administration and other expenses	(228,414,188)	(213,398,484)	(182,894,811)	(168,002,454)	(230,257,164)
Management fee expenses	(15,699,944)	(6,931,414)	(3,861,640)	-	(24,228,544)
Net finance income/(expenses)	(117,964,518)	(113,604,604)	(73,563,994)	(67,309,807)	(70,540,065)
	(362,078,650)	(333,934,502)	(260,320,445)	(235,312,261)	(325,025,773)
Profit before taxation	366,762,613	94,298,243	3,562,975	119,255,421	(38,965,033)
Income tax expenses	(203,198,574)	(135,412)	(269,389)	(211,813)	(540,302)
Profit for the year	163,564,039	94,162,831	3,293,586	119,043,608	(39,505,335)
Earnings per share	1.95	1.12	0.04	1.42	(0.47)



BOGAWANTALAWA TEA ESTATES PLC
STATEMENT OF FINANCIAL POSITION

Annexure 03
Group

As at 31st March	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
ASSETS					
Non-current assets					
Right to use of land	234,669,568	243,129,548	251,589,518	260,059,180	268,519,149
Immovable JEDB/SLSPC estate assets on finance lease (other than right to use of land)	144,951	1,159,990	1,352,110	3,214,201	5,437,227
Tangible assets other than bearer biological assets	873,128,788	938,240,593	908,239,429	902,807,860	947,651,935
Intangible assets	750,437	1,104,214	869,548	1,028,767	373,361
Bearer biological assets	1,986,712,220	1,841,695,085	1,689,504,410	1,573,024,044	1,458,168,381
Consumable biological assets	888,346,483	775,206,065	670,868,982	615,756,358	531,388,185
Capital work-in-progress	71,617,345	5,238,838	96,930,797	96,551,941	64,152,557
Investments	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Deferred tax assets	59,463,137	-	-	-	-
Total non-current assets	4,129,832,929	3,820,774,333	3,634,354,794	3,467,442,351	3,290,690,795
Current assets					
Produce on bearer plants	10,916,577	13,650,837	4,185,724	4,347,960	-
Inventories	722,688,728	676,234,069	505,167,898	630,897,455	582,490,910
Trade and other receivables	476,553,743	461,716,350	712,254,681	592,008,142	515,934,093
Amount due from related parties	30,896,836	21,867,624	21,034,695	43,163,688	52,343,066
Cash and cash equivalents	85,308,009	42,664,707	49,003,415	38,940,281	38,969,252
Total current assets	1,326,363,893	1,216,133,587	1,291,646,413	1,309,357,526	1,189,737,321
Total assets	5,456,196,822	5,036,907,920	4,926,001,207	4,776,799,877	4,480,428,116
EQUITY AND LIABILITIES					
Equity					
Stated capital	586,250,010	586,250,010	586,250,010	586,250,010	586,250,010
Retained earnings	896,084,792	796,749,402	617,784,928	510,426,469	420,777,816
Equity attributable to owners of the parent	1,482,334,802	1,382,999,412	1,204,034,938	1,096,676,479	1,007,027,826
Non-controlling interest	20	20	20	20	20
Total equity	1,482,334,822	1,382,999,432	1,204,034,958	1,096,676,499	1,007,027,846
Non-current liabilities					
Interest bearing borrowings	282,934,292	390,001,980	630,309,787	458,179,338	620,861,552
Liability to make lease payments	8,774,831	15,127,848	9,687,100	13,966,546	24,176,451
Retirement benefit obligations	654,528,206	688,619,462	758,691,764	802,669,171	694,787,142
Grants and subsidies	125,449,514	145,325,485	157,241,069	158,072,477	163,662,110
Deferred income	253,295,414	262,676,724	272,058,035	281,439,346	290,820,657
Net liability to lessor of JEDB/SLSPC estates	472,811,858	482,921,170	492,641,663	501,988,290	510,975,432
Deferred tax liability	195,156,019	-	-	-	25,000,000
Total non-current liabilities	1,992,950,134	1,984,672,669	2,320,629,418	2,216,315,168	2,330,283,344
Current liabilities					
Trade and other payables	816,342,088	706,181,233	594,483,051	647,312,051	550,029,538
Amount due to related parties	56,552,949	27,326,300	26,617,176	26,652,459	26,527,403
Dividend payable	211,795	211,795	189,051	189,962	4,925,516
Short-term borrowings	580,989,154	452,550,400	408,142,900	438,239,050	281,735,280
Income tax liability	-	-	-	211,813	540,302
Current portion of interest bearing borrowings	209,683,988	255,513,273	233,429,805	130,882,823	136,476,373
Current portion of liability to make lease payments	6,307,899	8,821,076	9,814,084	12,489,505	13,597,313
Current portion of net liability to lessor of JEDB/SLSPC estates	10,109,312	9,720,493	9,346,628	8,987,142	8,641,483
Redeemable debentures - current maturity	-	-	-	25,000,000	25,000,000
Bank overdrafts	300,714,681	208,911,249	119,314,136	173,843,405	95,643,718
Total current liabilities	1,980,911,866	1,669,235,819	1,401,336,831	1,463,808,210	1,143,116,926
Total liabilities	3,973,862,000	3,653,908,488	3,721,966,249	3,680,123,378	3,473,400,270
Total equity and liabilities	5,456,196,822	5,036,907,920	4,926,001,207	4,776,799,877	4,480,428,116



BOGAWANTALAWA TEA ESTATES PLC
STATEMENT OF FINANCIAL POSITION

Annexure 04
Company

As at 31st March

	2018	2017	2016	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Right to use of land	234,669,568	243,129,548	251,589,518	260,059,180	268,519,149
Immovable JEDB/SLSPC estate assets on finance lease (other than right to use of land)	144,951	1,159,990	1,352,110	3,214,201	5,437,227
Tangible assets other than bearer biological assets	539,197,045	577,324,737	602,006,418	582,380,501	601,393,296
Intangible assets	-	-	-	-	-
Bearer biological assets	1,986,712,220	1,841,695,085	1,689,504,410	1,573,024,044	1,458,168,381
Consumable biological assets	888,346,483	775,206,065	670,868,982	615,756,358	531,388,185
Capital work-in-progress	71,617,345	5,238,838	4,402,855	14,077,145	22,590,497
Investments	78,300,000	78,300,000	78,300,000	78,300,000	78,300,000
Total non-current assets	3,798,987,612	3,522,054,263	3,298,024,293	3,126,811,429	2,965,796,735
Current assets					
Produce on bearer plants	10,916,577	13,650,837	4,185,724	4,347,960	-
Inventories	458,485,668	354,064,639	279,994,648	359,804,094	391,540,877
Trade and other receivables	205,708,830	212,119,316	357,959,780	295,151,192	238,492,215
Amount due from related parties	3,352,643	2,864,361	3,113,391	2,985,807	3,110,207
Cash and cash equivalents	31,059,266	30,578,247	47,176,128	20,234,965	30,151,196
Total current assets	709,522,984	613,277,400	692,429,671	682,524,018	663,294,495
Total assets	4,508,510,596	4,135,331,663	3,990,453,964	3,809,335,447	3,629,091,230
EQUITY AND LIABILITIES					
Equity					
Stated capital	586,250,010	586,250,010	586,250,010	586,250,010	586,250,010
Retained earnings	957,893,868	737,391,387	529,935,182	419,975,638	340,644,386
Equity attributable to owners of the parent	1,544,143,878	1,323,641,397	1,116,185,192	1,006,225,648	926,894,396
Non-controlling interest	-	-	-	-	-
Total equity	1,544,143,878	1,323,641,397	1,116,185,192	1,006,225,648	926,894,396
Non-current liabilities					
Interest bearing borrowings	185,304,142	252,195,440	454,609,232	304,720,196	382,342,641
Liability to make lease payments	8,774,831	12,495,315	5,942,355	11,487,414	21,106,086
Retirement benefit obligations	631,237,454	662,201,423	733,660,356	780,411,180	677,486,884
Grants and subsidies	125,449,514	145,325,485	157,241,069	158,072,477	163,662,110
Deferred income	253,295,414	262,676,724	272,058,035	281,439,346	290,820,657
Net liability to lessor of JEDB/SLSPC estates	472,811,858	482,921,170	492,641,663	501,988,290	510,975,432
Deferred tax liability	195,156,019	-	-	-	25,000,000
Total non-current liabilities	1,872,029,232	1,817,815,557	2,116,152,710	2,038,118,903	2,071,393,810
Current liabilities					
Trade and other payables	679,777,765	582,747,495	459,050,935	505,744,264	441,658,974
Amount due to related parties	25,374,559	27,409,508	27,388,065	24,718,625	24,856,569
Dividend payable	211,795	211,795	189,051	189,962	4,925,516
Income tax liability	-	-	-	211,813	540,302
Current portion of interest bearing borrowings	161,243,576	224,963,769	187,354,251	96,263,553	102,262,315
Current portion of liability to make lease payments	3,792,079	7,700,660	7,845,091	9,631,805	11,433,734
Current portion of net liability to lessor of JEDB/SLSPC estates	10,109,312	9,720,493	9,346,628	8,987,142	8,641,483
Redeemable debentures - current maturity	-	-	-	25,000,000	25,000,000
Bank overdrafts	211,828,400	141,120,989	66,942,041	94,243,732	11,484,131
Total current liabilities	1,092,337,486	993,874,709	758,116,062	764,990,896	630,803,024
Total liabilities	2,964,366,718	2,811,690,266	2,874,268,772	2,803,109,799	2,702,196,834
Total equity and liabilities	4,508,510,596	4,135,331,663	3,990,453,964	3,809,335,447	3,629,091,230