Heladiv®

T E A   F R O M   P A R A D I S E

HVA Foods PLC - Annual Report 2014-15

Read the HVA Foods PLC Annual Report online.
www.heladiv.com

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HELADIV stems from the word Heladiva, symbolising a product that is home grown and synonymous with Ceylon Tea. HELADIV also connotes taking pride and distinction in an indigenous product while serving the needs of the modern market place.

Registered as a brand in over 40 countries around the world HELADIV has also been a pioneer in product development in keeping with the dynamic changes taking place in the global marketplace. So much so that it has carved out a special niche for itself in the international arena.

Heladiv®

TEA FROM PARADISE

VISION

Our Vision is to make HVA FOODS PLC a truly global company dealing in every kind of tea & tea based products.

MISSION

To drive the flagship brand HELADIV to win customer confidence and loyalty in tea and tea based products in all corners of the world, thereby empowering HVA FOODS PLC to reach its objectives.

Heladiv®

TEA FROM PARADISE

Heladiv®

TEA FROM PARADISE

Symbolising Product excellence and customer Confidence

All teas packed under the HELADIV brand come with a guarantee of product quality. The Heladiv 'Pure Ceylon Tea' range is also branded with the Lion logo, the recognised seal of guarantee for single origin tea blends.

Sri Lanka is a designated 'ozone-friendly' nation complying with all protocols related to the reduction of harmful chemicals that deplete the ozone layer including zero use of banned chemicals in Sri Lankan tea plantations. Ceylon tea is now among the cleanest produced in the world and consequently, the Heladiv 'Pure Ceylon Tea' range proudly carries the ozone-friendly Earth Lung logo on its packs.

At the HVA production facility, we observe the 'good earth policy' focusing on the conservation of energy, minimal wastage, re-cycling of waste with zero emissions and the protection of fauna and flora. These principles are inherent in the Heladiv brand and in all we do.

The HVA Group conscientiously adheres to the corporate ethics elaborated elsewhere in this annual report. The company has enjoyed perfect industrial harmony over the years; a testimony to our continuing practice of ethical values at every level and the reason why we term our products 'guilt-free'.

Tea is a fine beverage that helps maintain a balanced life style. New research has emerged on the therapeutic and curative properties of tea, which is considered to be rich in anti-oxidants. Our research and development department continuously analyses our teas to balance taste, detect chemical residue and guarantee purity. Our products are pure and health-supportive and aid in healthy living.

This is an additional strength when marketing our products through major supermarkets and independent stores around the world. Transparent and globally recognised certifications guarantee fair prices to consumers and Fair Trade premiums to the manufacturer.

The Rainforest Alliance Certified seal assures consumers that the product they are purchasing has been grown and harvested using environmentally and socially responsible practices. HVA works to conserve biodiversity and improve livelihoods by implementing globally recognised sustainability standards in a diversity of industry areas.

USDA organic is a labelling term that indicates that food or other agricultural products have been produced through approved mechanisms that integrate cultural, biological, and mechanical practices that offer cycling of resources, promote ecological balances & conserve biodiversity. Synthetic fertilizers, sewage sludge, irradiation and genetic engineering may not be used.

Organic EU adheres to the strictest EU legal provisions for sustainable farming & high quality food products supplying to EU market, responding to citizens growing expectations for food to be environmentally sustainable & healthy. It also confirms that products bearing this logo are not originated through Genetically Modified Organisms (GMO).

"Halal" is an Arabic word which means lawful or permissible. Any food or drink which carries this logo is permitted for Muslim consumption. It also implies that meat is derived from animals slaughtered in accordance with the Islamic Law. Hence products of the HVA group are suitable for the Muslim population spread all over the world as we don't use any non-permitted ingredients.

Our state-of-the-art manufacturing facility complies with the ISO 22000:2005 Food Safety management international requirements. This certification confirms that every food product produced in our processes are free from physical, chemical & microbiological hazards whilst managing our supplier chain. This is achieved through continuous monitoring of critical control points and maintaining the highest degree of Good Manufacturing Practices. The system is periodically assessed internally as well as by an accreditation institution.

Earth Lung · Good Earth · www.heladiv.com · Health Supportive

CHAIRMAN'S STATEMENT

Although we had to contend with tough marketing conditions, the Company achieved a positive growth and profitability before providing for exchange rate fluctuation in the working capital portfolio. This, we did with conscious risk management on overdue payments and by establishing new markets and products.

Read Chairman's Message online.
www.heladiv.com/about-us/annual-reports

Dear Shareholders,

The past year has been one of the most difficult periods for the entire tea industry. Sri Lanka's traditional importing countries continue to experience economic hardships arising out of war, civil commotion and trade sanctions imposed by the US and the Western allies. The countries affected are the largest buyers of Ceylon orthodox teas, namely Russia, Ukraine, Iran, Syria, Libya and Iraq. Exports to these countries amount to more than 60% of the total exports out of Sri Lanka.

This has adversely affected the weekly prices at the Colombo tea Auctions. Colombo Tea Auctions, once the most expensive auction centre in the world, had to make a course correction to stay active. The declining prices at the auctions naturally filters down to the smallholder farmers with a gradual reduction in revenue for green leaf. In order to placate the smallholder tea farmers, a guaranteed price of Rs. 80/- per kg. for green leaf was offered by the Government as an election promise. The new Government installed in January 2015 had to allocate a substantial amount of money coming close to Rs. one billion per month, to dole out this subsidy. This has created a two tier operating system favouring only one segment of the plantation industry. We sincerely hope the practice of handouts to a 150 year old industry will be replaced by a system based on quality, coupled with productivity.

When taking into account the economic fundamentals governing the trading in agricultural commodities, there is no need to panic over the current decline in tea prices, as the prices are directly linked to the global supply & demand position. Unfortunately, most people have not understood this economic phenomenon but blindly hold the tea exporters responsible for the low prices.

Amidst this doom and gloom, there are positive signs emerging. The prospects of a settlement to the long drawn political battle between the USA and Iran and the stabilising of the Russian Ruble will hopefully improve the demand for teas from these countries. Locally, the change of administration at the Ministry of Plantations and the Sri Lanka Tea Board has vastly improved the interaction between the officials and representatives of the trade. They have now understood the importance of promotion & marketing of indigenous tea brands in the global market place to entice consumers to buy Ceylon Teas. Although the scheme is four years too late, the cabinet approval received for the Global marketing campaign will have positive results in reversing the negative effects at the Colombo tea auctions. For five long years, when the tea prices enjoyed a premium at the Colombo Auction, the top bureaucrats were comfortable in assuming that prices would continue to maintain high levels and purposely delayed the global marketing campaign. What we are seeing today are the ill effects of bad decisions taken in the recent past.

For us at HVA, the global position enjoyed in the branded tea sector did not change drastically except in the Russian Federation where orders were held back due to delayed payments. The company is more than ever hopeful of expanding its market share in the specialty tea sector. As in any FMCG product, building a market share is a painfully slow process. This, coupled with the economic woes of the consumers make market expansion that much more difficult. The year under reference tested our skills and strengths to its maximum. Although we had to contend with tough marketing conditions, the Company achieved a positive growth and profitability before providing for exchange rate fluctuation in the working capital portfolio. This we did with conscious risk management on overdue payments and by establishing new markets and products.

The operating cost of the manufacturing facility is a matter of concern as the existing labour regulations make the wage structure in Sri Lanka the highest in South Asia. In the years ahead, there will be a fine balance between man and machine to control the cost of production through increasing efficiency. Your company, having fully utilised the funds from the IPO allocated for plant & machinery will further explore ways and means to enhance mechanisation to improve profitability.

Looking forward, the company intends to introduce several new products in the coming year. Some of these products are innovative and tested for consumer preference. The newly developed king coconut water fortified with lemon juice and green tea is one of the pioneer products which will make inroads into the isotonic beverage sector presently dominated by artificial beverages. Roasted Moringa leaves with a pleasant taste in easy to brew tea bags, is another product introduced in 2015 and the company hopes to popularise this globally. Branching off into the food service sector through a dedicated product profile under the theme, "Heladiv professional", is already attracting corporate customers. A few other innovative products are being tested for introduction during 2015.

It is also our intention to go after two of the biggest markets in the world, China and India to have a strong foothold. Whilst our Chinese operations have progressed to 55 tea cafes and outlets, further expansion is anticipated through HELADIV products being marketed online in China. India is still a distant dream but with contacts established recently we hope to make an entry soon. Both China & India represent nearly 40% of the world population and both are tea producing and consuming countries. Hence one cannot afford to ignore these giants in global consumerism however hard it may be to overcome the indirect trade barriers practiced by them. The ongoing discussions on practical implementation of the Free Trade Agreements will gradually open these markets which have an insatiable appetite for food and beverages.

Back home, preliminary work has been initiated to introduce the "Heladiv" tea range nationwide through a distribution channel and the food service sector. We hope to gain an appreciable all round growth in the next financial year by expanding the local sales segment presently dominated by two institutions.

Our Company will make use of the newly announced scheme for the promotion of indigenous tea brands to propagate Heladiv globally. The scheme which was just launched will disburse a matching grant of Rs. 50 million per company. With this the company hopes to heighten the awareness of Heladiv values amongst customers in selected markets. Our resolve to bring out new and innovative products from tea and the belief in achieving success will take us on an upward trend in the coming years.

Naturally, we at the management, are as eager as our shareholders to improve the value of the company and generate profits for distribution. We sincerely hope our desires and aims will bear fruit in the not too distant future.

Finally, my sincere appreciation to the Board of Directors, the management and staff of the company, and last but not least to the shareholders for the trust and confidence placed in HVA Foods PLC.

Rohan Fernando
Chairman

29th July 2015

BOARD OF DIRECTORS

Mr. A. R. H. Fernando
Chairman

The Chairman, Mr. Fernando has over 39 years of experience in the tea industry and has been successful in developing, promoting and marketing the traditional beverage of tea in many innovative variants over the last several years. Prior to founding his own Company, he began his career as a trainee Tea Taster at Carson, Cumberbatch & Co., Ltd. He was promoted to a Tea Executive in 1979. He joined Brooke Bond Ceylon Limited as a tea buyer where he was promoted to Tea Manager in 1985. In 1982 he spent one year with Brooke Bond Commodities Ltd. in the United Kingdom learning International tea blending and trading. He served on the Colombo Tea Traders Association as a member. He functioned as the President of the National Chamber of Exporters in 2008 and 2009. He is the current Chairman of the Tea Exporters Association of Sri Lanka, one of the directors at Sri Lanka Tea Board , a council member and a management Committee member representing the board of the National Chamber of Exporters of Sri Lanka. He also serves as a Director in several organisations including Ceylinco General Insurance Ltd. and Industrial Technology Institute.

Mrs. V. S. Amunugama Fernando
Non-Executive Director

Mrs. Fernando is a graduate of the Faculty of law, University of Colombo and an Attorney-at-law by profession. She counts for over 23 years of experience in the field of communication and is the co-founder and Joint Managing Director of the TRIAD group of companies. She also serves on the board of Citrus Leisure PLC.

Mr. W. I. H. J. Fernando
Executive Director

Mr. Fernando has over 14 years of experience in the tea industry. He joined HVA Lanka Exports (Private) Limited as a Management Trainee and currently acts as the Director of Operations in HVA Group, being responsible for manufacturing and procurement and is also involved in the international brand marketing of the Company. Mr. Fernando is also co-founder and Director of Open Road Equipe (Pvt) Ltd. and also Director of Global Hannazono (Pvt) Ltd.

Mr. N. C. Vitarana
Non-Executive Director (Independent)

Mr. Vitarana is a graduate of the University of Ceylon and a Chartered Accountant. He brings with him a wealth of knowledge and experience acquired over a career spanning over 59 years in areas such as taxation, auditing, banking and financial services, mergers and acquisitions and corporate restructuring both in Sri Lanka and abroad. Mr. Vitarana is a qualified Chartered Accountant and has also served as a director of John Keells Holdings PLC.

Mr. J. H. P. Ratnayeke
Non-Executive Director (Independent)

Mr. Ratnayeke is a leading commercial lawyer and the senior partner and founder of Paul Ratnayeke Associates. He graduated with honours from the University of Ceylon (Colombo) and has been awarded a LLM degree by the University of London. He is an Attorney-at-Law of the Supreme Court of Sri Lanka and a solicitor of the Supreme Court of England & Wales.

SENIOR MANAGEMENT

Harsha Fernando
Executive Director

Lucian Fernando
Manager, Procurement & Logistics

Lakshman Samarasinghe
Specialist process, Manufacturing & Industrial Engineering

Damith Hewathudella
Manager, Finance

Sampath Gamage
Manager, Operations

Rukshan Kuru-Utumpala
General Manager, Marketing

HVA GROUP ETHICS & PRINCIPLES OF ENGAGEMENT

Labour Ethics

The HVA Group ensures compliance with all legal parameters required by the government, in line with the recommendations of the International Labour Organisation (ILO). The HVA Group's labour recruitment policy is unbiased towards gender, race or religion. Furthermore our recruitment policy has conscious provisions to engage differently-abled persons. Child labour is not tolerated and a minimum age of 18 is imposed for those securing employment.

Staff Welfare Ethics

At HVA, staff welfare is paramount as we believe our employees are the most important asset of the company. Amongst our welfare ethics, the following principles and programs are in operation.

Wages

Staff wages are above the minimum level recommended by statute. All staff are entitled to a profit bonus disbursed on a carefully designed format which has been in operation for the past 5 years, without any complaints from the staff. Every year the staff is appraised face to face on a simple but highly effective format for concurrence on performance and skills.

Medical Benefits

The Staff has medical insurance cover for indoor and outdoor treatment. Additionally, a qualified doctor visits the company once in two weeks for any medical attention required by them.

Staff Meals

Improving on our previous practice of providing a subsidized mid-day meal to the staff, the company has now extended this facility to cover all three meals to staff during their working hours.

Extended Family Benefits

At the beginning of every year, all children of staff members are provided with school text books and accessories including medically recommended school bags, tiffin boxes and even shoes to help and encourage the schooling of these children.

Staff Dignity

The dignity of all staff is secured through a staff access mechanism for the discussion of grievances at various levels, facilitated by the HR department.

Working Environment

All buildings are positioned in such a way as to generate natural light and climate control with a dust free and heat diffused working environment. The large extent of land in the compound is planted with trees in the manner of a forest garden.

Recycling Waste

All manmade waste is recycled at the point of waste generation. Bio-degradable waste is recycled in a large purpose built compost tank. Paper, aluminium, plastics and ferrous waste are separated at the point of waste and sold to recyclers. Human waste generated in the toilets is subject to aerobic and anaerobic activity to break down to water and sludge for easy and safe disposal. The Group operates a large organic farm growing fruits and vegetables as part of its commitment to reduce its carbon footprint. The farm, initiated in 1996, is earmarked for expansion into a mega project to produce organic fruits and vegetables for national and international markets. Most of the waste converted to compost within the Group is utilised in the organic farm.

Sharp eye on dengue eradication

The eradication of dengue has now become a national priority. In this regard, the company, led by the Board of Directors, has implemented an effective program to control and eradicate the dengue epidemic. Daily, weekly and monthly programs are implemented to check for dengue breeding places as well as to apply prescribed treatment for eradication of mosquito larvae.

Energy Ethic

The energy policy of the company helps reduce energy costs in production whilst reducing the draw on the national power supply that is dependent mainly on fossil fuels such as oil and coal. In this regard, all company buildings are positioned on the east-west solar path to facilitate maximum illumination during the day from 6am to 6pm, requiring little or no lighting of bulbs. As a result the percentage of energy cost in relation to the turnover of the Group is less than 0.6%.

Raw Material Sourcing Principles

As an HACCP compliant Company, all raw materials are sourced through a preferred supplier list. All teas are purchased through legal means specified and supervised by the Ceylon Tea Traders Association (CTTA) and the Sri Lanka Tea Board (SLTB). As a result the prices paid for tea reflect true value, thereby activating a trickle down effect to the tea farmer and estate staff.

Statutory Ethics

The HVA Group together with one of its main subsidiaries,HVA Foods PLC, operating as a public quoted company, is transparent for public scrutiny. It is the policy of the HVA Group to fully comply with all government taxes and levies, worker benefit contributions to EPF and ETF funds as well as accurate declaration of transactions to the internal and external auditors. By virtue of applying the above ethics and principles diligently in our day to day operations, the company is proud to declare that all our products are ethically produced and guilt-free.

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the need to ensure the highest standards of accountability to all stakeholders. HVA Foods PLC is fully committed to the principles of good governance and recognises that good corporate governance is the cornerstone of a successful organisation. The Company is committed to acting with integrity, transparency and fairness in all of its dealings and considerable emphasis is placed by the Board on the development of systems, processes and procedures to ensure the maintenance of high standards throughout the organisation.

The Board comprises of three non-executive directors and two executive directors including the Chairman, all of whom possess a broad range of skills and experience across a range of industries and functional areas. Continuing directorships were reviewed by the entire Board and Directors were required to report any substantial changes in their professional responsibilities and business associations to the entire Board. The Board of Directors have dedicated adequate time for the fulfilment of their duties as Directors of the Company. In addition to attending to the Board meetings they have attended subcommittee meetings such as Audit Committee meetings and Remuneration Committee meetings. The Chairman and the Non executive Directors met several times during the year without the presence of the corporate management team, on a needs basis. A detailed profile of each member of the Board is provided in a separate section of this Annual Report.

The Board meets regularly at quarterly intervals and more frequently whenever it is necessary, to ensure the effective discharge of its duties. The Board reviews strategic and operational issues, approves interim and annual financial statements and annual budgets, assesses performance, internal controls and risk management and ensures compliance with all statutory and regulatory obligations. Further, procedures are in place for the Directors to seek professional advice at the Company's expense when it is requested by the Board members. Members of the Board are expected to attend the Annual General Meeting of Shareholders and Board meetings.

Individual shareholders are encouraged to participate at the annual general meeting and to carry out adequate analysis or seek independent advice on their investing decisions.

Advice and guidance is provided to the senior management team at monthly performance review meetings with the Chairman which provide an opportunity to evaluate progress and ensure accountability of the senior management team. Performance targets for the CEO are set at the beginning of the financial year by the Board which is in line with the short term, medium term and long term objectives of the Company. This is an ongoing process and is reviewed periodically by the entire Board. A strong focus on training and career development has created a committed and empowered workforce which continues to generate value and drive the Company towards high standards of achievement.

The Directors are responsible for the formulation of the Company's business strategy and for ensuring an adequate risk management framework. The non-executive directors bring independent judgment to bear on issues of strategy and performance. The Board is satisfied with the effectiveness of the system of internal control in the Company for the period up to the date of signing the Financial Statements. The Board holds responsibility for ensuring that the senior management team possesses the relevant skills and expertise required for the management of the Company and that a suitable succession planning strategy is in place. Details of major transactions with the related parties of the company are provided in the Note 35.3 in the financial statements.

The Directors also ensure adherence to laws and regulations pertaining to the functioning of the organisation. The composition of the Board of Directors of HVA Foods PLC complies with the requirements of the CSE Listing Rules. The Company has three non-executive directors on its Board and is therefore is in compliance with Rule 7.10.1 (a). It is also in compliance with Rule 7.10.2 (b) which requires two or one third of the non- executive directors (whichever is higher) to be independent. The independent non-executive directors on the Board, are Mr. N.C. Vitarana and Mr. J.H.P. Ratnayeke who have submitted declarations of their independence.

The Remuneration Committee and Audit Committee comply with the criteria in listing rules 7.10.5(a) /6(a) which require the committees to comprise of a two or majority of independent non-executive directors (whichever is higher). P. R. Secretarial Services (Pvt) Limited serve as Company Secretaries to HVA Foods PLC. The Company Secretary ensures compliance with Board procedures, the Companies Act, and Securities and Exchange Commission and Colombo Stock Exchange regulations. The Company Secretary keeps the Board informed of relevant new regulations and requirements. All the Directors have access to the Company Secretary whenever it is necessary. Appointment and removal of the Company Secretary are implemented through Board resolution. The Board has overall responsibility for systems of internal control and has put in place adequate internal controls to protect its assets, and ensure compliance with statutory requirements. The company is ISO 22000:2005 certified. All systems are well documented with clearly defined processes, duties and responsibilities. The Board of Directors is not aware of any material violations of any of the provisions of the Code of Business Conduct and ethics by any Director or Corporate Management member of the Company.

7.10.1 Non Executive Directors

The Board consists of five Directors of whom three, namely Ms. V.S. Amunugama Fernando and Messrs J.H.P. Ratnayeke and N.C.Vitarana are non executive directors.

7.10.2 Independent Directors

Messrs J.H.P. Ratnayeke and N.C. Vitarana are "Independent Directors" as declared by the Directors concerned in terms of rule 7.10.2.b and as determined by the Board in terms of rule 7.10.3.

The proposal for re-appointment of the Directors is set out in the Directors' report as well as the notice of the meeting on page 54 of this report. Details of attendance at meetings of Board and of the sub committees are provided on page 9 of this report

Remuneration Committee

The Remuneration Committee consists of 2 Non-Executive Independent Directors, namely Mr. J. H. P. Ratnayeke and Mr. Nihal Vitarana. The Committee, which is chaired by Mr. J. H. P. Ratnayeke, has met once during the financial year under consideration and has recommended to the Board of Directors revisions to the remuneration of the Board of Directors, the committees appointed by the Board, and advised on the policy with respect to staff increments. The Committee is mindful of the fact that the remuneration of the Executive and Non Executive Directors should reflect market expectations and should be sufficient to attract and retain the quality of Directors needed to run the Company. The remuneration policy of the company is determined considering the following factors,

- Annual Increments are given to all confirmed employees (prorated less than one year) unless there is an issue of impropriety or misconduct that is being investigated
- The overall cost of the increments is treated as a guideline taking into the account the profitability of the company
- Increments are granted based on the performance of the staff and their contribution for which the views of the supervising staff are noted
- Annual bonuses are granted in line with industry norms and realised profits

Audit Committee

The Audit Committee consists of two independent non-executive directors, Mr. N.C.Vitarana (Chairman- Chartered Accountant) and Mr. Paul Ratnayeke (Corporate Lawyer).

The Chairman and CFO attend meetings of the Audit Committee when required.

The Internal audit function is carried out by Ernst & Young, Chartered Accountants. The scope is planned to cover all significant areas of operations in a twelve month cycle. In addition, BDO Partners, (Chartered Accountants) reviewed the operations of the proprietary computer systems in use to identify weakness in internal controls. The Internal Audit observations were discussed with Management and corrective action taken as appropriate.

Management is required to furnish a quarterly compliance certificate which provides confirmation of compliance with Company policies covering all operations of the Company including preparation of financial statements, the control and safe-guarding of company assets (including adequate insurance cover) and maintenance of adequate liquidity. The Audit Committee reviewed the quarterly financial statements prepared by Management and recommended their publication and submission to the CSE.

The Audit Committee met with the external auditors, KPMG, Chartered Accountants and discussed the significant audit observations and recommendations. Compliance with SLFRS was achieved in consultation with KPMG. The Audit Committee is satisfied that KPMG maintains its independence as external auditors.

In addition to reviewing internal audit reports and compliance certificates on an ongoing basis and ensuring appropriate corrective action, the Audit Committee met on 5 occasions during the accounting period.

The number of meetings of the Board, Board appointed sub committees, and individual attendance by the members is shown below.

Name	Directorship Status	Board Meetings*	Audit Committee Meetings*	Remuneration Committee Meetings*
Mr.A.R.H.Fernando	Chairman	6/6	4/5	-
Mr.H.J.Fernando	Executive Director	6/6	-	-
Ms.V.S.A.Fernando	Non Exe. Director	6/6	-	-
Mr.J.H.P.Ratnayeke	Non Exe. Director (Independent)	6/6	5/5	1/1
Mr.N.C.Vitharana	Non Exe. Director (Independent)	6/6	5/5	1/1

*Attendance / Number of Meetings - for the period from 01.04.2014 – 31.03.2015

RISK MANAGEMENT

The Company takes the bottom up approach to risk management, which encourages employees at all levels to contribute and be a part of the risk management process. A summary of key risks and action taken to mitigate these risks is set out below:

Market Risk

This is addressed through a policy of geographical diversification of exports sales. Separate managers are allocated to the business hubs based on the positioning of the global tea buyers of the Company. Such Managers keep in close touch with foreign agents/buyers (inter alia) by making periodic visits to foreign markets. Further, the Company operates in domestic markets through local distributors, supermarkets and HTC cafés. Constant and active awareness of changing market conditions is the key to mitigating such risks.

Supply Risk

Individual business units constantly monitor changes in actual and potential supply sources and take appropriate action to minimise exposure to factors such as adverse movements in material cost. At times of high price fluctuations material inputs are managed to minimise the impact on relationships with the buyers.

Credit Risk

The main objective is to reduce the impact on the Company from possible default by outstanding debtors in the current competitive business environment. The Company evaluates the credit-worthiness of customers at the pre-shipment stage and maintains appropriate credit administration, evaluation and monitoring procedures. Export credit insurance policies obtained from the Sri Lanka Export Credit Insurance Corporation also cover the risks addressed under this category where considered necessary.

Liquidity Risk

HVA Foods PLC manages liquidity by endeavouring to always have sufficient liquidity to meet its liabilities when they fall due. It maintains cash and cash equivalents at a level exceeding expected cash outflows (other than on trade payables) in the immediate future, and closely monitors the levels of expected receivables and trade payables. In addition, it maintains unutilised lines of credit adequate to meet any unforeseen circumstance.

Exchange Rate Risk

Most of HVA Foods PLC revenue is generated in foreign currency. Exposure to fluctuations in the relative values of these currencies is substantial. Company's foreign exchange payments are matched against export receipts creating a natural hedge. It is the HVA Foods PLC policy not to engage in foreign currency speculation.

Operational Risk

This category of risk arises as a result of business process errors, systems and procedural failures, natural disasters, human error, non-compliance with internal policies and external laws and regulations and fraud. Although such risks cannot be completely avoided, HVA Foods PLC strives to minimise them by actively evaluating and refining its internal controls and reviewing its operational processes.

At HVA Foods PLC, audits on internal controls are carried out by internal auditors Ernst & Young, which reports findings regarding internal control weaknesses and non-compliance to the Audit Committee. The Audit Committee oversees the effectiveness of the Company's internal controls

HVA Foods PLC is committed to 'Business Continuity Planning' (BCP), by means of which operational risks flowing from a disaster are managed by early preparation. The BCP process at HVA Foods PLC considers each division on an individual basis, with the aim of facilitating business recovery within the shortest possible time, and with minimisation of any adverse impact on stakeholder value.

Human Resources

Risks related to human resources are managed to mitigate operational risks for the Company. Training of staff and key operational personnel and structured performance appraisal processes are in place.

IT Systems

Geographically separate locations from the head office are given online systems access for monitoring and controlling purposes. Such access is subject to adequate controls to prevent unauthorised access. An e-audit is carried out by BDO Partners to ensure the integrity of the computer operating system. The Company has taken measures for online and offline backup procedures for application data storage. In addition other security measures have also been implemented through firewall and virus protection.

Reputation Risk

The reputation of HVA Foods PLC is of utmost importance in maintaining and expanding business. HVA Foods PLC strongly believes that the success it has achieved is primarily due to our focus on high standards of integrity in all activities. A series of stringent quality controls are in place to ensure that customers receive products and services which are up to expected standards. The Company strives to make products unique and as difficult as possible to counterfeit.

Legal and Regulation Risk

The Company's policy is to ensure strict compliance with legal and regulatory requirements and to establish a reputation for integrity in all its dealings. Such policies are strictly implemented throughout the organisation by ensuring that staff at all levels are made aware of the Company's commitment in this regard.

REPORT OF THE BOARD OF DIRECTORS

The Directors of HVA Foods PLC, have pleasure in submitting their Report together with the audited Financial Statements of the Company for the year ended 31st March 2015 and the Auditors' Report thereon.

Principal Activities

During the year under review the principal activities of the Company were processing, packing and export of value added teas. The Company was also engaged in the development, manufacture and distribution of tea extract based products, contract packing of teas and franchise operations of tea cafes. The Company's wholly owned subsidiary is the owner of the worldwide franchise for the 'Heladiv' trade mark. The Company is a subsidiary of the holding Company HVA Lanka Exports (Pvt.) Limited, which is principally involved in exporting bulk tea.

Company Performance

2014/2015 was a challenging year for the Company. European, Far East and Asian Hubs and USA Regional Exports, HTC Cafés and local sales performed satisfactorily in line with the expected turnover. CIS region generated lower than the expected revenues. During the year the turnover of the company increased by 13.8 % compared to the previous year. The Company has maintained consistent Gross Profit Margins of 14% (2014/2015) and 12% (2013/2014). Distribution expenses were reduced by 1% in comparison to the previous year and the administration expenses increased by 27% because of Tea Café expenses (income from which is shown separately), revision of staff salaries and increase in charges for depreciation. Increases in Net Finance costs were mainly from, Rs.10 Mn exchange loss for the period. Reported Loss before tax was Rs. 4.1 Mn and the effect on relevant taxes and deferred tax for the period amounted to Rs.1.7 Mn. After all the aforementioned expenses and charges the company recorded an after tax loss of Rs. 2.4 Mn and a negative comprehensive income of Rs.1.8 Mn during the year. Statement of Profit or Loss and Other Comprehensive Income of the company are set out on page 14 of the Annual Report.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors of the Company are given on pages 14 to 51.

Auditors' Report

The Auditors' Report on the Financial Statements is given on page 13.

Accounting Policies

The accounting policies adopted in the preparation of financial statements are given on pages 18 to 27.

Stated Capital

The stated capital of the Company as at 31st March 2015 is Rs. 333,857,588/- (66,428,660 ordinary shares).

Directors' Interest Register

The Company maintains a Directors' Interest Register as required by the Companies Act No. 07 of 2007. The information pertaining to Directors' interest in contracts and their share ownership are disclosed in the Interest Register.

a) Directors' Remuneration and Other Benefits

Directors' Remuneration in respect of the Company for the financial year ended 31st March 2015 is Rs.20,664,430/- (2013/2014 – Rs.27,054,303/-).

b) Related Party Disclosures

Directors have disclosed Related Party transactions in terms of the Sri Lanka Accounting Standards – LKAS 24 and such transactions are given in Note 35 on page 46 to 48 of the Annual Report.

Transferring of Common Expenses

Expenses common to both HVA Lanka Exports (Pvt) Ltd and HVA Foods PLC are apportioned on the basis set out in para. 35.3.1. Interest on the balances owing to HVA Foods PLC is charged at the current repo rate.

Material Issues pertaining to Employees

There are no material issues pertaining to employees.

Property, Plant and Equipment

Any analysis of the Property, Plant and Equipment of the Company is disclosed in Note 12 to the Financial Statements on page 31.

Valuation and Location of Land, Buildings, Machinery (Heavy duty) and Stores Equipment (Heavy Duty)

The valuation details of the Land and Building, Machinery (heavy duty) and Stores Equipment (Heavy Duty) are given in Note 12.7 on page 32. The revalued Land & Buildings are located at 39A, Linton Road, Kandana

Material Foreseeable Risk Factor

Foreseeable trading risk has been addressed and covered adequately. A separate report on risk management is disclosed on page 10.

Investments and Financial Instruments

Details of investments and financial instruments held by the Company are disclosed in Note 13 & 16 to the Financial Statements on page 33 & 35.

Directors

The Directors of the Company as at 31st March 2015 were as follows:

Mr. A. R. H. Fernando

Mrs. V. S. A. Fernando

Mr. W. I. H. J. Fernando

Mr. N. C. Vitarana

Mr. J. H. P. Ratnayeke

Appointments of new Directors

None

REPORT OF THE BOARD OF DIRECTORS

Directors Interest in Shares of the Company

(a) Direct Interest

Name of the Director	31/03/2015	31/03/2014
Mr. A R H Fernando	31	31
Mrs. V S A Fernando	Nil	Nil
Mr. W I H J Fernando	29,200	29,200
Mr. N C Vitarana	Nil	Nil
Mr. J H P Ratnayeke (with Seylan Bank PLC)	240,000	240,000

(b) Indirect Interest

61.1% of the shares of HVA Foods PLC are held by HVA Lanka Exports (Pvt) Ltd. The Shares of HVA Lanka Exports (Pvt) Ltd are owned by Mr. A.R.H.Fernando (Chairman) and Mrs. V.S.Amunugama Fernando (Non – Executive Director) with 7,602,029 shares and 01 shares respectively.

Retirement by Rotation

Mrs. V S A Fernando retires in accordance with Article 88 (i) of the Articles of Association of the Company and being eligible, offers herself for re-election at the Annual General Meeting of the Company. A resolution in terms of section 211 of the Companies Act No. 07 of 2007 will be moved at the Annual General Meeting of the Company for the re-election of Mr. N C Vitarana, who is presently 84 (eighty four) years of age.

New Appointments and Resignations of the Directors

There were no new appointments to the Board of Directors during the year. One of the directors resigned from the board during the year.

Donations

The Company had not made any donation during the period under review (2013/2014 – Rs. 40,000/=).

Shareholders

The distribution and analysis of shareholdings, Categories of Shareholders and 20 Largest Shareholders of the company as at 31st March 2015 are disclosed with investor information on page 52.

Public Holding Percentage

The percentage of public shareholding as at 31st March 2015 is 38.50 % (25,571,048 shares).

Auditors

The accounts for the year ended 31st March 2015 have been audited by Messrs. KPMG Chartered Accountants, who offer themselves for re-appointment. In accordance with the Companies Act No.7 of 2007 a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs. KPMG Chartered Accountants were paid Rs. 720,000/- (2013/2014 - Rs. 660,000/-) as audit fees by the Company.

As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors also do not have any interest in the Company.

Capital Commitments

There were no material capital expenditure commitments other than those disclosed in Note 38 on page 51 to the Financial Statements.

Contingent Liabilities

Details of Contingent Liabilities as at 31st March 2015 are set out in Note 39 on page 51 to the Financial Statements.

Dividend

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

Events after the Reporting Date

In the opinion of the Directors, no item, transaction or event of an unusual nature has taken place between the financial year end and the date of the report that would materially affect the results of the Company for the financial year in respect of which this report is made.

Risk Management and Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risk faced by the Company.

Going Concern

The Financial Statements are prepared on the assumption that the Company is a going concern for the next financial year.

Environmental Protection

To the best of the knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment. The directors also confirm that to the best of their knowledge and belief that the Company has complied with the relevant environment laws and regulations.

Corporate Governance

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange. An Audit Committee and a Remuneration Committee function as Board Sub Committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows:

Audit Committee

Mr. N. C. Vitarana - Chairman
(Independent Non Executive Director)

Mr. J. H. P. Ratnayeke (Independent Non Executive Director)

Remuneration Committee

Mr. J. H. P. Ratnayeke - Chairman
(Independent Non Executive Director)

Mr. N. C. Vitarana (Independent Non Executive Director)

Mr. J. H. P. Ratnayeke is a Corporate Lawyer and Mr. N. C. Vitarana is a Chartered Accountant

A.R.H. Fernando
Chairman

W.I.H.J. Fernando
Executive Director

P R Secretarial Services (Private) Limited
Secretaries

Colombo
29th July 2015

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF HVA FOODS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of HVA Foods PLC, ("the Company") and the consolidated financial statements of the company and its subsidiary ("the Group"),which comprise the statement of financial position as at March 31, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 14 to 51 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The financial statements of the Company give a true and fair view of its financial position as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS
29th July 2015

Colombo
Sri Lanka.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in Sri Lanka Rupees

		Group		Company	
For the year ended 31 March	Note	**2015**	2014	**2015**	2014
Revenue	5	824,118,357	723,721,147	824,118,357	723,721,147
Cost of sales		(710,279,855)	(633,316,104)	(710,279,855)	(633,316,104)
Gross profit		113,838,502	90,405,043	113,838,502	90,405,043
Other operating income	7	79,327,660	49,297,755	79,327,660	49,297,755
Distribution expenses		(25,171,669)	(25,531,237)	(25,171,669)	(25,531,237)
Administration expenses		(150,294,167)	(118,259,792)	(150,288,167)	(118,247,592)
Results from operating activities	8	17,700,326	(4,088,231)	17,706,326	(4,076,031)
Net finance costs	9	(21,881,610)	(5,703,376)	(21,881,359)	(5,703,376)
Loss before income tax		(4,181,284)	(9,791,607)	(4,175,033)	(9,779,407)
Income tax expense	10	1,752,591	(7,643,218)	1,752,591	(7,643,218)
Loss for the year		(2,428,693)	(17,434,825)	(2,422,442)	(17,422,625)
Other comprehensive income					
Actuarial gain/(loss) on retirement benefit obligation		645,163	84,948	645,163	84,948
Revaluation gain of property, plant and equipment		-	41,380,191	-	41,380,191
Tax on other comprehensive income		(77,808)	632,627	(77,808)	632,627
Total comprehensive income / (Loss) for the year		(1,861,338)	24,662,941	(1,855,087)	24,675,141
Loss attributable to;					
Owners of the company		(2,428,693)	(17,434,825)	(2,422,442)	(17,422,625)
Non controlling interest		-	-	-	-
Loss for the year		(2,428,693)	(17,434,825)	(2,422,442)	(17,422,625)
Total comprehensive income / (loss) attributable to;					
Owners of the company		(1,861,338)	24,662,941	(1,855,087)	24,675,141
Non controlling interest		-	-	-	-
Total comprehensive income / (loss) for the year		(1,861,338)	24,662,941	(1,855,087)	24,675,141
Basic earnings / (loss) per share	11	(0.04)	(0.26)	(0.04)	(0.26)

The notes on pages 18 to 51 are an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

All amounts in Sri Lanka Rupees

		Group		Company	
As at 31 March	Note	**2015**	2014	2015	2014
ASSETS					
Non-Current Assets					
Property, plant & equipment	12	368,567,189	387,875,427	368,567,189	387,875,427
Investment in subsidiary	13	-	-	45,000,001	45,000,001
Intangible assets	14	44,972,747	45,038,915	33,750	99,918
Total Non-Current Assets		413,539,936	432,914,342	413,600,940	432,975,346
Current Assets					
Inventories	15	125,232,011	107,944,522	125,232,011	107,944,522
Financial investments	16	3,051,384	4,476,480	3,051,384	4,476,480
Trade receivables	17	269,350,260	216,410,906	269,350,260	216,410,906
Amounts due from related parties	18	227,753,393	169,493,651	227,753,393	169,493,651
Pre-payments & other recoverable	19	30,217,267	37,315,584	30,217,267	37,315,584
Deposits & advances	20	6,736,706	9,965,551	6,736,706	9,965,551
Cash & cash equivalents	21	114,819,397	104,649,168	114,798,611	104,623,133
Total Current Assets		777,160,418	650,255,862	777,139,632	650,229,827
Total Assets		1,190,700,354	1,083,170,204	1,190,740,572	1,083,205,173
Equity and Liabilities					
Stated capital	22	333,857,588	333,857,588	333,857,588	333,857,588
Revaluation reserve	23	183,919,494	183,919,494	183,919,494	183,919,494
Retained earnings/(Losses)	24	(8,565,175)	(6,703,837)	(8,512,955)	(6,657,868)
Total equity attributable to the equity holders of the company		509,211,907	511,073,245	509,264,127	511,119,214
Non-controlling interest		-	-	-	-
Total Equity		509,211,907	511,073,245	509,264,127	511,119,214
Non-Current Liabilities					
Employee benefits	25	20,636,853	18,845,242	20,636,853	18,845,242
Interest-bearing loans and borrowings	26	21,838,683	42,409,014	21,838,683	42,409,014
Deferred income	27	-	541,783	-	541,783
Government grant	28	17,966,763	19,770,039	17,966,763	19,770,039
Deferred tax liabilities	29	-	6,389,470	-	6,389,470
Total Non-Current Liabilities		60,442,299	87,955,548	60,442,299	87,955,548
Current Liabilities					
Trade payables	30	42,678,591	36,725,141	42,678,591	36,725,141
Amount due to related parties	18.2	10,615	2,226,447	10,615	2,226,447
Interest-bearing loans and borrowings	26.2	473,804,116	371,249,211	473,804,116	371,249,211
Deposits & advances payables	31	20,865,273	23,263,795	20,865,273	23,263,795
Accrued expenses & other creditors	32	28,060,147	23,614,852	28,048,145	23,603,852
Income tax payables	33	1,762,764	2,977,637	1,762,764	2,977,637
Bank overdrafts	21	53,864,642	24,084,328	53,864,642	24,084,328
Total Current Liabilities		621,046,148	484,141,411	621,034,146	484,130,411
Total Liabilities		681,488,447	572,096,959	681,476,445	572,085,959
Total Equity & Liabilities		1,190,700,354	1,083,170,204	1,190,740,572	1,083,205,173

The notes on pages 18 to 51 are an integral part of these financial statements.
These financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Chief Financial Officer

The board of directors is responsible for the preparation and presentation of these financial statements.
Approved and Signed for and on behalf of the board.

Mr. A. R. H. Fernando **Mr. W. I. H. J. Fernando**

Colombo
29th July 2015

STATEMENT OF CHANGES IN EQUITY

All amounts in Sri Lanka Rupees

Group	Attributable to equity holders of the company				Non-controlling	Total
	Stated capital	Revaluation reserves	Retained earnings	Total	interest	
Balance as at 1st April 2013	333,857,588	147,349,565	18,488,883	499,696,036	-	499,696,036
Comprehensive income						
Loss for the year	-	-	(17,434,825)	(17,434,825)	-	(17,434,825)
Other comprehensive income						
Defined benefit plan actuarial gain	-	-	84,948	84,948	-	84,948
Revaluation surplus during the year	-	41,380,191	-	41,380,191	-	41,380,191
Tax on other comprehensive income / (loss)	-	642,820	(10,193)	632,627	-	632,627
Total comprehensive income (loss)	-	42,023,011	(17,360,070)	24,662,941	-	24,662,941
Transfers to retained earnings	-	(5,267,170)	5,267,170	-	-	-
Disposal of revalued assets	-	(185,912)	185,912	-	-	-
Dividend paid	-	-	(13,285,732)	(13,285,732)	-	(13,285,732)
Balance as at 31 st March 2014	333,857,588	183,919,494	(6,703,837)	511,073,245	-	511,073,245
Comprehensive income						
Loss for the year	-	-	(2,428,693)	(2,428,693)	-	(2,428,693)
Other comprehensive income				-		
Defined benefit plan actuarial gain	-	-	645,163	645,163	-	645,163
Tax on other comprehensive income/ (loss)			(77,808)	(77,808)	-	(77,808)
Total comprehensive income (loss)	-	-	(1,861,338)	(1,861,338)	-	(1,861,338)
Balance as at 31 st March 2015	333,857,588	183,919,494	(8,565,175)	509,211,907	-	509,211,907

Company	Stated capital	Revaluation reserves	Retained earnings	Total
Balance as at 1st April 2013	333,857,588	147,349,565	18,522,652	499,729,805
Comprehensive income				
Loss for the year	-	-	(17,422,625)	(17,422,625)
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	84,948	84,948
Revaluation surplus during the year	-	41,380,191	-	41,380,191
Tax on other comprehensive income	-	642,820	(10,193)	632,627
Total comprehensive income	-	42,023,011	(17,347,870)	24,675,141
Transfers to retained earnings		(5,267,170)	5,267,170	-
Transfer on disposal of property, plant and equipment	-	(185,912)	185,912	-
Dividend paid	-	-	(13,285,732)	(13,285,732)
Balance as at 31st March 2014	333,857,588	183,919,494	(6,657,868)	511,119,214
Comprehensive income				
Loss for the year	-	-	(2,422,442)	(2,422,442)
Other comprehensive income				
Defined benefit plan actuarial gain	-	-	645,163	645,163
Tax on other comprehensive income / (loss)			(77,808)	(77,808)
Total comprehensive income / (loss)	-	-	(1,855,087)	(1,855,087)
Balance as at 31st March 2015	333,857,588	183,919,494	(8,512,955)	509,264,127

The notes on pages 18 to 51 are an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

All amounts in Sri Lanka Rupees

For the year ended 31 March	Group 2015	Group 2014	Company 2015	Company 2014
Cash flow from operating activities				
Loss before taxation	(4,181,284)	(9,791,607)	(4,175,033)	(9,779,407)
Adjustments for:				
Depreciation	23,576,188	22,697,652	23,576,188	22,697,652
Provision for gratuity	3,459,807	3,426,374	3,459,807	3,426,374
Interest income	(26,078,077)	(30,176,895)	(26,078,077)	(30,176,895)
Deferred income	(541,783)	(1,083,563)	(541,783)	(1,083,563)
Dividend income	(124,360)	(137,100)	(124,360)	(137,100)
Amortisation of ice tea grant	(1,803,276)	(1,803,276)	(1,803,276)	(1,803,276)
Interest expenses	33,487,631	28,019,731	33,487,631	28,019,731
Amortization of intangible assets	66,168	72,000	66,168	72,000
Loss / (Gain) on fair value of financial instruments	(215,559)	630,351	(215,559)	630,351
Foreign exchange gain/loss	10,034,304	3,236,859	10,034,304	3,236,859
Loss / (Gain) on disposal of financial instruments	(973,407)	(33,818)	(973,407)	(33,818)
Profit / Loss on disposal of property, plant and equipment	-	217,287	-	217,287
	36,706,352	15,273,995	36,712,603	15,286,195
Change in:				
- Inventories	(17,287,489)	(34,477,343)	(17,287,489)	(34,477,343)
- Trade receivables	(62,342,548)	12,312,364	(62,342,548)	12,312,364
- Prepayments & other receivables	15,154,733	1,386,983	15,154,733	1,386,983
- Amounts due from related party	(46,432,023)	(9,610,922)	(46,432,023)	(9,610,922)
- Deposits & advances receivables	3,228,845	10,488,071	3,228,845	10,488,071
- Trade payables	5,953,450	(10,011,039)	5,953,450	(10,011,039)
- Amounts due to related party	(2,268,198)	(2,160,758)	(2,268,198)	(2,160,758)
- Deposits & advances payables	(2,398,522)	4,597,174	(2,398,522)	4,597,174
- Accrued expenses & other creditors	4,455,972	2,709,851	4,454,970	2,703,848
Cash generated/(used in) from operating activities	(65,229,428)	(9,491,624)	(65,224,179)	(9,485,427)
Interest paid	(33,435,266)	(27,867,300)	(33,435,266)	(27,867,300)
Gratuity paid	(1,032,901)	(3,227,092)	(1,032,901)	(3,227,092)
Tax paid	(5,510,680)	(994,934)	(5,510,680)	(994,934)
Net cash flows used in operating activities	(105,208,275)	(41,580,950)	(105,203,026)	(41,574,753)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(4,267,950)	(34,861,543)	(4,267,950)	(34,861,543)
Acquisition of financial instruments	(978,842)	(3,574,592)	(978,842)	(3,574,592)
Disposal of financial instruments	3,592,904	1,196,698	3,592,904	1,196,698
Interest received	5,788,536	10,688,928	5,788,536	10,688,928
Dividend received	120,753	137,100	120,753	137,100
Effect of acquisition	-	-	-	-
Proceeds from sale of property, plant and equipment	-	656,513	-	656,513
Net cash flows from investing activities	4,255,401	(25,756,896)	4,255,401	(25,756,896)
Cash flows from financing activities				
Proceeds from bank borrowings	102,760,572	129,530,762	102,760,572	129,530,762
Repayment of bank borrowings	(17,282,016)	(18,272,546)	(17,282,016)	(18,272,546)
Repayment of finance lease liabilities	(4,125,090)	(4,424,218)	(4,125,090)	(4,424,218)
Dividend paid	(10,677)	(13,285,732)	(10,677)	(13,285,732)
Net cash flows from financing activities	81,342,789	93,548,266	81,342,789	93,548,266
Net increase in cash and cash equivalents	(19,610,085)	26,210,419	(19,604,836)	26,216,616
Cash and cash equivalents at 01st April	80,564,840	54,354,421	80,538,805	54,322,189
Cash and cash equivalents as at 31st March (Note 21)	60,954,755	80,564,840	60,933,969	80,538,805
Note A -Cash and cash equivalents				
Cash in hand and cash at banks	114,819,397	104,649,168	114,798,611	104,623,133
Bank overdrafts	(53,864,642)	(24,084,328)	(53,864,642)	(24,084,328)
Cash and cash equivalents at end of the period	60,954,755	80,564,840	60,933,969	80,538,805

The notes on pages 18 to 51 are an integral part of these financial statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

1. CORPORATE INFORMATION

- Reporting entity

HVA Foods PLC (the "Company") is a company domiciled in Sri Lanka. HVA Foods PLC is 61.1% owned subsidiary of HVA Lanka Exports (Pvt) Ltd. The Company was incorporated on 2nd August 1997. The Registered Office of the company is located at No. 39 A, Linton Road, Kandana. The principal activity of the company is processing, packing and export of value added teas. The company also engages in the development, manufacture and distribution of tea extract based products, contract packing of teas and franchise operation of tea cafes.

Ordinary shares of the company are listed on the Colombo Stock Exchange & the company became a public quoted company on 4th May 2011.

- Consolidated Financial Statements

The Consolidated Financial Statements of HVA Foods PLC, as at and for the year ended 31st March 2015 comprise the Company and its Subsidiary (together referred to as the "Group" and individually as "Group entities").

The financial statements of all Companies in the Group are prepared for a common financial year, which ends on 31st March.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS), and the requirements of the Companies Act, no 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. The financial statements were authorized for issue by the Board of Directors on 29th July 2015.

2.2 Responsibility for Financial Statements

The Board of Directors take responsibility for the preparation of these Financial Statements in accordance with the Companies Act No. 7 of 2007 and the Sri Lanka Accounting Standards.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following accounts balances;

- The liability for defined benefit obligation recognized is actuarially valued and recognized at the present value of the defined benefit obligation.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Financial instruments classified as fair value through profit and loss are measured at fair value

The financial statements have been prepared on a going concern basis.

2.4 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the company's functional currency.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of each individual entity are measured using that functional currency.

There was no change in the Group's presentation and functional currency during the year under review.

2.5 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the following notes:*

2.6 Materiality and aggregation

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these

* Critical accounting Estimate/judgment	Disclosure Note	Reference Page
Property, plant & equipment	12	31
Inventories	15	35
Trade receivables	17	35
Capital expenditure commitments	38	51
Commitments and contingencies	39	51
Employee benefits	25	38
Deferred taxation	29	40

financial statements, unless otherwise indicated. The accounting policies of the company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

3.1 Basis of consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Company and its subsidiary.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The Consolidated Financial Statements are prepared to common financial year end of 31 March. There are no significant restrictions on the ability of Subsidiary to transfer funds to the Parent in the form of cash dividends or to repay loans and advances. The Subsidiary of the Company has been incorporated in Sri Lanka.

The following subsidiary has been consolidated.

- HVA Holdings (Pvt) Limited – Subsidiary

3.1.2 Acquisition of non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore no goodwill is recognized as a result of such transactions.

3.1.3 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognized at cost. Such goodwill is identified into cash generating unit and is annually tested for impairment. After initial recognition goodwill is stated at cost less accumulated impairment losses. The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition of the entity, it is recognized immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency, at exchange rates at the dates of the transactions. Export sales contracts which were transacted in foreign currency are converted to functional currency at the rates of exchange prevailing at the time of invoicing and Revenue is recognized accordingly.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

3.3 Financial assets and financial liabilities

3.3.1 Non-derivative financial assets

a) Initial recognition and subsequent measurement

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at the fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through profit or loss.

The Group 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 assets are transferred. Any interest in transferred financial assets that it created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts intends either to settle on a net basis or realize the assets and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

b) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial Assets held for Trading include equity instruments that have been acquired principally for the purpose of selling in the near term.

The Group has not designated any financial asset/liability upon initial recognition at fair value through profit or loss as at the reporting date.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that the Group does not intend to sell immediately or in the near term. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment.

Loans and receivable comprise cash and cash equivalents, staff loans and trade and other receivables, including related party receivables.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposits with original maturities of one year or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Details of cash and cash equivalents are given in Note 21 to the financial statements.

3.3.2 Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3.3.3 Fair value of Financial Instruments Carried at Amortized Cost

The financial instruments held at amortized cost are trade and other receivables including related party receivables, loans and borrowings and trade and other payables. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The estimated fair values are based on relevant information. The company does not anticipate the fair value of these to be significantly different to their carrying values and considers the impact as not material for the disclosure.

3.3.4 Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

- Level 1 – Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices); and

- Level 3 – Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3.3.5 Impairment

a) Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

b) Non derivative financial assets

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 can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables a specific asset and collective level. All individually significant receivables are as assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment.

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 recognized 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 reserved through profit or loss.

3.4 Property, plant & equipment

3.4.1 Recognition and measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any; machinery, store equipment, land and buildings are stated at fair value less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Lease assets are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the company will have ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives are as follows.

	2014/15
Building	20 years
Motor vehicles	04 to 06 years
Stores equipment	05 to 20 years
Furniture & fittings	10 years
Plant & machinery	05 to 20 years
Tea room equipment	04 years
Office equipment	04 years
Tea cafe assets	05 years
Ice tea equipment & others	04 years

3.4.4 De-recognition

The carrying amount of an item of property, plant and equipment are de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising on derecognition of an item of property, plant and equipment are included in the Statement of Profit or loss when the item is de-recognized.

When replacement costs are recognized in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspection is de-recognized.

3.4.5 Gain and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income/other expenses" in the Statement of Profit or Loss and Other Comprehensive Income. When re-valued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.4.6 Revaluation

A revaluation of land and building is done when there is substantial difference between the fair value and the carrying amount. Valuation of the land & buildings, machinery and store equipment are undertaken by professionally qualified valuers at a minimum of four years and five years respectively.

On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to profit or loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in profit or loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3.4.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. For operating leases, the leased assets are not recognized on the Group's statement of financial position.

3.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. These assets are stated at cost less accumulated amortization and accumulated impairment losses in the statement of financial position.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense on intangible assets with finite lives is recognized in profit or loss on a straight-line basis over the estimated useful lives, from the date they are available for use.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit and loss.

Details of Intangible Assets are given in Note 14.

a) Computer Software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Intangible assets are amortised on a straight line basis in profit or loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. The estimated useful life of software is four years. Expenditure on an intangible item that was initially recognised as an expense by the Company in previous Annual Financial Statements are not recognised as part of the cost of an intangible asset at a later date. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Government grants

A government grant is recognized in the Statement of Financial Position initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the group for expenses incurred are recognized as revenue in the income statement on a systematic basis in the periods in which the expense is incurred. Grants that compensate the group for the cost of an asset are recognized in the income statement as revenue on a systematic basis over the useful life.

3.7 Inventories

Inventories are measured at the lower of cost and net realizable value, after making the due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less than estimated cost of completion and the estimated cost necessary to make the sale.

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The cost of inventory is determined on the basis of Weighted Average Cost (WAC) and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

3.8 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

3.8.1 Employee benefits

3.8.1.1 Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

The Company contributes 12% and 3% of gross salary to the Employees Provident Fund and Employees Trust Fund respectively, in terms of EPF Act No15 of 1958 as amended and to Employers Trust Fund in terms of the ETF Act No.46 of 1980 as amended. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognized as an expense in the statement of Profit or Loss and Other Comprehensive Income, as incurred.

3.8.1.2 Defined benefit plan

Defined Benefit Plan is a post-employment benefit plan other than Defined Contribution Plan. The liability recognized in the statement of financial position in respect of Defined Benefit Plan is the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries, using projected unit credit method, as recommended by LKAS 19 Employee Benefit. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The assumptions based on which the results of the actuarial valuation were determined are included in the note 25 to the Financial Statements. This liability is not externally funded and the item is grouped under non-current liabilities in the statement of financial position. However, under the Payment of Gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of five years of continued service.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The company recognizes all actuarial gains and losses arising from defined benefit plans in Other Comprehensive Income and expenses related to defined benefit plans in staff expenses in Profit or Loss.

3.8.2 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognized as finance cost.

3.9 Revenue Recognition

3.9.1 Revenue

3.9.1.1 Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowance trade discounts, trade discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3.9.1.2 Interest income

Interest income is recognized based on effective interest rate method and it is accrued in profit or loss.

3.9.1.3 Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established, which in the case of quoted securities is the ex-dividend date.

3.9.1.4 Other income

Other income is recognized on an accrued basis.

3.9.2 Expenditure

3.9.2.1 Expenses recognition

Expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Income on the basis of a direct association between the cost incurred and earning of specific item of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in state of efficiency has been charged to revenue in arriving at the profit for the year.

3.9.2.2 Operating lease payments

Leases where the lessor effectively retains substantially all the risks and rewards of the ownership over the lease terms are classified as operating leases. Payments made under the operating leases are recognized in the profit and loss on a straight line basis over the term of the lease.

3.9.2.3. Finance Expenses

Finance expenses compromise interest expenses on borrowings which are recognized in the profit or loss using the effective interest method, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.10 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to know amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3.11 Taxation

a) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other Profit or Loss and Other Comprehensive Income.

b) Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

c) Deferred tax

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future, and differences measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.12 Events occurring after the reporting date

All material events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

3.13 Comparative information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the financial statements are amended, comparative amounts are reclassified unless it is impracticable.

3.14 Segmental information

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities. Inter-segment transfers are based on

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fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Board of Directors believes that it is not practical to provide segmental disclosures relating to segment costs and expenses and subsequently segment profits and losses, since a realistic allocation cannot be made. The fixed assets used in the company's business are not identifiable to any particular reportable segment and can be used interchangeably among segments. Consequently management believes that it is not practical to provide segmental disclosures relating to total assets since a realistic analysis among the various operating segments is not possible.

3.15 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price has being charged or not.

The relevant details are disclosed in the respective notes to the Financial Statements.

3.16 Statements of Cash Flows.

The cash flow of the company has been presented in using "indirect method" in accordance with LKAS-7: Statement of Cash Flows.

3.17 Commitments & contingencies

Contingencies are possible assets or obligations that arise from a past event and would be concerned only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control. Contingent liabilities and commitments are disclosed in note 39 to the Financial Statements.

3.18 Directors responsibility

The board of directors takes responsibility for the preparation and presentation of these financial statements in accordance with the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (LKAS/SLFRS).

3.19 New Accounting Standards issued but not effective as at reporting date

The institute of chartered accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards. However these standards have not been applied in preparing these financial statements as at 31 March 2015.

The extent of the impact of these Standards to the Financial Statements has not been determined as at 31 March 2015. None of these are expected to have a significant impact on the company's financial statements

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of Sri Lanka Accounting Standards (LKAS 39) - "Financial Instruments Recognition and Measurements" and applies to classification and measurement of financial assets and liabilities. SLFRS 19 is effective for the financial period beginning on or after 1st January 2018.

SLFRS - 14 Regulatory deferral accounts

The Objective of this standard is to specify the financial reporting requirements of regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulations. SLFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016.

SLFRS 15 - Revenue from contracts with customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will be effective for financial periods beginning on or after 01 January 2018.

4 Financial risk management

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

- Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group is exposed to credit risk on trade receivables and other receivables, investment securities and bank balances.

- Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

- Liquidity risk

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

- Market risk

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

- Currency risk

The company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the company. The currencies in which these transactions primarily are denominated are USD, SGD and Euro.

- Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

	For the year ended 31st March	Group 2015	Group 2014	Company 2015	Company 2014
5	**Revenue**				
	Export sales	758,799,355	683,337,866	758,799,355	683,337,866
	Local sales	65,319,002	40,383,281	65,319,002	40,383,281
		824,118,357	723,721,147	824,118,357	723,721,147

6 Segmental information

6.1 Geographical segment analysis (by location of customers)

	Group 2015	Group 2014	Company 2015	Company 2014
Russia & the CIS States	309,166,917	346,224,225	309,166,917	346,224,225
Far East /Asia	207,861,763	178,196,331	207,861,763	178,196,331
Europe	240,845,055	164,931,625	240,845,055	164,931,625
USA / Canada	34,424,961	34,368,966	34,424,961	34,368,966
Middle East & Africa	31,819,661	-	31,819,661	-
	824,118,357	723,721,147	824,118,357	723,721,147

6.2 There are no separately distinguishable assets & liabilities for the above segments.

7 Other operating income

	Group 2015	Group 2014	Company 2015	Company 2014
Packing income	24,553,605	12,523,827	24,553,605	12,523,827
Profit/(Loss) on sale of property, plant & equipment	-	(217,287)	-	(217,287)
Amortization of deferred income	541,783	1,083,563	541,783	1,083,563
Amortization of ice tea project grant (Note 28)	1,803,276	1,803,276	1,803,276	1,803,276
Income from Heladiv Tea Café	49,940,562	29,221,492	49,940,562	29,221,492
Disposal of investment	973,407	33,818	973,407	33,818
Gain on Fair value of Investments	215,559	-	215,559	-
Dividend income -quoted	124,360	137,100	124,360	137,100
Other income	1,175,108	1,198,313	1,175,108	1,198,313
Receivables / payables written back/off	-	3,513,653	-	3,513,653
	79,327,660	49,297,755	79,327,660	49,297,755

8 Results from operating activities

The results from operating activities is stated after charging all expenses including following,

	Group 2015	Group 2014	Company 2015	Company 2014
Auditors' remuneration - Audit	720,000	666,000	720,000	660,000
Auditors' remuneration - Audit related	50,790	60,000	50,790	60,000
Directors' emoluments including Non-Executive Directors' fees	20,664,430	26,100,861	20,664,430	26,100,861
Depreciation of property, plant and equipment	20,708,104	18,827,602	20,708,104	18,827,602
Donation	-	40,000	-	40,000
Legal & secretarial expenses	722,747	641,952	722,747	635,752
Salaries & wages	45,469,570	44,375,715	45,469,570	44,375,715
EPF	4,962,006	4,867,361	4,962,006	4,867,361
ETF	1,240,502	1,279,155	1,240,502	1,279,155
Bonus & incentives	2,810,970	2,265,811	2,810,970	2,265,811

For the year ended 31st March	Group 2015	Group 2014	Company 2015	Company 2014

9 Finance income and expense

	Group 2015	Group 2014	Company 2015	Company 2014
Finance income				
Interest income	17,602,781	16,690,203	17,602,781	16,690,203
Interest from trade receivables	8,475,296	13,486,692	8,475,296	13,486,692
	26,078,077	30,176,895	26,078,077	30,176,895
Finance costs				
Loan interest - packing credit	(12,992,143)	(7,636,906)	(12,992,143)	(7,636,906)
Loan interest - term loan	(2,864,353)	(3,592,048)	(2,864,353)	(3,592,048)
Interest - Mrs.V.S.A.Fernando	(52,366)	(152,431)	(52,366)	(152,431)
Interest on lease rentals	(1,002,155)	(1,584,036)	(1,002,155)	(1,584,036)
Interest on bill discounts	(11,752,826)	(11,791,476)	(11,752,826)	(11,791,476)
Overdue interest	(267,414)	(1,106,527)	(267,414)	(1,106,527)
Bank overdraft interest	(4,556,374)	(2,156,307)	(4,556,374)	(2,156,307)
Bill discount charges	(1,668,700)	(1,762,671)	(1,668,700)	(1,762,671)
Factoring charges	-	(15,008)	-	(15,008)
Expenses on dividend payment	-	(107,723)	-	(107,723)
Bank charges	(2,769,052)	(2,738,279)	(2,768,801)	(2,738,279)
Foreign exchange loss	(10,034,304)	(3,236,859)	(10,034,304)	(3,236,859)
	(47,959,687)	(35,880,271)	(47,959,436)	(35,880,271)
Net finance cost	(21,881,610)	(5,703,376)	(21,881,359)	(5,703,376)

10 Income tax expense

10.1 Current income tax

The results from operating activities is stated after charging all expenses including following,

	Group 2015	Group 2014	Company 2015	Company 2014
Current tax charges	4,714,687	5,533,095	4,714,687	5,533,095
(Over) / under provision of previous year	-	31,887	-	31,887
	4,714,687	5,564,982	4,714,687	5,564,982
Deferred tax				
Deferred tax charge / (reversal) (Note-29)	(6,467,278)	2,078,236	(6,467,278)	2,078,236
Income tax for the year	(1,752,591)	7,643,218	(1,752,591)	7,643,218

10.2 Reconciliation of accounting profit to tax expenses

	Group 2015	Group 2014	Company 2015	Company 2014
Business profit / (loss) before tax	(4,181,284)	(9,791,607)	(4,175,033)	(9,779,407)
Exempt Income & other source of income	(26,742,048)	(29,786,286)	(26,742,048)	(29,786,286)
Aggregate disallowable expenses	39,156,139	29,532,840	39,156,139	29,532,840
Aggregate allowable expenses	(43,525,350)	(48,447,645)	(43,525,350)	(48,447,645)
Taxable profit / (loss) for the year	(35,292,543)	(58,492,698)	(35,286,292)	(58,480,498)
Tax losses brought forward	(123,490,701)	(75,899,018)	(123,490,701)	(75,899,018)
Adjustment of opening tax brought forward	(5,323,998)	130,001	(5,323,998)	130,001
Tax loss incurred during the year	(35,286,292)	(58,480,498)	(35,286,292)	(58,480,498)
Utilization of tax losses	9,066,707	10,758,814	9,066,707	10,758,814
Tax losses carried forward	(155,034,284)	(123,490,701)	(155,034,284)	(123,490,701)
Total statutory income - other source of income	25,904,876	30,519,869	25,904,876	30,519,869
Deductions; utilization of tax losses	(9,066,707)	(10,758,814)	(9,066,707)	(10,758,814)
Taxable income - other source of income	16,838,169	19,761,055	16,838,169	19,761,055
Tax on taxable income @ 12%	-	-	-	-
Tax on taxable income @ 15%	-	-	-	-
Tax on taxable income @ 28%	4,714,687	5,533,095	4,714,687	5,533,095
Total current tax for the year	4,714,687	5,533,095	4,714,687	5,533,095

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

Income Tax @ 12%	Non Traditional Exports
Income Tax @ 15%	BOI Rate for Value adding Tea Packets Sale
Income Tax@ 28%	Balance Income Normal Rate under Inland Revenue Act

Income earned from foreign currency denominated accounts are exempt.

10.3 Reconciliation of effective tax rate

		Group				Company		
For the year ended 31st March	**2015**	**2015**	2014	2014	**2015**	**2015**	2014	2014
Profit/ loss before income tax		(4,181,284)		(9,791,607)		(4,175,033)		(9,779,407)
Income tax using the domestic tax rate		(845,068)		(2,741,650)		(845,068)		(2,738,234)
Non-deductible expenses		10,815,130		8,597,384		10,815,130		8,593,968
Deductible expenses		(12,494,472)		(13,565,341)		(12,494,472)		(13,565,341)
Tax exempt income		(48,496)		(152,478)		(48,496)		(152,478)
Tax loss utilized		(2,538,678)		(2,979,359)		(2,538,678)		(2,979,359)
Tax loss incurred during the year		9,826,272		16,374,539		9,826,272		16,374,539
Current tax on profits for the year (Note 10.1)		4,714,687		5,533,095		4,714,687		5,533,095
(Over) / under provision of previous year		-		31,887		-		31,887
Current tax on profits for the year		4,714,687		5,564,982		4,714,687		5,564,982
Charge to deferred tax liability on temporary differences		2,874,633		1,510,697		2,874,633		1,510,697
Charge to deferred tax asset o temporary differences		(9,341,911)		567,539		(9,341,911)		567,539
Total income tax expense	*	(1,752,591)	*	7,643,218	*	(1,752,591)	*	7,643,218

* Loss incurred during the year

11 Basic earnings / (loss) per share

The calculation of basic earning per share is based on the net profit attributable to ordinary shareholders divided by weighted average number of ordinary shares issued.

Profit / (loss) attributable to ordinary shareholders	(2,428,693)	(17,434,825)	(2,422,441)	(17,422,625)
Weighted average number of ordinary shares	66,428,660	66,428,660	66,428,660	66,428,660
Basic earnings / (loss) per share	(0.04)	(0.26)	(0.04)	(0.26)

The diluted earnings / (loss) per share is as same as computed above.

For the year ended 31st March 2015

12 Property, plant & equipment

12.1 Group

Cost / valuation	Land	Buildings	Plant & Machinery	Ice Tea Equipment & Others	Stores equipment	Furniture & fittings	Office Equipment	Motor Vehicles	Capital work in progress	Total as at 31st March 2014
As the beginning of the year	158,800,000	73,145,250	144,803,762	6,746,157	13,444,095	7,324,358	11,498,853	25,641,209	259,500	441,663,184
Additions	-	-	239,045	-	344,474	1,387,346	448,629	-	1,848,456	4,267,950
Transfers	20,000	-	650,286	-	974,150	-	73,700	-	(1,718,136)	-
At the end of the Year	158,820,000	73,145,250	145,693,093	6,746,157	14,762,719	8,711,704	12,021,182	25,641,209	389,820	445,931,134
Depreciation & impairment losses										
As the beginning of the year	-	-	24,097,420	4,806,239	4,074,081	1,545,599	7,283,966	11,980,452	-	53,787,757
Charged for the year	-	3,657,262	8,851,243	1,686,538	2,039,387	836,438	1,863,925	4,641,395	-	23,576,188
Transfers	-	-	-	-	-	-	-	-	-	-
At the end of the Year	-	3,657,262	32,948,663	6,492,777	6,113,468	2,382,037	9,147,891	16,621,847	-	77,363,945
Total Carrying Amount										
As at 31st March 2015	158,820,000	69,487,988	112,744,430	253,380	8,649,251	6,329,667	2,873,291	9,019,362	389,820	368,567,189
As at 31st March 2014	158,800,000	73,145,250	120,706,342	1,939,918	9,370,014	5,778,759	4,214,887	13,660,757	259,500	387,875,427

12.2 Company

Cost / valuation	Land	Buildings	Plant & Machinery	Ice Tea Equipment & Others	Stores equipment	Furniture & fittings	Office Equipment	Motor Vehicles	Capital work in progress	Total as at 31st March 2015
At the beginning of the Year	158,800,000	73,145,250	144,803,762	6,746,157	13,444,095	7,324,358	11,498,853	25,641,209	259,500	441,663,184
Additions	-	-	239,045	-	344,474	1,387,346	448,629	-	1,848,456	4,267,950
Transfers	20,000	-	650,286	-	974,150	-	73,700	-	(1,718,136)	-
At the end of the Year	158,820,000	73,145,250	145,693,092	6,746,157	14,762,719	8,711,704	12,021,182	25,641,209	389,820	445,931,134
Depreciation & impairment losses										
At the beginning of the Year	-	-	24,097,420	4,806,239	4,074,081	1,545,599	7,283,966	11,980,452	-	53,787,757
Charged for the Year	-	3,657,262	8,851,243	1,686,538	2,039,387	836,438	1,863,925	4,641,395	-	23,576,188
Transfers	-	-	-	-	-	-	-	-	-	-
At the end of the Year	-	3,657,262	32,948,663	6,492,777	6,113,468	2,382,037	9,147,891	16,621,847	-	77,363,945
Total Carrying Amount										
As at 31st March 2015	158,820,000	69,487,987	112,744,429	253,380	8,649,251	6,329,667	2,873,291	9,019,362	389,820	368,567,189
As at 31st March 2014	158,800,000	73,145,250	120,706,342	1,939,918	9,370,014	5,778,759	4,214,887	13,660,757	259,500	387,875,427

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

12.3 During the year, the Group has not capitalized any borrowing cost. (2013/14 - Rs. Nil). Total borrowing cost capitalized to-date amounts to Rs. 2,756,534 (2013/14 - Rs. 2,756,534)

12.4 During the year, the Group acquired Property, plant & equipment to the aggregate value of Rs. 4,267,950 (2013/14 - Rs. 34,861,543) which was acquired by Cash payments amounting to Rs. 4,267,950 (2013/14 - Rs. 34,861,543).

12.5 Property, plant & equipment of the group includes fully-depreciated assets, the cost of which as at 31st March 2015 amounted to Rs. 6,269,456. (2013/14 -Rs. 5,667,398) and continue to be in use by the Group.

12.6 Assets pledged as security against borrowings are disclosed in Note No.41.

12.7 The details of freehold land & buildings and other properties which are stated at revalued amounts are as follows;

	Company property	Method of valuation	Last valuation date	Revalued amount	Property valuer
a	Land situated at 39 A, Linton Road, Kandana	Open market value method	31-03-2014	Rs.158,800,000	Mr.P.B.Kalugalagedara Chartered Valuation Surveyor
b	Building situated at 39 A, Linton Road, Kandana (04 buildings - 38,900 square feet)	Open market value method	31-03-2014	Rs.73,145,250	Mr.P.B.Kalugalagedara Chartered Valuation Surveyor
c	Machinery - heavy duty at Linton Road, Kandana	Open market value method	01-04-2011	Rs.76,294,651	Mr.P.B.Kalugalagedara Chartered Valuation Surveyor
d	Stores equipment - heavy duty at Linton Road, Kandana	Open market value method	01-04-2011	Rs.218,720	Mr.P.B.Kalugalagedara Chartered Valuation Surveyor

Freehold land was revalued during the financial year ended 31st March 1998 by Mr. S.D.P.Senadhira, Chartered Valuer. The surplus on valuation amounted to Rs. 6,212,450. Further, freehold land has been valued during the year ended 31st March 2007, by Mr. P.B.Kalugalagedara, Chartered Valuer. The Resulting surplus was Rs. 69,874,033 . The freehold land was again revalued by Mr. P.B. Kalugalagedara, Chartered Valuer in March 2010. The resulting revaluation surplus reported amounted to Rs. 22,800,000. During the year ended 31.03.2014, the freehold land has been revalued by Mr. Kalugalagerara, Chartered Valuer & the resulting revaluation surplus reported amounted to Rs. 34,087,027.

Buildings were revalued during the financial year ended 31st March 2007, by Mr. P.B.Kalugalagedara, Chartered Valuer. The Resulting surplus was Rs. 20,050,371 . The building have been again revalued by Mr. P.B. Kalugalagedara, Chartered Valuer in March 2010. The resulting revaluation surplus reported amounted to Rs. 15,064,094. During the year ended 31.03.2014, building has been revalued by Mr. Kalugalagedara, Chartered Valuer & the resulting revaluation surplus reported amounted to Rs. 7,293,164.

Machinery - heavy duty was revalued during the financial year ended 31st March 2012, by Mr. P.B.Kalugalagedara, Chartered Valuer. The resulting revaluation surplus reported amounted to Rs. 15,485,535 and the revaluation surplus was transferred to the revaluation reserve.

Stores equipment - 20 heavy duty was revalued during the financial year ended 31st March 2012, by Mr. P.B.Kalugalagedara, Chartered Valuer. The resulting revaluation surplus reported amounted to Rs. 218,720 and the revaluation surplus was transferred to the revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows;

	Cost	Accumulated depreciation if assets were carried at cost	Net carrying amount	Net carrying amount
	31.03.2015	31.03.2015	31.03.2015	31.03.2014
Freehold Land	25,846,460	-	25,846,460	25,826,460
Buildings	53,454,870	39,424,657	14,030,213	16,702,956
Machinery - Heavy duty	129,183,184	65,142,031	64,041,153	68,910,065
Stores equipment - Heavy duty	546,800	546,800	-	-

12.8 The details of the company's land holdings.

	Extent of land	Cost of purchase Rs.	Year of purchase
(i) Land situated at 39 A, Linton Road, Nagoda, Kandana	2A 2R 36P (436 perches)	13,617,550	1997/98
(ii) Land situated at 39 A, Linton Road, Nagoda, Kandana	20 perches	6,010,000	2010/11

12.9 Details of leased hold assets.

	Group		**Company**	
Carrying value as at 31st March	2015	2014	2015	2014
Motor vehicle	8,522,638	12,740,338	8,522,638	12,740,338
Machinery	-	618,145	-	618,145

13 Investment in subsidiary

Non - quoted Investment

HVA Holdings (Pvt) Ltd	-	-	45,000,001	45,000,001
	-	-	45,000,001	45,000,001

The Company has acquired 100% of the equity of HVA Holdings (Pvt) Ltd. HVA Holdings (Pvt) Ltd is an investment company and still has not commenced its operations.

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14 Intangible Assets

14.1 Trade mark
Summary
Cost

For the year ended 31st March	Group 2015	Group 2014	Company 2015	Company 2014
Balance as at 1st April	44,938,997	44,938,997	-	-
Additions	-	-	-	-
Written off during the year	-	-	-	-
Net carrying amount as at 31st March	44,938,997	44,938,997	-	-

Intangible assets (Trade mark) represents the excess of the cost of the business combination over the fair value of identifiable net assets of the subsidiary i.e. HVA Holdings (Pvt) Ltd as at the date of acquisition.

The Company acquired HVA Holdings (Pvt) Ltd on 29th September 2010 in order to use the international brand, "HELADIV" owned by HVA Holdings (Pvt) Ltd., as per the valuation report given by Price Waterhouse Coopers on 1st October 2010.

For the purpose of purchasing the subsidiary the "HELADIV" trade mark has been valued by royalty method, based on the five-year forecast sales projects provided by the management and the below-mentioned royalty rates and have assessed the indicative value of the trade mark as at 31st December 2009 to be in the order of USD 1.08mn to USD 1.24mn (with a mid-point of USD 1.16mn)

Adopted the following royalty rates for the respective markets segments served by the Company.

- Russia & the CIS states - 6% royalty rate on net sales generated from the region.
- Far East / Asia - 6% royalty rate on net sales generated from the region.
- Europe, Americas, & Africa - 4% royalty rate on net sales generated from the region.
- New Markets & products - 3% royalty rate on net sales generated from the region.

The discount rate applied to the cash flow projection is 10% p.a.

There has been no impairment of intangible assets that require a provision. Method used in estimating recoverable amount was based on value in use.

Value in use was determined by discounting the future cash flows generated from the continuing use of the asset. Key assumptions are same as above.

14.2 Software
Summary
Cost

For the year ended 31st March	Group 2015	Group 2014	Company 2015	Company 2014
Balance as at 1st April	288,000	288,000	288,000	288,000
Acquired / incurred during the year	-	-	-	-
Balance as at 31st March	288,000	288,000	288,000	288,000
Amortization				
Balance as at 1st April	188,082	116,082	188,082	116,082
Amortisation charged for the year	66,168	72,000	66,168	72,000
Balance as at 31st March	254,250	188,082	254,250	188,082
Carrying amount				
Balance as at 1st April	99,918	171,918	99,918	171,918
Acquired / incurred during the year	-	-	-	-
Amortisation charged for the year	(66,168)	(72,000)	(66,168)	(72,000)
Balance as at 31st March	33,750	99,918	33,750	99,918

14.3 Total
Carrying amount

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Trade mark	44,938,997	44,938,997	-	-
Software	33,750	99,918	33,750	99,918
Net carrying amount	44,972,747	45,038,915	33,750	99,918

15 Inventories

Raw materials - tea	44,201,086	35,222,025	44,201,086	35,222,025
Raw materials - ice tea concentrate & fruit base	1,297,637	901,722	1,297,637	901,722
Flavors	7,516,729	9,709,761	7,516,729	9,709,761
Packing materials	56,713,683	51,476,257	56,713,683	51,476,257
Work-in-progress	4,359,116	930,072	4,359,116	930,072
Finished goods	6,669,583	5,112,078	6,669,583	5,112,078
Tea café stocks	3,910,659	3,407,312	3,910,659	3,407,312
Other stocks	3,357,067	3,657,380	3,357,067	3,657,380
	128,025,560	110,416,607	128,025,560	110,416,607
Provision for Impairment of inventories	(2,793,549)	(2,472,085)	(2,793,549)	(2,472,085)
	125,232,011	107,944,522	125,232,011	107,944,522

16 Financial Investments
Financial assets at Fair Value Through Profit or Loss

	2015			2014		
Group	No. of Shares	Cost	Market Value	No. of Shares	Cost	Market Value
Sampath Bank PLC	-	-	-	5,000	1,142,656	910,500
Capital Alliance PLC	5,000	146,614	68,501	5,000	146,614	73,000
Muller & Phipps (Ceylon) PLC	402,000	894,305	482,400	402,000	894,305	482,400
Vallibel Finance PLC	41,900	1,873,368	1,885,483	71,400	3,197,115	2,120,580
Colombo Land Developments PLC	25,000	1,269,056	615,000	25,000	1,269,056	890,000
		4,183,343	3,051,384		6,649,746	4,476,480
Company						
Sampath Bank PLC	-	-	-	5,000	1,142,656	910,500
Capital Alliance PLC	5,000	146,614	68,501	5,000	146,614	73,000
Muller & Phipps (Ceylon) PLC	402,000	894,305	482,400	402,000	894,305	482,400
Vallibel Finance PLC	41,900	1,873,368	1,885,483	71,400	3,197,115	2,120,580
Colombo Land Developments PLC	25,000	1,269,056	615,000	25,000	1,269,056	890,000
		4,183,343	3,051,384		6,649,746	4,476,480

17 Trade Receivables

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Trade receivables	269,720,612	216,781,258	269,720,612	216,781,258
Provision for impairment (Note-17.1)	(370,352)	(370,352)	(370,352)	(370,352)
	269,350,260	216,410,906	269,350,260	216,410,906

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17.1 Provision for impairment

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Balance as at 1st April	370,352	370,352	370,352	370,352
Amounts written off during the year	-	-	-	-
Provision for the year	-	-	-	-
Balance as at 31st March	370,352	370,352	370,352	370,352

18 Amounts due from / due to related parties

18.1 Amounts due from related parties

	Relationship				
HVA Lanka Exports (Pvt) Ltd	Parent Company	227,753,393	169,493,651	227,753,393	169,493,651
		227,753,393	169,493,651	227,753,393	169,493,651

HVA Lanka Exports (Pvt) Ltd has provided a negative covenant to not pledge its holdings in HVA Foods PLC as collateral to any other party to the extent of the above outstanding amount.

18.2 Amounts due to related parties

HVA Farms (Pvt) Ltd	**Relationship**	10,615	25,223	10,615	25,223
Mrs. V.S.A. Fernando	Common Directors	-	2,201,224	-	2,201,224
	Director	10,615	2,226,447	10,615	2,226,447

19 Prepayments & other receivables

VAT receivables	7,974,263	9,159,964	7,974,263	9,159,964
W.H.T.	17,432	13,524	17,432	13,524
NBT receivables	599,449	687,576	599,449	687,576
Insurance pre-payments	403,364	252,434	403,364	252,434
Others receivables & pre-payments	21,222,759	27,202,086	21,222,759	27,202,086
	30,217,267	37,315,584	30,217,267	37,315,584

20 Deposits & advances

Advances	5,266,705	7,027,658	5,266,705	7,027,658
Refundable deposits	175,000	175,000	175,000	175,000
Deposits	1,295,001	2,762,893	1,295,001	2,762,893
	6,736,706	9,965,551	6,736,706	9,965,551

21 Cash and cash equivalents

21.1 Short term deposits

Fixed Deposits	79,326,150	37,621,047	79,326,150	37,621,047
Exports bills saving accounts	9,273,856	23,326,285	9,273,856	23,326,285
Exports margin accounts	4,305,241	13,278,605	4,305,241	13,278,605
	92,905,247	74,225,937	92,905,247	74,225,937

21.2 Favorable balances

USD A/Cs	791,741	19,380,191	791,741	19,380,191
EUR A/Cs	58,894	237,039	58,894	237,039
LKR A/Cs	871,801	693,253	851,015	667,218
Cash in hand & cheques in hand	20,191,714	10,112,748	20,191,714	10,112,748
Total favourable balances	21,914,150	30,423,231	21,893,364	30,397,196
Total short term deposits & favourable balances	114,819,397	104,649,168	114,798,611	104,623,133

21.2 Unfavourable balances/overdrafts

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Total unfavourable balances	53,864,642	24,084,328	53,864,642	24,084,328
Cash and cash equivalents in the cash flow statement	60,954,755	80,564,840	60,933,969	80,538,805

22 Stated capital

Balance as at 1st April	333,857,588	333,857,588	333,857,588	333,857,588
Issue of ordinary shares	-	-	-	-
Balance as at 31st March (66,428,660 Ord. shares)	333,857,588	333,857,588	333,857,588	333,857,588

During the year 2010/11, the company sub divided its 1,500,002 ordinary shares into 31 ordinary shares, increasing the number of the ordinary shares to 46,500,062 shares and further issued 19,928,598 ordinary shares through IPO.

The holders of ordinary shares are entitled to receive dividend from time to time and entitled to one vote per individual present at the meeting of shareholders or one vote per share in case of a poll.

23 Revaluation reserve

Balance as at 1st April	183,919,494	147,349,565	183,919,494	147,349,565
Revaluation surplus	-	41,380,191	-	41,380,191
Tax on other comprehensive income	-	642,820	-	642,820
Transfer to retained earnings	-	(5,267,170)	-	(5,267,170)
Realisation of revaluation surplus	-	(218,720)	-	(218,720)
Deferred tax effect on realisation of revaluation surplus	-	32,808	-	32,808
Balance as at 31st March	183,919,494	183,919,494	183,919,494	183,919,494

The above revaluation surplus consist gains resulting from the revaluation of land, building, machinery - heavy duty & stores equipment - heavy duty as described in Note no 12 to these financial statements.

24 Retained earnings/(Losses)

Balance as at 1st April	(6,703,837)	18,488,883	(6,657,868)	18,522,652
Profit/ (Loss) for the year	(2,428,693)	(17,434,825)	(2,422,442)	(17,422,625)
Other comprehensive income for the year	567,355	74,755	567,355	74,755
Realisation of revaluation surplus	-	218,720	-	218,720
Deferred tax effect on realisation of revaluation surplus	-	(32,808)	-	(32,808)
Transfers from revaluation surplus	-	5,267,170	-	5,267,170
Dividend paid	-	(13,285,732)	-	(13,285,732)
Balance as at 31st March	(8,565,175)	(6,703,837)	(8,512,955)	(6,657,868)

Revenue reserve consists only retained earnings.

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25 Employee benefits

25.1 Provision for defined benefit obligation

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Balance as at 1st April	18,845,242	18,433,329	18,845,242	18,433,329
Interest Cost for the period	1,884,524	2,211,999	1,884,524	2,211,999
Current Service Cost for the period	1,588,392	1,521,393	1,588,392	1,521,393
Gratuity paid during the period	(1,032,901)	(3,227,092)	(1,032,901)	(3,227,092)
Actuarial (Gain) / Loss	(648,404)	(94,387)	(648,404)	(94,387)
Balance as at 31st March	20,636,853	18,845,242	20,636,853	18,845,242

25.2 Expenses recognized in profit/loss

Current Service Cost	1,588,392	1,521,393	1,588,392	1,521,393
Interest Cost	1,884,524	2,211,999	1,884,524	2,211,999
Transferred to HVA Lanka Exports (Pvt) Ltd	(17,365)	(307,018)	(17,365)	(307,018)
	3,455,551	3,426,374	3,455,551	3,426,374

25.3 Actuarial (Gain) /Loss recognized in Other Comprehensive Income

Actuarial (Gain) or Loss	(648,404)	(94,387)	(648,404)	(94,387)
Transferred to HVA Lanka Exports (Pvt) Ltd	3,242	9,439	3,242	9,439
	(645,162)	(84,948)	(645,162)	(84,948)

As explained in note 35.3.1, total cost has been apportioned based on labour hours for the services rendered and appropriate amount has been transferred to HVA Lanka Exports (Pvt) Ltd.

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

The principal assumptions used in determining the cost of employee benefits as at the reporting date were;

Discount rate	10%	10%	10%	10%
Future salary increases	7.50%	7.50%	7.50%	7.50%

25.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	Group Effect on Statement of Financial Position	**Company** Effect on Statement of Financial Position
1% increase in discount rate (i.e. 11%)	20,399,387	20,399,387
1% decrease in discount rate (i.e. 9%)	20,886,590	20,886,590
1% increase in Salary Escalation rate (i.e. 8.5%)	21,019,473	21,019,473
1% decrease in Salary Escalation rate (i.e. 6.5%)	20,264,758	20,264,758

26 Interest bearing loans and borrowings

26.1 Non-current liabilities

26.1.a Secured term loans

	Group		Company	
	2015	2014	**2015**	2014
Balance as at 1st April	51,167,410	40,630,171	51,167,410	40,630,171
Loans obtained during the year	-	27,869,450	-	27,869,450
Effect of movements in foreign exchange	631,110	940,335	631,110	940,335
	51,798,520	69,439,956	51,798,520	69,439,956
Repayments during the year	(17,282,016)	(18,272,546)	(17,282,016)	(18,272,546)
	34,516,504	51,167,410	34,516,504	51,167,410
Transferred to current liabilities	(17,496,722)	(17,212,111)	(17,496,722)	(17,212,111)
Secured term loans - Non-current borrowings	17,019,782	33,955,299	17,019,782	33,955,299
Repayable within one year	17,496,722	17,212,112	17,496,722	17,212,112
Repayable between one & five years	17,019,782	33,955,298	17,019,782	33,955,298

26.1.b Finance lease obligations

Balance as at 1st April	12,578,788	17,003,006	12,578,788	17,003,006
Loans obtained during the year	-	-	-	-
Repayments during the year	(4,125,090)	(4,424,218)	(4,125,090)	(4,424,218)
Balance as at 31st March	8,453,698	12,578,788	8,453,698	12,578,788
Transferred to current liabilities	(3,634,797)	(4,125,073)	(3,634,797)	(4,125,073)
Finance lease obligations - Non-current borrowings	4,818,901	8,453,715	4,818,901	8,453,715
Finance lease obligations repayable within one year				
Gross liability	4,237,886	5,123,060	4,237,886	5,123,060
Finance charges	(603,090)	(997,987)	(603,090)	(997,987)
Net lease obligation	3,634,796	4,125,073	3,634,796	4,125,073
Finance lease obligations repayable between one and five years				
Gross liability	5,121,828	9,359,732	5,121,828	9,359,732
Finance charges	(302,928)	(906,017)	(302,928)	(906,017)
Net lease obligation	4,818,900	8,453,715	4,818,900	8,453,715

26.1.c	Total Non-current borrowings (26.1.a + 26.1.b)	21,838,683	42,409,014	21,838,683	42,409,014

26.2 Current liabilities

Bill discounting	168,434,698	156,949,954	168,434,698	156,949,954
Packing credit loans	284,237,900	192,962,072	284,237,900	192,962,072
Secured term loans - repayable within one year	17,496,722	17,212,112	17,496,722	17,212,112
Finance lease obligations - repayable within one year	3,634,796	4,125,073	3,634,796	4,125,073
	473,804,116	371,249,211	473,804,116	371,249,211

26.3 Assets pledged as security against borrowings and the facility details are disclosed in Note 41.

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27 Deferred Income

For the year ended 31st March	Group 2015	Group 2014	Company 2015	Company 2014
Balance as at 1st April	541,783	1,625,346	541,783	1,625,346
Additions for the year	-	-	-	-
Amortized during the year	(541,783)	(1,083,563)	(541,783)	(1,083,563)
Balance as at 31st March	-	541,783	-	541,783

Deferred income has been calculated on the profit due to sale and lease back of a tea bagging machine during the year 2010/11.

28 Government grants

	Group 2015	Group 2014	Company 2015	Company 2014
Balance as at 1st April	19,770,039	21,573,315	19,770,039	21,573,315
Recognised in profit or loss during the year	(1,803,276)	(1,803,276)	(1,803,276)	(1,803,276)
Balance as at 31st March	17,966,763	19,770,039	17,966,763	19,770,039
Amounts expected to be recognised within one year	1,803,277	1,803,277	1,803,277	1,803,277
Amounts expected to be recognised after year	16,163,486	17,966,762	16,163,486	17,966,762
	17,966,763	19,770,039	17,966,763	19,770,039

The Asian Development Bank offered a grant on 30.09.2009 to contract a tea concentrate plant and the project was completed on 31.03.2011. The grant is recognised as deferred income in profit or loss on a systematic basis over the useful life of the related assets.

29 Deferred tax Liabilities

The movement of deferred tax

	Group 2015	Group 2014	Company 2015	Company 2014
Balance as at 1st April	6,389,470	4,943,861	6,389,470	4,943,861
Recognized in Profit or Loss	(6,467,278)	2,078,236	(6,467,278)	2,078,236
Recognized in other comprehensive income	77,808	(632,627)	77,808	(632,627)
Balance as at 31st March	-	6,389,470	-	6,389,470

Deferred Tax Provision / reversal for the year

Deferred tax assets/ (liabilities) are attributable to the following:

Reversal and (origination) of temporary differences

	Group				Company			
	2015		2014		2015		2014	
	Temporary Difference	Tax	Temporary Difference	Tax	Temporary Difference	Tax	Temporary Difference	Tax
Deferred tax assets								
Employee benefits	20,636,853	2,476,422	18,845,242	2,261,430	20,636,853	2,476,422	18,845,242	2,261,430
Inventory provision	2,793,550	335,226	2,472,085	296,650	2,793,550	335,226	2,472,085	296,650
Tax Losses	75,087,783	9,010,534	-	-	75,087,783	9,010,534	-	-
	98,518,186	11,822,182	21,317,327	2,558,080	98,518,186	11,822,182	21,317,327	2,558,080
Deferred tax liabilities								
Property, plant and equipment	(40,625,021)	(4,875,002)	(16,669,746)	(2,000,370)	(40,625,021)	(4,875,002)	(16,669,746)	(2,000,370)
Revaluation reserve	(57,893,165)	(6,947,180)	(57,893,165)	(6,947,180)	(57,893,165)	(6,947,180)	(57,893,165)	(6,947,180)
Net deferred tax asset/ (liability)	-	-	(53,245,584)	(6,389,470)	-	-	(53,245,584)	(6,389,470)

Movement in deferred tax balance during the year

	Balance 31st March 2014	Recognised in Profit or Loss	Recognised in OCI	Balance 31st March 2015
Employee benefits	2,261,430	292,801	(77,808)	2,476,422
Inventory provision	296,650	38,576	-	335,226
Property, plant and equipment	(2,000,370)	(2,874,632)	-	(4,875,002)
Revaluation reserve	(6,947,180)	-	-	(6,947,180)
Tax Losses	-	9,010,534	-	9,010,534
Net deferred tax asset/ (liability)	(6,389,469)	6,467,279	(77,808)	-

The Company has recognised deferred tax assets to the extent of the deferred tax liability accruing to the Company. Accordingly a deferred tax asset of Rs. 6,467,279 has been recognized as at 31 March 2015. The Company has not recognised Deferred Tax Asset amounting to Rs. 9,593,579 (2013/14 - Rs.14,818,884) as it not probable that the future taxable profits will be adequate to utilise the available tax losses in the foreseeable future.

30 Trade payables

	Group		Company	
	2015	2014	**2015**	2014
Tea creditors	5,769,556	5,533,191	5,769,556	5,533,191
Packing material creditors	34,851,878	26,308,170	34,851,878	26,308,170
Flavour creditors	1,744,643	4,577,249	1,744,643	4,577,249
Other creditors	312,514	306,531	312,514	306,531
	42,678,591	36,725,141	42,678,591	36,725,141

31 Deposits & advances payables

Advances/ Deposits from trade receivables	20,865,273	23,263,795	20,865,273	23,263,795
	20,865,273	23,263,795	20,865,273	23,263,795

32 Accrued expenses & other creditors

Salary and related expenses payables	2,249,382	1,269,189	2,249,382	1,269,189
Economic Service Charges payables	-	758,668	-	758,668
Freight creditors	2,847,109	1,900,561	2,847,109	1,900,561
Other payables	22,963,656	19,686,434	22,951,654	19,675,434
	28,060,147	23,614,852	28,048,145	23,603,852

33 Income tax payable

Balance as at 1st April	2,977,637	963,049	2,977,637	963,049
Provision for the year	4,714,687	5,533,095	4,714,687	5,533,095
Under provision in respect of previous year	-	31,887	-	31,887
WHT & ESC recoverable	(418,880)	(2,555,460)	(418,880)	(2,555,460)
Payment made during the year	(5,510,680)	(994,934)	(5,510,680)	(994,934)
Balance as at 31st March	1,762,764	2,977,637	1,762,764	2,977,637

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34 Financial instruments

34.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Carrying amount				
Trade Receivables	269,720,612	216,781,258	269,720,612	216,781,258
Cash and cash equivalents	114,819,397	104,649,168	114,798,611	104,623,133
	384,540,009	321,430,426	384,519,223	321,404,391

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was.

Domestic	7,060,218	7,754,509	7,060,218	7,754,509
Russia & the CIS States	152,159,266	117,396,196	152,159,266	117,396,196
Far East /Asia	41,128,640	32,351,443	41,128,640	32,351,443
Europe	58,634,956	53,692,916	58,634,956	53,692,916
USA / Canada	7,664,128	5,586,194	7,664,128	5,586,194
Middle East	3,073,404	-	3,073,404	-
	269,720,612	216,781,258	269,720,612	216,781,258

Impairment losses

The aging of trade and receivables at the reporting date was;

Group

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	145,190,872	-	138,103,550	-
Past due 0-90 days	106,414,281	-	65,202,774	-
Past due 90-120 days	10,321,508	-	6,545,164	-
Past due more than 120 - 365 days	6,708,167	-	6,659,978	-
Past due more than 365 days	1,085,784	370,352	269,792	370,352
	269,720,612	370,352	216,781,258	370,352

Company

Not past due	145,190,872	-	138,103,550	-
Past due 0-90 days	106,414,281	-	65,202,774	-
Past due 90-120 days	10,321,508	-	6,545,164	-
Past due more than 120 - 365 days	6,708,167	-	6,659,978	-
Past due more than 365 days	1,085,784	370,352	269,792	370,352
	269,720,612	370,352	216,781,258	370,352

The movement in the allowance for impairment in respect of trade receivables during the year was as follows;

	Group		Company	
	2015	2014	2015	2014
Balance at 1 April	370,352	370,352	370,352	370,352
Amounts written off during the year	-	-	-	-
Impairment loss recognized	-	-	-	-
Balance at 31 March	370,352	370,352	370,352	370,352

The company believes that the unimpaired amounts due are still collectible, based on historical payment behaviour.

34.2 Liquidity risk

The following are the contractual maturities of financial liabilities of the company

Group

	Carrying amount	Contractual cash flows	Less than 01 year	More than 01 year
31st March 2015				
Non-derivative financial liabilities				
Trade and other payables	91,604,012	91,604,012	91,604,012	-
Bank overdraft	53,864,642	53,864,642	53,864,642	-
Loans and Borrowings	495,642,799	495,642,799	473,804,116	21,838,683
	641,111,453	641,111,453	619,272,770	21,838,683

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31st March 2014				
Non-derivative financial liabilities				
Trade and other payables	83,603,788	83,603,788	83,603,788	-
Bank overdraft	24,084,328	24,084,328	24,084,328	-
Loans and Borrowings	413,658,225	413,658,225	371,249,211	42,409,014
	521,346,341	521,346,341	478,937,327	42,409,014

Company

	Carrying amount	Contractual cash flows	Less than 01 year	More than 01 year
31st March 2015				
Non-derivative financial liabilities				
Trade and other payables	91,592,009	91,592,009	91,592,009	-
Bank overdraft	53,864,642	53,864,642	53,864,642	-
Loans and Borrowings	495,642,799	495,642,799	473,804,116	21,838,683
	641,099,450	641,099,450	619,260,767	21,838,683
31st March 2014				
Non-derivative financial liabilities				
Trade and other payables	83,592,788	83,592,788	83,592,788	-
Bank overdraft	24,084,328	24,084,328	24,084,328	-
Loans and Borrowings	413,658,225	413,658,225	371,249,211	42,409,014
	521,335,341	521,335,341	478,926,327	42,409,014

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34.3 Market risk

Currency risk

Exposure to currency risk

The exposure to foreign currency risk was as follows based on notional amounts

Group		**31st March 2015**		
	LKR	USD	SGD	EURO
Trade & other receivables	7,568,709	1,382,897	197,867	406,609
Trade and other payables	87,634,570	55,370	-	-

		31st March 2014		
	LKR	USD	SGD	EURO
Trade & other receivables	7,754,509	1,039,220	230,025	331,192
Trade and other payables	76,566,912	55,370	-	-

Company		**31st March 2015**		
	LKR	USD	SGD	EURO
Trade & other receivables	7,568,709	1,382,897	197,867	406,609
Trade and other payables	87,634,570	55,370	-	-

		31st March 2014		
	LKR	USD	SGD	EURO
Trade & other receivables	7,754,509	1,039,220	230,025	331,192
Trade and other payables	76,566,912	55,370	-	-

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD	131.93	128.77	133.20	130.65
SGD	100.24	102.70	96.77	103.70
EURO	161.93	170.90	144.16	179.69

Foreign currency sensitivity

The table below summarizes the Group's total exposure and sensitivity to currency risk

Group	**2015** Amount in Foreign Currency	LKR Amount	2014 Amount in Foreign Currency	LKR Amount
USD Assets	2,161,168	287,867,562	1,570,834	205,229,493
Euro Assets	3,495	465,503	302,000	54,266,414
SGD Assets	1,485	197,867	231,801	24,037,747
Total Foreign Currency denominated Assets	2,166,148	288,530,932	2,104,635	283,533,654
Impact on PBT				
5% strengthening of Rupee		(14,426,547)		(14,176,683)
5% weakening of Rupee		14,426,547		14,176,683

Company	2015 Amount in Foreign Currency	2015 LKR Amount	2014 Amount in Foreign Currency	2014 LKR Amount
USD Assets	2,161,168	287,867,562	1,570,834	205,229,493
Euro Assets	3,495	465,503	302,000	54,266,414
SGD Assets	1,485	197,867	231,801	24,037,747
Total Foreign Currency denominated Assets	2,166,148	288,530,932	2,104,635	283,533,654
Impact on PBT				
5% strengthening of Rupee		(14,426,547)		(14,176,683)
5% weakening of Rupee		14,426,547		14,176,683

Interest Rate Risk

The principal risk to which non-trading portfolios are exposed is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

At the end of the reporting period the interest rate profile of the company's interest-bearing financial instruments as reported to the management of the company was as follows;

	Group		**Company**	
For the year ended 31st March	**2015**	2014	**2015**	2014
Fixed rate instruments				
Financial Liabilities	12,087,142	20,760,285	12,087,142	25,472,909
	12,087,142	20,760,285	12,087,142	25,472,909
Variable rate instruments				
Financial Liabilities	22,429,362	30,407,124	22,429,362	15,157,262
	22,429,362	30,407,124	22,429,362	15,157,262

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Increase/decrease in interest rate	Group Effect on profit before tax 2015	2014	Company Effect on profit before tax 2015	2014
100 bp increase	(264,182)	(307,840)	(264,182)	(307,840)
100 bp decrease	264,182	307,840	264,182	307,840

34.4 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital, reserves and non-controlling interests of the Group. The Board of Directors monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

The company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	Group		Company	
For the year ended 31st March	**2015**	2014	**2015**	2014
Total liabilities	681,476,446	572,085,959	681,476,446	572,085,959
Less: cash and cash equivalents	(114,798,611)	(104,649,171)	(114,798,611)	(104,649,171)
Net debt	566,677,835	467,436,788	566,677,835	467,436,788
Total equity	509,264,127	511,073,245	509,264,127	511,073,245
Debt to adjusted capital ratio at 31 March	111%	91%	111%	91%

35 Related party disclosure

35.1 Parent and ultimate controlling party

Ultimate controlling party of the Company is HVA Lanka Exports (Pvt) Ltd. The amount receivable from the parent company is disclosed in Note - 18.1.

35.2 Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the company having authority and responsibilities for planning , directing and controlling the activities of the Company.

35.2.1 Key management personnel compensation

Key management personnel compensation comprised,

Short- term employee benefits including salaries	20,664,430	26,100,861	20,664,430	26,100,861
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	953,442	-	953,442
Share based payments	-	-	-	-
Total	20,664,430	27,054,303	20,664,430	27,054,303

35.2.2 Key management personnel and director transactions

Details of the Directors & their spouses' shareholding are given in the Annual Report of the Company on page no.12
There were no other transactions with key management personnel other than those disclosed below.

Mrs. V.S.A.Fernando				
Loan obtained from the Director (Interest rate is 6.5% p.a)				
- Transaction value- Loan & interest repayment	2,253,588	2,345,336	2,253,588	2,345,336
- Interest	52,366	206,216	52,366	206,216
- Outstanding value - Loan	-	1,885,072	-	1,885,072
- Interest	-	208,962	-	208,962

35.3 Transactions with group companies

35.3.1 Allocation of common expenses

Common expenses of HVA Lanka Exports (Pvt) Ltd and HVA Foods PLC, are allocated among both companies on the following basis;

Allocation method	Common expenses item
Labour hours	Direct labour & employee related expenses, packing charges, medical consultation, vehicle (factory overhead) & generator hiring charges and fuel charges (admin)
Volume basis	Tea collection charges, factory & machinery maintenance, depreciation, security charges, fuel charges (factory overhead), electricity (factory overhead), depreciation (admin), water charges, CCTV charges and insurance (factory)
Turnover basis	Other consumption, vehicle maintenance (admin), insurance, printing & stationery, office & off. Equipment maintenance, software maintenance, telephone & mobile charges, R & D expenses, business promotion expenses, foreign travels, courier charges, security (admin), land & building maintenance, and fuel charges (admin)

35.3.2 Other transactions & balances with group companies

		Transaction amount		Balance (due to)/ due from	
	For the year ended 31st March	**2015**	2014	**2015**	2014
a. Company	HVA Lanka Exports (Pvt) Ltd.				
Directors	Mr. A.R.H.Fernando				
	Mrs. V.S.A..Fernando				
	Mr. W. I. H.J.Fernando				
Relationship	Parent company				
Nature of transaction	Sale of goods	44,893,125	22,297,047	-	-
	Purchases of goods	26,650,647	30,120,533	-	-
	Net Receipts & Re-imbursement of expenses & other transactions	81,583,071	44,214,887	-	-
	Direct payments received	53,380,053	38,399,674	-	-
	Interest on current account balance	11,814,244	11,916,775	-	-
b. Company	HVA Farms (Pvt) Ltd.				
Directors	Mr. A.R.H.Fernando				
	Mrs. V.S.A..Fernando				
	Mr. W. I. H.J.Fernando				
Relationship	Common Directors				
Nature of transaction	Receipts for expenses & other transactions	14,607	23,602	(10,615)	-
c. Company	Global Hannazono (Pvt) Ltd				
Directors	Mr. W. I. H.J.Fernando				
Relationship	Common Directors				
Nature of transaction	Sale of Tea	192,466	-	72,366	-
d. Company	Triad (Pvt) Ltd.				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	126,634	117,243	-	-
	Advertisement cost	228,059	523,700	-	-
e. Company	Printage (Pvt) Ltd				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	-	33,000	-	-
f. Company	Emagewise (Pvt) Ltd				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Annual Report Printing charges & other related cost	504,900	1,320,190	-	-
g. Company	Sarva Integrated (Pvt) Ltd				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	18,000	41,750	-	6,000

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

	For the year ended 31st March	Transaction amount 2015	Transaction amount 2014	Balance (due to)/ due from 2015	Balance (due to)/ due from 2014
h. Company	Emageline (Pvt) Ltd				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	18,000	29,900	6,000	6,000
i. Company	Citrus Leisure PLC				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	519,767	641,787	53,338	172,683
j. Company	Citrus Vacations Ltd.				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Professional service	1,951,048	5,553,865	-	(1,479,834)
k. Company	Citrus Beach Resorts Plc				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	173,152	74,871	-	-
l. Company	Derena Macro Entertainment (Pvt) Ltd.				
Directors	Mrs. V.S.A. Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	24,000	15,000	-	-
m. Company	Richard Pieries Distributors Ltd.				
Directors	Mr. J.H.P. Ratnayeke				
Relationship	Common Directors				
Nature of transaction	Sales of tea	2,034,128	1,985,680	-	-
	Gondola rent & other purchases	1,122,000	1,045,286	-	-
n. Company	P.R. Secretarial Services (Pvt) Ltd.				
Directors	Mr. J.H.P. Ratnayeke				
Relationship	Common Directors				
Nature of transaction	Secretarial fees & professional charges	195,351	97,360	(199,142)	(199,142)
o. Company	Open Road Equipe (Pvt) Ltd.				
Directors	Mr. W. I. H.J.Fernando				
Relationship	Common Directors				
Nature of transaction	Sales of tea	-	9,197	-	-

35.4 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free (except parent company) and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

36 Analysis of financial instruments by measurement basis

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

Group

2015	Note	Fair value through profit or loss	Available for sale financial investments	Loans and receivables*	Held to maturity investments	Other financial liabilities *	Total
Financial Assets							
Financial investments	16	3,051,384	-	-	-	-	3,051,384
Trade receivables	17	-	-	269,350,260	-	-	269,350,260
Refundable deposits	20	-	-	175,000	-	-	175,000
Deposits	20	-	-	1,295,001	-	-	1,295,001
Cash and cash equivalents	21	-	-	114,819,397	-	-	114,819,397
		3,051,384	-	385,639,658	-	-	388,691,042
Financial Liabilities							
Secured term loan	26.1.a	-	-	-	-	34,516,504	34,516,504
Trade payables	30	-	-	-	-	42,678,591	42,678,591
Bank overdraft	21	-	-	-	-	53,864,642	53,864,642
		-	-	-	-	131,059,737	131,059,737
2014							
Financial Assets							
Financial investments	16	4,476,480	-	-	-	-	4,476,480
Trade receivables	17	-	-	216,410,906	-	-	216,410,906
Refundable deposits	20	-	-	175,000	-	-	175,000
Deposits	20	-	-	2,762,893	-	-	2,762,893
Cash and cash equivalents	21	-	-	104,649,168	-	-	104,649,168
		4,476,480	-	323,997,967	-	-	328,474,447
Financial Liabilities							
Secured term loan	26.1.a	-	-	-	-	51,167,410	51,167,410
Trade payables	30	-	-	-	-	36,725,141	36,725,141
Bank overdraft	21	-	-	-	-	24,084,328	24,084,328
		-	-	-	-	111,976,879	111,976,879

Company

2015	Note	Fair value through profit or loss	Available for sale financial investments	Loans and receivables*	Held to maturity investments	Other financial liabilities*	Total
Financial Assets							
Financial investments	16	3,051,384	-	-	-	-	3,051,384
Trade receivables	17	-	-	269,350,260	-	-	269,350,260
Refundable deposits	20	-	-	175,000	-	-	175,000
Deposits	20	-	-	1,295,001	-	-	1,295,001
Cash and cash equivalents	21	-	-	114,798,611	-	-	114,798,611
		3,051,384	-	385,618,872	-	-	388,670,256
Financial Liabilities							
Secured term loan	26.1.a	-	-	-	-	34,516,504	34,516,504
Trade payables	30	-	-	-	-	42,678,591	42,678,591
Bank overdraft	21	-	-	-	-	53,864,642	53,864,642
		-	-	-	-	131,059,737	131,059,737

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lanka Rupees

Company

2014	Note	Fair value through profit or loss	Available for sale financial investments	Loans and receivables*	Held to maturity investments	Other financial liabilities*	Total
Financial Assets							
Financial investments	16	4,476,480	-	-	-	-	4,476,480
Trade receivables	17	-	-	216,410,906	-	-	216,410,906
Refundable deposits	20	-	-	175,000	-	-	175,000
Deposits	20	-	-	2,762,893	-	-	2,762,893
Cash and cash equivalents	21	-	-	104,623,133	-	-	104,623,133
		4,476,480	-	323,971,932	-	-	328,448,412
Financial Liabilities							
Secured term loan	26.1.a	-	-	-	-	51,167,410	51,167,410
Trade payables	30	-	-	-	-	36,725,141	36,725,141
Bank overdraft	21	-	-	-	-	24,084,328	24,084,328
		-	-	-	-	111,976,879	111,976,879

*The Company does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not material for the disclosure.

36.2 Fair value Hierarchy for Assets Carried at fair value

The table below analyses financial instruments and non financial assets measured at fair value at the end of the reporting period,by the level of the fair value hierarchy.

Group

2015	Note	Level 1	Level 2	Level 3	Total
Financial assets	16	3,051,384	-	-	3,051,384
Freehold land, Building, Machinery and Stores Equipments	12	-	-	337,643,242	337,643,242
2014					
Financial assets	16	4,476,480	-	-	4,476,480
Freehold land, Building, Machinery and Stores Equipments	12	-	-	348,692,289	348,692,289

Company

2015	Note	Level 1	Level 2	Level 3	Total
Financial assets	16	3,051,384	-	-	3,051,384
Freehold land, Building, Machinery and Stores Equipments	12	-	-	337,643,242	337,643,242
2014					
Financial assets	16	4,476,480	-	-	4,476,480
Freehold land, Building, Machinery and Stores Equipments	12	-	-	348,692,289	348,692,289

36.3 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of Land and investment property , as well as the significant unobservable inputs used.

	Location	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
HVA Foods PLC				
Property plant and equipment				
Land	Kandana	Open Market Approach	Considering the location, extent and site characteristics the land value is determined by adopting rates from Rs.300,000 to Rs.400,000 per perch.	The estimated fair value would increase/ decrease if expected market rates get high / low.
Buildings	Kandana	Open Market Approach	Considering the location, extent and characteristics the building value is determined by adopting rates from Rs.1,000 to Rs.2,750 per sq.ft.	The estimated fair value would increase/ decrease if expected market rates get high / low.
Machinery	Kandana	Open Market Approach	The net current replacement cost in order to reflect the value attributable to the remaining portion of the total useful economic working life of the asset, taking due account of age, condition, obsolescence and other relevant factors.	The estimated fair value would increase/ decrease if expected market prices get high / low.

37 Events after the reporting date

There have been no material events occurring since the reporting date that require adjustments to or disclosure in the financial statements.

38 Capital Expenditure Commitments

There were no material capital commitments outstanding as at the reporting date.

39 Contingent Liabilities

There were no contingencies as at the reporting date except the following:

There is a case filed by the Company, pending before the Court of Appeal against the two officers of the Department of Labour and a former employee, seeking to challenge an Order made by the officers of the Department of Labour, directing the Company to pay a sum of Rs. 2,364,862.50 as gratuity, as against Rs. 953,442 provided by the Company. Based on the Company Lawyer's opinion, the Directors do not anticipate any significant liabilities in respect of the above. Accordingly, a provision has not been made in these financials statements.

40 Going Concern

The Financial Statements have been prepared on going concern basis.

41 Assets pledged as securities

The following assets of the company have been pledged as securities for liabilities as at the reporting date.

Lending institution	Security	Nature of facility	Amount of Facility Rs.
Bank of Ceylon	Fixed deposits, bills of exchange, packing material stock & machinery	Term loan, Packing credit loans, Export bills,O/D	192.8 Mn
Peoples Bank	Stocks and debtors	Packing credit loans, Export bills, Letter of credit &O/D	39.9 Mn
Seylan Bank PLC	Fixed deposits, bills of exchange, packing material stock, machinery, vehicles & land & building	Term Loan, Packing credit loans, Export bills,O/D & Leasing	285.4 Mn
DFCC Vardhana Bank PLC	Stocks & debtors	Exports bills & Term Loan	147.8 Mn

INVESTOR INFORMATION

Share Distribution

Shareholding As At 31st March 2015

From	To	No of Holders	No of Shares	%
1	1,000	2368	1,001,417	1.51%
1,001	10,000	1385	5,303,420	7.98%
10,001	100,000	355	10,862,340	16.35%
100,001	1,000,000	26	6,133,687	9.23%
Over 1000000	-	5	43,127,796	64.92%
		4139	66,428,660	100.00%

Categories of Shareholders

Local Individuals	3960	18,399,602	27.70%
Local Institutions	150	47,281,183	71.18%
Foreign Individuals	27	567,215	0.85%
Foreign Institutions	2	180,660	0.27%
	4139	66,428,660	100.00%

Market value per share

	31/03/2015	31/03/2014
	Rs.	Rs.
Highest during the year	13.30	14.40
Lowest during the year	7.80	8.10
As at the end of the year	8.00	9.40

20 Largest Shareholders of the Company and percentage

		2015		2014	
	Name	No. of shares	% of holding	No. of shares	% of holding
1	Seylan Bank PLC/HVA Lanka Exports (Private) Limited	18,250,000	27.47%	18,250,000	27.47%
2	Assetline Leasing Company Ltd / HVA Lanka Exports (Pvt) Ltd	12,904,571	19.43%	22,338,471	33.63%
3	HVA Lanka Exports (Pvt) Ltd	9,433,900	14.20%		
4	ADL Equities Limited / M A M Arafath Akram	1,468,264	2.21%		
5	Carlines Holdings (Pvt) Ltd	1,071,061	1.61%	225,691	0.34%
6	Mr T L M Imtiaz	850,212	1.28%	654,492	0.99%
7	Mr T G Thoradeniya	444,636	0.67%	444,636	0.67%
8	Mr M I Abeysekara	422,477	0.64%		
9	People's Leasing Finance Plc / Carlines Holdings (Pvt) Ltd	379,614	0.57%	379,614	0.57%
10	Mr S C Samararatne	350,000	0.53%	232,000	0.35%
11	British American Technologies (Pvt) Ltd	321,795	0.48%		
12	Mr A Singh	245,902	0.37%		
13	Seylan Bank PLC/James Henry Paul Ratnayake	240,000	0.36%	240,000	0.36%
14	Mr D R Gardiarrachchige	225,000	0.34%		
15	Mr C P Shivaraj	200,000	0.30%		
16	Mr M Cader	200,000	0.30%		
17	Miss W A D L Elezebeth	199,500	0.30%		
18	Mrs H M I D Jayawickrama	196,263	0.30%	460,490	0.69%
19	Mr R Pathirage	195,000	0.29%		
20	Mr E A Deen	190,550	0.29%		
	Sub Total	47,788,745	71.94%	43,225,394	65.07%
	Others	18,639,915	28.06%	23,203,266	34.93%
	Total	66,428,660	100.00%	66,428,660	100.00%

Public Shareholding

The percentage of shares held by the public - 38.494%, comprising of 4,133 shareholders (2014 - 38.49%)

FIVE YEAR SUMMARY

	2015	2014	2013	2012	2011
TRADING RESULTS (Rs.)					
Revenue	824,118,357	723,721,147	744,247,791	741,654,063	561,647,269
Operating Expenses	(885,739,691)	(777,094,933)	(750,475,828)	(753,235,445)	(555,768,313)
Other Operating Income	79,327,660	49,297,755	46,442,875	47,413,537	49,644,332
Profit before Finance charges	17,706,326	(4,076,031)	40,214,838	35,832,155	55,523,288
Finance Cost	(47,959,436)	(35,880,271)	(25,092,135)	(41,187,829)	(31,644,287)
Finance income	26,078,077	30,176,895	21,425,015	21,652,250	23,297,515
Profit before Income Tax	(4,175,033)	(9,779,408)	36,547,717	16,296,576	47,176,517
Income Tax on Profits	1,752,591	(7,643,218)	(6,361,371)	(3,519,654)	(821,654)
Profit after Income Tax	(2,422,442)	(17,422,625)	30,186,346	12,776,922	46,354,863
SHAREHOLDERS FUNDS (Rs)					
Stated Capital	333,857,588	333,857,588	333,857,588	333,857,588	333,857,588
Reserves	175,406,539	177,261,627	165,872,217	136,017,998	115,096,932
NET ASSETS	509,264,127	511,119,214	499,729,805	469,875,586	448,954,520
ASSETS (Rs)					
Property , Plant & Equipment	368,567,189	387,875,427	335,205,145	327,148,135	264,539,307
Intangible Assets	33,750	99,918	171,918	243,918	102,168
Financial Investment	3,051,384	4,476,480	2,695,119	5,345,319	-
Investment in subsidiary	45,000,001	45,000,001	45,000,001	45,000,000	45,000,000
Current Assets	774,088,249	645,753,347	579,639,082	560,736,132	553,561,198
LIABILITIES (Rs)					
Non-current Liabilities	60,442,299	87,955,548	84,465,816	95,463,658	74,095,358
Current Liabilities	621,034,147	484,130,411	378,515,644	373,134,260	340,152,795
NET ASSETS (Rs)	509,264,127	511,119,214	499,729,805	469,875,586	448,954,520
RATIOS & OTHER INFORMATION					
Current ratio	1.25	1.33	1.53	1.50	1.63
Quick Assets Ratio	1.04	1.11	1.34	1.27	1.44
Interest Cover (No. of times)	0.81	(0.71)	10.97	1.83	6.65
Debt Equity Ratio (%)	49	45	38	41	45
Return on Equity (%)	(0.48)	(3.41)	6.04	2.72	10.33
Return on Total Assets (%)	(0.20)	(1.62)	3.14	1.37	5.37
Net Asset Value per share	7.67	7.69	7.52	7.07	6.76
Earning Per Share (Rs.)	(0.04)	(0.26)	0.45	0.19	0.95
Revenue Growth (%)	13.87	(2.76)	0.35	32.05	15.04
Dividend per share	Nil	Nil	0.20	Nil	Nil
Dividend pay out	Nil	Nil	44%	Nil	Nil

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 5th Annual General Meeting of HVA FOODS PLC will be held on 27th August 2015 at 9.00 a.m. at Central Bank Auditorium, No 58, Sri Jayawaradanapura Mawatha, Rajagiriya.

AGENDA

1. To read the notice convening the meeting.

2. To receive and consider the Report of the Directors and the Statement of Audited Accounts for the year ended 31st March, 2015 and the Report of the Auditors.

3. To re-elect Ms. V.S.A. Fernando who retires by rotation in terms of Articles 88 (i) of the Articles of Association of the Company as a Director of the Company

4. To consider and if thought fit to pass the following as an ordinary resolution and subject to shareholder approval Mr. N.C. Vitarana be re-appointed in terms of Article 88 (ii) of the Articles of Association of the Company as a Director of the Company;

   "It is hereby resolved that the age limit referred to in section 210 of the Companies Act No.7 of 2007 shall not apply to Mr. N.C. Vitarana who is presently 84 (Eighty Four) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"

5. To re-appoint Messrs KPMG, Charted Accountants as Auditors of the Company for ensuring year and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine and make donations.

7. To transact any other business of which due notice has been given.

By order of the Board of Directors of
HVA Foods PLC

P.R.Secreatarial Services (Private) Limited
Secretaries

Colombo
29th july 2015

FORM OF PROXY

I/We .... of

.... being a Member/Member* of the above named

Company, hereby appoint...failing him/her.

Mr. A. R. H. Fernando or failing him
Ms. V.S. A. Fernando or failing him
Mr. J. H. P. Ratnayeke or failing him
Mr. N. C. Vitharana or failing him
Mr. W. I. H. J. Fernando

as my/our* Proxy to represent me/us* and vote and speak for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on 27th August 2015 at 9.00 a.m. at Central Bank Auditorium, No 58, Sri Jayawaradanapura Mawatha, Rajagiriya and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

	For	**Against**
To read the notice convening the meeting.		
To receive and consider the report of the Directors and the statement of Audited Accounts for the year ended 31st March 2015 and the Report of the Auditors.		
To re-elect Ms. V.S.A. Fernando who retires by rotation in terms of Articles 88 (i) of the Articles of Association of the Company as a Director of the Company		
To consider and if thought fit to pass the following as an ordinary resolution and subject to shareholder approval Mr. N.C. Vitarana be re-appointed in terms of Article 88 (ii) of the Articles of Association of the Company as a Director of the Company as a Director of the Company; "It is hereby resolved that the age limit referred to in section 210 of the Companies Act No.7 of 2007 shall not apply to Mr. N.C. Vitarana who is presently 84 (Eighty Four) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"		
To re-appoint Messrs KPMG, Charted Accountants as Auditors of the Company for ensuring year and to authorize the Directors to determine their remuneration.		
To authorize the Directors to determine and make donation.		
To transact any other business of which due notice has been given.		

Signed this ....day of...............................2015.

.... N.I.C. No. ....
Signature of shareholder

Note:
1. please delete inappropriate words.
2. A proxy need not to be a member of the Company.
3. Instructions for completion of proxy are noted below.
4. Please mark "X" in appropriate cages, to indicate your instructions as to voting

FORM OF PROXY

Instructions as to completion

Kindly perfect the Form of Proxy by filing in legibly your full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.

Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.

To be valid, the completed Form of Proxy must be deposited at the Registered Office at No. 39, Linton Road, Kandana not less than 48 hours before the time appointed for the holding of the meeting.

If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.

In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.

In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

CORPORATE INFORMATION

Name of company
HVA Foods PLC

Legal form
Public Limited Liability Company
Incorporated in Sri Lanka in 1997

Registered office of the company
39 A, Linton Road,
Kandana

Company registration No.
PB/PV 1765 PQ

Stock Exchange Listing
The Ordinary Shares are listed on
Colombo Stock Exchange

Directors
Mr. A. R. H. Fernando - Chairman
Mr.W.I.H.J. Fernando
Mrs. V. S. A. Fernando
Mr. N. C. Vitarana
Mr. J. H. P. Ratnayeke

Audit committee
Mr. N. C. Vitarana - Chairman
Mr. J. H. P. Ratnayeke

Remuneration committee
Mr. J. H. P. Ratnayeke - Chairman
Mr. N. C. Vitarana

Secretaries
P.R. Secretarial Services (Pvt) Ltd.
59, Gregory's Road,
Colombo 07

Registrars
P W Corporate Secretarial (Pvt) Ltd.
3/17 Kynsey Road,
Colombo 08.

Lawyers
Nithi Marugesu Associates,
28 (Level 2) W.A.D.Ramanayake
Mawatha,
Colombo 02.

External Auditors
KPMG
32 A, Sir Mohamed Macan Marker
Mawatha,
P. O. Box - 186, Colombo 03.

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd
201, De Seram Place,
P.O.Box 101, Colombo 10.

Bankers
Bank of Ceylon
DFCC Bank
DFCC Vardhana Bank PLC
Hatton National Bank PLC
Hongkong and Shanghai Banking
Corporation Ltd
Seylan Bank PLC

Investor relations
HVA Foods PLC
39 A, Linton Road,
Kandana
Tel : 011 223 8714
Fax : 011 483 2802
Web : www.Heladiv.com

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