We are not led.

WE LEAD>

Kelani Valley Plantations PLC

Annual Report 2021-22

Great Place To Work® Certified DEC 2021-DEC 2022 LKA

We are not led.

WE LEAD

Having completed an unprecedented year unlike any other, we are proud to have made it through with sheer determination, guts and a far thinking vision which prepared us for every eventuality. So while we celebrated the wins, we continued to strengthen the connections with all our stakeholders, as well as our bond with the environment that is vital for our longevity and success. We also focused our attention inward in strengthening our team and developing our assets so as to solidify our foundation in preparation for the years to come. Our results have been the outcome of strong and stable leadership, and it has translated to an ethos that propels our independent and unfettered growth; we are not led, we lead.

Kelani Valley Plantations PLC

Annual Report 2021-22

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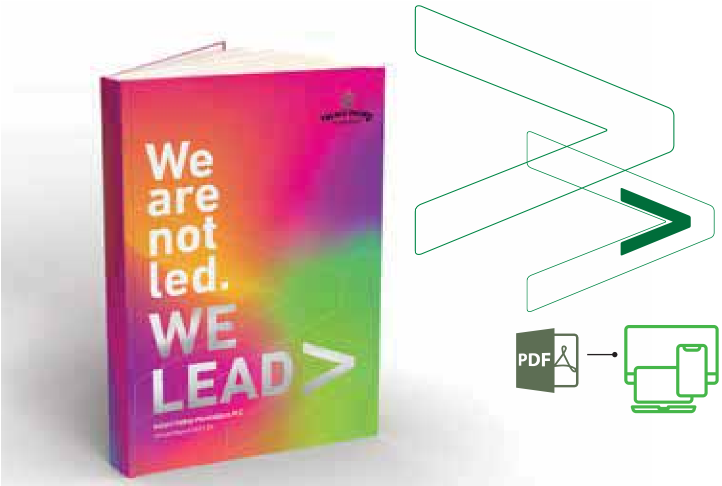
OVERVIEW TO THIS REPORT



PDF

www.kvpl.com

Complied

Standards and Principles Reporting

- International Framework of the IIRC

Governance, Risk Management and Operations

- Laws and regulations of the Companies Act No. 7 of 2007.
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date.
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars.
- Code of Best Practice on Corporate Governance (2013) jointly advocated by SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.
- Code of Best Practices on Related Party Transactions (2013) advocated by SEC.

Financial Reporting

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka.

Sustainability Reporting

- This report has been prepared in accordance with the GRI Standards: Core option of reporting.
- Aligned to United Nations Sustainable Development Goals.
- Operations in conformity with the Principles of the United Nations Global Compact.
- Environmental, Social and Governance (ESG) disclosures through the framework and operations in conformity with the Principles of the United Nations Global Compact.

GRI 102 - 50, 51, 52

Kelani Valley Plantations PLC presents its 8th Integrated Annual Report in accordance with the International Framework of the International Integrated Reporting Council (IIRC). It presents the economic, social and environmental performance of the entire Group including its subsidiaries for the financial year beginning 1 April 2021 and ending 31 March 2022.

GRI 102 - 54

In keeping with the Group's sustainable model and sustainable reporting practices, this report is the 8th report to be prepared in accordance with the Global Reporting Initiatives (GRI) (GRI 102-54) Standards Core Option.

REPORTING PRINCIPLES

The contents included in this Report are deemed useful and relevant to our stakeholders with due regard to their expectations which have been identified through continuous engagement. The information presented aims to provide the Group's stakeholders with a comprehensive understanding of the financial, social and environmental impacts of the Group's operations and business activities in order to facilitate their evaluation of the Group's ability to create sustained value.

All information, which have been obtained from a range of source within the Group, have been verified for their completeness, balance, comparability, accuracy, reliability timeliness and clarity in accordance with Group's disclosure policies.

GRI 102-48,49 : There has been no restatement of information from the previous Annual Report and there are no significant changes to the list of material topics and topic boundaries.

FORWARD LOOKING STATEMENTS

This Annual Report contains certain forward looking statements which relate to the future performance and results of the operations of the Group. These statements by their nature involve risk and uncertainty as they relate to the future and depend on circumstances which may occur in the future and which may be beyond the control of the Group. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national socio-economic conditions, changes in industry environment, natural environmental conditions, interest rates, credit and the associated risk of lending, merchandise clearance rates, inventory levels, and competitive and regulatory factors. As such, the Company does not undertake to review or revise such forward looking statements.

ASSURANCE; GRI 102 - 56

The Group uses a combination of internal controls, management assurance, compliance and internal audit reviews to ensure the accuracy of reporting.

In addition to the above, our Financial Statements and related notes are audited by external Auditors, Messrs. Ernest & Young, Colombo, and issued an independent report on the Financial Statements on page 195.

CONTACT POINT GRI 102 - 53

KVPL welcomes any questions, clarifications and feedback on this report. Please contact postmaster@kvpl.com

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THIS REPORT

The Board believes that this Integrated Annual Report has been prepared in accordance with best practices and appropriately addresses material aspects of KVPL's business and is a fair representation of the integrated performance of the Company.

The Board unanimously approved the 2021/22 Integrated Annual Report 10 May 2022, for release to shareholders.

Managing Director – On behalf of Board of Directors
Date : 10 May 2022

ESTATE PROFILE

Central Province - Nuwara Eliya District

GRI 102 - 4,304-1

Pedro

Extent (Ha)	
Tea	539
Rubber	-
Other crop	-
Other	129
Total	**668**

Crop (Kgs'000)	
Tea	570
Rubber	-

No. of Factories	1
Elevation (ft)	6,237
No. of Employees	959

Management
P D Pathirana - Regional General Manager
R A M A N Ranasingha - Assistant Manager
A De Alwis - Assistant Manager
W K P Alwis - Assistant Manager
K D M T C K B - Wijeratne - Assistant Manager (Projects)

Contact
Email - pedro@kvpl.com
TP No.- 052 2222016

Nuwara Eliya

Extent (Ha)	
Tea	177
Rubber	-
Other crop	-
Other	115
Total	**292**

Crop (Kgs'000)	
Tea	280
Rubber	-

No. of Factories	1
Elevation (ft)	5,999
No. of Employees	268

Management
P U Wanigathunge - Deputy General Manager
S D Jayasundara - Assistant Manager

Contact
Email - nuwaraeliya@kvpl.com
TP No.- 052 4920526

Glassaugh

Extent (Ha)	
Tea	160
Rubber	-
Other crop	-
Other	68
Total	**228**

Crop (Kgs'000)	
Tea	290
Rubber	-

No. of Factories	1
Elevation (ft)	5,074
No. of Employees	272

Management
D Augustin - Estate Manager

Contact
Email - glassugh@kvpl.com
TP No.- 052 4920408

Uda Radella

Extent (Ha)	
Tea	157
Rubber	-
Other crop	-
Other	71
Total	**228**

Crop (Kgs'000)	
Tea	206
Rubber	-

No. of Factories	1
Elevation (ft)	5,328
No. of Employees	248

Management
K T Benthota - Estate Manager

Contact
Email - udaradella@kvpl.com
TP No.- 052 4920529

Edinburgh

Extent (Ha)	
Tea	144
Rubber	-
Other crop	-
Other	35
Total	**179**

Crop (Kgs'000)	
Tea	177
Rubber	-

No. of Factories	1
Elevation (ft)	5,075
No. of Employees	189

Management
H H Peiris - Deputy Manager in- charge

Contact
Email - edinburgh@kvpl.com
TP No.- 052 2222781

Oliphant

Extent (Ha)	
Tea	193
Rubber	-
Other crop	-
Other	171
Total	**364**

Crop (Kgs'000)	
Tea	181
Rubber	-

No. of Factories	1
Elevation (ft)	6,440
No. of Employees	189

Management
C M K Wijayawardane - Estate Manager

Contact
Email - oliphant@kvpl.com
TP No.- 052 4920531

ESTATE PROFILE

Central Province - Nuwara Eliya District

Ingestre

Extent (Ha)	
Tea	507
Rubber	-
Other crop	-
Other	323
Total	**830**

Crop (Kgs'000)	
Tea	630
Rubber	-

No. of Factories	2
Elevation (ft)	4,723
No. of Employees	1,160

Management

R C Gnanasekeram - Estate Group Manager
S I Uluwita - Deputy Manager
N S Abilash - Assistant Manager
W S C Wickramasinghe - Assistant Manager

Contact

Email - ingestre@kvpl.com
TP No.- 051 4920881

Fordyce

Extent (Ha)	
Tea	231
Rubber	-
Other crop	-
Other	172
Total	**403**

Crop (Kgs'000)	
Tea	256
Rubber	-

No. of Factories	1
Elevation (ft)	4,599
No. of Employees	466

Management

M G Jayamantri - Estate Manager
A A Abdeen - Deputy Manager

Contact

Email - fordyce@kvpl.com
TP No.- 051 4920882

Annfield

Extent (Ha)	
Tea	222
Rubber	-
Other crop	-
Other	153
Total	**375**

Crop (Kgs'000)	
Tea	344
Rubber	-

No. of Factories	1
Elevation (ft)	4,297
No. of Employees	354

Management

A M C B Attanayake - Deputy General Manager
P S N Dilan - Assistant Manager

Contact

Email - annfield@kvpl.com
TP No.- 051 4920878

Tillyrie

Extent (Ha)	
Tea	162
Rubber	-
Other crop	-
Other	172
Total	**334**

Crop (Kgs'000)	
Tea	214
Rubber	-

No. of Factories	1
Elevation (ft)	4,264
No. of Employees	302

Management

L P John - Acting Estate Manager
G W Nuwan - Assistant Manager

Contact

Email - tillyrie@kvpl.com
TP No.- 051 4920941

Invery

Extent (Ha)	
Tea	124
Rubber	-
Other crop	-
Other	182
Total	**306**

Crop (Kgs'000)	
Tea	203
Rubber	-

No. of Factories	1
Elevation (ft)	4,310
No. of Employees	249

Management
D I Gallearachchi - Regional General Manager

Contact
Email - invery@kvpl.com
TP No.- 051 4920940

Robgill

Extent (Ha)	
Tea	177
Rubber	-
Other crop	-
Other	123
Total	**300**

Crop (Kgs'000)	
Tea	249
Rubber	-

No. of Factories	1
Elevation (ft)	4,500
No. of Employees	288

Management
H E Peiris - Estate Manager
H D U Hathurusinghe - Assistant Manager

Contact
Email - robgill@kvpl.com
TP No.- 051 4920938

Battalgalla

Extent (Ha)	
Tea	141
Rubber	-
Other crop	-
Other	120
Total	**261**

Crop (Kgs'000)	
Tea	165
Rubber	-

No. of Factories	1
Elevation (ft)	4,300
No. of Employees	274

Management
Y A Hettiarachchi - Estate Group Manager

Contact
Email - battalgalla@kvpl.com
TP No.- 051 4920877

ESTATE PROFILE

Sabaragamuwa Province - Kegalle District

Halgolle

Extent (Ha)	
Tea	243
Rubber	-
Other crop	4
Other	949
Total	**1,196**

Crop (Kgs'000)	
Tea	442
Rubber	-

No. of Factories	1
Elevation (ft)	3,478
No. of Employees	342

Management

U K Wanniarachchi - Estate Manager
K M U D B Herath - Assistant Manager
S W S I Jackson - Assistant Manager

Contact

Email - halgolla@kvpl.com
TP No.- 036 4921250

Ederapola

Extent (Ha)	
Tea	11
Rubber	410
Other crop	30
Other	216
Total	**667**

Crop (Kgs'000)	
Tea	11
Rubber	317

No. of Factories	1
Elevation (ft)	338
No. of Employees	286

Management

R M U S Jayasundara - Estate Manager
K B T T Perera - Assistant Manager

Contact

Email - ederapola@kvpl.com
TP No.- 036 4921255

Kitulgala

Extent (Ha)	
Tea	37
Rubber	-
Other crop	93
Other	452
Total	**582**

Crop (Kgs'000)	
Tea	39
Rubber	-

No. of Factories	-
Elevation (ft)	1,003
No. of Employees	62

Management

T Karthik - Estate Manager

Contact

Email - kitulgala@kvpl.com
TP No.- 036 4921253

Kalupahana

Extent (Ha)	
Tea	54
Rubber	158
Other crop	3
Other	297
Total	**512**

Crop (Kgs'000)	
Tea	42
Rubber	162

No. of Factories	-
Elevation (ft)	1,500
No. of Employees	149

Management

W P S B Abeywardena - Estate Group Manager

Contact

Email - kalupahana@kvpl.com
TP No.- 036 4921266

Kelani

Extent (Ha)	
Tea	27
Rubber	183
Other crop	23
Other	116
Total	**349**

Crop (Kgs'000)	
Tea	360
Rubber	148

No. of Factories	1
Elevation (ft)	300
No. of Employees	166

Management

K K A I Perera - Estate Manager
P W S K B Kohona - Assistant Manager

Contact

Email - kelani@kvpl.com
TP No.- 036 4921238

Dewalakande

Extent (Ha)	
Tea	-
Rubber	520
Other crop	15
Other	182
Total	**717**

Crop (Kgs'000)	
Tea	-
Rubber	303

No. of Factories	2
Elevation (ft)	502
No. of Employees	281

Management

K W S F Fernando - Regional General Manager
D R A Wickramarachchi - Assistant Manager

Contact

Email - dewalakanda@kvpl.com
TP No.- 036 2267401

Panawatte

Extent (Ha)	
Tea	14
Rubber	696
Other crop	8
Other	296
Total	**1,014**

Crop (Kgs'000)	
Tea	7
Rubber	474

No. of Factories	1
Elevation (ft)	1,000
No. of Employees	334

Management

D E P K Welikala - Senior Deputy General Manager
S K S Vitharana - Assistant Manager
R W M M P Halangoda - Assistant Manager
D M T N Dissanayake - Assistant Manager

Contact

Email - panawatte@kvpl.com
TP No.- 036 4925111

Urumiwella

Extent (Ha)	
Tea	3
Rubber	356
Other crop	37
Other	314
Total	**710**

Crop (Kgs'000)	
Tea	5
Rubber	240

No. of Factories	1
Elevation (ft)	800
No. of Employees	200

Management

M S S P Muhandiram - Deputy Manager in-charge
D M C N Dassanayake- Deputy Manager

Contact

Email - urumiwella@kvpl.com
TP No.- 036 2247228

ESTATE PROFILE

Sabaragamuwa Province - Kegalle District

Kiriporuwa

Extent (Ha)	
Tea	23
Rubber	347
Other crop	35
Other	182
Total	**587**

Crop (Kgs'000)	
Tea	22
Rubber	251

No. of Factories	2
Elevation (ft)	805
No. of Employees	211

Management

D J C S Chandrasekera - Estate Manager
W A K Chandana - Senior Manager - CF Factory
R M Karunaratne - Assistant Manager

Contact

Email - kiriporuwa@kvpl.com
TP No.- 036 4925110

Lavant

Extent (Ha)	
Tea	-
Rubber	348
Other crop	39
Other	182
Total	**569**

Crop (Kgs'000)	
Tea	-
Rubber	207

No. of Factories	1
Elevation (ft)	800
No. of Employees	223

Management

R C Jayaratne - Deputy Manager in-charge
D H S Weerasinghe - Assistant Manager

Contact

Email - lavant@kvpl.com
TP No.- 036 4922350

Ganepalla

Extent (Ha)	
Tea	-
Rubber	293
Other crop	59
Other	138
Total	**490**

Crop (Kgs'000)	
Tea	-
Rubber	193

No. of Factories	-
Elevation (ft)	1,000
No. of Employees	162

Management

R L Obeysekara - Senior Manager
A A Rajapaksha - Assistant Manager

Contact

Email - ganepalla@kvpl.com
TP No.- 036 4921261

We-Oya/Polatagama

Extent (Ha)	
Tea	22
Rubber	690
Other crop	43
Other	212
Total	**967**

Crop (Kgs'000)	
Tea	12
Rubber	451

No. of Factories	-
Elevation (ft)	1,000
No. of Employees	353

Management

P K A H Thilakarathna - Estate Group Manager
W A W G K Wickramaarachchi - Deputy Manager

Contact

Email - weoya@kvpl.com
TP No.- 036 4921240

OUR SPREAD

Total Hectares Managed	Mature	Immature
13,128 Ha	**7,120 Ha**	**1,619 Ha**
Tea - 3,368Ha	Tea - 3,314Ha	Tea - 54Ha
Rubber - 4,001Ha	Rubber - 2,957Ha	Rubber - 1,044Ha
Other - 5,759 Ha	Other - 849 Ha	Other - 520 Ha

GRI 102 - 6 REVENUE DISTRIBUTION LOCAL & GLOBAL

Rs.7.6 B
Tea Export Revenue

Rs.276 m
Rubber Export Revenue

ASIA	46.58%
MIDDLE EAST	6.01%
EUROPE	3.31%
RUSSIAN FEDERATION	1.96%
AMERICA	1.38%
AUSTRALIA	1.33%
AFRICA	0.42%
TOTAL FOREIGN REVENUE	61%
TOTAL LOCAL REVENUE	39%

CORPORATE PROFILE

GRI 102 - 1, 2, 3, 5, 7, 11, 12, 13

Kelani Valley Plantations PLC (KVPL) was incorporated as a Regional Plantation Company in June, 1992 and listed on the main board of the Colombo Stock Exchange in 1996. KVPL is a subsidiary of Dipped Products PLC a leading manufacturer of hand protection wear worldwide; and comprises 25 estates spanning three distinct agro-climatic regions spread across 13,000 hectares of Tea, Rubber, Coconut, Cinnamon and agro-forestry plantations.

All of KVPL's black tea factories are ISO 22000:2005 certified, and its tea plantations are accredited with Rain Forest Alliance certification. Additionally, being a member of the Ethical Tea Partnership (ETP) certifies the Company's commitment to good agricultural practices with stringent adherence to environmental best practices, and signifies a responsible approach to augmenting ethical business practices and to ensuring worker safety, and health and the preservation of bio-diversity within the plantations.

In addition to the manufacture of black Tea KVPL's Glassaugh factory produces green tea, while its Nuwara Eliya factory specialises in the production of instant tea. KVPL's two Tea Centres – the Pedro Estate Ethical Tea Boutique in Nuwara Eliya as well as the 'Tea Train' at Edinburgh Estate in Nanu oya add considerable brand value to KVPL's credentials as a leading tea manufacturer in the country.

The rubber plantations are also endorsed by Forest Stewardship Council (FSC) Certification and Organic Rubber certifications (USDA/NOP & EU) while products of Sole crepe, Centrifuge latex and Crepe Rubber are certified with FSC chain of custody certification whilst the Centrifuged factory is Global Organic Latex Standard (GOLS) certified. Furthermore, the Company has Fair Rubber Certification for two of our rubber plantations which have processing centers, which allows to improve the working and living conditions of estate workers through Fair Rubber Premium. In the year under review, all ten of our rubber estates received Sustainability Framework certification a multipurpose framework which is used for verification of forest and farm management.

Mabroc Teas (Pvt) Ltd., our tea marketing company, has a reach of over 50 countries. And together with KVPL it became a signatory to the UN Global Compact, a member of the UNGC Charter and launched the unique Single Origin Tea from select garden marks. It was recognised as 'The First Ethical Tea Brand of the World' for honouring the four main principles of UNGC; Human Rights, Labour Standards, Environment and Anti-Corruption.

KVPL's a unique multi-dimensional initiative branded as "A Home for Every Plantation Worker" was launched in 2006 with the aim of uplifting the quality of life of our people in all aspects. The initiative was also featured at the UNGC Network Conference in Mexico in 2017 for its design and approach to social uplifting of estate communities.

Pursuing a strategy of diversification into other complementary business models, KVPL ventured into renewable power generation with the launch of Kalupahana Power Company (Pvt) Ltd. In 2003, to generate a 01MW hydro power. Additionally the Company also has a solar power plant of 165 kWP in Dewalakanda Estate which is in operation since September 2018.

KVPL has also ventured into the leisure sector with the incorporation of Kelani Valley Resorts (Pvt) Ltd. in 2017; to harness the lush landscape of the tea plantations for tourism. The Oliphant Bungalow Luxury Boutique Resort in Nuwara Eliya is KVPL's maiden venture in its expansion into the Leisure sector.

The continuous search for excellence is reflected in KVPL's operational practices and the numerous subscriptions to non-regulatory concepts of ethical business management and internationally recognised accreditations. The Company's present position in the industry is a testimony to the spirit of innovation and the commitment demonstrated by the 8,725 strong team, led by a cohesive management team.

Vision

"Kelani Valley Plantations - Products of Excellence"

Mission

To optimise plantation productivity and ensure highest quality by harnessing and developing employee potential, whilst improving the quality of life of the community and securing an acceptable return on investment.

Values

We strive to do our best for our stakeholders in the following ways:

Our Customers:
We provide consistently good quality products and excellent service at competitive prices, whilst ensuring continuity of supplies. We are conscious of customer requirements and ever-changing market trends and orient our production to suit specific needs.

Our Employees:
We care for our employees and create a favourable environment for their participation in managing our affairs, thereby increasing productivity. We develop and create individuals who feel contended and secure in their jobs. We recognise merit.

Our Suppliers:
We establish mutually-beneficial relationships with our suppliers based on trust, quality and reliability. We treat them as we wish to be treated ourselves.

Our Owners:
We enhance the reputation of the company by conforming to high levels of conduct. We generate adequate return and ensure security of their investments by maintaining high-viability, long-term stability.

Our Competitors:
We view our competitors as a source of inspiration for our own advancement. We are conscious of their strengths and weaknesses and compete for market superiority without resorting to unethical practices while maintaining close cooperation on common issues.

Our Country and the World:
We conduct our business in a socially-responsible and ethical manner. We are aware of the changing environment and contribute towards enhancing the quality of life for a better Sri Lanka and a better world.

MILESTONES

1992
Incorporated as a Regional Plantations Company

1995
DPL Plantations (Pvt) Ltd. acquired the controlling interest.

1996
In January, KVPL Listed in CSE & issued 20 m ordinary shares each at Rs. 10.

FSC certification for Rubber

1998
Debentures were converted to 14 m additional shares

2000
Implementation of mini hydropower scheme at Battalgalla estate

2009
Dewalakande and Panawatte Sole Crepe - Certified for FSC

2010
Acquired balance 60% of Mabroc Teas (Pvt) Ltd.

2011
Rain forest Alliance certification

2013
Acquired balance 5% of Kelani Valley Instant Tea (Pvt) Ltd.

2014
Incorporation of Hayleys Global Beverages (Pvt) Limited and invested on 51% ownership of shares.

2015
Ownership of HGBL reduced to 40% from 51% with effect from 31 March 2016 due to new allotment of shares.

2016
GMP Certification - Tea Factories

Celebration of 25 years in the Plantation Industry, Excellence in Tea and Rubber Plantations.

Winner - Global HR Excellence Award

2017
Incorporation of Fully owned subsidiary Kelani Valley Resorts (Pvt) Ltd.

Gold Winner of National Business Excellence Awards (Agriculture & Plantation Sector) and Bronze in Overall Excellence

2018
HGBL renamed as "Martin Bauer Hayleys (Pvt) Ltd" and holding was reduced to 10.1% from 40% due to strategic partnership with Martin Bauer Group of Germany

2021

GREAT PLACE TO WORK®
Great Place to Work® Certified – with highest ever marks in employee survey

UNV 50 COUNTRY AWARDS – UN VOLUNTEERS
In recognition of promoting the value of volunteerism through citizen engagement within the corporate sector in Sri Lanka

Ever Highest Profit
Group Rs. 1.8 B,
Company Rs. 939 m

CA BEST ANNUAL REPORT AWARD-2021
Institute of Chartered Accountants of Sri Lanka
KELANI VALLEY - PLANTATION COMPANIES - GOLD AWARD

Best Management Practices Company Award
Back to Business in the New Normal – Gold Award

Best Corporate Citizen Sustainability Award - 2021
Organized by the National Chamber of Commerce
Agriculture Sector – Gold

2020

First ever RPC to qualify with Field Officers holding National Skills Passport

Ranked within the LMD Top 50 Most Awarded Companies 2019/20 Hall of Fame.

2019

Highest ever recognition for business Excellence by winning the Overall Gold Award at National Business Excellence Awards 2019, being the 2nd Agro based company to achieve the pinnacle award.

2006

UN Global Compact Signatory with Mabroc and KVPL

2007

Commencement of Kelani Valley Instant Tea(Pvt) Ltd. at Nuwara-Eliya estate. (95% of issued share capital ownership)

ISO 22000:2005, HACCP & TASL-SGS Certification for 13 Black Tea processing centers

2008

Global G.A.P. Certification

Black Tea factory at Glassaugh converted to Green Tea

Conversion of Black Tea processing to Green Tea at Oliphant Factory – Nuwara-Eliya

2005

Commenced operations of Kalupahana Power Company (Pvt) Ltd.

2004

Acquired 40% of issued share capital of Mabroc Teas (Pvt) Ltd.

2003

Incorporation of Kalupahana Power Company (Pvt) Ltd. as a BOI project

Strategic alliance with Mabroc Teas (Pvt) ltd.

2001

Expanded the Centrifuged Latex Project at Kiriporuwa estate

BOARD OF DIRECTORS

1. A M PANDITHAGE - Chairman and Executive Director
2. DR. ROSHAN RAJADURAI - Managing Director/Executive Director
3. A WEERAKOON - Chief Executive Officer/Executive Director

4. S C GANEGODA - Non-Executive Director
5. F MOHIDEEN - Independent Non-Executive Director
6. C V CABRAAL - Independent Non-Executive Director
7. L N DE S WIJEYERATNE - Independent Non-Executive Director

BOARD OF DIRECTORS

A M PANDITHAGE
Chairman and Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Board of Hayleys PLC in 1998 and as the Chairman and Chief Executive of Hayleys PLC in July 2009. Appointed to the Board of Kelani Valley Plantations PLC in July 2009.

Fellow of the Chartered Institute of Logistics and Transport (UK). Serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA).

Leadership Excellence Recognition by the Institute of Chartered Accountants of Sri Lanka. Recipient of the 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers. Honoured with a Lifetime Achievement Award by Seatrade - Sri Lanka Ports, Trade and Logistics (SLPTL) and the first-ever Sri Lanka Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). Inducted as Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association in recognition of services rendered to Sri Lanka's logistics industry.

DR. ROSHAN RAJADURAI
Managing Director/Executive Director

Appointed to the Board in 2013. Managing Director of Hayleys Plantation Sector comprising of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. A member of the Hayleys Group Management Committee. Since 1993 -2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 – 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008 – 2012.

He holds a B.Sc. Honours in Plantation Management, an MBA and an MSc. In Agriculture and Plantation Crops from the Post Graduate Institute of Agriculture, University of Peradeniya. He has a Ph.D. in Management and a D.Sc. in Agriculture.

He had been the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka. He is the Chairman of the Sustainability Working Group and the Co-Chairman of the Sri Lanka Tea Road Map Strategy 2030. He serves in the Standing Committee on Agriculture of University Grants Commission.

A WEERAKOON
Chief Executive Officer/Executive Director

Appointed as an Executive Director to the Board of Kelani Valley Plantations PLC in December 2018 after being promoted as a Chief Executive Officer. Prior to rejoining served as a Director in Malwatte Valley Plantations PLC. Over 35 years of experience in the plantations industry. Specialised in introducing modern management systems and system development strategies to the plantation sector.

F MOHIDEEN
Independent Non-Executive Director

Director of Kelani Valley Plantations PLC since October 2008. Holds a B.Sc. in Mathematics, University of London and a M.Sc. in Econometrics, London School of Economics. Former Deputy Secretary to the Treasury and Director General, External Resources Department, Ministry of Finance and Planning.

S C GANEGODA
Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Horana Plantations PLC.

L N DE S WIJEYERATNE
Independent Non-Executive Director

Appointed to the Board of Kelani Valley Plantations PLC in July 2013. Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 35 years of experience in finance and general management both in Sri Lanka and overseas. Former Group Finance Director of Richard Pieris PLC and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon and Zambia Consolidated Copper Mines Limited.

Serves as a member of the Quality Assurance Board of the Institute of Chartered Accountants and a former member of the Sri Lanka Accounting Standards Monitoring Board. An Independent Director of several listed and unlisted companies.

C V CABRAAL
Independent Non-Executive Director

Appointed to the Board in January 2013.

Chatura V. Cabraal is a Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology. He is currently working for CHEC Port City Colombo (Pvt) Ltd. as Senior Manager – Estate Management.

He also serves as a Director on the Export Development Board of Sri Lanka. He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. He started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. He also serves on the boards of Vallibel Power Erathna PLC, Renuka City Hotel PLC and The Fortress Resort and Spa PLC.

CORPORATE MANAGEMENT PROFILE

Left to Right

Seated
D M Wickramaratne - *General Manager – Marketing* | **A P Senanayake** - *Regional General Manager - Projects* | **A T Gamage** - *General Manager – Human Resources & Corporate Sustainability* | **Y U S Premathilake** - *Director Plantations – Rubber* |**R N A Bandaranayake** - *Director Strategic Agri - Business Development* | **R M V W Weerabahu** – *Director – Finance* | **R D G Fernando** – *Director - Rubber Marketing & Administration*

Left to Right

Standing

K A R Alles – *Assistant General Manager - Corporate Affairs* | **K Murugadas** – *Senior Manager – Marketing* | **R M R Y B Ratnayake** – *Manager - Monitoring* | **D D C Senevirathne** – *Senior Manager - Accounts* | **W L P S Wijesinghe** – *Assistant General Manager - Information Technology* | **M A L Prabath** – *Manager – Accounts* | **R M Vithanawasam** – *Senior Manager Sustainability*

CORPORATE MANAGEMENT PROFILE

BOARD OF DIRECTORS

KELANI VALLEY PLANTATIONS PLC
Tea & Rubber Plantations
Incorporated in 1992 in Sri Lanka
Stated capital – Rs. 340 m

Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer
F Mohideen
S C Ganegoda
C V Cabraal
L N De S Wijeyeratne

DPL PLANTATIONS (PVT) LTD.
Plantation Management, Managing Agent
Incorporated in 1992 in Sri Lanka
Stated capital – Rs. 550 m

Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai
A Weerakoon
S C Ganegoda
Soon Huaf NG

KALUPAHANA POWER COMPANY (PVT) LTD.
Generates Hydro Power
Incorporated in 2003 in Sri Lanka
Stated capital – Rs. 30 m
Group interest – 60%

Directors:
Dr. Roshan Rajadurai
A Weerakoon
M F M Ismail
P A L Fernando

KELANI VALLEY INSTANT TEA (PVT) LTD.
Manufactures Instant Tea
Incorporated in 2007 in Sri Lanka
Stated Capital - Rs. 30 m
Group Interest 100%

Directors:
A M Pandithage
N R Ranatunga
Dr. Roshan Rajadurai

MABROC TEAS (PVT) LTD.
Exports Bulk & Retail Packed Tea
Incorporated in 1988 in Sri Lanka
Stated capital – Rs. 90 m
Group interest – 100%

Directors:
A M Pandithage - Chairman
J A G Anandarajah
N R Ranatunga - Managing Director
Dr. Roshan Rajadurai
R S Samarasinghe
S C Ganegoda
S C Hikkaduwage

KELANI VALLEY RESORTS (PVT) LTD.
Operates Boutique Bungalow
Incorporated in 2017 in Sri Lanka
Stated capital – Rs. 50 m
Group interest – 100%

Directors:
A M Pandithage
Dr. Roshan Rajadurai
A Weerakoon
R J Karunarajah

KELANI VALLEY PLANTATIONS PLC

Board of Directors:

A M Pandithage	-	Chairman
Dr. Roshan Rajadurai	-	Managing Director
A Weerakoon	-	Director/Chief Executive Officer

Operational Directors:

Y U S Premathilake	-	Plantations (Rubber)
R N A Bandaranayake	-	Strategic Agri - Business Development
R D G Fernando	-	Rubber Marketing & Administration
R M V W Weerabahu	-	Finance

General Managers:

A T Gamage	-	Human Resources & Corporate Sustainability
D M Wickramaratne	-	Marketing

Regional General Managers:

K W S F Fernando	-	Dewalakande
A P Senanayake	-	Projects
P D Pathirana	-	Pedro
D I Gallearachchi	-	Invery

Senior Deputy General Manager:

D E P K Welikala	-	Panawatte

Deputy General Managers:

A M C B Attanayake	-	Annfield
P U Wanigathunge	-	Nuwara Eliya

Assistant General Managers:

W L P S Wijesinghe	-	Information Technology
K A R Alles	-	Corporate Affairs

Estate Group Managers:

W P S B Abeywardena	-	Kalupahana
P K A H Thilakaratna	-	We-Oya
R C Gnanasekeram	-	Ingestre
Y A Hettiarachchi	-	Battalgalla

Senior Managers:

R L Obeysekara	-	Ganepalla
K Murugadas	-	Marketing
W A K Chandana	-	Centrifuge Factory - Kiriporuwa
D D C Senevirathne	-	Accounts
R M Vithanawasam	-	Sustainability

Managers:

R M R Y B Ratnayake	-	Monitoring
M A L Prabath	-	Accounts
D P H Paranawitharane	-	HRD & Health

Estate Managers:

Up Country (Nuwara Eliya & Hatton Group)

M G Jayamantri	-	Fordyce
H E Peiris	-	Robgill
H H Peiris **	-	Edinburgh
K T Benthota	-	Udaradella
C M K Wijayawardane	-	Oliphant
D Augustin	-	Glassaugh
L P John *	-	Tillyrie

Low Country (Tea & Rubber Group)

U K Wanniarachchi	-	Halgolle
D J C S Chandrasekera	-	Kiriporuwa
R M U S Jayasundara	-	Ederapola
K K A I Perera	-	Kelani
T Karthik	-	Kitulgala
R C Jayaratne **	-	Lavant
M S S P Muhandiram **	-	Urumiwella

* Acting Estate Manager
** Deputy Manager in charge

MABROC TEAS (PVT) LTD

Directors:

N R Ranatunga	-	Managing Director
R S Samarasinghe	-	Deputy Managing Director
S C Hikkaduwage	-	Director

General Managers:

U A De Silva Kulasiri	-	Internal Trade
T M L J Peris	-	International Marketing
G A M S Perera	-	Operations

Managers:

K Wilegoda	-	Finance
E F W Samaraweera	-	Factory
V A W Wakista	-	Tea
S L T Puvimannasinghe	-	Marketing
T Rupasinghe	-	Schedule Planning & Efficiency Management

CORPORATE MANAGEMENT PROFILE

Up Country Management Team

Seated

R C Gnanasekeram – *Estate Group Manager* – *Ingestre Estate* | **P U Wanigathunga** – *Deputy General Manager* – *Nuwara Eliya Estate* | **D I Gallearachchi** – *Regional General Manager* – *Invery Estate* | **P D Pathirana** – *Regional General Manager* – *Pedro Estate* | **A M C B Attanayake** – *Deputy General Manager* – *Annfield Estate* | **Y A Hettiarachchi** – *Estate Group Manager* – *Battalgalla Estate*

Standing

H H Peiris – *Deputy Manager* in- charge– *Edinburgh Estate* | **M G Jayamantri** – *Estate Manager* – *Fordyce Estate* | **C M K Wijayawardane** – *Estate Manager* – *Oliphant Estate* | **H E Peiris** – *Estate Manager* – *Robgill Estate* | **K T Benthota** – *Estate Manager* – *Udaradella Estate* | **L P John** – *Acting Estate Manager* – *Tillyrie Estate* | **D Augustin** – *Estate Manager* – *Glassaugh Estate*

Low Country Management Team

Seated

D E P K Welikala – *Senior Deputy General Manager* – *Panawatte Estate* | **W P S B Abeywardena** – *Estate Group Manager* – *Kalupahana Estate* | **P K A H Thilakaratna** – *Estate Group Manager* – *Weoya Estate* | **K W S F Fernando** – *Regional General Manager* – D*ewalakande Estate* | **W A K Chandana** – *Senior Manager Centrifuge Factory* – *Kiriporuwa Estate* | **R L Obeysekara** – *Senior Manager* – *Ganepalla Estate*

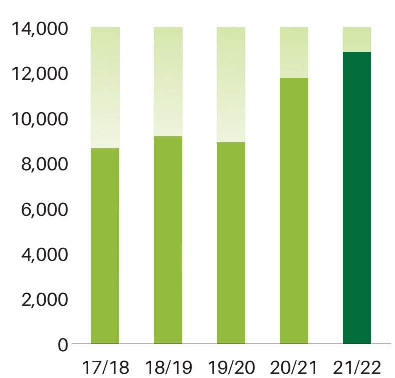
Standing

M S S P Muhandiram – *Deputy Manager in-charge* – *Urumiwella Estate* | **D J C S Chandrasekera** – *Estate Manager* – *Kiriporuwa Estate* | **R M U S Jayasundara** – *Estate Manager* – *Ederapola Estate* | **U K Wanniarachchi** – *Estate Manager* – *Halgolle Estate* | **K K A I Perera** – *Estate Manager* – *Kelani Estate* | **T Karthik** – *Estate Manager* – *Kitulgala Estate* | **R C Jayaratne** – *Deputy Manager* – in-charge - *Lavant Estate*

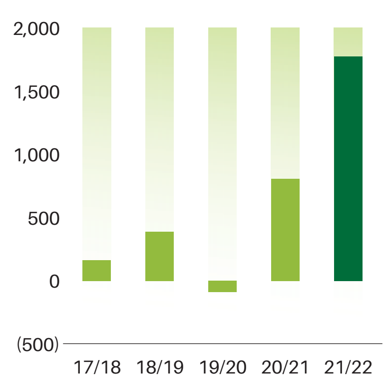
FINANCIAL HIGHLIGHTS

		Group			Company		
		2021/22	2020/21	% of change	2021/22	2020/21	% of change
Earning Highlights and Ratios							
Revenue	Rs.'000	12,925,850	11,760,469	10%	5,351,531	4,573,645	17%
Result from operating activities	Rs.'000	1,675,516	1,172,434	43%	949,054	701,354	35%
Profit/(Loss) before tax	Rs.'000	1,965,171	947,521	>100%	923,024	544,467	70%
Profit/(Loss) after tax	Rs.'000	1,777,464	802,185	>100%	938,834	495,538	89%
Operating profit margin	%	12.96	9.97	30%	17.73	15.33	16%
Net profit margin	%	13.75	6.82	102%	17.54	10.83	62%
Return on assets (ROA)	%	14.21	7.46	90%	11.72	6.55	79%
Return on capital employed (ROCE)	%	19.17	15.50	24%	18.61	14.44	29%
Interest cover	Times	7.20	2.14	>100%	7.23	4.14	75%
Financial position Highlights and Ratios							
Shareholders' funds							
(Equity Holders of the Company)	Rs.'000	5,892,995	4,249,055	39%	4,167,764	3,406,030	22%
Gearing (Debt/(Equity+Debt)	%	32	44	(26%)	18	30	-39%
Working capital	Rs.'000	1,591,640	215,958	>100%	525,569	(116,937)	>100%
Current Ratio	Times	1.43	1.06	35%	1.44	0.92	58%
Market capitalisation	Rs.'000	3,944,000	2,550,000	55%	3,944,000	2,550,000	55%
Capital expenditure	Rs.'000	471,066	266,954	68%	295,018	185,217	56%
Per share (Year End):							
Earnings	RS.	26.02	11.69	>100%	13.81	7.29	89%
Dividend	RS.	-	-	1.95	4.45	3.00	48%
Market value	RS.	58.00	37.50	55%	58.00	37.50	55%
Net assets	RS.	86.66	62.49	39%	61.29	50.09	22%

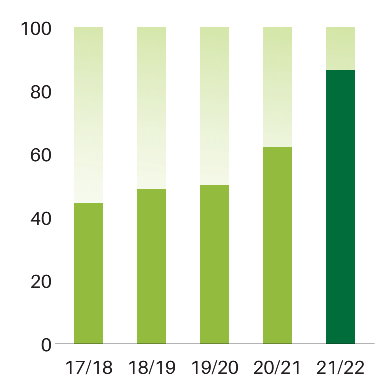
Group Turnover (Rs. m)



Group Profit After Tax (Rs. m)



Net Assets per Share (Rs.)



Ever Highest Net Profit

Group - Rs. 1.8 B
Company - Rs. 939 m

Dividend Paid

Rs. 302.6 m
Rs. 4.45 per share

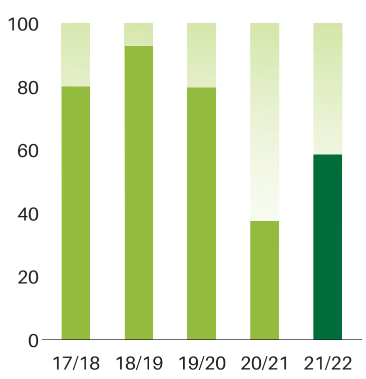
Group Cash Flow

Rs. 838.5 m

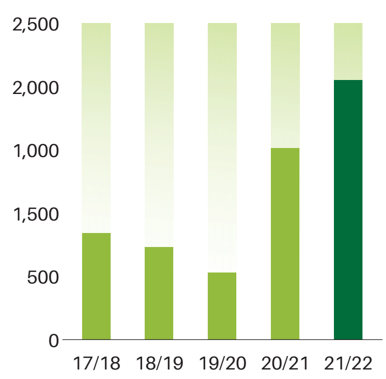
Short-term Investment

Rs. 414.7 m

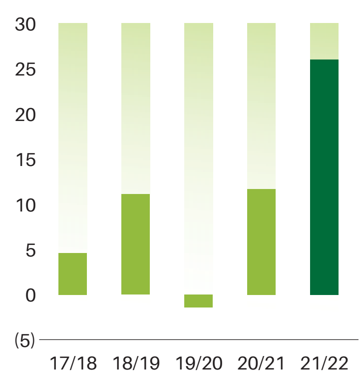
Market Price per Share (Rs. m)



EBITDA (Rs. m)



Earnings per Share (Rs. m)



NON-FINANCIAL HIGHLIGHTS

GRI Disclosure		2021/22	Page Reference
Economic Performance			86
GRI 201-1	**Value created shared with**		
	Employees	58.4%	
	Government of Sri Lanka	5.2%	
	Shareholders	5.1%	
	Lenders of capital	0.8%	
Natural Capital			124
GRI 301-1,2,3	**GHG Emission (tCO2e)**		
	Hydropower generation (kWh)	12,236,673	
	Solar power (kWh)	167,610	
	Water treatment (L)	100,244,727	
	Electrical intensity- Tea (kWh/kg)	1.12	
	Electrical intensity- Rubber (kWh/kg)	0.38	
	Conservation Area (Ha)	2,048	
	Tree Planting (Commercial)	5,290	
Human Capital			93
GRI 401-1	Total new employee hires	461	
	Training head count	26,800	
	Training hours	56,902	
	Training investment (Rs.)	1,020,459	
Social and Relationship Capital			114
	New houses build (# units)	61	
	Water schemes (# units)	3	
	Sanitation - toilets (# units)	5	
	Electrification (# housing units)	164	
	Field rest room (# units)	3	
	Eye care operations - Cataract	30	
	- Spectacles	547	
	- Clinics	34	
	Oral Cancer programmes	11	
	AIDS awareness programmes	53	
	Dengue awareness programmes	89	
	Micro financing (Rs.)	49,782,542	
	No. of borrowers	2,002	
	Deposits accepted (Rs)	25,739,279	
	Prevention of Alcoholism programmes	30	
	House hold cash management programmes	33	
	Training for small business management	82	
	Home Gardening	196	
	English Classes for Estate Children	137	
	Computer Classes	34	
	Vocational Training -Self Employment	47	

AWARDS AND ACCOLADES

UN VOLUNTEERS 50 COUNTRY AWARDS
UN VOLUNTEERS
KELANI VALLEY PLANTATIONS PLC - IN RECOGNITION OF PROMOTING THE VALUE OF VOLUNTEERISM THROUGH CITIZEN ENGAGEMENT WITHIN THE CORPORATE SECTOR IN SRI LANKA.

SOUTH ASIA BUSINESS EXCELLENCE AWARDS 2021
HAYLEYS PLANATIONS SECTOR
MOST INNOVATIVE GR PRACTICES AWARD – KELANI VALLEY

CA BEST ANNUAL REPORT AWARD-2021
Institute of Chartered Accountants of Sri Lanka
KELANI VALLEY – PLANTATION COMPANIES - GOLD AWARD

BEST CORPORATE CITIZEN SUSTAINABILITY AWARD-2021
NATIONAL CHAMBER OF COMMERCE
KELANI VALLEY – AGRICULTURE SECTOR
GOLD AWARD

BEST MANAGEMENT PRACTICES COMPANY AWARDS 2022
THE INSTITUTE OF CHARTERED PROFESSIONAL MANAGERS OF SRI LANKA
KELANI VALLEY- GOLD & EXCELLENCE AWARDS

BUSINESS WORLD EXCELLENCE AWARDS 2020
BUSINESS WORLD INTERNATIONAL ORGANIZATION, USA
LARGE SCALE AGRICULTURE & PLANTATIONS CATEGORY
KVPL – SERVICE EXCELLENCE AWARDS – PLATINUM

CHAIRMAN'S MESSAGE

GRI 102 - 14

It is noteworthy that KVPL performed well to achieve more than 100% growth in Consolidated Profits Before Tax (PBT), despite one of the most inimical operating environments during the year.

10%
Growth In Turnover To
Rs.12.9 B

I am happy to share the Annual Report and audited financial statements for Kelani Valley Plantations PLC for the financial year ended 31st March 2022, a year in which it performed well amidst myriad unprecedented challenges.

PERFORMANCE IN CONTEXT

It is noteworthy that KVPL performed well to achieve more than 100 % growth in Consolidated Profits Before Tax (PBT), despite one of the most inimical operating environments during the year. During this time when the entire nation faced a multitude of challenges, your Company's performance reflects its resilience as well as resourcefulness to prevail and emerge stronger.

The COVID 19 pandemic which began to impact the entire world in 2020, continued into 2021 with the spread of the virus reaching a peak towards mid-year and taking its heaviest toll on Sri Lankans, with loss of lives and livelihoods. Despite these challenges however, the economy was able to grow by 3.7% in 2021 compared with the contraction of 3.6% in 2020. Growth was facilitated by a prompt and broad-based set of relief measures introduced by the Government to cope with the impact of the pandemic, including macroeconomic policy stimulus such as an easing of interest rates; an increase in social safety net spending, and loan repayment moratorium for affected businesses, all of which helped ease the economic fallout. These measures were also complemented by a strong vaccination drive which helped Sri Lanka achieve high rates of vaccination, thus reducing the spread of the pandemic towards the beginning of 2022.

The economic impact of the pandemic was severely exacerbated by the Government's decision to prohibit the import of Chemical fertilizer and weedicides in April 2021, resulting in a significant setback to the Agricultural sector. Although the sector recorded a marginal growth of 2% in comparison to a contraction of 2.2% in 2020, the second half of the year saw reduced crop productivity leading to a decline in output of crops such as rubber, paddy, fruits, vegetables, coffee and other perennial crops. Rubber production continued to decrease in 2021, by 1.7% due to incessant rain during tapping days as well as the effects of a fungal disease. Accordingly, KVPL's overall rubber output also declined by 12% during the year.

Sri Lanka's overall tea production increased by 7.4% in 2021, driven by a significant expansion during the first half of the year and despite a sharp contraction during the latter half of the year, due to adverse weather conditions. Accordingly, KVPL's overall tea production grew by 2%.

In a year in which tea prices at the Colombo Tea Auction (CTA) were lower than in 2020, albeit elevated compared to pre-pandemic levels; I am happy to note that KVPL continued to enjoy higher prices than it did the previous year and the second highest prices for tea amongst all Regional Plantation Companies (RPC's) for the 4th consecutive year. It is also noteworthy that KVPL continued to fetch one of the highest GSA's amongst rubber producing RPC's for the 4th consecutive year gaining a price increase of Rs. 209.66 per kg; as domestic rubber prices increased, in line with global market prices for natural rubber.

Sri Lanka's earnings from tea exports and rubber in US Dollar terms both increased in 2021 due to higher prices in the world market. In addition, increased earnings in Rupee terms was also supported by a sharp 50% depreciation of the Rupee, vis a vis the US Dollar between end March 2021 and end March 2022.

The steep rise in inflation impacted our cost of production in 2021, with further escalation continuing to impact in 2022. The acceleration in headline inflation in

CHAIRMAN'S MESSAGE

2021 was mainly driven by global and domestic supply side disturbances, the surge in global commodity prices and upward revisions to administered prices, while core inflation also accelerated reflecting the lagged effect of significant monetary accommodation.

ACCOLADES

We are heartened by several national and international accolades received during the year. The gamut of aspects which have been recognised, range from Overall Business Excellence to Corporate Citizenship, and Financial Reporting to Employee Engagement and Social Empowerment; reflecting the Triple Bottom Line approach in our business. And the comprehensive list of awards is presented at the start of this report. I am particularly buoyed that KVPL was chosen as "One of the Great Place to Work" achieving benchmark results, by the Great Place to Work survey in December 2021; a significant achievement for a Plantation Company where the survey also encompasses employees on our estates; and a valuable reflection of the value we place on our people.

HARNESSING AND BOLSTERING A TRIPLE BOTTOM LINE MODEL

Your Company's success over the years, and more recently, its resilience in the face of a multitude of challenges, reflects the sustainable model of value creation it has developed and continues to invest in. The Group's sustainable practices have been intrinsic to its performance as has been demonstrated in these challenging times as well as less challenging times. In Agriculture, the benefits of sustainable Agri practices, and social engagement are more tangible although it may take s a long time period to manifest.

During the year under review, KVPL also further bolstered its sustainability integrated model by documenting it as a comprehensive manual, and establishing a framework and a more formalised structure that defines and reiterates the importance of understanding Environmental, Social and Governance (ESG) issues in managing risks and opportunities. Internally branded as "KVPL's Corporate DNA"; it is modeled after the "Hayleys' Life Code" which sets out the Hayleys Group ESG framework, and aligns the KVPL strategies with those of Hayleys Group. The framework and the systems and processes which have been established will help the Group to fine tune the identification of stakeholder concerns and strengthen its ethical reporting of information related to ESG.

KVPL has been a signatory to the United Nations Global Compact (UNGC) since 2008 and made commitments to several of the United Nations Sustainable Development Goals. In addition, KVPL continues to comply with several social and environmental accreditations whilst partnering a number of other governmental, non-governmental and international agencies to reach its triple Bottom Line objectives. KVPL will continue to refine, benchmark and expand its efforts to enhance its Social and Environmental Capitals.

DIRECTORATE

Our Board composition remained unchanged during the year.

GOVERNANCE

Governance is about engendering trust and hence, about effective, transparent and accountable governance by the management including the Board- the highest governing body. Your Company believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. As a member of Hayleys Group, the Boards of both Hayleys and KVPL set the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. The Company ensures that its mechanisms for good governance are constantly reviewed and benchmarked and strengthened to meet evolving requirements. Thus, the inclusion of Governance to KVPL's ESG sustainable framework and manual during the year, offers a more formalised and structured process for the periodic review, and further strengthens Governance through transparency and accountability across the Company and its multitude of locations. Moreover, Shareholders of KVPL and Hayleys can draw confidence from knowing that as many as three members of our Board of seven Directors are Independent Non-Executive Directors who are able to offer an independent assessment of business strategy and implementation, with the perspective of an outsider looking in, thus improving transparency and overall Governance.

STRATEGIES AND OUTLOOK:

Sri Lanka currently grapples with a period of socio-political uncertainty, and its worst economic crisis to date; and these challenges are likely to remain insurmountable in the short term. Accordingly, our strategic priorities at present focus on the short term and on minimising risks due to the uncertainty and volatility of the operating environment

The Plantations, like all other sectors, continue to be impacted by inflation, requiring innovative solutions to meet the rising costs of production. Year-end inflation, as measured by the CCPI, which was recorded at 4.1 % at end March 2021, accelerated to 18.7 % by end March 2022, way above the target of 4 to 6%. And Inflation measured by the NCPI accelerated to 21.5 % in March 2022 from 5.1% in March 2021. Further sharp increases seem likely given the supply side constraints compounded by the higher cost of imports due to the Rupee's sharp depreciation.

Whilst we review our strategies and explore alternatives and urgent solutions to meet the needs of the current socio-economic environment, we will continue with those strategies that have served us well in the past and continue to remain relevant. Crop diversification, development of the KVPL brand in the Sri Lankan market; entry into the specialty tea market through a range of innovative products are strategies we will pursue over the next few years for medium- and long-term growth of our profitability.

As has been articulated before, technology will remain an imperative to enhance value creation and sustain our competitiveness. KVPL will accelerate the infusion of technology to enhance resource efficiency, productivity, product quality and to transform the cultivation, harvesting and processing of tea and rubber from traditional labour intensive ones to technology driven ones. The automation of two rubber manufacturing facilities to reduce manufacturing costs and improve product quality will be pursued in the year ahead.

I would also like to reiterate the need for greater policy consistency across the Board in all areas of the country and more importantly of the need for informed thinking, insight and understanding of ground realities by those decision makers so that the country can avoid pitfalls like those it experienced this year. Whilst we are currently in the darkest hour for our economy, I believe it's vital to remind ourselves that tides do change. And even if the timing of such inflexion points may be difficult to predict, we remain optimistic that Sri Lanka's economy will return to its path of progress over the next few years ahead.

APPRECIATION

As we look to the year ahead with hope, I would like to convey my sincere appreciation to my colleagues on the Board for their constant support and the confidence placed in me and to the entire team of employees led by the Sector Managing Director whose talents, unreserved effort and commitment and a sense of ownership continues to drive KVPL to "Lead" and "Make products of Excellence" to succeed despite challenging environs, and to keep raising the bar for itself and the industry. I would also like to extend my heartfelt appreciation to our customers and all stakeholders for the trust and confidence placed in KVPL and for the continued inspiration they provide.

A M Pandithage
Chairman

10 May 2022

MANAGING DIRECTOR'S REVIEW

Our collective resourcefulness and resilience and our truly socially and environmentally integrated model, amidst the many challenges that impacted the entire nation and the industry

Ever Highest Net Profit

Rs. 1.8 B

Dear Stakeholder,
I am happy to share a commendable performance by KVPL, one which highlighted our collective resourcefulness and resilience and our truly socially and environmentally integrated model, amidst the many challenges that impacted the entire nation and the industry.

KVPL GROUP'S PERFORMANCE

Once again, the tea segment was the main contributor to Group's Revenue, with Rs. 10,895 m constituting 84% of Revenue whilst the Rubber segment contributed 15% and the remaining 1% came mainly from the hydro power segment of Kalupahana Power Company. The tea sector's Revenue primarily comprised a contribution of 31% from KVPL and 69% from its marketing arm Mabroc Teas (Private) Limited. The growth in Group's Revenue and Profits was bolstered by the higher rubber prices in the international and domestic market and the marginal increase in tea production.

Group's Profitability Before Tax (PBT) grew by 107 % with the highest contribution being from Mabroc Teas. Our leisure sector subsidiary Kelani Valley Resorts was able to reduce its losses as tourist arrivals picked up marginally, during the latter part of the year.

It is noteworthy that KVPL continued to achieve the second highest Gross Sales Average (GSA) amongst tea producers for the 4th consecutive year at Rs. 827.52 per kg and one of the highest GSA's for Rubber which helped our Rubber sector to achieve the highest Gross Profit of Rs. 493 m recorded amongst the Regional Rubber Plantations despite a drop in production.

SUBSIDIARY PERFORMANCE

Our marketing subsidiary Mabroc Teas improved on last year's performance to achieve its best performance since inception; with the highest Turnover of Rs. 7.8 B and highest PBT of Rs. 1,326 m. PAT during the year reached Rs. 1,121 m. The Company also exported the largest quantity to date. Its focus on new product and new market development and its strong R&D capabilities were key factors which bolstered performance once again. Mabroc's strategy of seeking and developing new markets vis a vis the mature markets has also yielded dividends. One of its key success factors continues to be a strong R&D team with dedicated expertise, which has resulted in continuous development of value-added products.

Moreover, an in-house design team with excellent aptitude for package design has also been a key strength which supports our capabilities to introduce new products and venture into new markets.

TEA SECTOR

The tea crop output in the country expanded by 7.4% in 2021 driven by a significant increase of 24% in output during the first half of the year, which more than offset the contraction of 7.2% in the second half of the year due to unfavourable weather conditions during the months of November and December.

Production of High, Medium, and Low grown tea, which contributes to about 22 %, 17 % and 61 % of Sri Lanka's total Tea production, respectively, expanded by 5%, 9.1 % and 7.8 %, respectively, in 2021. Western High Growns make up 78% of KVPL's tea production whilst the remaining 22% comprises Low Growns. KVPL's crop output also increased by 2% supported by the expansion in the first half of the year.

Tea prices at the Colombo Tea Auction (CTA) remained elevated in 2021 compared to pre-pandemic levels, but were still lower than those observed in 2020. The average price of tea decreased by 2.3 % to Rs. 619.15 per Kg. during the year from Rs. 633.85 per Kg. recorded in 2020. Accordingly, Average tea prices of

MANAGING DIRECTOR'S REVIEW

Medium and Low grown Tea declined by 1% and 3.5%, year-on-year, respectively, while High grown Tea reported a marginal increase of 0.6 % in 2021. The dampening of average tea prices during the year can be partly attributed to the improvement in production as well as the increase in the quantity supplied to the auction during the year.

Although the average export price (FOB) of tea increased by 6.2 % to Rs. 920.76 per Kg. during the year, the FOB price in US Dollar terms declined by 0.9 % during 2021. However, Sri Lanka's earnings from both tea and rubber exports in US Dollar terms, increased in 2021 due to higher prices in the world market. In addition, increased earnings in Rupee terms was also supported by a sharp 50% depreciation of the Rupee, vis a vis the US Dollar between end March 2021 and end March 2022.

We welcome the several measures taken by the Government to strengthen the Tea sector in 2021. The Five Year Strategic and Action Plan for the Tea sector in Sri Lanka (2021-2025) was finalized and the planned actions were implemented during the year. The transition to an e-Auction system, which was a significant milestone initiated during the COVID 19 pandemic in 2020, has functioned successfully since, and was upgraded during the year as 'Smart Auction" equipped with strengthened trading and data features in 2021. Furthermore, the Sri Lanka Tea Board disbursed Rs.79.8 m for replanting, new planting, and an infilling subsidy programme to increase the productivity of Tea lands, of 263 hectares across tea growing regions. In addition, SLTB continued the Model Tea Garden project for middle scale Tea estates, while providing Rs. 2.3 m for 17 lands and expects to establish 138 tea nurseries, of which 113 nurseries had been established as at year end.

Moreover, the Government also approved the utilisation of Rs. 1 B from the Tea Promotion and Marketing Fund of the SLTB, to provide a grant for tea exporters who are eligible under the Brand Promotion Scheme for the export of Pure Ceylon Tea.

RUBBER SECTOR

Rubber production in Sri Lanka contracted in 2021 in comparison to the increase in 2020, due to incessant rains in plantation areas during tapping days, combined with the prevalence of a fungal disease. Accordingly, Rubber production declined by 1.7 % to 76.9 m. Kgs in 2021 from 78.2 m. Kgs produced in 2020.

Rubber production showed a rising trend during the first half of 2021, but declined notably thereafter. This was due to a higher number of rainy days which dampened production in the last quarter of the year, the peak yielding period of rubber plantations.

Reflecting the increase in prices for Natural Rubber in the world market, prices in global markets, rubber prices in the domestic market also displayed an increasing trend during 2021. Average FOB price of rubber also increased from US Dollars 1.91 per Kg. in 2020 to US Dollars 2.72 per Kg in 2021. The surge in international prices during the latter part of the year was driven by supply shortages in global markets due to unseasonal and heavy rains that disrupted tapping operations in rubber producing countries, amidst growing demand from East Asia.

The strategies that were implemented by the Rubber Development Department (RDD) and the Rubber Research Institute (RRI) for the development of the rubber sector, aiming at improving sectoral productivity as well as raising the value addition in the rubber industry, continued in 2021.

"TAPPING" INTO OUR RESOURCEFULNESS AND RESILIENCE

The challenges in the operating environment during 2021 came from many fronts.

A significant setback to the entire Agri sector came from the Government's decision to prohibit the import of Chemical fertilizer and weedicides with immediate effect in April 2021. The resulting impacts and set back on Agriculture have reached far and wide in Sri Lanka, as the absence of fertilizer, weedicides and pesticides; with no Organic alternatives made available, has resulted in loss of crops and harvests, thus compounding the woes of a nation whose economy was already very vulnerable. KVPL was able to ride this difficult period in 2021 to sustain its productivity, mainly due to prudent planning and swift responses to the policy changes.

External challenges often prompt one to look within, to dig deeper. KVPL came up with innovative solutions, to some of the issues which seemed most daunting. For instance, we introduced a "Buy back of Weeds" programmed as an alternative to the unavailability of weedicides. A win-win to the Company and the resident population on our estates, this practice encourages our estate communities to earn an extra income by removing weeds during their non-working hours to sell them to KVPL at an agreed price per kg for the Company to use as input for organic fertilizer. This practice is also a win, environmentally, as the manual weeding process offers benefits to bush productivity; by activating the surface "Feeder Root" system of the tea bushes and boosts their intake of nutrients from the soil.

The continuation of the COVID 19 pandemic which reached a peak in Sri Lanka towards the middle of 2021, also posed significant challenges during the year under review. Our successful management of the pandemic in 2020, when employee commitment and cooperation saw a swift and effective implementation of all COVID 19 safety protocols; enabled us to obtain approval to carry out all plucking and manufacturing operations throughout the lockdown period. When the pandemic reached a peak in mid-2021, resulting in severe impacts on lives across the country, we were able to harness the measures which were already in place to curtail the spread and minimise impacts on our people. Once again, the prolonged periods of lockdown saw a concerted effort and commitment by our entire team of managers and executives across our estates help our associates and their families cope with the lock down, by supplying and distributing provisions and other essential items which they could not otherwise access.

As we reported last year, the 35% increase in the all-inclusive daily wage, raising it to a minimum basic of Rs. 1,000 a day from Rs. 700 a day, with no link to productivity, further encumbered our costs of production and national competitiveness in the global market. We are uncertain of the wages for the year ahead, due to the automatic annulment of the Collective Agreement following the above wage increase being mandated by the Wages Board in 2021. In addition to the impact of the wage increase, our costs of production have begun to rise rapidly due to higher domestic inflation, which impacts across our value chain. Namely, higher costs of fuel, energy and transportation and higher prices of fertilizer, weedicides and other imported inputs due to depreciation of the rupee vis a vis the US Dollar; have begun to exert significant upward pressure on costs. We expect upward pressure on costs of production to further exacerbate in the financial year that has just begun. Hence is the urgent imperative to adopt a wage model which is linked to productivity if the industry is to remain sustainable.
The vagaries of weather also contributed to a reduction in output as our estates in Nuwara Eliya were affected by Frost in the months of January-February, resulting in over a 20% decrease in crop output. Additionally, a leaf disease (PESTA) reduced crop output of the Rubber segment. The Company continued to install rain guards for rubber trees to increase tappable days & crop and these proved an effective home-grown solution.

REINFORCING OUR MODEL FOR SUSTAINABILITY

As we reap and appreciate the benefits of our Triple Bottom Line focused model of value creation through some unprecedented times, the Company will continue to strengthen that model. During the year under review, KVPL established a strategic framework, with specific objectives and a formalised structure to implement its Environmental Social and Governance (ESG) sustainability agenda. Documented as a comprehensive manual and internally branded as "KVPL's Corporate DNA", it is a first in having incorporated Governance into the sustainability structure, for formal review and implementation at senior management level. The documented framework and systems and objective help align KVPL's sustainability strategies with overarching business strategies of KVPL, and would play a valuable role in strengthening stakeholder engagement; especially given the wide geographic spread of our business and our presence in global markets.

The year under review also saw the Company launch a new initiative the "Kelani Valley Protectors Initiative (KVPI)" as a community based social and environmental volunteer effort to clean the Kelani River. The Kelani river is a vital source of water for more than 25% of Sri Lanka's population and yet remains highly polluted. The programme targets environmental as well as social upliftment and is a joint Public, Private and People partnership with the International Union for the Conservation of Nature (IUCN), to support the Government's "Surakimu Ganga" Programme.

OUR PEOPLE

The resilience we demonstrated and the efficacy of our responses to the many challenges, is testimony to the dedication and passion of our people across the entire value chain and the strength of our relationships with all our stakeholders.

I am most heartened by the endorsement of KVPL by its people, as "A Great Place to Work" with benchmark results for several aspects. The certificate is particularly noteworthy as KVPL is a Plantation company, and the survey has encompassed all segments of our employees; with as much as 93% of responses being from associates and operational staff from estates. Furthermore, the fact that the survey was conducted during one of the most challenging operating periods, I believe, further underscores the positive sentiments of our employees.

Seeing our Company values translated into action during these challenging times such as the COVID 19 implications in particular, further strengthened our employee relations and the cohesiveness of our teams, across the many estates.

Since becoming the first plantation Company to establish a HR Strategic Plan, in 2014, KVPL has continued to review and set forth new strategies for a five-year period ahead. The year under review saw the establishment of strategic priorities for 2022-25. Amongst the key priorities is the building of a "Knowledge Driven" culture; and accordingly, a

MANAGING DIRECTOR'S REVIEW

number of technological transformation and training and Development initiatives have been launched towards this end.

Although our mobility was restricted for most part of the year due to the pandemic, the Group continued with the training and development of all tiers of employees using on line portals. In fact, our training headcount expanded and the Group was able to achieve the highest Learning Yield Ratio in the Company's history.

Our Human Capital management also recorded another milestone, becoming the first amongst plantations companies to award the "Skills Passport" for a select batch of best performing Field Staff. Employees who successfully completed the project were awarded a National Vocational Qualification (NVQ) certificate which empowers them with a Digital Skills Passport equipped with a QR Code so that anyone can access their skills record by scanning the QR code, thereby, enhancing their employability and the prospects to find employment in the modern labour market.

We are also glad to have been able to achieve 100% vaccination rate for our employees in the COVID 19 vaccination drive, ensuring that all eligible employees across our many estates and at Head Office have received at least two doses of the vaccination. Our efforts to create awareness of the importance of vaccination and to dispel misinformation as well as the active engagement with the relevant government medical authorities, helped us be the first Plantation Company to achieve full vaccination of its employees

OUTLOOK

We anticipate the ongoing cost escalations to continue as Sri Lanka's inflation continues on a sharp upward trajectory on the back of supply side constraints, a depreciating currency and other macro-economic vulnerabilities. The impacts are highlighted by the context of what we have articulated in previous years, namely, that Sri Lanka's competitiveness has been challenged over the past few years by higher costs of production and lower productivity vis-a-vis its counterparts such as Kenya and India. Thus, innovative solutions to optimise resources and reduce pressure on profit margins, are high on the Company's list of immediate priorities. Accordingly, the Company will continue with the infusion of technology to enhance productivity on the field and at our factories.

We will expand the use of machines for pruning and harvesting whilst the modernisation and automation of two of KVPL's main Rubber manufacturing plants would be initiated in the near future to reduce production costs, as well as improve product quality.

Regenerative agricultural practices and the adoption and development of non-chemical methods of pest and disease management will also be high on our list of priorities, spurred by our Triple Bottom Line objectives.

Several challenges we have mentioned previously, such as the escalating costs of labour as well as the growing scarcity of labour due to the diminishing appeal of the industry to younger generations who have different aspirations; have begun to threaten the medium to long term sustainability of the tea plantations. We will hence expand the deployment of technology, such as the use of drones for spraying fertilizer which was launched in 2018, as a solution to meet the shortage of labour as well as enhance productivity. Moreover, we will also seek to expand a Revenue Sharing Model as a win-win solution as it would empower the daily waged employees to become self-motivated and empowered individuals who would increase productivity for higher incomes. The Company and the employee would thus benefit from the higher incomes earned.

The depreciation of the Rupee vis-a-vis the US Dollar, we expect would result in higher Rupee earnings for Sri Lanka's tea exporters, although these gains would be somewhat offset by the higher costs of production vis-a-vis key competing country. The Rupee has depreciated by 50 % between 31 March 2021 and 31 March 2022. The increase in cost of production and price adjustments by buyers however would offset some of its gains.

Despite the most challenging circumstances at present, our journey continues with no-less vigor and enthusiasm; in fact, working through challenging external circumstances have reignited our confidence and provided a new footing to reach our vision.

CONCLUSION

As we look to the year ahead with hope and optimism that the country will return to a path of recovery, I would like to convey my heartfelt gratitude to our Chairman and my Colleagues on the Board for their guidance, unstinted support and the confidence placed in me during another year of unprecedented challenges. My sincere appreciation to our Senior Management team and for the 8,990 individuals who make up our team whose talents, dynamism, constant support, and commitment ensure that KVPL continues to "lead" rather than "be led"; in creating value for all its stakeholders. My sincere thanks also to all our stakeholders - our customers, shareholders, business associates and other stakeholders for their trust, support and inspiration.

Dr. Roshan Rajadurai
Managing Director

10 May 2022

WE ARE NOT ABOUT INDECISION; WE EXUDE PRECISION

ESG FRAMEWORK

THE LAUNCH OF AN ESG FRAMEWORK

The year under review saw KVPL take a valuable step forward in its Triple Bottom Line business approach, with the establishment of an ESG framework. A comprehensive set of strategies, objectives and systems are set forth by this framework thus further bolstering and strategically aligning the Company's Sustainability Development Strategy with its overarching business strategies. This strategy framework also incorporates Governance into the realm of the Company's sustainability agenda for the first time, and hence the abbreviation ESG - for Environmental, Social and Governance.

Documented as a comprehensive manual with the tag line "KVPL's Corporate DNA" it is modeled after the "Hayleys' Life Code" which sets out the Hayleys ESG framework; and aligns the KVPL strategies with those of Hayleys Group. KVPL's Corporate DNA provides a more formalised structure that defines and reiterates the importance of understanding Environmental, Social and Governance (ESG) issues in managing enterprise risks and opportunities.

KVPL, has defined the ESG framework upon a thorough understanding of the strategic requirements of our business and decision making process and with the objectives of efficient resource allocation; – a fundamental and critical objective considering the nature of our business and the limitations to our resources and their rapid depletion.

The framework and the systems and processes which have been established will help the Group to fine tune the identification of stakeholder concerns and strengthen its ethical reporting of information related to ESG. The importance of transparency and ethical reporting is underscored by the fact that our business is spread across multiple locations, locally as well as on international market platforms, and through the entire supply chain.

Two way flow of information and the accuracy and transparency of that information is vital in understanding and responding to stakeholder concerns and in ensuring good governance. And more so in volatile operating environments as we currently experience. The systems and processes set forth by the KVPL's Corporate DNA would thus enhance our stakeholder engagement and the sustainability of the enterprise.

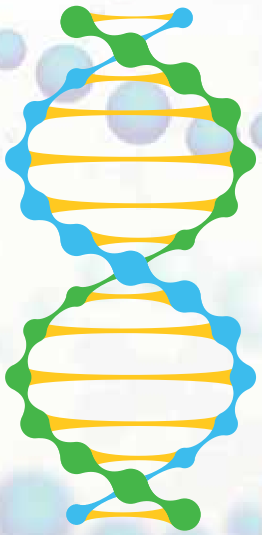
"KVPLs CORPORATE DNA", sets forth the strategic objectives and action plans towards 2025 and 2030, and towards achieving 2030 SDG goals.

OUR ESG APPROACH

We appreciate and understand that being environmentally and socially sustainable is mandatory to the sustainability of our enterprise. It's this inherent commitment which has propelled us to be a benchmark Regional Plantations Company in the country. The ESG framework "provides ways to bridge the gap between sustainability and other key aspects of our business operations, and transform our organization's commitment to achieving excellence in the long run". We firmly believe that our ESG strategies create more than just goodwill; create economic benefits and shared value for our plantation community as well.

The "KVPL Corporate DNA" hence targets: higher and steady financial growth and optimization of resources, lower volatility, higher employee productivity, reduced regulatory and legal interventions, top-line growth, and cost reduction.
Our Social and Environmental DNA targets social development of our people and communities, sustainable financing and natural resource management.
Our Governance DNA strengthen good governance policies and procedure to enhance investor confidence and encourage stakeholder engagement and make sustainable investments.

ESG FRAMEWORK OF KELANI VALLEY PLANTATIONS PLC- "KVPL'S CORPORATE DNA''



Internal

External

Eradicate extreme poverty for all the people under our preview by increasing their earnings

Implementation of strategies to achieve higher levels of productivity through diversification, technological upgrading and innovations through creativity

15% reduction in energy consumption by increasing the usage of energy efficient equipment

Increase the biodiversity enhancing programme to cover 5 times the area occupied by Company infrastructure

2025

Transparency and Accurate Reporting on ESG factors

Zero workplace injuries/disease by 2030

Ensuring quality and affordable education to all the workforce and community through technical, vocational, tertiary and higher education

90% sustainable and renewable energy applications and 50% increase in renewable energy production

30% reduction in absolute GHG emissions

Enterprise Risk Management up to the maximum potential by mitigating risk on ESG parameters

2030

Social
Environmental
Governance

ESG FRAMEWORK

ESG FRAMEWORK OF KELANI VALLEY PLANTATIONS PLC- “KVPL’S ENVIRONMENT DNA”.

ENVIRONMENTAL ‘DNA’

Strategic Vision - “Upholding environmental responsibility—being efficient in resource utilisation, managing operational impacts and controlling our carbon emissions—stands strategically significant and warrants our focus and due investments”.

Environment DNA Framework

2030	Increase the biodiversity enhancing program to cover 5 times the area occupied by company Infrastructure	90% sustainable and renewable energy applications and sustainable biomass residues	30% Reduction of energy consumption and GHG emission.	30% energy intensity reductions by 2030	75% total waste water recycled reclaimed	30% water intensity reductions by 2030	100% Aligning with safe chemical management practices and 30% of supply chain with best chemical management practices	Zero landfilling by 2030 & 25% reduction of waste intensity	30% reclaimed material usage and application of green initiatives across 30% of products
2024/25	Improve biodiversity in identified HCV areas and riparian buffers	3% increase in renewable energy uses and Annual plan for fuel wood planting according to the forestry management plan	Equipped factories with VFD, KVA reductions, improve hydropower consumption 2% reduction of fertilizer usage	Equipped all factories with VFD, KVA reductions	Establish Rainwater harvesting units and use 30% of waste water efficiently	Highly efficient factory cleaning equipment	Improve chemical storing & safe chemical handling Monitor all bought leaf suppliers on safe chemical handling	50% waste separation and sell	Implement possible green initiatives in estate level
2023/24	Next round of biodiversity assessments and re assess the HCV areas	3% increase in renewable energy uses and Firewood supplier service provider evaluation	Obtain third party certification for capturing GHG emission and 2% reduction of fertilizer usage	Vehicle services and Fixed VFDs in full capacity in already available factories	Section wise water meters and use 15% of waste water efficiently	5% reduction Section wise water meters	Streamline fertilizer testing before purchasing Purchase fertilizer from authorized venders	25% waste separation and sell Reduction of refused tea %	Increase awareness with estate, Tea Life cycle assessment
2022/23	100% biodiversity assessments and improve biodiversity in riparian buffers	Identify solar power and hydro power project opportunities and Identify the list of suppliers/ source of fuel wood	Identify all sources of direct & Indirect GHG emissions and 2% reduction of fertilizer usage	Identify possible energy efficiency measures	Identify possible ways of rainwater harvesting and use 5% of waste water efficiently	5% reduction Water meters for factories	Design and Implement Integrated pest management practices	Promote Waste separation & sale waste and Identify waste reduction methods	Increase sustainability team awareness on Green initiatives, Rubber life cycle assessment
ESG STRATEGIES	Biodiversity Conservation and Preservation	Reliance On Sustainable Energy Sources	Phase-Out Our Absolute Carbon Footprint	Reduction in Energy Intensity	Application of Sustainable Water Sources	Reduction in Water Intensity	Ensure Best Chemical Management Practices Across The Supply chain	Value Additions Over all Waste Generations	Ensure The Responsible Consumptions of Natural Resources And Sustainable Productions

With over 13,000 hectares of land extent under our custody located in highly sensitive areas of the country, we have always remained committed in our efforts to protect and conserve the environment across our estates. As a Plantation Company, we rely on natural resources and thus, the climate directly impacts the viability and the sustainability of our operations.

We remain aware that it is the planet and our external environment which nourish and sustain our lives. We are committed to being mindful about our impact, actively contributing to preserve our planet for the future. Our goal is hence to minimise our footprint while seizing opportunities to shape a greener future.

KVPL's corporate DNA on Environment will harness the environmental management framework we have in place to initiate key measures and campaigns to conserve, protect and build our natural capital. The key pillars of our Environment framework are as follow

- Reliance on sustainable and renewable energy sources,
- Reduction in energy intensity through improving operational efficiencies,
- Phasing-out of our absolute carbon footprint (aligning with science based targets),
- Application of sustainable water sources, reduction in water intensity through efficiency improvements,
- Managing waste generations, ensure the responsible consumptions of natural resources and sustainable productions across the group,
- Ensuring best chemical management practices across the supply chain,
- Biodiversity conservation and preservation relating to our business operations

In order to achieve the above and to ensure continuity of our efforts, KVPL has set ourselves year on year target up to the year 2030. We identify the **most significant target amongst them to be the 30% reduction in absolute GHG emissions which is also related to ensuring 90% sustainable and renewable energy applications and 30% energy intensity reductions by 2030**.

We have also given high priority to enhancing biodiversity and protecting water catchments, given that many of our plantations are home to high bio diversity habitats and are in close proximity to water catchments.

We have also identified the following 6 SDG's out of 17, as those which we could contribute the most to.

Third party verification and endorsements are a key aspect of our environmental commitments as they improve our strategy and commitment towards KVPL's Environmental DNA. The Environmental certification we have obtained include

- ISO 14064 -1 GHG Verification
- Rainforest Alliance Certification (RA)
- Forest Stewardship Council Certification (FSC)
- Organic Rubber Certification (USDA/NOP, EU organic)
- Preferred By Nature™ Sustainability Framework Certification

During The year under review saw our efforts entered a new tier with our own initiative – the "Kelani Valley Protectors" – to protect the We Oya catchment are of the Kelani river basin, and support the Government national initiative - the 'Surakimu Ganga" programme. This project which integrates not just environmental but social upliftment is discussed in detail in the natural Capital section of this report.

ESG FRAMEWORK

ESG FRAMEWORK OF KELANI VALLEY PLANTATIONS PLC- “KVPL’S SOCIAL DNA”.

SOCIAL ‘DNA’

Strategic Vision - “To improve quality of life and quality of work-life of all our employees as well as plantation community by application of sustainable human capital and people management initiatives, in order to achieve sustained performances with higher level of productivity”.

Social DNA Framework

2030	Ensuring 100% quality and affordable education and training for all in our workforce and the community through technical, vocational, tertiary and university education	Zero workplace injuries/disease by 2030, while 100% assurance on quality of work life	Eradicate extreme poverty for all the people under our purview by increasing their earnings	Fully implementation of strategies to achieve higher levels of productivity through diversification, technological upgrading and innovation through creativity
2024/25	Ensuring 50% of staff to be qualified with NVQ qualification Expanding online learning and education to Managers, Executives and staff Expanding the possibilities of onsite digital base training to work force	Evaluation of individual key value drivers’ achievements and transparent feedback system Monitor the deviation and value addition to the existing model	Strategy developed for those still in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other socio-environmental aspects Expanding the ‘think tank’ within plantations and sustainable food production chains by utilizing our existing ‘green gaps’ via enriching community engagement	Comprehensive analysis of the progress of achieved full and productive employment and status of decent work to all women and men including youth Strategise the action plan after correcting the deviations
2023/24	Exposing more opportunities for higher education and foreign industrial training opportunities for Management / Executives as well as to staff level employees	Expanding the opportunities and maximum possible managerial intervention on providing location wise training sessions for Estate level HRD Staff Members in order to cover the stated key value drivers	Development of social protection system to ensure alternative income sources for everyone in our plantation system Development of a system for equal rights to economic resources within plantations to ensure on increasing income per family	Policy and strategy development to promote sustainable plantation and research tourism that creates new employment opportunities and promote sustainable plantation culture and products
2022/23	Identify the competency/ skills gaps and effective execution of skills inventory	Expanding our focus on main six pillars of “Key Value Drivers”, in order to ensure employees health, safety & well-being	Expanding the opportunities for extra earnings to ensure per plantation family income Frequent, continuous and comprehensive awareness to increase the level of quality of life by increasing the per family earnings	Development of employee productivity framework to increase the individual contribution Strengthening the steps taken as effective measures to eradicate forced labour, elimination of the all forms of child labour for promoting safe and secure working environment for all employees
ESG STRATEGIES	Competent and Skilful Team	Health, Safety and Well-Being Towards Quality of Work Life of Employees	Higher Level of Quality of Life & Living Standards	Full and Productive Employment and Decent Work for all Our Workforce

KVPL's operations encompass 8,700 direct employees as well as a 58,000 strong plantation community – facts which motivate us to drive our social sustainability strategy for the impact we know we can have, they are also what underscore the importance of our efforts to the sustainability of the enterprise.

Although our industry is one which has inherited a conventional model of Human Capital Management with features such as rigid hierarchy we strongly believe that this conventional model is not one that is conducive to today and to the highly volatile environment in the plantation business. Hence our ESG model believes in an approach of facilitating better quality of life and care and knowledge management which will be a valuable bridge between organizational performance and community expectations.

The milestone initiatives during the year, of Digital Learning Series " with programmes such as the "Evening with an Expert" are significant steps in achieving the above culture and social change as a win-win for Company and our people.

The Social DNA of our ESG framework we intend, to be a key to improve employee satisfaction, retain top talent with the required skill sets and attract prospective employees. Satisfied employees work harder, stay longer with their employers, and seek to produce better results in our organization and thus helps in the sustainability of the organization and its profitability.

An analysis of our employee profile reveals that 15% of our people are Baby-boomers; 29% are Gen X; 39% are Gen Y whilst the remaining 17% comprise Millennials and Gen Z. The latter two groups are those engaged in the digital transformation of the country. The Social DNA would thus also harness, facilitate and motivate the talents of these groups.

We have also identified that Millennials care deeply about the values of the Company they work for and Social Responsibility is one of the values which they hold high. Thus, the standards that the ESG framework stipulates will strengthen KVPL's efforts to translate its social consciousness into action and help in potential investor screening for same.

KVPL's Social DNA and the translation of it into action has been widely recognised with many awards over the years of which we are humbly proud of. Those specific to Human Capital management include Great HR practice award on two occasions, Gold Award for HRM and Global HR Excellence award and Asia Pacific HR award. The year under review saw the following in recognition for our social integration and upliftment : winner of United Nations Volunteers (UNV) 50 country awards, Best Corporate Sustainability Award – Gold award under Agriculture sector in the country, being the 1st and only RPC to win the pinnacle of such awards in the country;

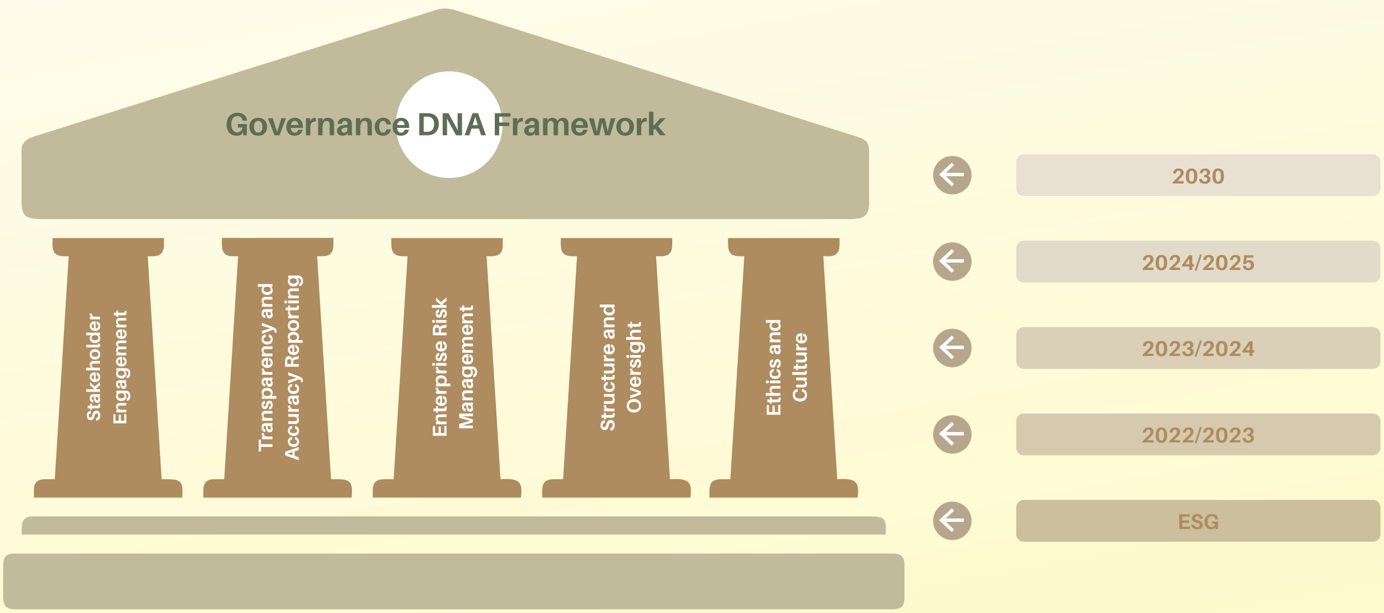
KEY ACTIONS FOR SOCIAL AND PEOPLE SUSTAINABILITY:

- Highly engaged teams
- Health – Safety and Well-being at high priority
- Strengthen the supplier and customer Relationship
- Strengthen the community Relationship and Community Empowerment
- Development of "Skills Inventory" to strategically positioning of right skill at right place.

ESG FRAMEWORK

ESG FRAMEWORK OF KELANI VALLEY PLANTATIONS PLC- "KVPL'S GOVERNANCE DNA"

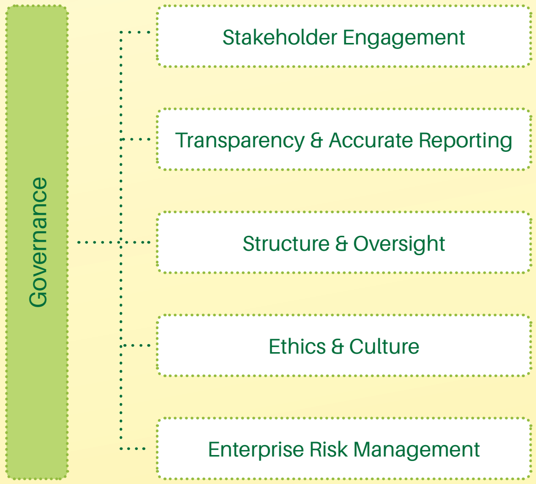
GOVERNANCE 'DNA'
Strategic Vision - "To promote Good Corporate Governance towards investor confidence and to see policies that encourage shareholder engagement and to invest in both accountable and diverse nature".



"Good Corporate Governance, it's all about proper & prosperous"

- Our Governance towards sustainability as per the ESG framework includes 5 key realms as illustrated below.

Our key stakeholders and specifically the investors may and should want to know that a company uses accurate and transparent accounting methods and that stockholders are allowed to vote on important issues. Investors can screen for governance practices, as they would for environmental and social factors. They may also want assurances that companies avoid conflicts of interest, do not use political contributions to obtain undue favourable treatment and, of course, do not engage in illegal practices.



As a responsible corporate citizen in the business arena, KVPL has an unique approach to engaging its stakeholders and sustaining a better relationship with them.

As illustrated in the stakeholder mapping below stakeholder monitoring will be influenced by the power they hold and the interest they have in the Company. Key Players of the Company will be monitored closely with utmost care and stakeholders with less power and interest will be monitored with less intensity.

TRANSPARENCY & ACCURATE REPORTING IN KVPL

One of the key pillars of good governance is the production of transparent and accurate financial and non-financial reports and disclosures to the respective groups , in accordance and compliance with international standards and laws. As a public limited company, KVPL is responsible to provide quarterly accounts & Annual Reports to stakeholders by publishing in the Colombo Stock Exchange while adhering to the accounting & auditing standards.

In addition to accounts, related party transactions are separately monitored by a Related Party Transaction Review Committee, ensuring that the transactions occur at arm's length without any abnormal or bias transactions.

In addition to the above, the relevant expertise and skills that the Company posses ensures accurate and transparent reporting to the public whilst the relevant experience and industry knowledge are factors which give confidence to investors that the Company's operations are continuing through a transparent manner.

STRUCTURE & OVERSIGHT IN KVPL

As illustrated below, proper governing procedure at KVPL is ensured by a solid governing structure in keeping with the rules and regulations of Company's Act.

Internal Governance

- KVPL Board of Directors
- Hayleys PLC Board of Directors
- KVPL Board of Directors
- Audit Committee
- Related Party Transaction Review Committee
- Nomination Committee
- Remunaration Committee
- Tea Board of Sri Lanka

External Governance

- Code of Best Practice on Corporate Governance - CASL & SEC of Sri Lanka
- Companies Act No. 07 of 2007
- Inland Revenue Act No. 10 of 2006 & Inland Revenue Act No. 24 of 2017
- Customs Ordinance No.17 of 1869
- Exchange Control Act No. 24 of 1953
- Ministry of Plantations
- Chamber of Commerce
- Tea Board of Sri Lanka

ESG FRAMEWORK

The final reporting level of all of the above is ultimately the investors/ shareholders of the Kelani Valley Plantations. The above process is initiated at point of Shareholders, who appoints the Board of Directors and the External Auditors who have the knowledge and relevant experience to manage the enterprise on their behalf and report to them on significant matters and financial figures at each year end.

From there onwards the Board of Directors will appoint a Managing Director and an Audit Committee to manage and to be accountable to the Company procedures and decision making.

This flow chart has been elaborated in a comprehensive manner in the Corporate Governance Section (Page140)

ETHICS & CULTURE IN KVPL

As a member of the Hayleys Group, the KVPL management from highest level to the most junior are bound to adhere to the Code of Conduct named "The Hayleys Way" by Hayleys Group. The Hayleys Way covers a wide range of principles which KVPL should adhere to as a responsible corporate citizen. Some of the elements of the policy and its intentions are as follows :

Policy Factors	Commitment
Competition	Marketing of Company products will be done adhering to the rules and regulations & will not make any misleading statements about competitor products
Employees	-Will provide equal opportunities to all its employees without considering race, caste, religion etc -Will comply with all local labour laws & will not use any form of child labour force in company operations.
Consumers	Committed to provide world class quality products and services under proper labels and advertisements with applicable national & international standards.
Shareholders	Committed to enhance shareholder value and produce reliable information in a timely manner on business activities in accordance with relevant rules & regulations
Conflict of Interest	Employees are always committed to act in the interest of the Company & should not seek any gains through misusing their positions

ENTERPRISE RISK MANAGEMENT AT KVPL

In comparison to other industries, the risks that the Plantations Industry has to face are higher due to the dependence on the natural environment and the vulnerabilities to vagaries of weather. Hence, Risk Management receives special focus facilitated by a special Risk Management Process which captures the entire environment and employees.

The Risk Process, Risk Architecture and the Risks faced by the Company during the year are discussed broadly in the Risk Management sector (Page 169)

STAKEHOLDER ENGAGEMENT

LIST OF STAKEHOLDER GROUPS

GRI 102-40

Shareholders	Individual Shareholder Parent Company
Regulators	Sri Lanka Tea Board Sri Lanka Rubber Development Department Planters Association of Ceylon
Employees	Board of Directors Executives Workers
Government	Inland Revenue Department Secretary to the Treasury Ministry of Plantations
Buyers	Local Buyers Foreign Buyers Brokers
Suppliers	Local Suppliers Foreign Suppliers
Financial Institutions	Financial Regulators Banks
Scientific Community & Academia	Tea Research Institute Rubber Research Institute Universities

As illustrated by the stakeholder mapping matrix below stakeholder monitoring will be influenced by the influence each of them hold over the Company and the interest they have in the Company. The key players thus identified will be monitored closely with utmost care and stakeholders with less power and interest will be monitored with less intensity.

COLLECTIVE BARGAINING AGREEMENT

GRI 102-41

From the KVPL workforce, 99% of manual and non-executive staff (excluding executives) are covered by collective bargaining agreements.

STAKEHOLDER ENGAGEMENT

IDENTIFYING AND SELECTING STAKEHOLDERS

GRI 102-42

Stakeholder groups are prioritised based on the level of influence of stakeholders and the level of interest in the Company.

APPROACH TO STAKEHOLDER ENGAGEMENT

GRI 102-43, 44

Stakeholder Group	Frequency of engagement	Key topics and concerns that have been raised through stakeholder engagement	KVPL's response to key topics raised
Regulators	Quarterly and annually	None	-
Secretary to Treasury (owners of land) and Government	As required on policy engagements	Plantation worker wage negotiations	KVPL responded by appealing to the courts for a more productive wage model
Parent Company	Fortnightly	General management and performances	Decisions transmitted to operational level
Public Shareholders	Annually, through AGM Quarterly, through the publication of financial results	None	-

Stakeholder Group	Frequency of engagement	Key topics and concerns that have been raised through stakeholder engagement	KVPL's response to key topics raised
Plantation Community	As required for dialogues with community representative groups	Partnering the plantation management in community projects and security	Engaging donor agencies and initiating dialogue with security establishments
Employees and Trade Unions	Weekly meetings with union representatives	Day-to-day operational and social issues	KVPL seeks solutions for any employee concerns and social issues
Financial Institutions (providers of capital)	As required	None	-
Buyers	As required	Product quality and timely delivery	We provide an assurance through our certifications and regular product testing In addition, we plan deliveries in advance to ensure smooth delivery
Brokers	Weekly	Evaluation of produce	Broker feedback is conveyed to plantations
Suppliers	As and when required	Quality and price	Evaluation and monitoring
Certification Agencies	Annually	Non-conformity with standards	We ensure corrective action in a given time frame
Academia and Scientific Community	As required	Findings on research	Disseminate to lower levels of management

ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

GRI 102-45

A list of all entities included in the organisation's consolidated financial statements or equivalent documents.

- Kelani Valley Resort
- Kelani Valley Instant Tea
- Mabroc Teas
- Kalupahana Power Company

All entities included in our consolidated financial statements, or equivalent documents, are covered by the report.

MATERIALITY ASSESSMENT

DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

GRI 102-46

Selection of material topics and topic boundaries took into account the disclosure requirement under ;

1. The GRI Standards 2016 Core option
2. The International Integrated Reporting (RI) framework of 2013
3. United Nations Global Compact (UNGC) Communication of Progress (COP) requirements
4. United Nations Sustainable Development Goals (UNSDG's)
5. The Companies Act of 2007
6. Listing rule of the CSE
7. The Code of Best Practice on corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

COMPLYING WITH REPORTING PRINCIPLES

GRI 102-47

In line with KVPL's ESG framework and regulatory compliances, this report provides a report which is integrated the social and environmental and governance sustainability context of the Company. The content has been selected according to their materiality to both the Company and key stakeholders and we have endeavored to present complete information wherever possible.

In terms of quality principles, financial statements of the Company have been audited by Chartered Accountants , and regular internal audits are conducted throughout the year. All other information has been reviewed and approved by relevant senior managers to ensure utmost reliability. Two years of comparative quantitative data has been provided in most cases as required by the GRI standards.

The process of selecting topics material to the Company and stakeholders is given below.

Stage in the process	Identify sustainability topics and indicators	List all relevant topics for KVPL	Determine and prioritise material aspects for reporting	Assessment of significance aspects for stakeholders and KVPL
Objective	Identification of potentially relevant issues for stakeholders and the Company	Analysis of the results of the initiatives to involve stakeholders in order to assess the priority that they assign to the various issues	Analysis of the results of the initiatives to involve stakeholders in order to assess the priority that they assign to the various issues	Segregating material aspects with highest level of significance along with medium low and high in terms of the impact on the organisation and on the external stakeholder
Result	Material topics	Stakeholders Identification Matrix	Focus issues	Materiality Matrix

RESTATEMENTS OF INFORMATION

GRI 102-48

No information has been restated from the previous annual report.

LIST OF MATERIAL TOPICS GRI AND MANAGEMENT APPROACH

GRI 102-47, 49 and GRI 103-1,2,3

There are no significant changes from the previous reporting periods in the list of material topics and topic boundaries.

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
201-1	Direct economic value generated and distributed	Key stakeholder groups have vested interest in the economic value generated. These include but are not limited to ⦿ Shareholders ⦿ Employees ⦿ Treasury and Government ⦿ Customers ⦿ Suppliers	KVPL has implemented a crop and business diversification strategy to re-balance the risk portfolio. The strategy reduces risk concentration on agriculture through development of other revenue sources and reduces dependency on tea and rubber.	A comprehensive enterprise risk management framework monitors and evaluates risk factors, including financial risks and agricultural risks, factoring in agricultural impacts from climate change.
201-2	Financial implications and other risks and opportunities due to climate change			
203-1	Infrastructure investments and services supported	KVPL conducts a number of infrastructure development projects within estates. The main beneficiaries are estate communities	KVPL's policy is to retain traditional resident agriculture labour within the estates.	Audits by project partners including the World Bank and Save the Children's Fund Internal audits on expenditure
301-1	Materials used by weight or volume	Controlling the use of materials is important not only as a means of containing our middle line by avoiding wastage, but also to ensure quality of our products and to support our commitments towards conservation. The topic boundary is the management and employees and suppliers.	Our policy is to conserve resources and to gradually increase recyclable components of our material inputs.	We have continuous systems to monitor type, quality and quantity of materials used and to report any changes.
302-1	Energy consumption within the organisation	Energy is material due to rising energy costs and also UNSDG and UNGC commitments. The impact point is our factories, as they are significant energy consumers.	KVPL's energy policy is to conserve and adopt renewable energy.	Energy consumption is monitored at all factories and office buildings. Energy systems are regularly evaluated and improved to gain energy efficiency
302-4	Reduction of energy consumption			
303-1	Water withdrawal by source	This topic is material to KVPL due to UNGC and UNSDG commitments. The impact boundary is our estates and estate communities.	KVPL is bound by the UNGC CEO Water mandate and UNSDG commitments to conserve water and provide access to clean water for resident communities.	Water consumption at factories is constantly monitored and conservation initiatives are conducted.

Strategy and Focus

MATERIALITY ASSESSMENT

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	This topic is material to KVPL due to UNGC and UNSDG commitments and also national regulatory requirements. The impact boundary is the country as a whole, as these are national assets.	KVPL has traditionally maintained all natural assets within estate as a fiduciary duty. We have now also pledged to comply with UNSGD and UNGC principles.	While hunting and felling trees is illegal, the Company also conducts regular community awareness programmes to protect bio assets.
305-1	Direct (Scope 1) GHG emissions	This topic is material due to KVPL's UNGC and UNSDG commitments and environmental compliance regulations. The boundary is the resident communities and estate employees who are impacted by air quality.	KVPL's policy is to reduce the Group's carbon footprint through reduction in energy consumption and use of renewable energy.	KVPL complies with the Central Environmental Authority's minimum emission guidelines and monitors its carbon footprint with the objective of achieving a reduction.
305-2	Energy indirect (Scope 2) GHG emissions			
305-3	Other indirect (Scope 3) GHG emissions			
305-5	Reduction of GHG emissions			
306-2	Waste by type and disposal method	This topic is material due to KVPL's UNSDG commitments. The boundary is the resident communities, estate employees and also external communities.	KVPL's policy is to reduce, reuse or dispose waste using environmentally friendly methods.	Waste generation and disposal is monitored at all operational sites.
307-1	Non-compliance with environmental laws and regulations	Non-compliance would be negative to KVPL's reputation. The internal boundary is the management and shareholders due to legal action and fines.	Company policy is compliance with all environmental regulations and to reach beyond national compliances by adopting global best practices.	Environmental audits are conducted by the Central Environmental Authority, ISO environmental audits and other certification bodies including the Rainforest Alliance ETP, UTZ and FSC
401-1	New employee hires and employee turnover	These topics are material as they affect efficiency and productivity The topic boundary is all employees	KVPL policy is to be a great place to work.	Employees are assigned performance targets, performance reviews are conducted annually, employees are sent for training based on skill gaps and career development and rewards are based on performance.
403-2	Types of injury and rates of injury			
404-1	Average hours of training per year per employee			
404-3	Percentage of employees receiving regular performance and career development reviews			

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	GRI 103-2 : Management Approach	GRI 103-3 : Evaluation of the management approach
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In Sri Lanka, workers have the legal right to freedom of association and collective bargaining. In addition, child labour and forced labour is illegal. The topics have been selected as material due to UNGC principles.	KVPL complies fully with national regulations on freedom of association, collective bargaining, child labour and forced labour. Therefore, the Company avoids dealing with suppliers that commit infringements.	Supplier audits are conducted regularly and suppliers are educated on the legal requirements.
408-1	Operations and suppliers at significant risk for incidents of child labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour			
413-1	Operations with local community engagement, impact assessments and development programmes	Community engagements are conducted extensively across all estates. The boundary is estate communities.	KVPL's policy is to support resident estate community development to retain communities within the estates. In this regard as a policy, we facilitate welfare programmes through government and non-governmental partnerships.	Internal audits are conducted on community projects. External audits are conducted by development partners.
415-1	Political contributions	This topics is material due to UNGC compliance	KVPL policy does not make political contribution to any political parties.	Internal audits on contributions and external independent audits on financial.
416-1	Assessment of the health and safety impacts of product and service categories	The health and safety impacts of products and services have an internal boundary of our employees and an external boundary of our customers and consumers.	Company policy is the adoption and compliance of international best practices in food health and safety.	All products and processes are fully compliant with ISO 22000:2005 HACCP GMP and (Good Manufacturing Practices) Certification
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services			
419-1	Non-compliance with laws and regulations in the social and economic area	The topic is material due to compliance and reputational risk of the Company. The boundary is the management and directors.	KVPL's policy is compliance with all national regulations.	Internal audits

VALUE CREATION

Vision	Strategy
Capital	Process

Financial Capital

- Strategic planning
- Financial management
- Risk management
- Corporate governance
- Investment

Natural Capital

- Environment stewardship
- Biodiversity and ecosystem
- Sustainable resources
- Environmental protection
- Energy and Emission Management

Human Capital

- HR strategic plan
- Succession planning and leadership development plan
- Commitment to UNGC principles
- Performance based culture and reward management scheme for entire workforce -"you are identified"
- Comprehensive need based annual training plan including skills & competency development to all the HR segments

Social & Relationship Capital

- Community development
- Capacity building
- Stakeholder relationship
- Improving quality of life and quality of work-life
- Child policy implementation
- Youth empowerment
- Education and skills development

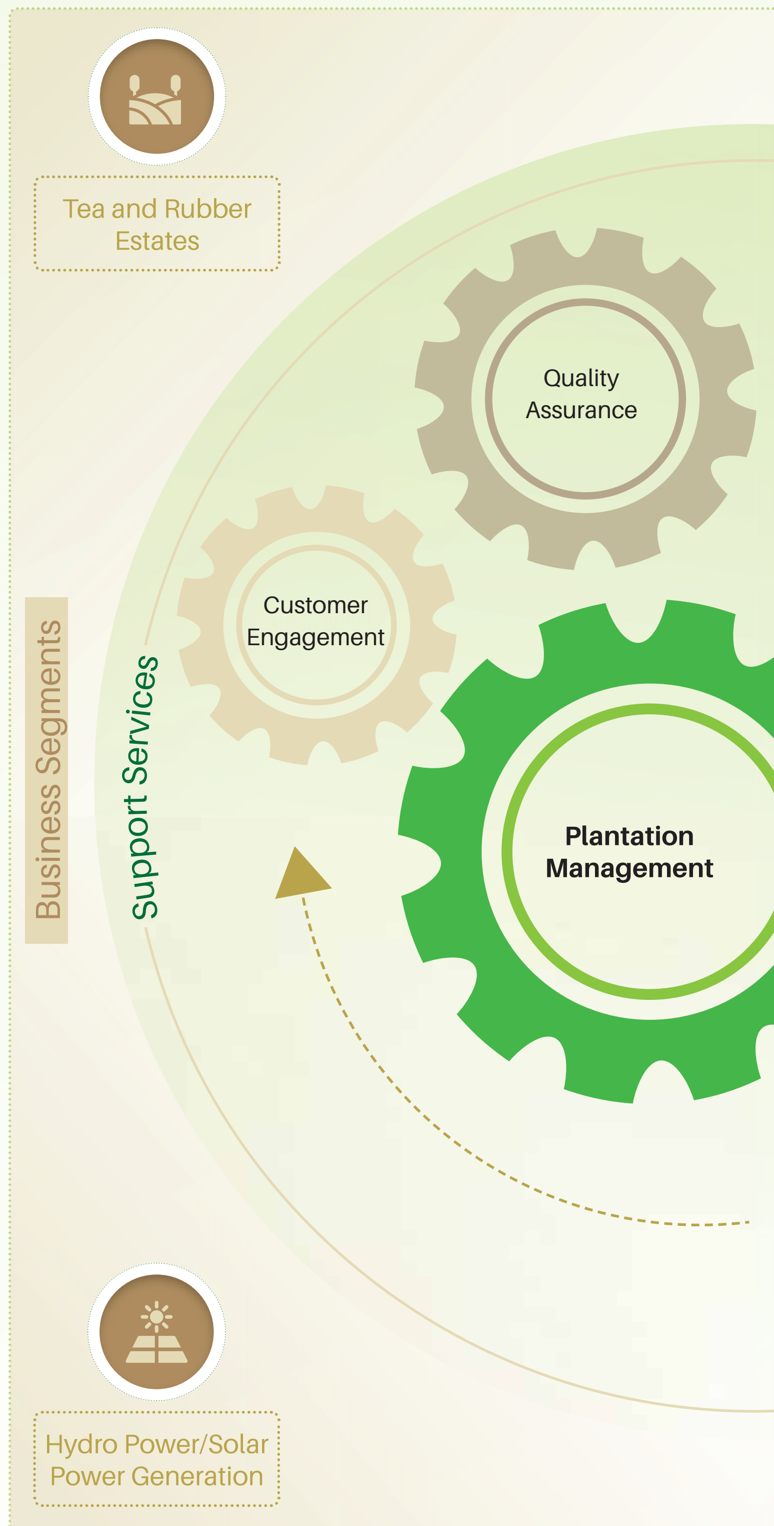
Manufactured Capital

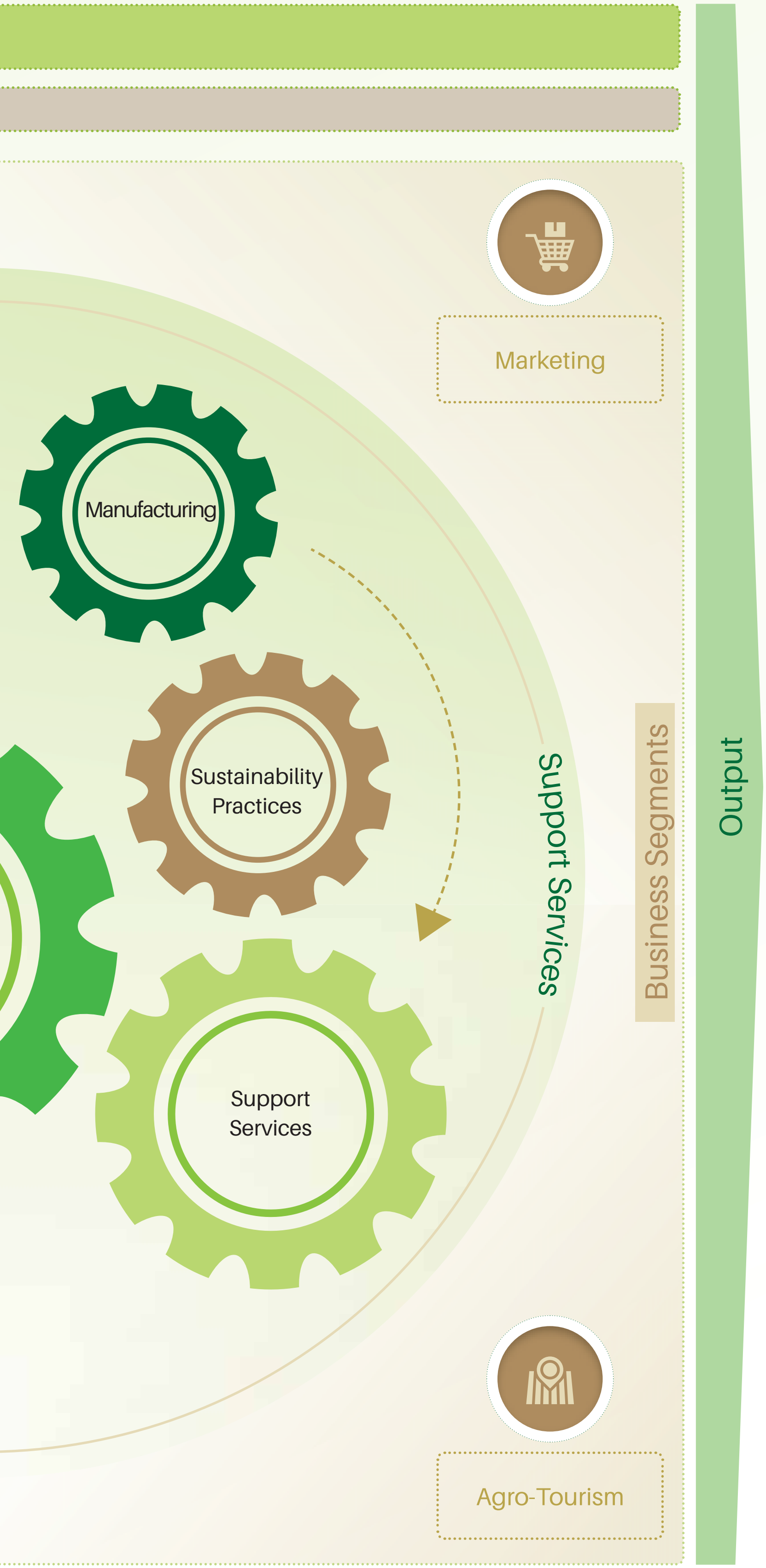
- RA, FSC, ISO 22000 Certified
- Processing centres
- Crop diversification
- Hydropower plants
- Product for specific markets

Intellectual Capital

- Product & market research
- Innovation and development
- Customer engagement
- Diversified business
- Digital transformation of business process

Input





Mission

Value

Financial Capital

- EBITDA Rs. 2,053 m sales Rs. 12.9 B
- ROCE 19.17% Capital expenditure Rs. 447m
- ROA 14.21%

Natural Capital

- New Initiative of Kelani Valley Protectors Initiatives (KVPI) with objective of cleaning of the Kelani River Valley basin and supporting of the Government's Surakimu Ganga project
- International accreditations and certifications : RA, FSC, and ISO 22000
- Stepping into Organic and Fair Rubber certifications.
- Introduced a "Buy Back of Weeds" programme as a win-win

Human Capital

- Certified as Great Place to Work by Great Place to Work Organisation
- Highest ever Training Yield Ratio
- Highest Effective Training Hours
- Made strides in establishing a "Knowledge Driven Workplace" with virtual platform to benefit employees across the board with launch of new knowledge sharing opportunities.
- Strategically aligned Performance practices with reward management processes.
- Recognised in UN Volunteerism top 50 awards, Best corporate citizen sustainability award, Best management practices company awards, South Asia business excellence awards, Business world excellence awards.

Social & Relationship Capital

- Continue to implement specific measures toward the Child protection Policy since becoming the first plantation company in Sri Lanka to adopt a Child Policy in 2018.
- The Kelani Valley Protectors Initiative which in addition to environmental impacts also has included community uplift as one of its objectives.
- Extended a Knowledge Enhancement initiatives to benefit our communities through virtual platforms via Digital Leaning series.

Manufactured Capital

- Investments into farming equipment.
- Digital weighing scales for precise and real time data on tea plucked by individual harvesters.
- Planned initiatives for automation and mechanisation of tea and rubber factories.
- Invest in biological assets in terms of crop diversification.
- Invested in colour sorters with updated technology to improve quality of tea.

Intellectual Capital

- Accreditations
- Smart Precision Agriculture
- Knowledge driven culture towards innovation

PRODUCT RESPONSIBILITY AND CUSTOMER HEALTH & SAFETY

PRODUCT RESPONSIBILITY AND CUSTOMER HEALTH & SAFETY

All our products and processes are fully compliant with ISO 22000:2018 and HACCP certifications issued by the Sri Lanka Accreditation Board. Additionally, all factories received GMP (Good Manufacturing Practices) Certification.

Implementing and maintaining the Food Safety Management System (ISO 22000:2018 & HACCP) for all tea manufacturing facilities reinforces our commitment towards product responsibility and ensures food safety and quality standards are maintained from end-to-end from planting to harvesting, production, processing and dispatch/distribution. The quality of tea is tested annually for heavy metals, microbiological criteria and agro-chemical residues as per the requirements of the ISO 3720 standard.

In addition, KVPL has established a set of internal standards which reach beyond the TRI (Tea Research Institute) specified maximum residue limits (MRLs) for Japan and EU countries. KVPL has also reduced chemical application compared to previous years.

Our Rainforest Alliance farm certification which certify all our tea gardens further demonstrate our commitment toward sustainability (Find out more at ra.org.).The rubber plantations too have been endorsed by Forest Stewardship Council (FSC™) Certification and Organic rubber certifications (USDA/NOP & EU) while products of sole crepe, centrifuge latex and crepe rubber are certified with FSC chain of custody certification and Global Organic Latex Standard (GOLS) certification. We have Fair Rubber Certification for two of our rubber plantations with processing centers, which allows us to improve the working and living conditions of estate workers through offered Fair Rubber premium. In the year under review, we got Sustainability Framework certification for all 10 rubber estates. Sustainability Framework is a multipurpose framework, which can be used for verification of forest and farm management, as well as for other sectors such as sustainable travel and financing.

In addition, a designated in-house team has been established at each estate, to monitor compliance with rigorous environmental, social and economic criteria, with regular internal audits and an external audit conducted annually, to ensure continuous improvements are made.

KVPL CERTIFICATIONS

Food Safety Commitments	ISO 22000:2018
	HACCP
	GMP
Environmental Commitments & Social Commitments	Rainforest Alliance
	FSC™
	EU Organic and USDA/NOP, GOLS
	Fair Rubber
	Sustainability Framework
	ISO 14064-1

COMPLIANCE WITH PRODUCT AND SERVICE LABELLING

For Tea, KVPL adheres to the labelling requirements specified by the Ceylon Tea Traders Association (CTTA) and the Ceylon Tea Board,

The details stenciled onto each package include the following:

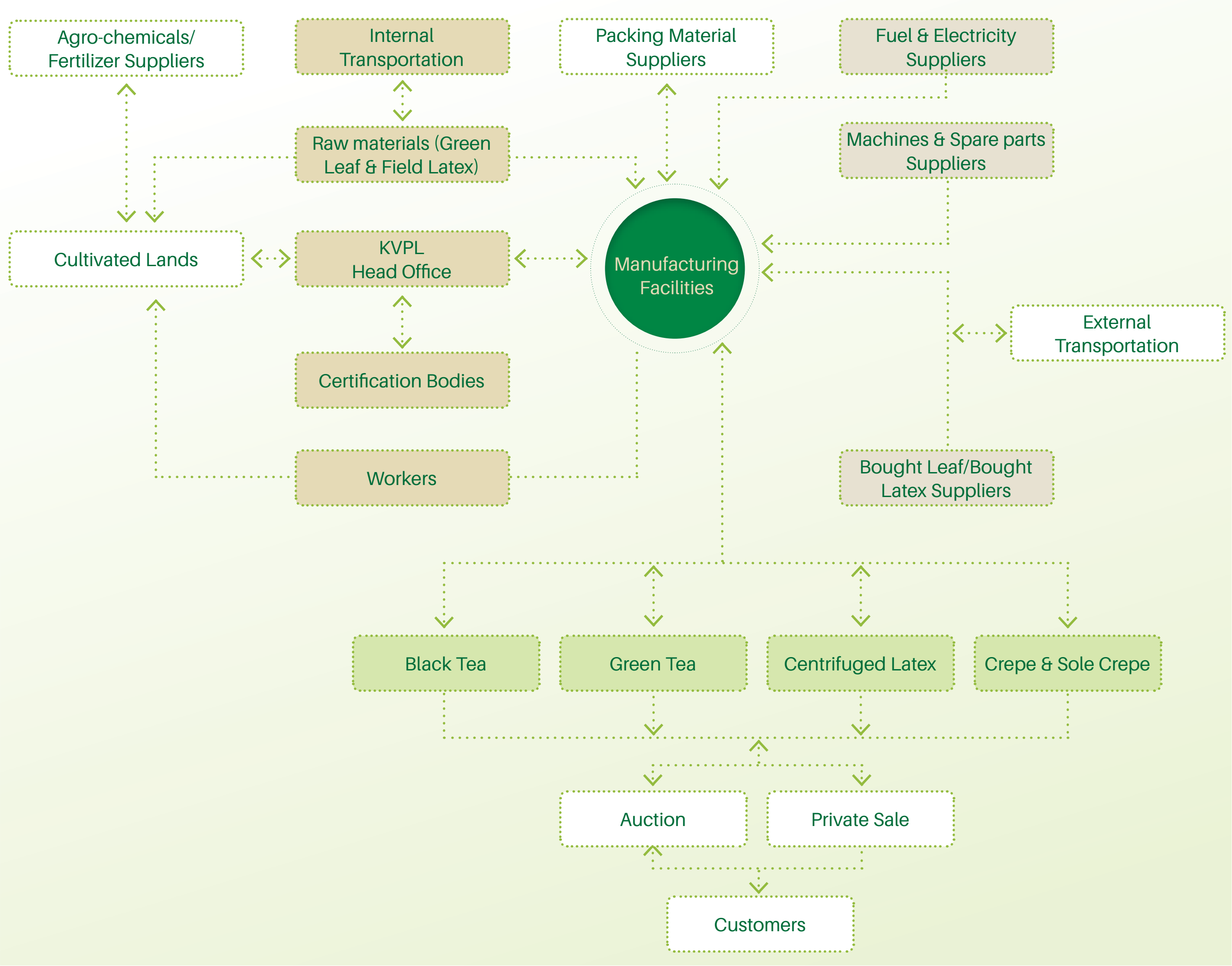
- Garden Mark
- Invoice no.
- Net Weight
- Gross weight
- Serial number of the package
- MF No.
- Grade
- Company Name

Given the strict compliance in place, there were no reported incidents of non-compliance of laws and regulations with regard to labelling of products. Further, there were no complaints received on breach of customer privacy.

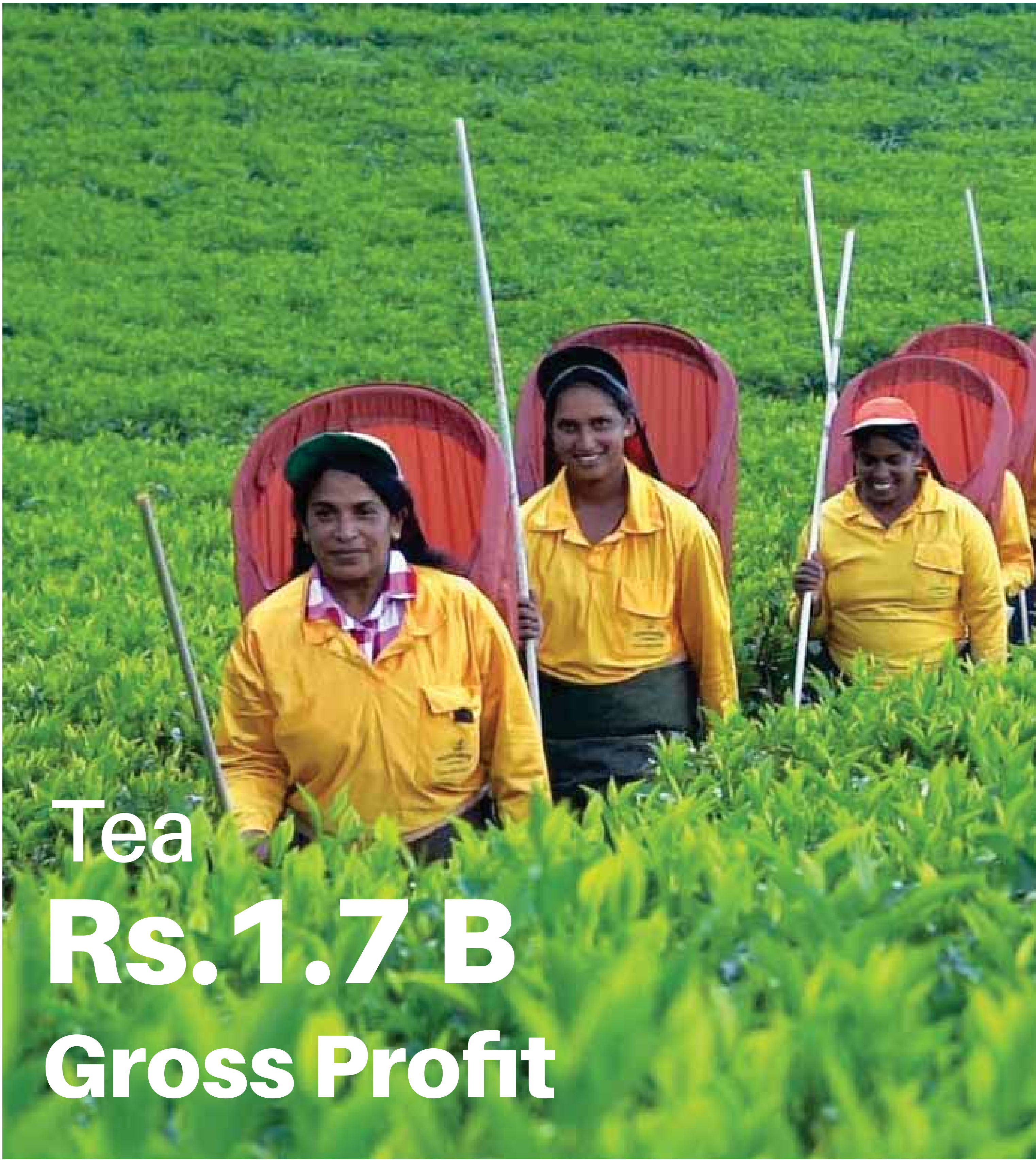
SUPPLY CHAIN

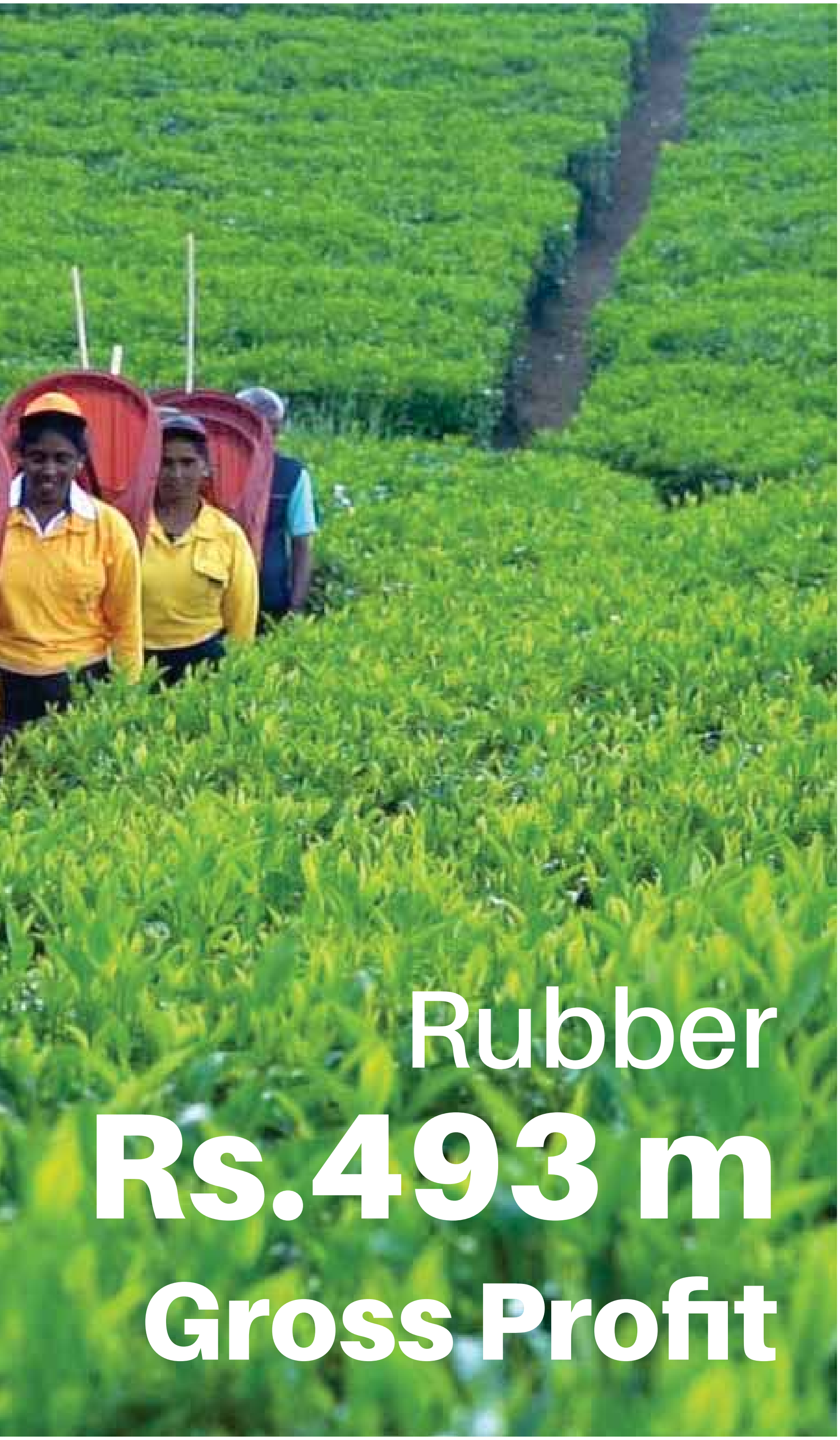
GRI 102-09, 10

There were no significant changes to our supply chain during 2021/22.



SECTOR REVIEW





> Innovation of our products, processes and systems will continue to be our priorities for the medium to long-term value creation. KVPL continued to make progress in its journey towards automation of production and administration, to shift from a traditional labour intensive model to a technology driven one

SECTOR REVIEW

OPERATING ENVIRONMENT

Global Economy

The global economy saw a gradual recovery from the effects of the pandemic, despite notable disparities across economies. According to the World Economic Outlook (WEO) of the International Monetary Fund (IMF) released in April 2022, global economic growth is estimated at 6.1 % in 2021, compared to a contraction of 3.1 % in 2020. During 2021, advanced economies were estimated to have recorded a growth of 5.2 %, while the growth estimation for emerging market and developing economies stood at 6.8 %. The IMF projects global economic growth to slow down to 3.6 % in 2022, largely reflecting the spillover effects of Russia's invasion of Ukraine and associated sanctions imposed on Russia, on the global economy. In addition to the war, the IMF predicts that disruptions to global supply chains due to frequent and large-scale lockdowns in China, persistent inflationary pressures leading to tightening of monetary policies of many countries and withdrawal of fiscal policy support previously provided across the world to cushion the impact of the pandemic could also affect the global growth prospects adversely. Accordingly, economic growth rates of 3.3 % and 3.8 % are projected in 2022 for advanced economies and emerging market and developing economies, respectively. Further, the global growth projection for 2023 has been revised downwards by the IMF to 3.6 %, 0.2% points lower than the January 2022 WEO.

Sri Lankan Economy

Following a year of adverse socio economic impacts caused by the pandemic in 2020, which led to a decline in GDP, year 2021 saw the impacts further exacerbate due to the pandemic reaching a peak towards the middle of the year to cause much disruption to lives and livelihoods.

Despite these challenges, the economy was able to grow by 3.7% in 2021 compared with the contraction of 3.6% in 2020. Growth was facilitated by a prompt and broad-based set of relief measures introduced by the Government to cope with the impact of the pandemic, including macroeconomic policy stimulus such as an easing of interest rates; an increase in social safety net spending, and loan repayment moratoria for affected businesses, all of which helped ease the economic fall out. These measures were also complemented by a strong COVID 19 vaccination drive which helped Sri Lanka achieve high rates of vaccination; thus reducing the rates of infection spread towards the beginning of 2022.

All sectors of the economy registered growth during the year (Agriculture, Forestry and Fishing by 2%, Industry by 5.3 %; and Services by 3.0 %). Although the Agriculture sector recorded a marginal growth of 2% in comparison to a contraction of 2.2% in 2020, the second half of the year saw reduced soil productivity, leading to a decline in output of crops such as rubber, paddy, fruits, vegetables, coffee and other perennial crops.

Sri Lanka's external sector continues to face numerous challenges, including a sharp widening of the current account deficit, limited inflows to the financial account, depletion of gross official reserves (GOR) as a result of large debt servicing requirements and significant depreciation of the Sri Lanka Rupee. Foreign-exchange reserves began to decline much faster than expected during the year owing to a combination of a higher import bill and foreign-currency intervention by CBSL and this was a key factor which contributed to the downgrading of Sri Lanka's Long-Term Foreign Currency Issuer Default Rating (IDR) by Fitch Ratings to 'CC', from 'CCC'. The foreign currency reserves declined to as at end December to US Dollars 1.6 B., from about US Dollars 4 B in end 2020. With these developments, the deficit in the external current account widened significantly to US dollars 3.3 B in 2021 (4.0% of GDP), compared to US Dollars 1.2 B in 2020 (1.5% of GDP). Net international reserves recorded a deficit by end 2021, resulting in the overall balance also recording a deficit of around US Dollars 4 B in 2021, compared to a deficit of US Dollars 2.3 B in 2020.

Interest Rates

The unprecedented effects of the pandemic on individuals, businesses and overall activity warranted an extremely accommodative monetary policy stance by the CBSL since early 2020 into the first half of 2021. Following this prolonged period of an accommodative stance, the CBSL began to tighten monetary policy in August 2021 with the aim of preempting the build-up of excessive inflationary pressures beyond desired levels in the economy and addressing imbalances in the external sector and financial markets. Accordingly, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were increased by 50 basis points to 5% and 6%, respectively in August 2021. The Bank Rate was automatically increased to 9% from 8.50%. Further, the Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of Licensed Commercial Banks (LCBs) was increased by 2 % points to 4% with effect from the reserve maintenance period commencing 01 September 2021. Accordingly, Rupee liquidity in the domestic money market, which remained at significant surplus levels until mid 2021, was reduced notably through the increase in the SRR commencing September 2021. With inflation continuing to accelerate beyond desired levels amidst sustained pressures in the external sector along with the accommodative fiscal policy stance, the monetary policy measures adopted in August 2021 turned more hawkish in 2022. Accordingly, policy interest rates were increased by 150 basis points, in aggregate, during the period from January to March 2022, thereby containing the expansion of money and credit.

The Average Weighted Prime Lending rate as at 31 December 2021 stood at 8.61% compared with 5.81% in 2020 whilst the Average Weighted Lending rate stood at 9.87% in December 2021, compared with 10.29% in December 2020.

While allowing the interest rates on Rupee deposits to increase, the Central Bank imposed a ceiling interest rate on foreign currency deposit products of LCBs and NSB in August 2021 to address anomalies between interest rates of Rupee and foreign currency products in the market.

Inflation

The general price level, as measured by the official price indices the CCPI and the NCPI both, followed an overall increasing trend during the 2021. Global commodity price hikes and domestic supply side challenges particularly made a considerable impact on domestic food prices. Within the food category, the major contribution to the increase in the general price level was from the prices of items in the volatile food category, which exhibited increases in 2021. Prices of items in the non-food category also increased during the year albeit generating a smaller impact on the general price level, compared to the food category. Reflecting these developments, the CCPI followed an overall increasing trend with the year on year change by end December 2021 reaching 12.1% compared with 4.6% and year ago. Its Annual Average change was at 6% in 2021 compared with 4.6% in 2020. The Annual Average change in NCPI (Core) in December 2021, was at 5.5% compared with 4.1% in December 2020 whilst the Year on Year change was at 14% as at December 2021 compared with 4.6% in December 2020. The sharp escalation continued into 2022 with change in NCPI reaching 21.5% as at end March 2022.

Exchange Rate

The Sri Lanka Rupee, which continued to be under pressure in 2021 due to the domestic foreign exchange market and depreciated by 8% between 31 December 2020 and 31 December 2021; was however maintained broadly at stable levels during 2021 and in early 2022, partially aided by moral suasion to keep the currency stable around Rs. 200 levels. However, considering the severity of the external shocks and further adverse developments in the global and domestic fronts, the Central Bank allowed flexibility in the exchange rate, yet intending to keep the rate of depreciation at a certain level, since early March 2022 as a part of the comprehensive policy package announced to alleviate the difficult situation in the external sector. However, the large pressures witnessed in the domestic foreign exchange market caused a sharp depreciation as a result of which the Rupee, which depreciated by 8% in 2021, decelerated by a much sharper 50% by end March 2022.

Reflecting cross currency exchange rate movements, the Sri Lanka Rupee appreciated against the Japanese yen by 3.8 % and the Euro by 1.1%, and depreciated against the Pound Sterling by 6% and the Indian Rupee by 5.8% during 2021.

The Share Market

The Colombo Stock market recorded an exponential growth during the year 2021, driven by local investors. The All Share Price Index (ASPI) and Standard & Poor's Sri Lanka 20 (S&P SL 20) index recorded growth of 80.5 % and 60.5%, respectively, during the year. The market capitalisation stood at Rs. 5,489.2 B as at end 2021 recording a growth of 85.4%. Further, market capitalisation as a percentage of GDP reached a 10-year high of 36.7% at end 2021 compared to 19.7 % at end 2020.

Agriculture Sector

Agriculture activities recorded an expansion of 2% in 2021 in value-added terms, recovering from the contraction of 2.2 % recorded in 2020, mainly on account of the expansion in coconut and animal production activities. Further, the growing of tea, spices, forestry and logging, and growing of other cereals also expanded during the year, contributing favourably to the growth in overall agricultural activities. Meanwhile, fishing activities also recorded a moderate growth in 2021, recovering from the significant contraction recorded in 2020. However, the growing of rice, fruits, vegetables, other perennial crops, rubber and other beverage crops (coffee, cocoa, etc.) contracted during the lack of fertilizer and other agrochemicals. Even though agriculture activities recorded an expansion during the year, the lack of relevant nutrients and agrochemicals prevented it from reaching its full potential particularly during the second half of the year.

Agriculture Exports

With the improved performance of most of the subcategories, agricultural exports recorded a growth of 16.8 % in 2021 compared to 2020. Higher earnings from spices, tea, seafood and coconut products mainly contributed to this increase, while export earnings from vegetables declined. Offsetting the decline in average export prices, the increase in export volume of 7.7 % led to the increase in earnings from Tea exports in 2021. The higher earnings recorded by natural rubber, spices (mainly cinnamon and nutmeg) and unmanufactured tobacco products were driven by higher export prices, whereas both higher prices and volumes led to the increase in earnings from seafood, pepper and coconut (both kernel and non-kernel products). Earnings from minor agricultural products increased due to higher export volumes of fruits, cereals and essential oil exports.

SECTOR REVIEW

However, lower export volumes resulted in a weak performance of vegetable exports, despite higher prices.

Tea Industry Review

Tea production in the country recorded an overall growth of 7.4% in 2021, driven by a significant expansion during the first half of the year, owing mainly to the lower base induced by the onset of the COVID-19 pandemic in the corresponding period of 2020. Following the significant increase of 24% recorded in the first half of the year, a sharp contraction of 7.2% was registered in tea production during the latter half of the year, largely driven by unfavourable weather conditions that prevailed during the months of November and December.

Production of High, Medium, and Low grown Tea, which contributes to about 22%, 17% and 61% of Sri Lanka's total tea production, respectively, expanded by 5% 9.1% and 7.8%, respectively, in 2021. The average yield in the smallholder sector increased to 1,880 Kgs per hectare, compared to 1,766 Kgs per hectare reported in 2020 and remained above the average yield of the large-scale plantation sector. However it must be noted that the extent of land holding in the small holder sector remains inaccurate due to the land cultivated often exceeding the land accounted for in statistical purposes due to a several reasons and hence the numbers obtained for yields are not accurate representations and hence not comparable.

Tea prices at the Colombo Tea Auction (CTA) remained elevated in 2021 compared to pre pandemic levels, but were still lower than those observed in 2020. The average price of tea decreased by 2.3% to Rs. 619.15 per Kg. during the year from Rs. 633.85 per Kg. recorded in 2020. Accordingly, Average Tea prices of Medium and Low grown Tea declined by 1% and 3.5%, year-on-year, respectively, while High grown Tea reported a marginal increase of 0.6% in 2021. The dampening of average tea prices during the year can be partly attributed to the improvement in production as well as the increase in the quantity supplied to the auction during the year.

Although the average export price (FOB) of tea increased by 6.2% to Rs. 920.76 per Kg. during the year, the FOB price in US Dollar terms declined by 0.9 % during 2021. However, Sri Lanka's earnings from both tea and rubber exports in US Dollar terms, increased in 2021 due to higher prices in the world market. In addition, increased earnings in Rupee terms was also supported by a sharp 50% depreciation of the Rupee, vis a vis the US Dollar between end March 2021 and end March 2022.

We welcome the several measures taken by the Government to strengthen the Tea sector in 2021. The Five Year Strategic and Action Plan for the Tea sector in Sri Lanka (2021-2025) was finalised and the planned actions were implemented during the year. The transition to an e-Auction system, which was a significant milestone initiated during the COVID 19 pandemic in 2020, has functioned successfully since, and was upgraded during the year as 'Smart Auction" equipped with strengthened trading and data features in 2021. Furthermore, the Sri Lanka Tea Board disbursed Rs. 79.8 m for replanting, new planting, and infilling subsidy programme to increase the productivity of Tea lands, of 263 hectares across tea growing regions. In addition, SLTB continued the Model Tea Garden project for middle scale Tea estates, while providing Rs. 2.3 m for 17 lands and expects to establish 138 tea nurseries, of which 113 nurseries had been established as at year end.

Moreover, the Government also approved the utilisation of Rs. 1 B from the Tea Promotion and Marketing Fund of the SLTB, to provide a grant for tea exporters who are eligible under the Brand Promotion Scheme for the export of Pure Ceylon Tea.

TEA SECTOR

SECTOR REVIEW

COMPANY PERFORMANCE

KVPL TEA SECTOR PERFORMANCE

The tea segment continues to be the main contributor to KVPL Group's profitability, accounting for 84% of KVPL's group revenue and 75% of its gross profits. The tea sector's revenue primarily comprised a contribution of 31% from KVPL and 69% from its marketing arm Mabroc Teas (Private) Limited.

KVPL's (company) tea revenue increased by Rs. 254 m as a result of increase in overall tea crop by 2% (99,752 Kgs.) during the year and it is noteworthy that KVPL group performed well to achieve more than 100% growth in Consolidated Profits Before Tax (PBT), despite one of the most inimical operating environments.

The increase in crop output was largely driven by the expansion in the first half of the year, which more than offset the contraction in the second half due to frost conditions that impacted the Nuwara Eliya estates in January-February. 78% of KVPL's Teas are grown in the western high grown areas whilst the remaining 22% comprises Low Grown estates.

In a year in which tea prices at the Colombo Tea Auction (CTA) were lower than in 2020, albeit elevated compared to pre-pandemic levels; it is noteworthy that KVPL continued to enjoy the second highest GSA for tea amongst all Regional Plantation Companies (RPC's) for the 4th consecutive year; and moreover, also improve on the prices the Company fetched in 2020.

The key contributor to our tea sector's profits was once again our marketing subsidiary Mabroc Teas which improved on last year's performance to achieve its best performance since inception.; with its highest Turnover of Rs. 7.8 B and highest PBT of Rs. 1.3 B. PAT during the year reached Rs. 1.1 B. The Company also exported the highest quantity to date.

KVPL's ability to sustain its profitability amidst a multitude of challenges reflected its social and environmentally sustainable model and prudent planning. Some of the responses which the Company has successfully initiated are summarised below.

Challenges in 2021	KVPL's Response on the field
• Escalating costs of production due to steep increase in inflation which impacts across our value chain.	• Cost management measures • Resource optimisation through technology and mechanisation. • Crop Diversification strategies
• Lack of fertilizer, pesticides and weedicides due to the prohibition imposed in April 2021. • Significant increase in cost of fertilizer, from Rs. 24 per unit of made tea to Rs. 102 per unit of made tea	• Initiated the production of organic fertilizer. • Introduced a "Buy Back Weeds" programme as a win-win for employee and company. • Became more selective in application of fertilizer and using regenerative agri practices. • Commenced adoption of non chemical methods for pest and decease management.
• The increase in the minimum wage which resulted in an increase of the daily wage to Rs. 1,000 from Rs. 700 in the previous year, sans any productivity component.	• Mechanisation of pruning and harvesting, • Expanding the 'Revenue Sharing Model'

OUTLOOK

In the backdrop of the current economic crisis and the likely policy responses to mitigate it, we foresee the rise in inflation to further exacerbate pressure on our margins. Higher costs of fuel, energy and all other inputs would impact KVPL's costs of production at every point of its value chain. Hence cost management would be an immediate priority in the short-term. Towards this end, technology will be a key to enhancing value creation and sustaining Sri Lanka's competitiveness in the global market place.

Innovation of our products, processes and systems will continue to be our priorities for the medium to long-term value creation. KVPL continued to make progress in its journey towards automation of production and administration, to shift from a traditional labour intensive model to a technology driven one. Mechanised pruning and harvesting will be expanded to meet the challenges in the labour market as well as cost management. In addition, modernisation and automation of two of KVPL's main Rubber manufacturing plants would be initiated in the near future to reduce production costs, as well as improve product quality.

We will also look at the centralization of 90% of the manufacture of Tea in the upcountry region by equipping a factory with state of the art machinery which can manufacture all three varieties of tea that the Company producers. In addition to benefiting from economies of scale KVPL would also be able to gain greater flexibility and respond nimbly to changes in the markets' demands for the various types of tea.

Moreover, spurred by our Triple Bottom Line objectives regenerative agricultural practices and the adoption and development of non-chemical methods of Pest and Disease management will also be high on our list of priorities, several other challenges we have mentioned previously, such as the escalating costs of labour as well as the growing scarcity of labour due to the diminishing appeal of the industry to younger generations who have begun to seek employment outside; have begun to threaten the medium to long term sustainability of the tea plantations. This fact further underscores the need to expand the use of technology on our plantations . Year 2018 saw KVPL pioneer the use of drones for spraying fertilizer but its deployment in 2020 and 2021 was interrupted by the pandemic. We will look at the widespread use of them in the year ahead as a solution to the labour shortage and to enhance productivity. Moreover, we expect to expand the Revenue Sharing Model as a win-win solution as it would empower the daily waged employees to become self motivated to earn higher incomes, thus benefiting them as well as the Company.

We will look to further harness the expertise, experience and reputation which have been a key to the Company's leadership in the specialty teas market; to venture into non-traditional markets across the globe as well as to develop new value added products which cater to different market segments. The repository of R&D capabilities at Mabroc would continue to be a key competitive advantage. Moreover, we will also look to create a brand presence in the Sri Lankan market with no less than 5% of our volumes to cater to the domestic market.

RUBBER SECTOR

SECTOR REVIEW

RUBBER INDUSTRY PERFORMANCE

Rubber production contracted in 2021 in comparison to the increase in 2020, mainly owing to the impact of a fungal disease which impacted rubber trees and incessant rains in plantation areas during tapping days. Accordingly, Sri Lanka's rubber production declined by 1.7 % to 76.9 m. Kgs in 2021 from 78.2 m. Kgs produced in 2020 whilst the production of the RPC's declined by around 25-30%. It is thus the out-put of the small holder sector which makes up over 65% of Sri Lanka's rubber crop output that made up for the drop-in output of the RPC's to curtail Sri Lanka's overall reduction in crop to 1.7%.

Although production showed a rising trend during the first half of 2021, it declined notably thereafter due to the fungal diseases which impact the industry thrice during the year and a higher number of rainy days which dampened production in the last quarter of the year, the peak yielding period of rubber plantations.

Reflecting the increase in prices for Natural Rubber in the world market, rubber prices in the domestic market also displayed an increasing trend during 2021. Average FOB price of rubber also increased from US Dollars 1.91 per Kg. in 2020 to US Dollars 2.72 per Kg in 2021. The surge in international prices during the latter part of the year was driven by supply shortages in global markets due to unseasonal and heavy rains that disrupted tapping operations in rubber producing countries, amidst growing demand from East Asia.

The production of Sheet Rubber, which accounts for about 50 % of total rubber production, declined by 1.7 %, while Crepe Rubber production recorded a growth of 7.4 % during the period under review. The production of other categories of rubber, which accounts for around 32 % of total Rubber production, declined by 6.2 % in comparison to the production of the previous year. In 2021, domestic consumption of rubber by local industries increased by 19.4 % to 133.9 m kgs with the gradual recovery of the industry sector. Meanwhile, exports of raw Rubber recorded a marginal decline of 1.7 % to 15.5 m kgs in 2021, owing to lower production as well as the higher demand from domestic market.

The strategies that were implemented by the Rubber Development Department (RDD) and the Rubber Research Institute (RRI) for the development of the rubber sector, aiming at improving sectoral productivity as well as raising the value addition in the rubber industry, continued in 2021 and would help strengthen Sri Lanka's rubber sector.

KVPL'S RUBBER SECTOR PERFORMANCE

KVPL's rubber segment constitutes Direct Exports which contribute 14% and Auction and other local sales which comprise the larger share of 86%. The Company's rubber production, in line with the country's production, declined during the year, due to the impact of the fungal infection (known as the Circular Leaf diseases) which impacted rubber trees, across all our estates, as well as the adverse weather conditions of incessant rains during the last quarter of the year, which is the peak period for tapping. The Circular Leaf disease impacted the rubber crop thrice during the year, leaving Rubber producers with little option to combat it, as the chemical treatment prescribed by the RRI was unavailable in the country due the ban on imports of agri chemicals. KVPL's production thus declined by 12% in comparison to a decline of 25-30% experienced by the RPC sector as whole. KVPL's use of rain guards for more than 80% of our trees helped to curtail crop loss that would have otherwise resulted from the rainy days; thus helping KVPL to perform better than vis a vis industry average.

The energy crisis continues to impede our operations at the factories and the challenges are compounded by the scarcity of Diesel to utilise our generators.

Although production declined, it is most noteworthy that KVPL's rubber Revenue increased, on the back of higher prices which in turn reflected the higher global market prices. Revenue thus increased by 36% (by Rs. 511 m) over last year to reach Rs. 1,929 m Gross Profits also grew by 54% to reach Rs. 493 m . The growth in revenue this year is highlighted by the fact that the comparative year of 2020 had also recorded a high growth in Revenue over 2019, and more than 100% growth in gross profits.

It is also noteworthy that the GSA earned by KVPL continued to be one of the highest amongst Rubber producers.

SECTOR REVIEW

Challenges in 2021	KVPL's Response
A fungal disease which impacted rubber trees causing leaves to fall which in turn impacted sap due to the lack of canopy to support the sap.	Was limited as for entire industry due to the unavailability of the only prescribed chemical solution.
Decrease in production due to adverse weather.	Expanded the use of rain guards to cover 80% of our trees, to minimise the impact due to rain
Escalating costs of fertilizer from Rs. 6/- to Rs. 72/-. .	Cost management strategies and mechanisation
Impacts of inflation on cost of production.	Cost reduction through infusion of technology such as automation of plants
The Government's ban on the import of agro chemicals and the resulting impact of the fungal disease	Other measure to compensate for the loss of productivity and output

OUTLOOK

We expect the current challenges in the operating environment to escalate in the short-term due to the economic crisis and the policy measures that are required hence. Inflation is thus likely to continue to impact our costs of production as it would most other sectors. Mechanisation, and cost management will thus be key short-term imperatives in our rubber sector. New technology which would optimise resource utilisation and allocation will hence be important. Modernisation & automation of two main Rubber manufacturing facilities; in order to reduce manufacturing costs and improve product quality and increase export quantities is also on our agenda for the next 2 years. .

Furthermore, the Company will continue to diversify crops to improve its profits per land unit and to utilise extents of currently unutilised land in the low country region. KVPL has currently planted cinnamon on 177 Hectares of its total land extent of 3,989 Hectares, and coconut on another 213.38 Hectares on its low country estates. It will also look to plant cardamom, pepper, cloves, agrwood and coffee in the year ahead whilst maintaining and improving productivity of the rubber extents at around 3,500 Hectares, Crop rotation, in addition to improving soil nutrition will also help mitigate the impacts of price fluctuations of the two main crops of tea and rubber.

KVPL began the direct export of some quantities and sees itself well poised to capture more markets and expand; - being one of few suppliers in the world who are internationally certified for its social and environmental best practices. An increasing number of high-end buyers seek and value the social and environmentally sustainable models of their suppliers. KVPL is amongst a few global suppliers to possess FSC, GOLS, and Fair Rubber certifications. KVPL thus stands well positioned to make inroads through its direct exports of Sole, Crepe, Latex Crepe and Centrifuged Latex. Moreover, the brand KVPL has earned a reputation amongst its global buyers for quality, on time delivery and reliability and this brand equity provides a firm foundation for growth and expansion in natural rubber markets locally and globally.

WE ARE NOT MIRED; WE ARE INSPIRED

FINANCIAL CAPITAL

Efficient Financial Management has been a key factor in the success of KVPL Group and is included in its ongoing planning.

Managing the inflows & outflows of Financial Capital is a function which is vital for the efficient utilisation of all resources and to maintain the Company's liquidity and solvency towards sustainable value creation. During the year under review, greater effort was required to manage cash flows due to the implications of the COVID-19 pandemic, and the unhealthy economic conditions which included the Rupee's depreciation, the energy crisis and political instability.

THE NEED FOR EFFECTIVE MANAGEMENT OF OUR FINANCIAL CAPITAL

The Effective management of financial capital is essential in achieving financial objectives and, in acquiring and allocating funds, making financial decisions, Group's long-term value creation, continuity of operations and implementation of strategic objectives to support other capitals and to minimise financial risks.

HOW KVPL MANAGES ITS FINANCIAL CAPITAL EFFICIENTLY

1. **Developed flexible and comprehensive business plan** – to identify where KVPL is now and where KVPL intends to be over the foreseeable future. The Business Plan explains how its operations will be funded and the source of funds. We establish priorities and financial goals to work with the available funds. In addition, monthly forecasts are prepared and monitored as explained below under point 2.

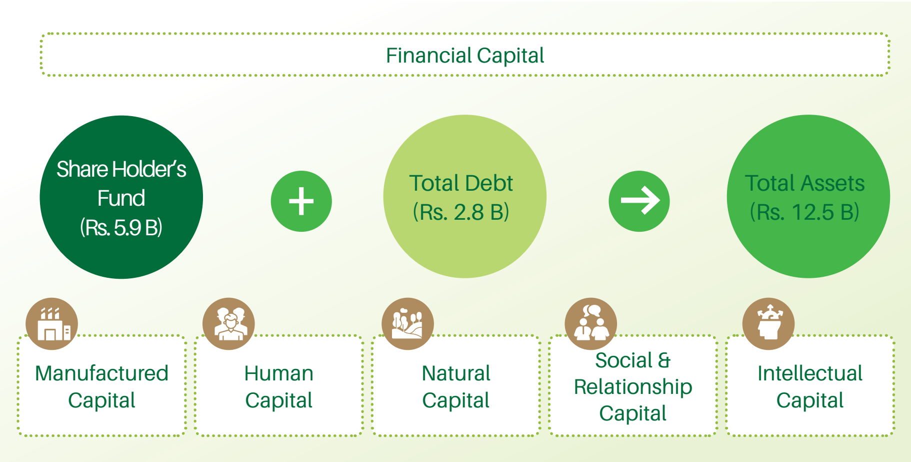
2. **Control & Monitor our financial position** – We monitor our cash flow forecast and its actual position on a daily basis. The Director Finance frequently discuss with the other departmental heads such as Heads of Tea & Rubber Marketing, Purchasing and Estate Management to take actions to minimise any negative variances. This help us to address financial problems without letting them escalate beyond our control.

3. **Developed plan & structure for working capital management**
We use a computerised Debtor Management System to keep track of amount receivables and its timing. This help us in planning the Company's purchases, and paying wages and taxes and fulfilling other obligations at lowest financial costs.

We ensure right amount of stocks are available at all estates at the right time balancing the need to minimise the unnecessary blocking of capital with the need to ensure that operations continue with no interruptions due to stock outs.

4. **Sourcing funds to optimise loan portfolio** – in such a way that our interest costs are minimised. High-cost sources are paid off quickly and low cost sources are utilised more often.

KVPL Group's Financial Capital comprises shareholders' funds, funds generated internally, and borrowed funds; and is enhanced in value through business expansion, prudent cost management and profit generation.



FINANCIAL REPORTING AND ACHIEVEMENTS

The KVPL Group continues to adhere to best practices in financial reporting, giving high priority to the timely filing of quarterly and annually financial statements. The Company incorporates new developments and amendments to financial reporting standards promptly, to ensure its full compliance in financial disclosures.

Accordingly, the Financial Reports on pages 193 to 262 have been prepared in compliance with the Sri Lanka Financial Reporting Framework and Statements of Alternate Treatment promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

KVPL's high level of compliance and the accurate reporting process, continue to receive recognition locally and internationally. The most recent includes being joint gold award winner in Plantation segment for its 2020/21 Report at the Annual Report Awards conducted by the CA Sri Lanka in 2021.

OUR FINANCIAL VALUE CREATION

Growth

- Group Total Assets increased by 16% to Rs. 12.5 B
- Group Revenue grew by 10% to Rs. 12.9 B

Profitability

- Group operating Profit increased by 43% to Rs. 1.67 B
- Group PBT increased by Over 100% to Rs. 1.9 B
- Profit Attributable to Share Holders increased by over 100% to Rs. 1.7 B

Financial Stability

- Group total Equity increased by 39% to Rs. 5.9 B
- Group current ratio increased to 1.43 times, from 1.06 times
- Interest coverage increased to 7.2 times from 4.6 times

Opportunities

- Enter into the Specialty Tea Market with innovative products to enhance tea revenue by catering to shifts in consumer preference towards high-value, high quality tea which offers health benefits (eg: healthier Green Tea and Herbal Tea blends) to help in immunity against the COVID-19 pandemic.
- Expanding export market share for rubber.
- Expanding the local market share of tea with Specialty Teas.
- The virtual E-auction system which has facilitated increase in the online meeting of buyers and sellers across the globe.
- Manual payment methods migration to online payment methods.
- Lock downs and disruptions to supply chains in other tea/rubber producing countries resulting opportunity for high quality Ceylon Tea exports, to meet the resulting shortfalls and to attract long term demand.

Challenges

- Depreciation of the Sri Lankan Rupee against the US Dollar resulted in significantly higher inflation in the country. Substantial increases in prices for Fertilizer, Chemicals, Energy and other input materials.
- Shortage of Fertilizer & Chemicals as a result of Government ban for non-organic fertilizer and unfavourable price increase for fertilizer, chemicals & fuel due to the Rupee depreciation and shortage of foreign currency.

FINANCIAL CAPITAL

- Increase in interest rates.
- Unrest in the community due to current economic crisis & political instability.
- The implications of the pandemic which resulted in severe disruptions to our supply chains and loss of productivity due to the lock downs, quarantines and social distancing.
- The mandatory increase in the daily basic wage in March 2021, to Rs. 1,000 from Rs. 700 has increased the cost of production during the year.
- Negative impact to tea export market as a result of Russia-Ukraine war.
- Very stringent standard on chemical residual level on tea imposed by exporting countries, especially Japan.
- Labour migration in the plantation sector.

Future Outlook

- Develop KVPL brand in local tea market with Speciality Tea, targeting 5% of production introducing Specialty Tea for overseas markets.
- Improvements to productivity on the rubber plantations through the use of a state-of-the-art MIS, and the expansion of rain guards which is enabling more tapping days and longer tapping durations.
- As a solution to reducing the impact of the Rupee depreciation, Mabroc is searching for alternative Rupee loans instead of USD loans.
- Mechanical harvesting on low yielding tea fields to improve productivity.
- Continuation of crop diversification programme, focusing on export oriented markets (agarwood, cinnamon, coconut, turmeric, ginger, pepper and coffee).
- Centralisation of tea manufacture in the Up Country region by enabling the handling of different manufacturing methods.
- Modernisation & automation of Rubber manufacturing facilities to reduce the manufacturing cost and improve product quality.

ESTIMATES AND JUDGEMENTS

Estimates and judgements have been used in preparing the financial statements. Revenue Recognition, Impairment of Non-Financial Assets, Current & Deferred tax, Useful lifetime of PPE, Provision for Impairment of Trade Receivables, Retirement Benefit Obligations and Fair Value Assessment of Biological Assets are the main realms for which estimates and judgements have been used.

GROUP FINANCIAL PERFORMANCE AT A GLANCE GRI 102-7

Item	2021/22	2020/21	Change (2021/22-2020/21)	
	Rs.m	Rs.m	%	Reasons in summary
Revenue	12,926	11,760	10	• KVPL - Increase in rubber & tea prices by 58% & 4% respectively. Demand for rubber and Rupee depreciation increases the selling price compared to previous year. • MTPL – Increase in export sales & price increase due to rupee depreciation
Cost of sales	10,661	10,004	7	• Cost of Sales at KVPL increased due to the wage revision from Rs. 700/- to Rs. 1,000/- in March 2021. • Increase in input material prices (Fertilizer,chemicals) as a result of Government ban of non-organic fertilizer/chemicals. • Cost of production increased at MTPL with the increase in quantities sold and increase in raw material prices.
Other income	348	149	>100	• Inter company fund arrangements improved the other income.
Administrative expenses	878	709	24	• Due to increase in Parent Company cost allocations, Payroll related costs and increase in depreciation.
Distribution expenses	59	25	>100	• MTPL's distribution expenses increased due to higher volumes in sales.
Finance income	961	177	>100	• Both KVPL & MTPL benefited from foreign exchange gains due to Rupee depreciation.

Item	2021/22 Rs.m	2020/21 Rs.m	Change (2021/22-2020/21) %	Reasons in summary
Finance expenses	588	321	83	⦿ Due to MTPL 's foreign exchange losses in relation to US Dollar loans.
Tax expense	188	145	29	⦿ KVPL & MTPL – Increase in income tax due to better performance . ⦿ KVPL - Reduction in deferred tax as a result of tax concessions given to agriculture sector.

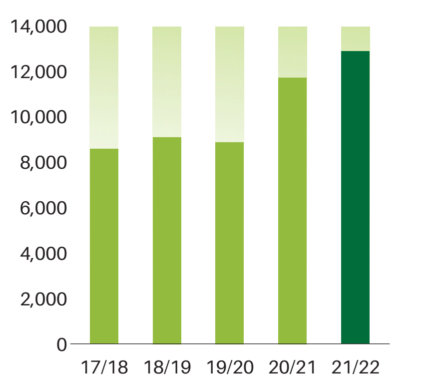
KVPL : Kelani Valley Plantations PLC
MTPL: Mabroc Teas (Pvt) Ltd.

GROUP TURNOVER

The KVPL Group's total Revenue increased by 10% during the financial year under review, and main contributory factor was the upward price movement for both Tea and Rubber at the Colombo Auctions as well as the export market.

The contribution to KVPL Group Revenue from the Plantations sector, namely, Kelani Valley Plantations PLC and the Tea marketing arm Mabroc Teas (MTPL)- was 41% and 58% respectively, while our Hydro Power subsidiary Kalupahana Power Company and Leisure sector Company namely, Kelani Valley Resorts (Pvt) Ltd accounted for the remaining 1%.

Group Turnover (Rs. m)



SEGMENTAL TURNOVER

⦿ **Tea**

The tea segment was the main contributor to Group Revenue with Rs. 10,895 m, compared to Rs. 10,262 m last year which is an increase of 6%.

Tea segment represents 84% of the Group Revenue. The Group's Tea Turnover comprised a contribution of 31% from KVPL and 70% from MTPL,.

KVPL's Tea Turnover encompasses 78% from Western High Grown and 22% from Low Grown Teas. Even though, KVPL's overall tea crop increased by 2% , the increase in prices of both High Grown and Low Grown Teas at the Colombo Tea Auction also bolstered the turnover of KVPL's tea segment.

The high export volumes achieved by MTPL heavily supported the growth in Group Revenue.

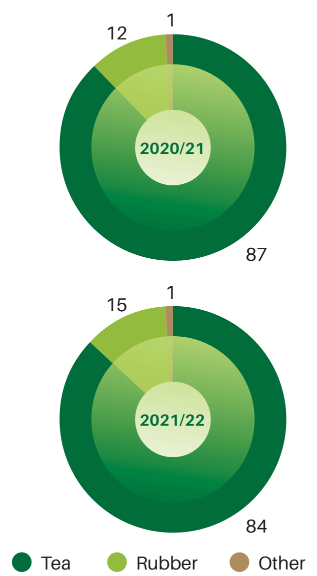
⦿ **Rubber**

The rubber segment achieved a Revenue of Rs. 1,929 m which is an increase of 36% compared to last year. The rubber production decreased significantly by 12% during the period due to PESTA leaf disease which affected majority of Sri Lanka's rubber plantations.

However, installation of rain guards and better agricultural practises deployed by the Company helped to mitigate the impact of leaf disease considerably.

Rubber prices also increased by 58% over last year's, by Rs. 210 per kg to enable KVPL to achieve higher profits despite the crop loss. Price increased due to higher global demand for Centrifuged Latex and Natural Latex for the manufacture of gloves and related products necessitated by the COVID 19 global pandemic as well an increase in prices of the alternative synthetic rubber and supply shortage in global markets as described in the sector review

Segmental Revenue (%)



Performance of the Group's Marketing Arm (Mabroc Teas (Pvt) Ltd.), Hydro Power Company (Kalupahana Power Company (Pvt) Ltd.), The Boutique Bungalow (Kelani Valley Resorts (Pvt) Ltd.), Ready-To-Drink (RTD) Project (Kelani Valley Instant Tea (Pvt) Ltd) are discussed separately under this section.

	2021/22	2020/21
KVPL - Tea (kg 000')	4,704	4,605
KVPL - Rubber (kg 000')	3,000	3,430
Hydro Power (units 000')	3,394	2,347

FINANCIAL CAPITAL

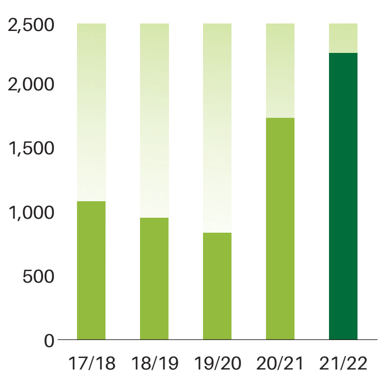
FINANCIAL PERFORMANCE PER EMPLOYEE

Turnover per Employee-which indicates how efficiently the workforce has been utilised throughout the period; increased to Rs. 1,481,472 in 2021/22, from Rs. 966,062 in the previous year. The number of employees reduced due to employee migration, but the Company was able to maintain growth despite a 1.5 % drop in the number of employees during the year.

GROSS PROFIT

The Gross Profit for the period under review was Rs. 2,265 m, which is an increase of 29% compared to Rs. 1,757 m recorded last year. KVPL Group achieved a Gross Profit margin of 18% during the year, against 15% in 2020/21.

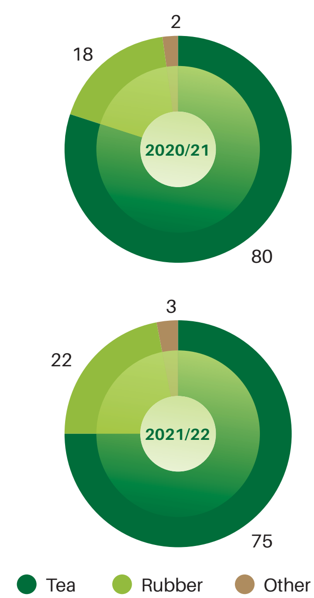
Group Gross Profit (Rs. m)



SEGMENTAL GROSS PROFIT

Tea was the main contributor to Gross Profit, with Rs. 1,707 m representing 75%, of the Group's Gross profits, while rubber contributed 22%, with Rs. 493 m. The other sources (Hydropower project at Kalupahana and minor crops, such as cinnamon and coconut) accounted for balance 3% with a contribution of Rs. 64 m.

Segmental Gross Profit (%)



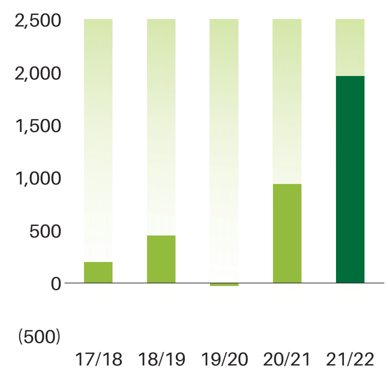
The Gross Profit margin of the tea sector was 16% during the year (2020/21 – 14%) which is an increase of 22% (by Rs. 313 m) against 12% increase in 2020/21, and this increase is mainly attributable to the increase in prices and the Company's cost savings initiatives including machine pruning & machine harvesting and drone-based spraying (pilot project) to overcome the labour shortage.

The rubber segment recorded a 54% (by Rs. 172 m) increase in Gross profit with a margin of 26%, compared to 23% in 2020/21. Rubber segment's Gross Profit margin significantly improved as a result of upward movement in rubber prices during the year and a higher demand from export markets.

PROFIT BEFORE TAX (PBT)

The Group recorded a Profit of Rs. 1,965 m before tax during the year, compared to a profit of Rs. 948 m in 2020/21. The increased demand for tea, export rubber and upward movement for both tea & rubber prices along with the positive contributions from Mabroc and Kalupahana Hydropower Companies helped to increased Group profits.

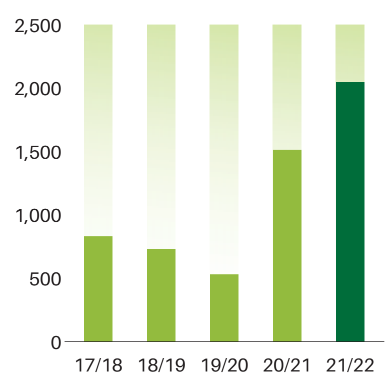
Net Profit Before Tax (Rs. m)



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION

The Group's EBITDA increased by 35% to Rs. 2,053 m in 2021/22, compared to Rs. 1,516 m in 2020/21.

EBITDA (Rs. m)

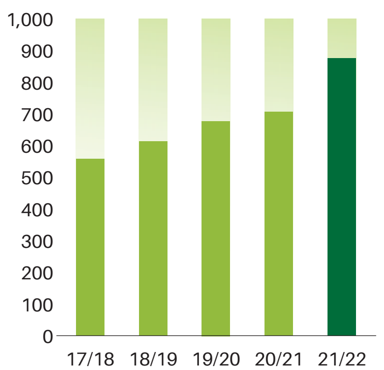


ADMINISTRATIVE, TRADE AND DISTRIBUTION COST

Administrative expenditure in the period under reviewed increased by 24 % to Rs. 878 m from Rs. 709 m in 2020/21.

The shipping charges increased over 100% in MTPL due to upward revision of freight charges and increased export volumes. Distribution cost of MTPL increased to Rs. 59 m compared to Rs. 25 m in 2020/21. However, freight/shipping cost is less than 1% from MTPL's turnover.

Administrative Cost (Rs. m)



NET FINANCE COST

The finance cost of the Company mainly consists of interest costs on long/short term borrowings and overdraft interest.

Better trading result helped in managing Cash flow and in reduce debts and in turn reducing the Interest cost. Furthermore, the Company benefited from the reduced bank lending rates during the year and KVPL Group was able to keep its average interest rate around 7.5% during the year.

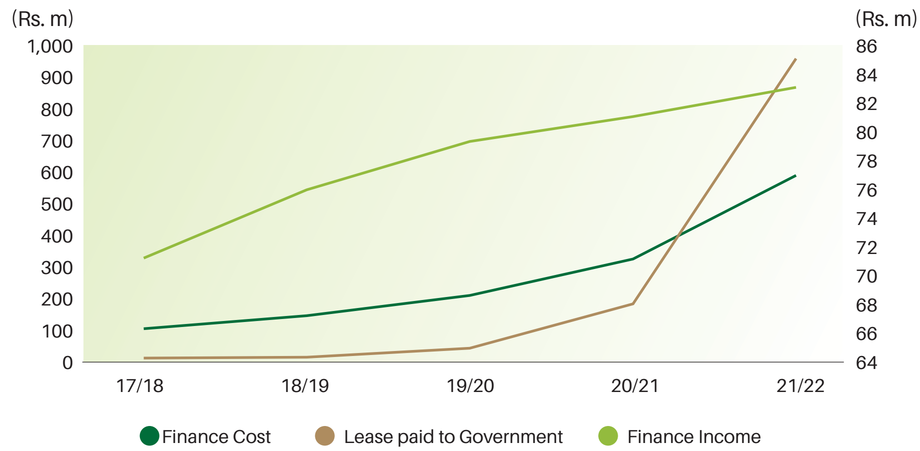
Group's Interest on Term loans decreased by 33% to Rs. 21 m from Rs. 32 m in the previous year where as interest paid on Overdrafts and Short-term loans also reduced by 9% to Rs. 122 m from Rs. 134 m in the previous year. Group Finance expenses increased significantly as a result of foreign exchange loss of Rs.438 m on USD loans obtained by Mabroc. This is due to the adverse fluctuations of Rupee against foreign currency. However, Mabroc was able to reduce its USD loans towards the latter part of the year.

Despite above mentioned foreign exchange loss. Mabroc was able to achieve exchange gain over four-fold during the year from export earnings due to Rupee depreciation, Exchange gain of Rs. 940 m was recorded under Finance Income.

The interest paid on the Government Lease amounted to Rs. 83 m with the annual increase based on the GDP deflator, amounting to 3% over the last year.

Finance income during the period under review increased to Rs. 961 m as a result of exchange gain by both Mabroc & KVPL as mentioned above.

Finance Cost & Lease Paid to Govt. Vs Finance Income



INCOME TAXATION & DEFERRED TAXATION

The Group's tax charge for the year was Rs. 188 m, which is a 29% increase compared to previous year's Rs. 145 m.

KVPL's Taxable Income is derived from its profits from Agro Processing and other sources of income; as the Agriculture sector was tax exempt during the year. In addition to Income Tax, Rs. 4 m was written off as irrecoverable Economic Service Charges during the year. Income Tax paid by Mabroc increased during the year due to an improved performance.

Kalupahana Power Company's Income Tax cost marginally decreased due to reduction in profits as tariff rate reduced with the expiration of initial Power Purchasing Agreement with CEB.

Deferred Tax Assets and Liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date. According to the Inland Revenue Act No. 24 of 2017, Company's Agriculture segment was exempted from income tax. However, agro-processing segments along with other income is liable for income tax at the rate of 14% and tax credits of 25% is entitled year under review. Hence, effective tax rate is 10.5%

As a result, Company's deferred tax reversed by Rs. 75 m compared to previous year mainly as a result of the reduction in effective tax rate used in calculation of differed tax. Mabroc deferred tax increased mainly due to increase in temporary difference from unrealised foreign exchange gain.

Any concessions and rates applicable to companies within the Group are available in note 10.

FINANCIAL CAPITAL

EARNINGS PER SHARE (EPS) & DIVIDEND PER SHARE (DPS)

The favourable performance, increased the Group's EPS to Rs. 26.02 from Rs. 11.69 in the previous year. The Company paid three Interim Dividends of Rs. 1.95 per share to its shareholders amounting to a total of Rs. 132.6 m during the year.

The Board of Directors has recommended the payment of a Final Dividend of Rs. 2.50 (Two rupees and fifty cents) per share for 2021/22 subject to the approval of the shareholders at the upcoming Annual General Meeting.

RETURN ON CAPITAL EMPLOYED (ROCE) & RETURN ON EQUITY (ROE)

The ROE and ROCE also significantly improved to 33.35% (22.30% last year) and 19.17% (15.50% last year) respectively, adding more value to the investments during the year. Higher ROCE allowed the Group to re-invest a major portion of profits back into the Group for the benefit of shareholders.

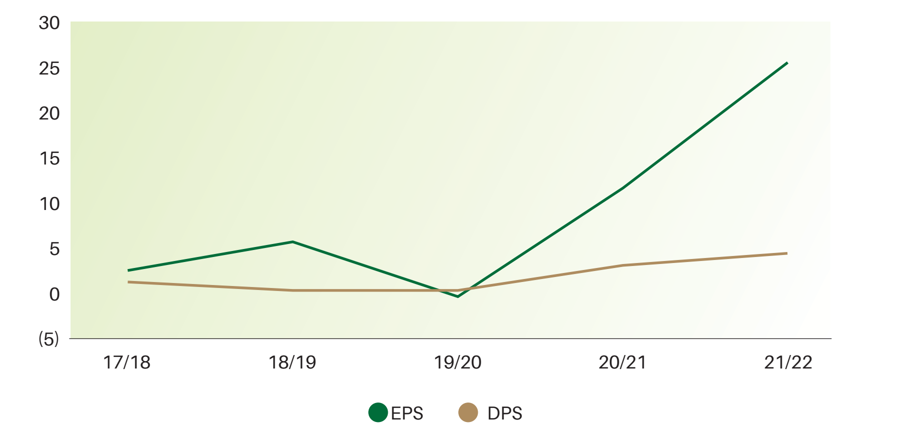
RETURN ON ASSETS (ROA)

Reflecting the profitability and efficiency of the Company relative to its total assets, the ROA has doubled during the year to 14% from 7% last year, due to the increase in profits compared to the previous financial year.

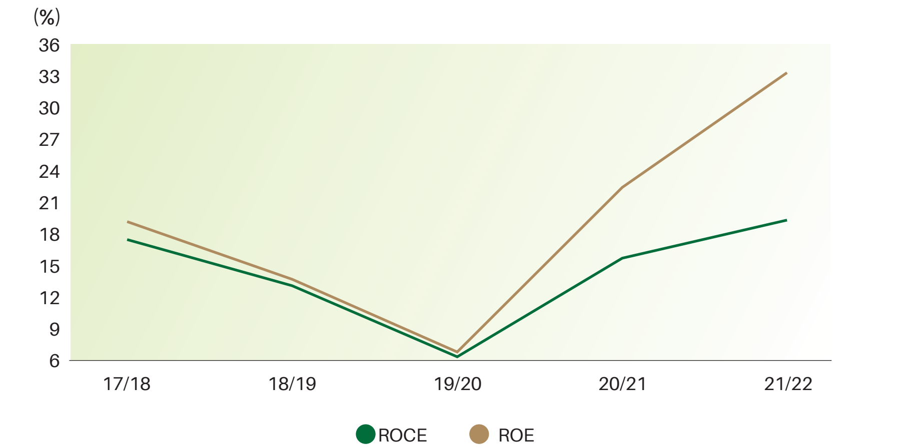
COMPREHENSIVE INCOME (CI)

The Group's CI amounted to Rs. 1,886 m (compared to Rs. 921 m in the previous year) and comprised of Rs. 59 m of actuarial gain on retirement benefit obligations and Rs. 63 m from revaluation of land owned by Mabroc.

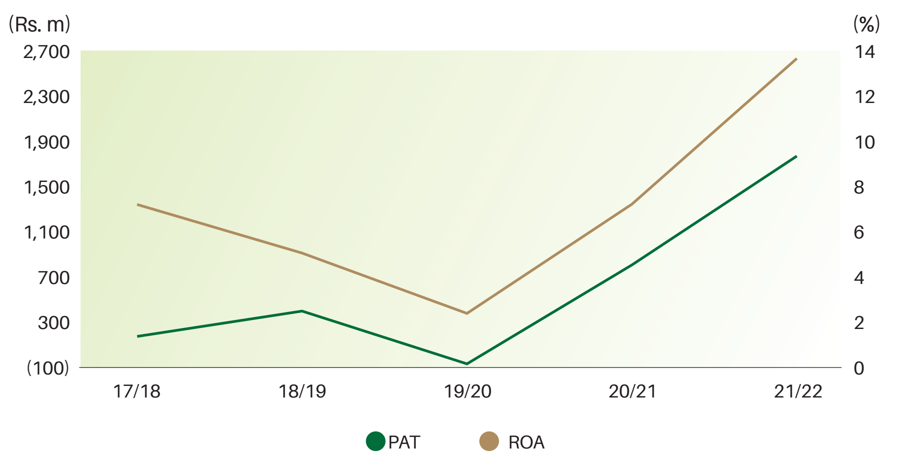
EPS Vs DPS (Rs)



ROCE Vs ROE



PAT Vs ROA



FINANCIAL POSITION AT A GLANCE

Ensuring efficient use of financial resources

The Board of Directors, together with the Audit Committee, has established the mechanisms and guidelines to ensure the effective allocation of resources. Prior approval from Group Management Committee (GMC) is taken for Capital Expenditure.

Rs. m	2021/22	2020/21	Change	% of change	Key reason
Non-Current Assets					
Freehold property, plant & equipment	2,107	2,021	86	4%	Additions to the Freehold PP&E.
Improvements to leasehold property	3,880	3,859	21	1%	KVPL's investment in replanting on Tea, rubber, cinnamon, coconut and other export crops.
Biological assets (Consumables)	213	204	9	4%	Due to fair value gain in timber plantations and crop.
Current Assets					
Inventories	1,855	1,346	509	38%	Due to increase in input materials, spares & consumables cost and harvested crop at KVPL & bulk tea & raw materials of Mabroc.
Trade and other receivables	2,319	1,805	514	28%	Increase in trade receivables at Mabroc due to increased sales volume and price.
ST deposits, cash in hand and bank	868	378	490	>100%	Increase in short term deposits by both KVPL & Mabroc
Equity and liabilities					
Non-Current liabilities					
Deferred income	672	667	5	1%	Increase in Grants (subsidy for replanting & rain guarding) received by KVPL.
Deferred tax liability	444	462	(18)	(4%)	Due to the reduction in effective tax rate used in calculation of differed tax of KVPL.
Retirement benefit obligations	1,034	1,073	(39)	(4%)	Due to increase in discounting rate in computation of actuarial valuation.
Long-term liability to make lease payment	600	599	1	0.1%	Increase due to re-assessment
Current Liabilities					
Trade and other payables	1,391	814	578	71%	Increase in trade payables, other payables & accruals of Mabroc, increase in dividend payable & accruals of KVPL.
Amounts due to other related companies	83	90	(7)	(8%)	Decrease in related party payables of KVPL & Mabroc.
Income tax payable	97	43	54	>100%	Increased due to better performance by the Group during the year.
Short-term interest bearing borrowings	1,845	1,983	(138)	(7%)	Mainly due to decrease in short term borrowings of both KVPL & Mabroc
Bank Overdraft	29	141	(112)	(79%)	Mainly due to decrease in bank overdraft by KVPL.

FINANCIAL CAPITAL

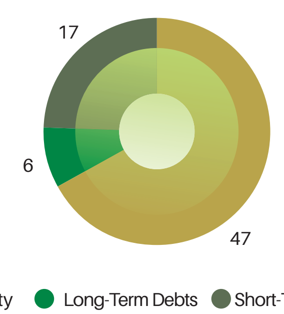
CAPITAL STRUCTURE

Using a variety of funding sources equips the Group with greater flexibility in funding its investments; a key benefit in rapidly changing operating environments and one which enables us to achieve the lowest possible cost of funding. As depicted below, 47% of total assets are funded by equity while long term borrowings fund 6% of total assets. 17% of total assets are funded by short-term borrowings, which was required to fund working capital requirements.

FINANCIAL POSITION

Capital Structure

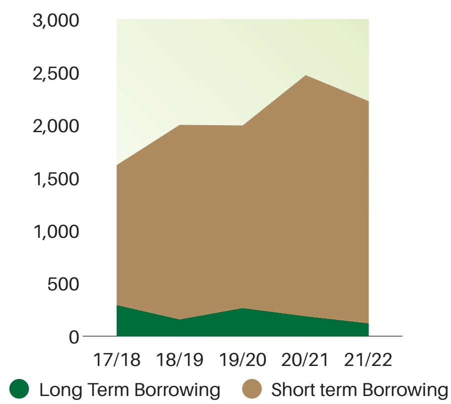
Total Funds vs Total Assets (%)



Funds attributable to Equity Shareholders of the Group increased by 39% from Rs. 4,249 m to Rs. 5,893 m. Long-term borrowings decreased by 35% compared to the previous year, due to repayment by KVPL and Mabroc which amounted to Rs. 298 m. Additions to long term loans were only Rs. 80 m during the year is obtained by Mabroc.

BORROWINGS

Long & Short Term Borrowings (Rs. m)

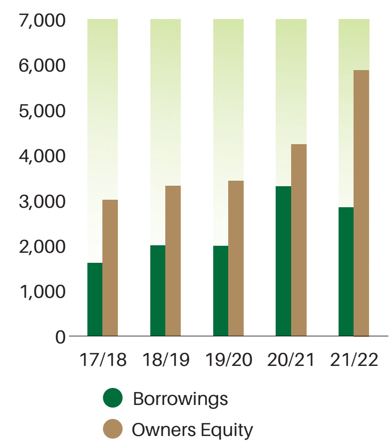


The Group's short term borrowings consist of foreign currency borrowings of Rs. 957 m and another Rs. 638 m from local currency on account of Mabroc. In addition, short term loans include Rs. 250 m from KVPL.

Further, the Group's short-term borrowings decreased by 7% during the year mainly due to the settlement of short-term borrowings from KVPL amounting to Rs. 350 m. However, Mabroc's net borrowings increased by Rs. 212 m in order to cover the short-term working capital deficits which resulted from an increase in credit sales.

Even though the short-term borrowings of Mabroc increased, the Group was able to bring down its Gearing ratio to 33% from 44% the previous year, due to the improved performance of the Group and significant reduction in KVPL's borrowings. The management was able to maintain Gearing at an optimum level to minimise the cost of capital.

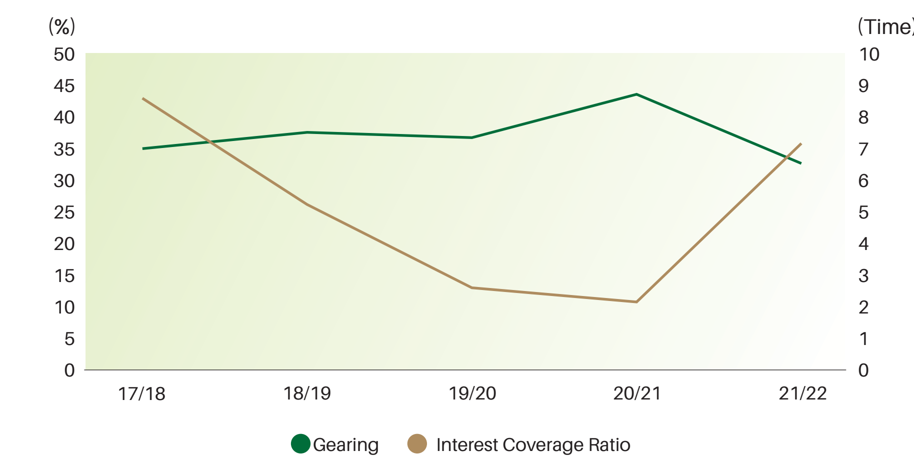
Gearing (Rs. m)



INTEREST COVER

Interest cover is 7.2 times against Earnings Before Interest and Tax (EBIT), from 4.6 times in the previous year, owing to better profits and the low interest rate prevailing during the year. This indicates that the Group has enough profits to service its debt and make more investments by sourcing additional debts.

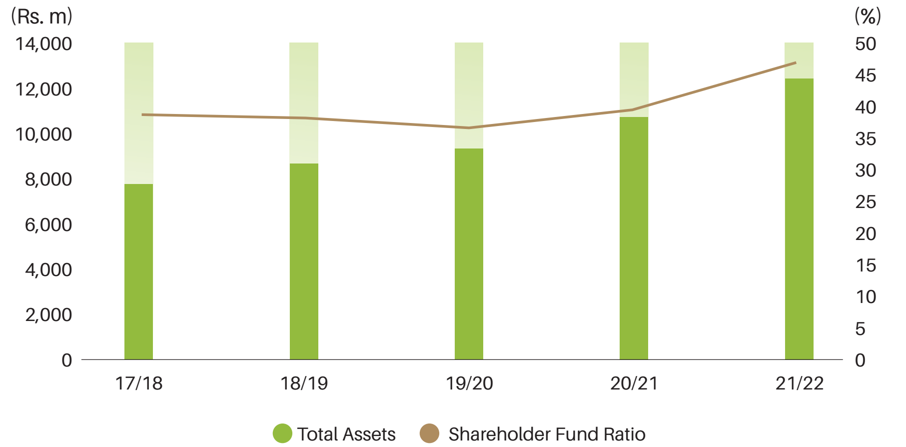
Gearing & Interest Coverage



SHAREHOLDERS' FUNDS RATIO

The Shareholder Funds ratio indicate value to be received by shareholders in the event the Company's Assets are liquidated. The Shareholders' Funds ratio has increased to 47% during the year from 40% previous year due to better performance.

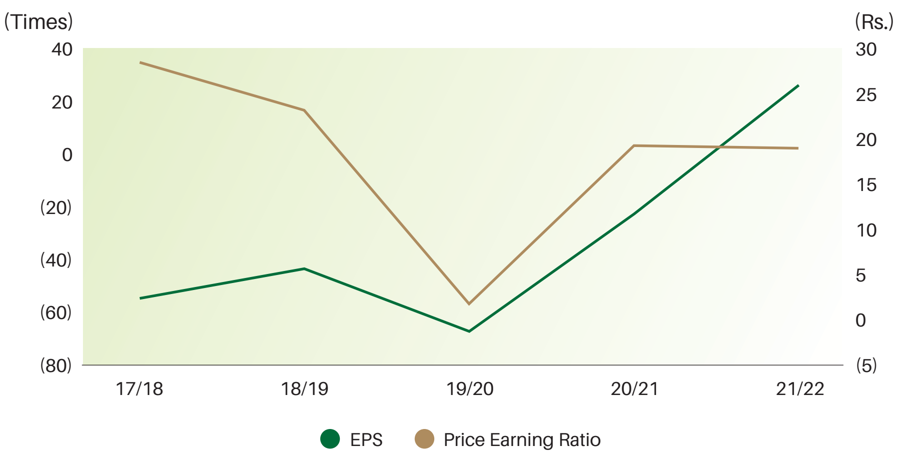
Shareholder Fund Ratio Vs Total Assets



PRICE EARNINGS RATIO

Earnings per share increased to Rs. 26.02 from Rs. 11.69 due to significant improvements in the Group's performance. However, Price Earnings Ratio reduced to 2.23 times from 3.21, previous year due to significant improvements in the share price from Rs. 37.50 per share to Rs. 58.00 per share.

EPS and Price Earnings ratio



BIOLOGICAL ASSETS-CONSUMABLE & PRODUCE

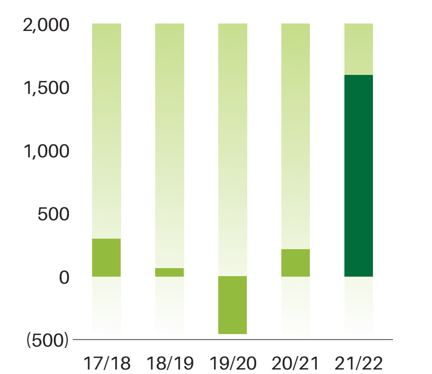
The Group's managed timber for commercial use is classified as a consumable biological asset, the value of which increased by Rs. 8.5 m, due to increased fair value and annual growth.

The gain in fair value less cost to sell on produce bearer biological was Rs. 7.7 m, from both tea & rubber.

WORKING CAPITAL

The Group's Working Capital in the year under review has increased over 100% to Rs. 1,592 m, compared to the previous year's Rs. 216 m; mainly due to increase in stock holding of bulk tea and harvested crop and an increase in trade receivables from Mabroc.

Working Capital (Rs. m)



CURRENT RATIO

The Current Ratio of the Group has increased to 1.43 times, compared to 1.06 times in the last year. This reflects the increase in Group's ability to pay its short-term debts.

CASH FLOW

Cash generated from operating activities before Working Capital changes increased to Rs. 2,145 m compared to Rs.1,653 m last year on the back of the significant improvement in the Group's performance.

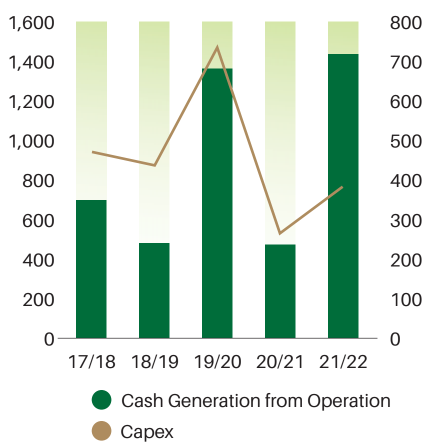
In addition, the net cash flow from operating activities also increased to Rs. 949 m compared to Rs. 22 m in the previous financial year, due to decrease in trade receivables, increase in trade & other payables an improved performance.

Group's Capital Expenditure during the year has increased by 44%, mainly due to an increase in acquisition of Property, Plant and Equipment by both KVPL & Mabroc. There was a 8% increase in investments into field development especially into the minor crops.

FINANCIAL CAPITAL

The year-end cash and cash equivalents reflected an increase of 3.54 times compared, to the previous year as a result of a better performance and cash management during the year.

Cash Generated from Operations & Capital Expenditure (Rs. m)



FINANCING CASH FLOWS

The Group forecasts cash flow and fund requirements and monitors on a regular basis with actual performance and arranges to obtain funding accordingly.

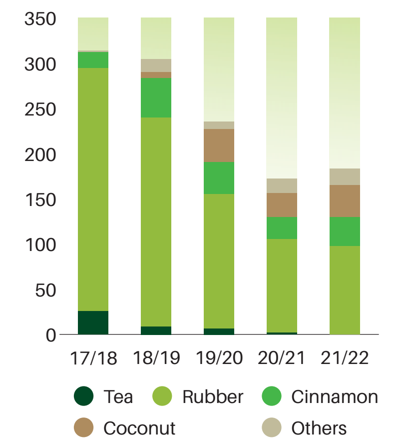
Financing cash flows reduced significantly by over Rs. 811 m to a negative Rs. 8 m from a positive Rs. 803 m in the previous year, as a result of repayment of short-term borrowings of Rs. 2,100 m by KVPL (Net settlement Rs. 350 m).

CAPITAL EXPENDITURE BY SEGMENT

The Total Capital Expenditure on field development for tea, decreased from Rs. 2 m to Rs. 0.7 m, due to economic conditions and the labour shortage. Rubber field development expenditure dropped marginally from Rs. 104 m to Rs. 98 m. Further, investment on replanting of minor crops such as cinnamon, coconut, agarwood, coffee & pepper increased to Rs. 85 m from Rs. 67 m as a part of the Group's diversification programme as a solution to the labour shortage to reduce dependency on two major crops.

Investments in Minor crops consists of Rs. 31 m in 86 Ha of immature cinnamon fields; Rs. 36 m in 162 Ha of immature coconut and Rs. 18 m into planting and upkeep of coffee, agarwood and firewood of 75 Ha.

Replanting Expenditure by Segment
(Rs. m)



In additions, KVPL invested in four colour sorters for major tea factories at a cost of Rs. 58 m and Rs. 88 m invested by Mabroc on plant & machinery during the year.

PERFORMANCE MEASUREMENT

Quarterly Performance

Tabulated below is the quarterly performance of the Group. The revenue was more or less equally distributed throughout the year.

The highest Gross Profit was recorded in the fourth quarter as a result of better prices and reversal of the fertilizer & gratuity provisions, whilst the lowest was recorded in the third quarter. The highest profit (before and after tax) was recorded in the fourth quarter as well, due to the massive increase in foreign exchange gain by both KVPL & Mabroc and dividend income received by KVPL from its subsidiary "Mabroc".

Admin cost increased significantly in the last quarter due to increase of energy prices and allocation charges by the Group.

(Rs. m)	Q1	Q2	Q3	Q4	Total
Revenue	3,374	3,229	2,960	3,363	12,926
GP	530	552	477	705	2,265
Administration expense	(202)	(206)	(208)	(262)	(878)
PBT	326	334	262	1,043	1,965
PAT	282	288	223	985	1,777
Profit/(loss) attributable to equity holders	4,428	4,664	4,867	5,893	5,893
Total Assets	11,021	10,762	10,529	12,511	12,511
Total Equity	4,470	4,710	4,916	5,942	5,942

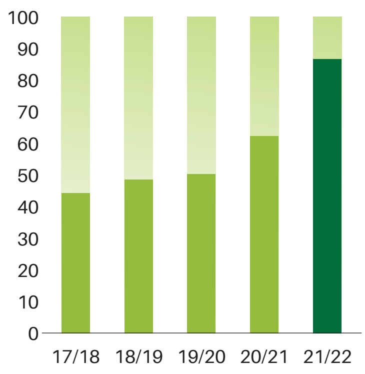
INVESTOR RELATIONS

KVPL Group maintains a constructive ongoing dialogue with its shareholders through different channels of communication, including an Annual General Meeting, Publication of the Annual Report, quarterly reporting to CSE to provide meaningful and relevant information on a timely basis for effective decision making.

NET ASSET PER SHARE

Better performance of the KVPL Group resulted in increase in it's Net Assets per share to Rs. 86.66, from Rs. 62.49 compared to previous year.

Net Assets per Share (Rs.)



PERFORMANCE AND MARKET CAPITALISATION OF SHARES

The highest share price recorded during the financial year was Rs. 124.00 per share (on 25.01.2022). However, share price decreased to Rs. 58.00 per share as of 31.03.2022 as a result of the economic crisis, public unrest and political instability prevailing at the end of financial year.

The market capitalisation has increased by 55%, to Rs. 3,944 m due to increase in year-end market price (from Rs. 37.50 per share as of 31.03.2021 to Rs. 58.00 per share as of 31.03.2022).

The lowest share price recorded during the year was Rs. 36.00 per share (on 27.04.2021).

MABROC TEAS (PVT) LTD - MTPL

Mabroc Teas (Pvt) Ltd (MTPL) is a fully owned subsidiary of Kelani Valley Plantations PLC, since year 2010.

Over the years, Mabroc has mastered the art of providing a diverse range of innovative blended teas to satisfy the global consumer. The uncompromised commitment to provide high quality has been a key to its brand value and progress. Mabroc's product portfolio comprises world famous blends including 1001 Nights, Yala Nights and Siberian Blend packed in the high value packaging which won the Company international recognition for its expertise in developing unique blends.

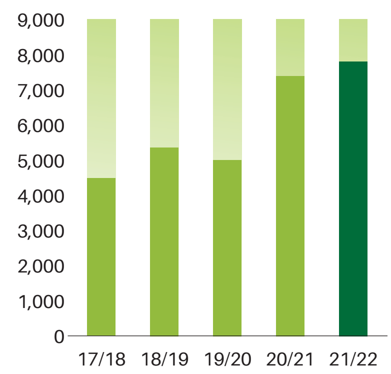
During the financial year, MTPL added new market destinations with growth potential. Presently Mabroc Pure Ceylon Tea products are sold to over 60 countries

MTPL's production facility is equipped with modern state of the art cleaning, blending and packaging machinery. The production process conform to internationally recognised food safety standards such as FSSC 22000, Rain Forest Alliance Master License Agreement, ISO 22000:2018, HACCP,BRC and ISO 9001:2015. The facility also complies with EU standards. Further MTPL's employee friendly environment was recognised by Workplace Conditions Assessment (WCA) certification and the adaptations made to ensure the safety of employees, products and consumers during the COVID pandemic was recognised with Cov-Safe certification with a Platinum score.

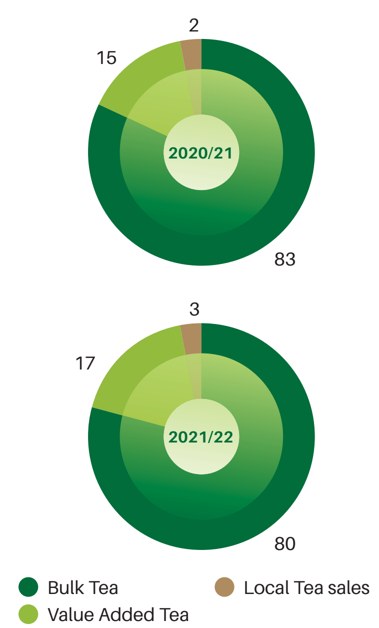
REVENUE

Mabroc's Revenue increased by 5.62% to Rs. 7,806 m in the year under review, compared to Rs. 7,391 m, in the previous year. The major contributor was bulk tea exports to new emerging markets and increased demand from existing markets. Mabroc also increased its value-added tea sales by 27% compared to last year.

Group Turnover (Rs. m)



Segmental Turnover (%)

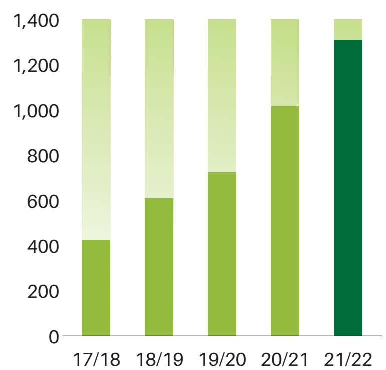


FINANCIAL CAPITAL

PROFITS

Mabroc's Gross Profit increased by 29%, to Rs. 1,310 m compared to Rs. 1,017 m in the last financial year.

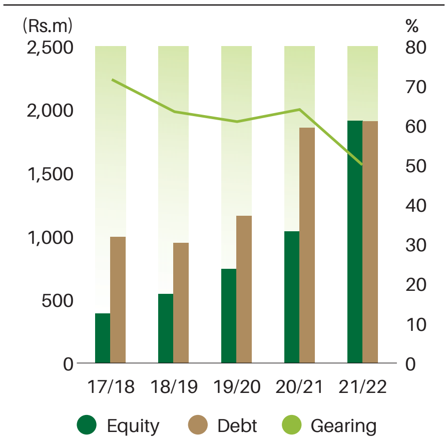
Gross Profit (Rs. m)



CAPITAL STRUCTURE & GEARING

The Company's Capital employed at year-end was Rs. 3,818 m (2020/21 - Rs. 2,889 m). The contribution from Equity and Debt was Rs. 1,910 m and Rs. 1,908 m , respectively. The Gearing ratio has decreased to 50% from 66% last financial year, due to significant increase in total equity as a result of the improved performance of the Company.

Gearing



KALUPAHANA POWER COMPANY (PVT) LTD - (KPC)

Compared to the previous financial year, KPC's PBT dropped by 27% mainly owing to the price drop since the renewal of the Power Purchase Agreement. The tariff rate for the first period was kept attractive to encourage investors whilst the rates applicable for the second term became 40%-45% less than those for the initial period.

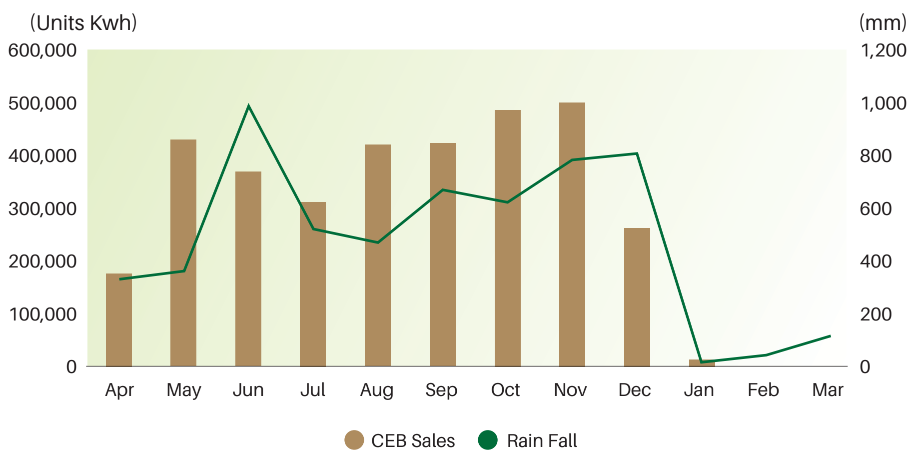
The price drop was significant and severely impacted the bottom line of the Company even though the units generated was 57% higher than the previous year. PAT increased by 12% mainly due to reversal of differed tax as a result of a change in effective tax rate.

Main KPI's of the Company are tabulated below.

	2021/22	2020/21
GP Margin	69%	68%
NP Margin	61%	40%
Net Assets per share	39.21	32.62
Current Ratio	10.23	11.88
ROA	15%	15%
ROE	16%	26%

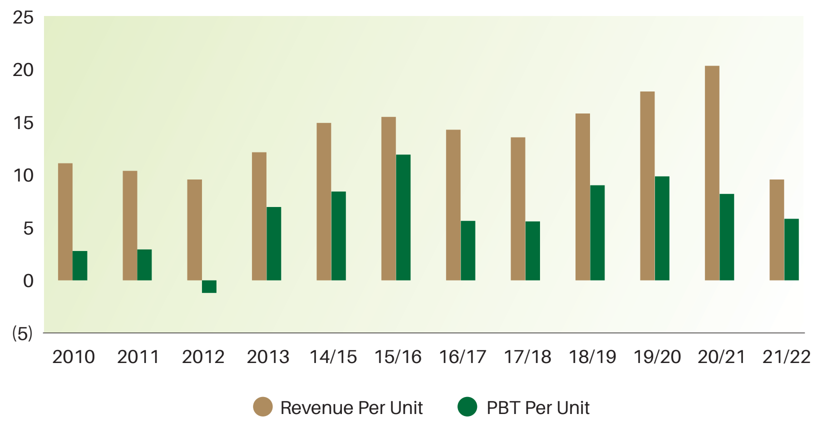
As depicted in the below graph, the hydropower generation in the second and third quarter were reasonably higher than the rest of the year due to favourable weather conditions, whilst generation dropped significantly in the last quarter has been typical in the recent past, due to dry weather conditions.

Hydro-Power Generation - Kwh



As a result, both Revenue & Gross Profit of the Company dropped by 26% while the Company managed to maintain its cost of production compared to previous year.

Revenue/PBT per Unit (Rs.)



CASH FLOW AND LIQUIDITY

The Company's liquidity position at the end of 2021/22, remained almost the same due to delays in execution of second term of Power Purchase Agreement and settlement from CEB.

KELANI VALLEY RESORT (PVT) LTD-(KVR)

KVR, a fully-owned subsidiary of KVPL, owns the bungalow at Oliphant Estate, located in Nuwara Eliya. The venture is part of KVPL's broader strategy aimed at diversifying into complementary business models by leveraging on Group synergies. The decision to develop the Oliphant Bungalow saw KVPL invest Rs. 65 m to convert the property into a luxury boutique hotel. which launched to the market in December 2017. The property is managed by Amaya Leisure PLC.

The Oliphant Boutique Bungalow has performed well since its commercial launch. However, its occupation levels were severely affected by the Easter attack in early 2019-20 and the emergence of COVID 19 during 2020-21 and major parts of 2021-22 . However, KVR ended the financial year with a Revenue of Rs. 28 m against Rs. 8 m last year. It recorded a Gross Profit of Rs. 24 m (2020/21 – Rs. 6 m) and a Profit before tax of Rs. 2.4 m, (2020/21 – loss of Rs. 12 m) for the year ended March 2022.

KELANI VALLEY INSTANT TEA (PVT) LTD - (KVIT)

KVIT is the value-added, instant Tea manufacturing venture established as an initial step towards developing value added Tea-based products for export. KVIT's research on Tea extraction from Broken Mixed Fannings led to the formation of Hayleys Global Beverages (Pvt) Ltd -(HGBL).

In addition to being a pilot project on value addition, KVIT was also a component of the overall sustainability model of the KVPL Group.

Being a small experimental venture, KVIT 's operations ended following the establishment of Martin Bauer Hayleys (Pvt) Ltd, (a joint venture with Martin Bauer, Germany and Hayleys PLC). There was no production or revenue during the financial year and incurred a loss of Rs. 2.8 m for the financial year which in turn, had a negative impact on the Group's bottom line.

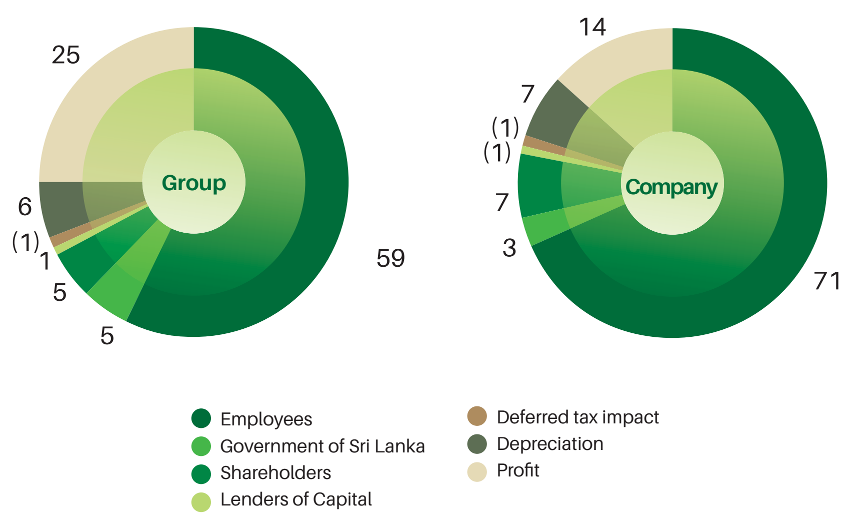
Kelani Valley Instant Tea (Pvt) Ltd is currently in the process of amalgamation with its parent company, Kelani Valley Plantations PLC.

STATEMENT OF VALUE ADDITION AND DISTRIBUTION

GRI 201-1

For the year ended 31 March	Group				Company			
	2021/22 Rs. m		2020/21 Rs. m		2021/22 Rs. m		2020/21 Rs. m	
Revenue	12,926		11,760		5,352		4,574	
Other income	348		149		465		359	
	13,274		11,909		5,817		4,933	
Cost of material and services obtained	(7,293)		(7,187)		(1,375)		(1,036)	
Value addition	5,981		4,722		4,442		3,897	
Value created shared with		%		%		%		%
Employees	3,499	58.5%	3,188	67.5%	3,179	71.4%	2,922	75.0%
Government of Sri Lanka	310	5.1%	237	5.0%	125	2.8%	143	3.7%
Shareholders	303	5.1%	204	4.3%	303	6.8%	204	5.2%
Lenders of Capital	51	0.8%	163	3.5%	(50)	(1.0%)	77	2.0%
Deferred tax impact	(31)	(0.5%)	(12)	(0.2%)	(50)	(1.0%)	(14)	(0.4%)
Value Retained for Expansion & Growth								
Depreciation	374	6.3%	344	7.3%	299	6.7%	273	7.0%
Profit/(Loss)	1,475	24.7%	598	12.7%	636	14.3%	292	7.5%
	5,981	100%	4,722	100%	4,442	100%	3,897	100%

Distribution of Value Addition 2021/22 (%)



MANUFACTURED CAPITAL

The Manufactured capital we possess is an important element of our ability to harness and add value to our natural resources. With KVPL's strategic priorities of optimising resource utilisation and allocation, we have also focused on facilitating the same through our Manufactured Capital. Hence, ensuring they remain up to date, relevant and at their optimum is a priority for us.

THE KVPL GROUP'S MANUFACTURED CAPITAL BASE

Our primary Manufactured Capitals can be classified as Biological Assets, Inventory, Buildings, Machinery and Agri Equipment:

BIOLOGICAL ASSETS

The biological assets which we consider the most valuable asset class of the Company are the different types of crops which are cultivated by the Company, which generate current streams of income as well as enable future revenue. These are primarily our traditional tea and rubber trees and as of recently, cinnamon, agarwood and coconut.

The diversification of export agricultural crop gives our company a competitive advantage over the traditional crops which are more sensitive to price fluctuations and better returns.

Type of Crop	Hectares	Current Value Rs.'000
Tea	3,307	1,285,087
Rubber	3,649	3,490,240
Cinnamon	198	231,554
Coconut	205	117,649
Timber	221	212,691
Agarwood	10	19,362

INVENTORY

Our stocks of tea, rubber and cinnamon are the main manufactured assets of the Company that represents our earning capacity.

BUILDINGS

These include office buildings, tea and rubber factory buildings, warehouses, estate bungalows and other buildings on our estates comprising children's creches, worker rest areas, worker houses and modern housing projects and roads within our boundaries.

MACHINERY AND AGRI EQUIPMENT

KVPL ensures that all its factories are equipped with adequate machinery to assure that our Tea and Rubber meets the highest quality standards. Similarly the agri equipment used in the fields are upgraded or new equipment purchased.

OTHER EQUIPMENT INCLUDING COMPUTERS

The Company further invested in software and hardware for the electronic green leaf weighing initiative, which provides immediate and precise weight. We also continued to invest in Information Technology to enhance our IT capabilities.

MANUFACTURED CAPITAL

CHANGES TO OUR MANUFACTURED CAPITAL IN 2021/22

Asset Type	2021/22 Rs. '000	2020/21 Rs. '000	% Change
Biological Assets	5,184,452	5,000,701	4%
Inventory	1,855,248	1,346,248	38%
Building	1,184,823	1,181,176	0.31%
Plant & Machinery	1,237,236	1,098,198	13%
Other Equipment including Computers	314,269	320,835	(2%)
Motor Vehicles	373,097	362,162	3%
Furniture & Fittings	186,864	166,575	12%
Other	42,478	42,478	0%
Total	10,378,467	9,518,373	9%

During past two years, KVPL Group were restricted by the COVID-19 Pandemic and its implications, the Group's Value Additions to its Manufactured Capital took place on a limited scale with priority given to good agricultural practices. However, the pandemic conditions also necessitated certain investments into Equipment and IT.

- The value of biological assets increased by 4% due to Rubber replanting and the introduction of minor crops
- The value of our Buildings increased by 0.31% as at 31 March 2022. This increase is a result of minor improvements and maintenance
- The value of Computers declined by 26% as a result of fully depreciated items.
- The value of plant and machinery increased by 13%, updating with latest technology improved color sorters in 4 factories. Semi-automated a few factories

PLANNED ENHANCEMENTS OF OUR MANUFACTURED CAPITAL AGRI MACHINERY AND OTHER EQUIPMENT

Accordingly, the Company has planned a number of initiatives to modernise and automate some of its plants. Those identified for the year ahead include

- the modernisation and automation of two of our key rubber manufacturing plants.
- Investments into harvesting and pruning technology is a key priority for greater productivity and to address the scarcity of labour and the rising cost of labour.
- Driers and withering system improvements to improve quality and to reduce cost of production.
- Investments into Drones for arial spraying activities for our teas.
- To achieve our strategic objective of digitisation, KVPL will continue to invest in IT.

KVPL RENEWABAL ENERGY SOURCES

Hydro Power

Our Subsidiary Company, Kalupahana Power Company contributes to the national grid since 2003 which strengthen the renewable energy sources of the Group. In addition to the above, Hydro Power Plant at Battalgalla Estate adding value to company's bottom line.

Solar Power

As a responsible corporate citizen, KVPL initiated to implement Solar Power Panels in Dewalakanda Rubber Factory rooftop in 2018 under the guidance & supervision of the Ministry of Power, Renewable Energy & Business Development. With the success of this project, Company has already taken steps to implement its 2nd solar power project in Panawatte Rubber Factory rooftop in 2022/23 to widen the renewable sources of the Company due to the current economic crisis and also planned to undertake two more projects at Ingestre estate and Dick-oya Regional office.

INTELLECTUAL CAPITAL

GRI 102-12

In the traditional model of plantations which we have inherited , the primary, if not the only, factors of value creation considered important were the natural and other physical assets which a Company owned or had access to. However, in the current operating environments which have evolved rapidly since then, intangible assets of a Company have become a crucial factor to competitiveness and sustainability across industries .

A Company's ability to innovate, the ability to harness its repository of knowledge and the organisation's tacit knowledge are critical success factors to meet challenges, preempt future challenges and opportunities and to evolve and innovate to sustain our business for the future. The volatility of the commodities markets emphasises the importance of an organisation's intellectual capital to meet those vulnerabilities by moving higher on the value chain.

KVPL has recognised the critical importance of Intellectual Capital in developing and sustaining competitiveness in the tea and rubber markets and thus, investments to harnessing and building its Intellectual Capital is a key strategic imperative.

Moreover, the operating environs of the past two years which sprung such unprecedented challenges on the entire global community also highlight the importance of innovativeness and innovation to meet such challenges effectively. On the one hand its our knowledge and innovativeness which contribute to innovate and fine tune our processes and resource allocation to manage our costs better. On the other hand our brand and marketing expertise and innovations are keys to sustaining and growing our markets through product development. Our response to increasing competition in the global tea and rubber market has been about product and process innovation.

In the increasingly more competitive market for Tea and Rubber, product innovation continues to be our path to reaching new markets and retaining the old, to establishing new market segments and to widening our market share. Intellectual Capital at KVPL has been the key to transformation of the organisational culture, creating a technology driven organisation; to increasing the value of our products and managing costs. And in the Tea sector it has been the crucial factor in the organisation's transition from being an exporter of a commodity, to an exporter of higher value added products that reaches the breakfast table or the evening tea party catering to diverse customer tastes across the globe. Thus, it has been a key factor in reducing our vulnerability to market volatilities and changing market preferences.

KVPL has identified the following four pillars in its Intellectual Capital (IC) as vital to achieving/sustaining a competitive advantage for both tea and rubber.

1. Business and IC Analysis

- IC alignment - Understand the IC assets and how IC strategy framework relates to our business objectives
- Portfolio Assessment – Capturing inventory of intangible assets and IC
- Positioning – Identifying the path of IC via market and competitor analysis.
- IC analysis – Decide on the best way to maximise the impacts of IC on Revenue, Competitiveness and Reputation

INTELLECTUAL CAPITAL

2. IC Operations –

- Develop – Create the IC strategy using information obtained at alignment stage
- Operationalise – establishing IC goals in line with core business objectives.

3. IC Execution – carry out and communicate according to necessary guidelines.

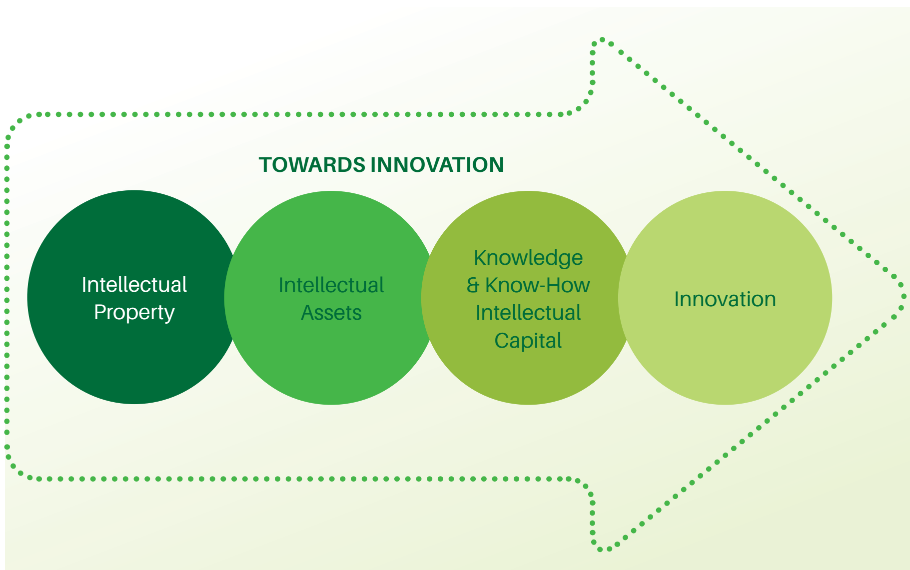
4. IC Realignment – analyse the progress and make the required changes/ corrections

Based on the above KVPL decided to focus on the effectiveness of knowledge transfer sessions and how well they have been translated into practice by analysing quantifiable performances. This critical analysis help us in creating, shaping and updating the stock of intellectual capital through a strategic vision; to blend all three dimensions of intellectual capital through exploration, exploitation, measurement, and disclosure.

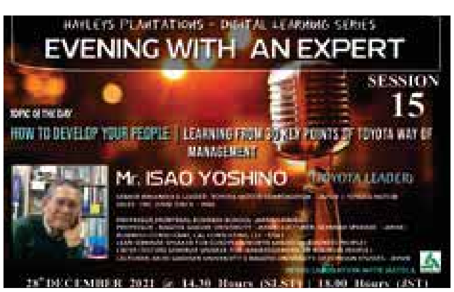
Key initiatives completed or underway or planned, to facilitate the above four pillars of the IC strategy

- From live auctions to a digital platform – digital transformation has placed KVPL in the forefront in the plantations sector.
- From continuity into digital such as digital data management platforms for transparent, accurate and speedy translation of marketing decision making data into meaningful information.
- Balancing tradition with digitalisation of plantations business processes and systems. For example these include ORACLE new phases on recruitment, on-boarding and out-boarding, ORACLE L & D, expansion of digital weighing system, etc.
- Promoting tea and rubber in niche markets/ un touched destinations – Eg. new markets/ direct sales of new tea and rubber products and specialty tea brands.
- Promoting a culture of innovation and continuous improvement, encouraging independent decision making, culture of self & critical thinking, developing teams by continuous learning.

As depicted by below illustration, KVPL's Intellectual Capital will be guided by the IC assets we have; how we strategize to achieve our Corporate Vision which in turn will strengthen our IC, enabling KVPL to have a competitive advantage and meet rising global and local challenges with success, for sustained growth.



- Developing and expanding the knowledge base – changing the existing organisational culture to a 'learning organisation', promoting micro learning initiatives (For eg: "Evening with an Expert" and "HR Hour"), expanding opportunities for technical learning skills, competencies in collaboration with external sources of expertise such as The Faculty of Agriculture of the University of Peradeniya, the Tea Research Institute and the Rubber Research Institute.



ACCREDITATIONS

The accreditation that we have obtained bear testimony to our commitment to quality and excellence in what we produce and how we produce . It is a reflection of ,as well as a result of ,the strength of our knowledge base and the quality of our systems and processes. KVPL's accreditations have been a key element of its Intellectual Capital, in accessing new markets and sustaining competitiveness. When KVPL ventured into the export of rubber, KVPL did with the firm intention of exporting it as a semi-finished product, to end product manufactures rather than via the traditional path through middlemen. The accreditations which are appreciate and valued by high end sophisticated customers have proven to be a valuable factor towards enhancing our direct exports over the past year.

For example. the COVID-19 Pandemic in 2020, fueled a surge in demand for medical gloves across the world, leading to supply shortages of Natural Rubber for glove manufacturers. In such market dynamics of high demand KVPL was able to capture a new market in Europe. The certifications that KVPL has earned were a key to the Company being accepted as a supplier of quality products within a short period of time.

Moreover, the year under review saw us make contact with a shoe manufacturer who producers shoes for internationally reputed brands. This manufacturer had no experience of working with Sri Lankan Crepe Rubber nor had he seen or heard of Sri Lankan Origin Latex Crepe and was hence using natural rubber grades of other origins. Discussions and trials with KCPL convinced the buyer of the more superior quality of our product. In addition, the products being certified FSC -that they originated from environmentally sustainable and socially responsible rubber plantations, was an added unique selling proposition . KVPL was able to fulfill 02 orders totaling 24,000kgs. During the year under review whilst the buyer has now increased the ordering quantity and frequency which augers well for the future.

KVPL	Great Place to Work
Tea	ISO 22000:2018
	HACCP
	GMP
	Rainforest Alliance
Rubber	FSC™
	GOLS, EU Organic and USDA/NOP
	Fair Rubber
	Sustainability Framework

BRAND EQUITY

Brand Equity includes a set of assets and liabilities linked to a brand. The name and symbol that make up the brand can either add to or diminish the value provided by a product or service to customers due to what the name and symbol evoke in peoples hearts and minds and vice versa as the value provided by a product or service will either enhance or diminish the brand's equity.

The KVPL brand, of more than 25 years has earned global recognition as a supplier of premium Tea and Rubber. Quality, reliability, speed, innovation, excellence in customer service and social and environmental responsibility are the key attributes of the KVPL brand which offer the Group a competitive advantage in the industry and the global market place.



INTELLECTUAL CAPITAL

Since 1996, the KVPL brand equity has been further bolstered by becoming a member of the Hayleys Group, one of Sri Lanka's oldest, largest and most respected conglomerates.KVPL brand has consistently been placed within the top ten for its National Sales Average which is a reflection of its reputation for the quality of its tea.

In addition to the KVPL brand, a number of our product brands enjoy considerable brand equity and have been the key to venturing into new export markets. These include the Single Origin Teas and the brands marketed by our export marketing arm- Mabroc which has established our brand presence in over 50 countries. Below are some of KVPL's tea brands which have made significant inroads in global markets and are now much sought after in many countries.

INNOVATIVE PRODUCTS & BRANDS

Our best tea garden marks Lover's Leap and Mahagastotte are being sold under Pedro. These exotic teas which possess an unique flavour and fragrance are much sought after.

Edinburgh and Pedro Tea Centers

Single origin Green Tea pack and Black Tea pack for consumers.

Value added Rubber Products.

HUMAN CAPITAL

We know that it is almost a cliché to say that our "People are our Most Valuable Asset'. However we feel we will not be doing justice to our Human Capital if we did not say so. Sustaining our position amongst the top three plantation companies in the country and continuing to achieve the best ranks amongst RPC's are a result of the talents, commitment and dynamism of our people. Moreover, the two preceding years saw the entire global community grapple with some unprecedented challenges. The resilience we demonstrated and the efficacy of our responses to the many challenges is testimony to the dedication and passion of our people across the entire value chain and the strength of our relationships with all our stakeholders.

Kelani Valley Plantations' HRM model, as is typical of and would be expected of Sri Lanka's well established plantation industry has been based on conventional HRM practices. It still retains and practices the value of human care for 24x365 days, from birth to death, not only for a direct workforce of over 8,500, but also for the entire community who resides on its estates which number over 58,000. At the same time our strategic intent over the past few years has also focused on the infusion of modern management practices and Sustainable Human Resource Management practices including Human Care and Knowledge management Initiatives, to enhance the potential of the sector and to sustain value creation for the future.

TOTAL HEAD COUNT-GROUP GRI 102-8

Total No. of Employees	8,725
Permanent Employees	6,738
Contract/Short-Term	1,987
Executive and above	157
Non-Executive*	561
Manual Grades	8,007
Total	8,725

*(Office Supervisory, Production, Supportive and Human Development)
Total head count including Mabroc

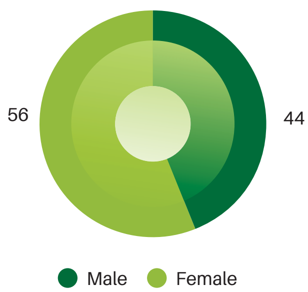
TOTAL HEAD COUNT - KVPL

Total Employees	8,589
Permanent Employees	6,611
Contract/Short-Term	1,978
Executive and above	97
Non-Executive*	535
Manual Grades	7,957
Total	8,589

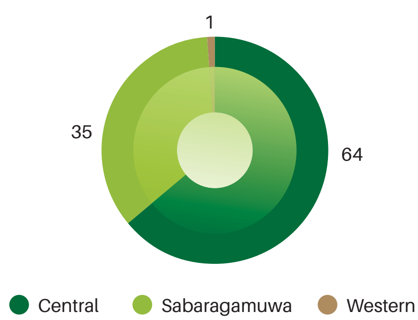
*(Office Supervisory, Production, Supportive and Human Development)

HUMAN CAPITAL

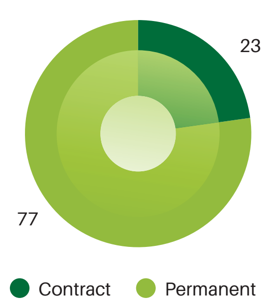
Gender wise Workforce (%)



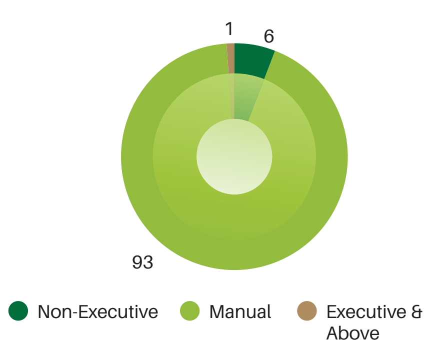
Region wise Workforce (%)



Permanent & Contract Employees (%)



Executive, Non-Executive & Manual Workforce (%)



TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY GENDER.

Category	Male	Female	Total
Executive	85	12	97
Non-Executive	384	151	535
Manual	3,336	4,621	7,957
Total	3,805	4,784	8,589

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT (PERMANENT AND TEMPORARY), BY REGION.

	Western Province	Central Province	Sabara'wa Province	Total
Management	18	27	28	73
Executive	14	7	3	24
Clerical non ex	5	280	250	535
Manual	-	5,188	2,769	7,957
Total	37	5,502	3,050	8,589

TOTAL NUMBER OF NEW EMPLOYEE HIRES AND TURNOVER DURING THE REPORTING PERIOD. GRI 401-1

Region Wise Total		Below 30 Years		30-50 Years		Above 50 Years	
Employee Type	Region	Male	Female	Male	Female	Male	Femal
New Employee	Western	-	-	1	1	-	-
	Central	35	41	41	53	11	13
	Sabaragamuwa	18	17	63	77	40	50
	Total	53	58	105	131	51	63
Exit Employee	Western	-	-	-	-	1	-
	Central	1	1	36	43	66	80
	Sabaragamuwa	18	23	62	68	87	108
	Total	19	24	98	111	154	188

Designation Wise Total		Below 30 Years		30-50 Years		Above 50 Years	
Employee Type	Designation	Male	Female	Male	Female	Male	Femal
New Employee	Managerial	10	-	2	-	1	-
	Executives and Junior Executives	-	-	-	1	-	-
	All Others	43	58	103	130	50	63
	Total	53	58	105	131	51	63
Exit Employee	Managerial	2	-	8	-	2	-
	All Others	17	24	90	111	152	188
	Total	19	24	98	111	154	188

OUR STRATEGIC PRIORITIES FOR 2022-2025

KVPL was one of the first Plantation Companies to implement a HR Strategic Plan in 2014; setting forth HR priorities for 2014-2018 towards the vision of "Reshaping the Plantations Sector HR for employee engagement, by Developing their core competencies and building a source of competitive advantage – to enhance their performance via improved quality of Work-Life and Quality of Life."

Following successful implementation of these strategies, we continue to update our Strategic Plan as per changing needs and business environment. The second Strategic Plan for 2018-22 was formulated in 2018. During the year under review the Company revisited and formulated a new set of HR strategies for the four years of 2022-25, adopting current positive trends in Human Capital Management. Accordingly, a "Knowledge Driven Culture" has been set forth as a key strategic objective. The priorities for 2022/25 also encompass the achievement of SDG goals within the ESG framework of KVPL namely, Goals of Zero Hunger, Good Health and Well Being, Gender Equality, Clean Water and Sanitation, Decent Work and Economic Growth and Establishment of Partnerships with External Stakeholders to enable us to achieve these goals in the most effective and efficient manner.

KVPL's HR Stratergic Plan 2022/25

OTHER STRATEGIC PRIORITIES FOR 2022-25

- A comprehensive 'Skills Inventory' and 'Competency Mapping' to facilitate the development of the next level of leadership and succession planning.
- Accelerating the digitalisation and digital transformation of Human Capital functionality in plantations for enhanced efficacy and accuracy in decision making.
- Adaptation of an effective change management culture to nurture "Innovative Thinking" and "Creativity".
- Strengthening the relationship with 'Knowledge Resources' such as universities and international partners for Learning & Development and towards the above goal.
- Strengthening the Rewards & Recognition policy to support retention of top talent.
- Equipping our people with the required skills and competencies in order to gain a competitive advantage to meet rising local and global challenges in the industry.
- Enhance the quality of life and work-life to enhance employee productivity by adopting sustainable HRM practices.
- Expand opportunities for employee engagement.

CREATING A KNOWLEDGE DRIVEN WORKPLACE ACROSS THE BOARD THROUGH TECHNOLOGY

Like most adverse external circumstances do, the pandemic period also prompted us to look for creative solutions to adapt and meet the challenges. Recognising valuable opportunity to expand the use of IT as an efficient channel to transform Human Capital management is one of them. The need for social distancing required us to limit physical interactions and conduct most meetings in virtual space. We thus identified opportunity through a virtual channel to be able to expand the reach of our training and knowledge sharing sessions beyond executives to reach supervisory, office admin, factory and production staff by establishing Micro Learning platforms at common locations on our estates. Groups of staff and even their families are now able to gather at these micro learning centres, to benefit from our Digital Learning Series which included programmes such as "An Evening with an Expert", "HR Hour" and "Mathaka Petha" ; which are described under the Training & Development section below. This method of delivery also proved to be the most cost effective whilst expanding the boundaries of learning and reach.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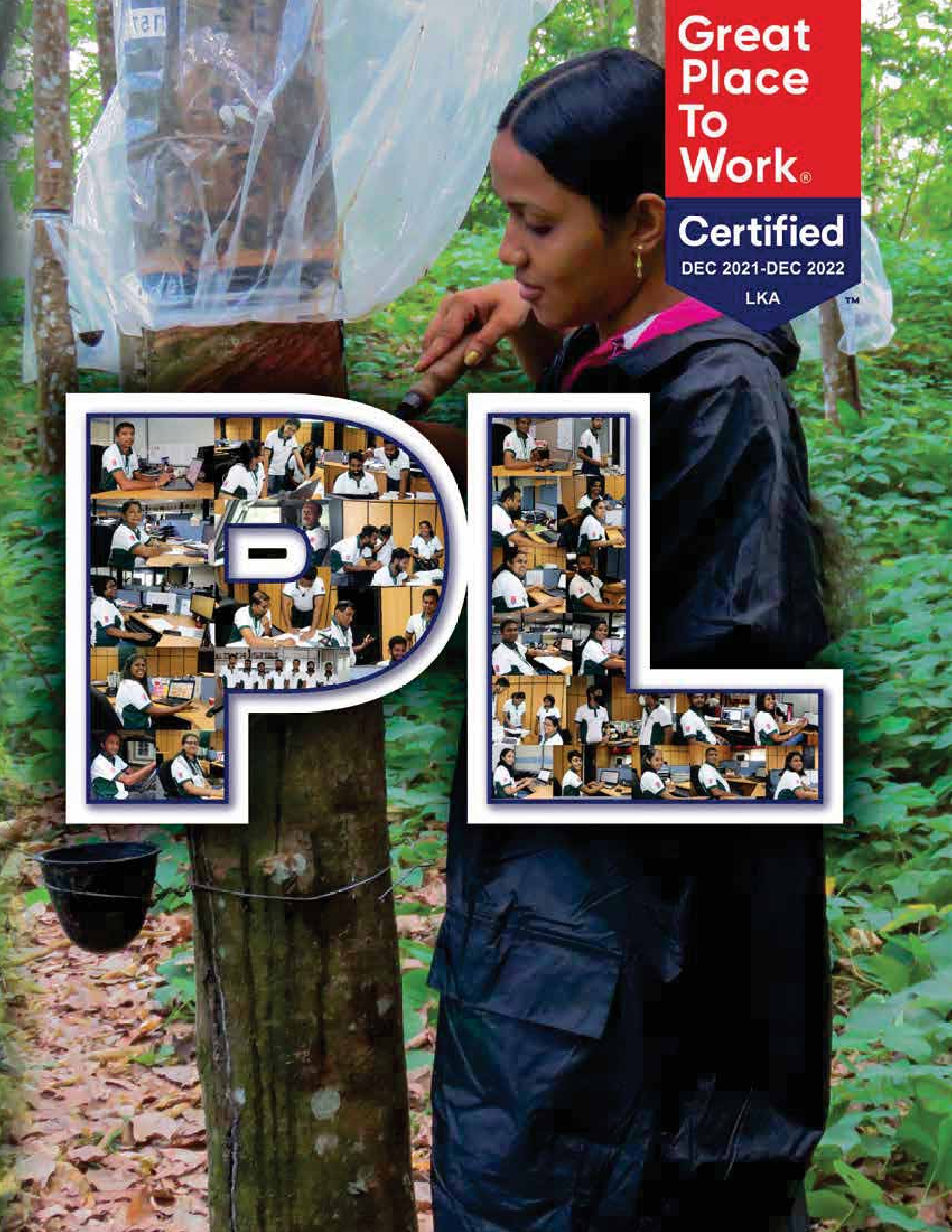

Great
Place
To
Work®
Certified
DEC 2021-DEC 2022
LKA
TM
PL

HUMAN CAPITAL

Accolades on Human Capital Management

We are heartened by the several local and international endorsements we received in recognition for our efforts to harnessing and enhancing the value of our Human Capital. They reflect our achievements in developing our people as well as the spirit of volunteerism of our people.

We were able to achieve the "Great Place to Work" certification with benchmark results

We were able to achieve "Great Place to Work" certification with benchmark results, during this unprecedented time confirming that our Company's employees are recognised and cared by our Company leadership.

UN VOLUNTEERS 50 COUNTRY AWARDS
UN VOLUNTEERS
KELANI VALLEY PLANTATIONS PLC - IN RECOGNITION OF PROMOTING THE VALUE OF VOLUNTEERISM THROUGH CITIZEN ENGAGEMENT WITHIN THE CORPORATE SECTOR IN SRI LANKA.

BEST CORPORATE CITIZEN SUSTAINABILITY AWARD-2021
NATIONAL CHAMBER OF COMMERCE
KELANI VALLEY – AGRICULTURE SECTOR
GOLD AWARD

BUSINESS WORLD EXCELLENCE AWARDS
BUSINESS WORLD INTERNATIONAL ORGANIZATION, USA
LARGE SCALE AGRICULTURE & PLANTATIONS CATEGORY
KVPL – SERVICE EXCELLENCE AWARDS – PLATINUM

BEST MANAGEMENT PRACTICES COMPANY AWARDS 2022
THE INSTITUTE OF CHARTERED PROFESSIONAL MANAGERS OF SRI LANKA
KELANI VALLEY- GOLD & EXCELLENCE AWARDS

CA BEST ANNUAL REPORT AWARD-2021
INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
KELANI VALLEY – PLANTATION COMPANIES - GOLD AWARD

SOUTH ASIA BUSINESS EXCELLENCE AWARDS 2021
HAYLEYS PLANATIONS SECTOR
MOST INNOVATIVE HR PRACTICES AWARD – KELANI VALLEY

HUMAN CAPITAL

TAPPING INTO OUR INGENUITY AT TIMES OF STRIFE

3 GOOD HEALTH AND WELL-BEING

The prohibition of the import of chemical fertilizer and chemical weedicides in April 2021 with immediate effect, caused significant crop losses and hardships to all those engaged in Agriculture. Whilst KVPL faced significant challenges it also came up with an alternative solution to the non availability of weedicides - a "Buy Back of Weeds" programme. A win-win to the Company and the resident population on our estates, this programme encourages our estate population to earn an extra income by removing weeds during their non-working hours and supplying to KVPL at an agreed price, as a input for organic fertilizer. This practice is also a win environmentally, as the manual weeding process offers benefits to soil productivity; by activating the surface "Feeder Root" system of the tea bushes and thereby boosts their intake of nutrients from the soil.

In addition to this immediate win-win impact on all 3 stakeholders- the Company environment and the resident population on our plantations; it also has the long term benefits of minimising the environmental damage that occurs due to the use of chemical weedicides. The manual pull out of weeds also helped to minimise the "weed seed bed" in the soil.

The COVID 19 Pandemic was another which challenged the entire world. Some of the innovative methods we introduced includes "Block Harvesting" which facilitated social distancing between the harvesters. In addition we also thought of ways in which could relieve the mental and physical stress caused by the pandemic and the working in isolation. One such measure introduced was the Mathaka Petha discussed under T&D below.

GRI 409-1

OUR HR POLICIES CREATE A PATH TO 'A GREAT PLACE TO WORK"

Ensuring just and fair treatment, a meritocracy, employee safety, health and well being , work-life balance, enhancing the potential of the individual are key values and commitment of our HR model. Accordingly, we believe the policies we have adopted and adhere are enable to sustain these attributes. The following are the policies in place and which we have adopted from our holding Company Hayleys Group.

- Leave Policy (for Executives)
- Performance Management Policy
- Learning & Development Policy
- Talent Management Policy
- Recruitment Policy Manual
- Grievance Handling Policy
- Human Rights Policy
- Disciplinary Policy
- Anti-Sexual Harassment Policy
- Whistle-blower Policy
- The Hayleys Way – Code of Business Principles
- Industrial Relations Policy
- Employee Performance Management Policy
- Internal Mobility Policy
- Job Description & Job Evaluation Policy

Grievance Handling

The Grievance Handling policy at KVPL spells out the process one could follow if he or she needs redress from unfair or harmful action by an employee of KVPL or the Company itself. Employees are kept aware of the process they can follow, which includes submission of complaint through their immediate Supervisor /Kanganis, Field officers, Factory officers, Welfare officers, Estate Management, a suggestions box, or the top management verbally or in writing. A committee is then established comprising members who meet selection criteria, such as their knowledge of the business the type of grievance issue, their ability to be impartial, accessible and their gender sensitivity. They are also provided annual training and list of names of the appointed members and their telephone numbers are displayed on notice boards at the Muster Sheds for the manual workers whilst the executive employees are made aware of through the intranet and other channels of internal communication.

One of the significant features of our Grievance Handling process is the Open Door policy and culture which encourages even the most junior employee (such as Tea Harvesters, and Tappers) to directly contact the Managing Director/CEO regarding any concern or issue he or she has.

Prevention of Sexual Harassment

5 GENDER EQUALITY

Women constitute a majority of our workforce on the estates and thus, the added importance of giving priority to the protection of women from sexual harassment, sexual assault and other related crimes against women by our HRM. Sexual harassment at KVPL is defined as per the legal definition and encompasses verbal, psychological and physical harassment from the perspective of the woman and any act due to which she feels intimidated, humiliated or offended is considered harassment.

A committee has been established to ensure implementation of our Anti-Sexual Harassment policy and are tasked with taking all reasonable steps (active and preventive in nature) to prevent harassment; addressing any oral/ written complaints of unwelcome sexual advances, unsolicited acts of physical intimacy, unwelcome requests for sexual favours or other unwelcome conduct of a sexual nature; obtaining support from the top management for implementing a comprehensive strategy; providing information to all employees about what constitutes sexual harassment and about the responsibility not to engage in such behavior; display of anti-sexual harassment posters on notice boards in common work areas and distribution of relevant brochures and regular awareness sessions for all employees on sexual harassment issues.

Steps that are to be followed by the Committee when a complaint is received include the following: ensuring that it is clearly documented; is addressed in a manner which is fair and confidential; policy is explained to all parties; parties are offered both informal and formal options for resolution; providing guidance on internal investigation procedures and record keeping; the complainant is given and undertaking that he or she will not be victimised or disadvantaged for making a complaint.

In addition to creating awareness amongst employees on the topic, as Sri Lanka's Best Corporate Citizen in the Agriculture sector and in line with our commitment to ethical business; we also conduct training and awareness programmes on laws, prevention and action with regard to sexual harassment for groups of youth, communities as well as school children obtaining the services of internal resource people as well external expertise.

PERFORMANCE MANAGEMENT

The Company has a comprehensive technology enabled Performance Management System for all its employees, encompassing Executive, Non-Executive and Manual cadre and provides all input required to determine everyone's performance based remuneration, promotions and other benefits.

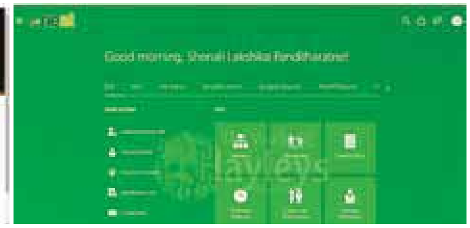
KVPL is the first Plantation Company to introduce this globally recognized software system for Human Capital Management ORACLE Fusion HCM Goals and Performance Management modules. The Performance Management system is used to translate and align business strategy into goals of teams and individuals across all levels of business. Organisational goals are then translated into Key Performance Indicators (KPI's) for all employees.

KPI's are based on the perspective of a Balance Score comprising Learning, Internal Business systems, and Processes and Financial and Customer Focus. All employees across the Company have an opportunity for a two way appraisal process conducted bi-annually, where performance targets and measures are agreed on at the beginning of the year and monitored with contributions and achievement recognises and rewarded. The final performance appraisal via Oracle, of executive categories and above are reviewed by the MD; and comprising the CEO, Operational Directors, Heads of Departments and the Head of HR.

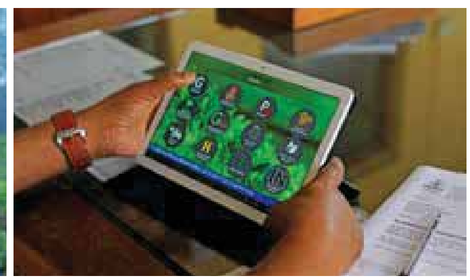
HUMAN CAPITAL

Moreover, performance monitoring of all operational workers which was hitherto facilitated by an internally built Management Information System, was enhanced during the year with a significant investment by KVPL to enable online real time data, for speedy and more transparent management decision making. It contributes significantly to gain and sustain a competitive advantage amidst the current volatile environments.

Thus, the individual performances of manual tea harvesters are monitored online through the implementation of a digital weighing scale mechanism as illustrated in the process diagram below. The replacement of manual weighing and manual data entry has thus enhanced operational level evaluations and rewards to a whole new level and been a significant win-win for all stakeholders; for the Company, as it enabled more accurate decision making due to the precision of data and instant access to real time data; and for employees, due to the greater transparency and clarity in the record of their KPI's and the opportunity to instantly access their up to date harvest records for a given period and estimate or verify incomes and be recognised for high achievement.







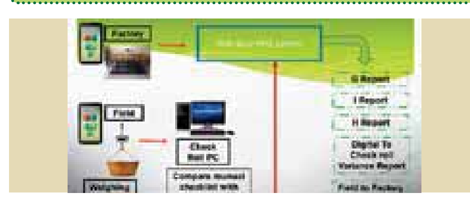

Precision solution can only come from precise data- our digital transformation


Field Operation

Daily operational data related to harvesting captured through Digital Weighing System

Each individual plucker's harvested Tea kilos are transferred online to the system

Field Checklist




Download Data

Download Data Check Roll/ Payroll System-same working day

GRI 404-3, SDG 05, UNGC 06

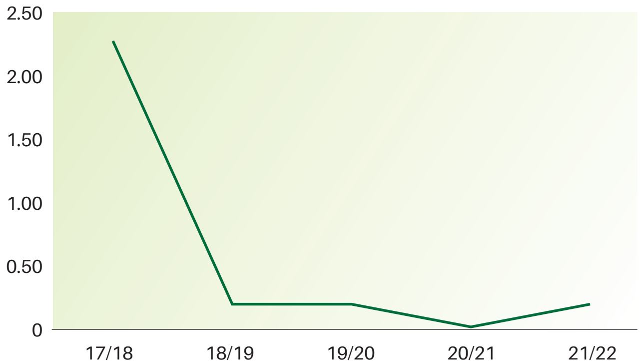
The percentage of our employees who receive regular performance and career development reviews is 100%. Moreover, KVPL practices a concept it has termed "You are Identified" which clearly defines, monitors and recognises every operational level employee's performance via online operational data. The project is a result of the state of the art information system described above. The Harvesters can now be rewarded for being the " Best Harvester of the Month" at every KVPL estate and also recognised with a certificate from the MD.

GRI 403-2

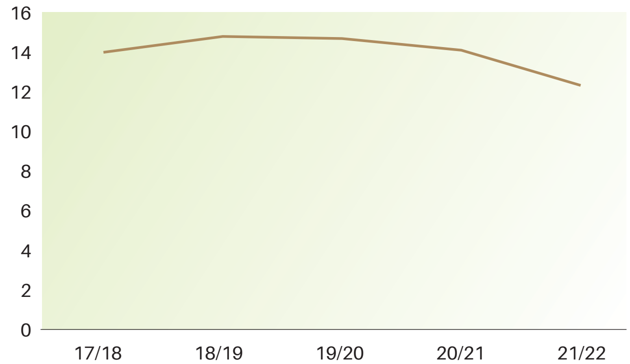
OCCUPATIONAL HEALTH & SAFETY RECORD - KVPL - 2021/22

	Company Total %
Number of Injury	No major injuries were recorded
Injury Rate (IR)	0.19%
Occupational Disease Rate (ODR)	0.01%
Lost Day Rate (LDR)	0.20%
Absenteeism Rate (AR)	12.3%
Work-related fatalities	-
Workers in high-risk situations	N/A

Lost Day Rate (%)



Absenteeism Rate (%)



HUMAN CAPITAL

GRI 407-1

LABOUR RELATIONS MANAGEMENT

The Plantations are unique in that it has a work force who are permanent residents who live on the Company's estates. In order to meet the need for higher incomes of its employees, the Company has initiated a number of measures to increase the family incomes rather than the individual income to balance the need for the enterprise to remain sustainable and profitable in the medium to long-term. In addition to income earning opportunities for the family, the Company also is a Total Custodial Care which offers a host of other benefits such as taking care of maternal and child health and nutrition, safety and well being with Company paid medical staff and infrastructure such as dispensaries and other facilities, creches, factory rest rooms sanitation facilities and clean water.

Minimum notice periods regarding operational changes including those specified in CA's	1 month
Is notice period & provision for conclusion specified in the agreement	Yes

GRI 408-1

KVPL ensures that all its Estates are committed to and strictly adhere to a policy of not recruiting anyone under the age of 18 years. Moreover, KVPL, in 2007 became the first plantation Company to be a signatory and commit to UNGC's 10 Principles which encompass Human Rights, Anti Corruption, Child Labour, and the Environment, following this milestone step the Group has continued to drive and expand our strategy and focus to encompass the protection of the child and the establishment of a sustainable platform to monitor the process of child protection across our locations. A phone app was introduced with the support of the Save the Children Fund to receive, monitor and respond to complains on any incidents of violation of our child labour policy. The data obtained on the App is used for decision making by our estate and corporate office.

A Child Policy, in line with the UNGC's fifth principle for the abolition of child labour, was launched in February 2018 making KVPL the first plantation company to adopt a child protection policy by joining with the Save the Children Fund to improve maternal health among estate communities. The policy is now implemented at all our estates. The Company believes improved child protection, health, nutrition and education would improve the lives of women and children among its resident communities. As a consequence of the projects, selected KVPL Teas are labeled "Mother & Child Friendly Tea." The scope of the project involves: improving maternal health; Improving health and sanitation levels of mothers and children; ensuring the productive time of the mother and establishing feeding corners in crèches. The programme is based on the proposition that improved quality standards in child protection, health, nutrition and education would improve the lives of women and children on tea plantations, whilst making good business sense for the Company. Building upon Save the Children's extensive existing engagement with the plantation sector on health and nutrition, the Mother and Child Friendly Tea Plantations project worked with the Directors and Estate Management of Kelani Valley Plantations PLC. Through the adoption of the policy and its 15 principles, KVPL has committed to ensure that all children living in the estates owned by KVPL are protected from all forms of harm, violence, abuse and exploitation.

During the year, several measures were taken to operationalise the Policy. They include the following:

- Ensuring that at least one child caregiver is present in the crèche
- Crèche staff do not use physical punishment on children
- No child below the age of 16 years engages in labour
- Procedures to ensure protection of children during emergency and natural disasters
- Schooling is compulsory for children up to 16 years
- Disciplinary procedures are aligned with international norm

EMPLOYEE BENEFITS

Employees of all grades enjoy many benefits above the legal requirements. The Company invests considerable funds to contribute to building a happier and more motivated workforce.

Employee benefits which are available to all permanent female employees include maternity leave as stipulated by labour laws, as well as flexi hours for nursing others but is not afforded to temporary and part time employees.

Maternity Leave	Number
Total Number of employees entitled to maternity leave	258
Total number that took maternity leave	162

TRAINING AND DEVELOPMENT

At a time when focused attention was needed on health and safety of our people and rising costs and lockdowns prompted many businesses to compromise on investing in its people, KVPL did just the opposite. We spotted opportunity in the locked-in periods through the virtual platforms it had invested in, to progress towards the transformation of our culture that is a key strategy. Thus we recorded the highest training yield ratio and effective training person hours during the year

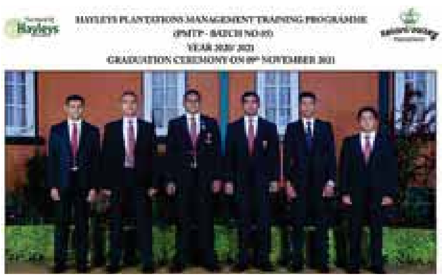
The year under review was a period of crisis for the entire country due to the pandemic and its implication such as the lockdowns; whilst set back in agriculture made it a challenging year for our industry in particular. However, we are proud to note that KVPL in fact found opportunity in the challenges, to transform through the transfer of knowledge. We identified opportunity to expand training and development of our entire team by harnessing the virtual platforms we invested in, in order to manage our business activities during the "New Normal".

Whilst most enterprises curtailed investments into T&D due to heightened need for cost consciousness on the one hand and due to the practical constraints imposed by lockdowns on the other hand; KVPL decided to utilise the lock down times and its digital channels to achieve the highest number of effective training person hours and highest effective training yield ratio, with minimal investments. We also harnessed the knowledge base of the highest number of internal resource persons as well as external resource persons, which comprise local as well as international expertise to up-skill, impart knowledge on a wide range of areas and sharpen the decision making abilities of our people. Some of these novel initiatives are described below. The year hence boasts of several milestones in KVPL's Training and Development (T&D) agenda which are summarised below:

T&D HIGHLIGHTS OF 2021/22

- Recorded the Company's highest ever Learning Yield Ratio and Effective Training Head Count sans any reduction in training budgets and despite an expanded training calendar (illustrated in graphs below).
- Became the first amongst Plantations companies to award the SKILLS PASSPORT for a select batch of best performing Field Staff. Employees who successfully completed the project obtained a National Vocational Qualification (NVQ) certificate and are empowered with a QR code enabled Digital Skills Passport.
- Established Micro Learning platforms across our estates to enable the transfer of new knowledge to our entire workforce when most programmes were hitherto limited to executives. Whilst some of our programmes are specifically designed for Management and Executives we also expanded their reach to our estate employees across the board through zoom or MS Teams.
- Achieved more than 3000 predicted training hours with a 95% success rate in the L&D fraternity

4 QUALITY EDUCATION



HUMAN CAPITAL

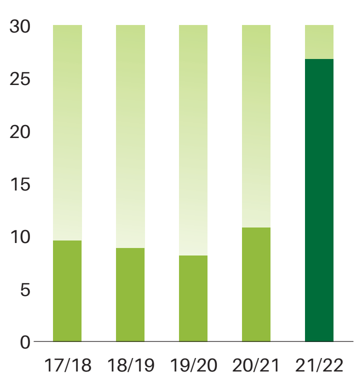
TRAINING DETAILS REPORT 2021/2022

Category	Head Count			P/Hours			P/H Per Person		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive	2,830	206	3,036	4,253	379	4,631	1.5	1.8	1.5
Non-Executive	426	927	1,353	664	1,328	1,992	1.6	1.4	1.5
Manual	3,362	19,049	22,411	7,542	42,737	50,279	2.2	2.2	2.2
Total	6,618	20,182	26,800	12,459	44,444	56,902	1.9	2.2	2.1

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE GRI 404-1

Category	P/H Per Person - 2020			P/H Per Person - 2021		
	Male	Female	Total	Male	Female	Total
Executive	3.6	2.04	3.57	50.04	31.58	47.75
Non-Executive	1.54	-	1.54	1.73	8.79	3.72
Manual	6.96	5.27	5.83	2.26	9.25	6.32
Total	4.85	5.25	5.06	3.27	9.29	6.63

Training Head Count (No. '000)



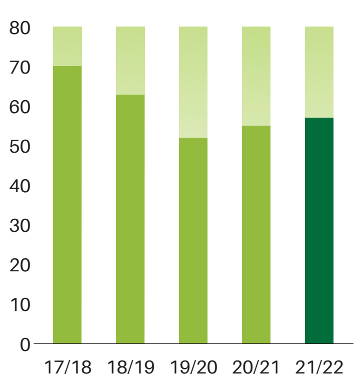
TRAINING HOURS COMPARISON YEAR VS PERSON HOURS OF TRAINING

Year	Training Head Count	P/Hours	% Over Previous Year
2018	8,866	62,690	(10.43)
2019	8,216	51,849	(17.29)
2020	10,841	54,880	5.84
2021	26,800	56,902	3.69

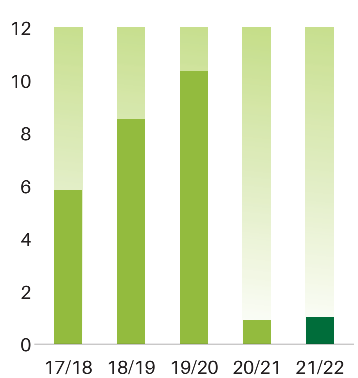
TRAINING INVESTMENT COMPARISON

	2020/21	2021/22
Investment in Training (Rs.)	864,429	1,020,459

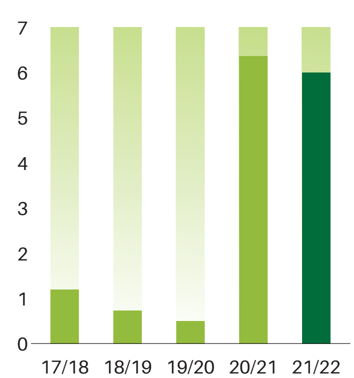
Training P/Hours (Hours'000)



Training Investment (Rs. m)



Effective Training Yield Ratio



- **First ever Skills Passport**

  KVPL completed a pilot project to enable selected Field Staff to obtain the National Vocational Qualification (NVQ) and the National Skills Passport from the National Apprentice & Industrial Training Authority (NAITA). The Skills Training programme was a result of a collaboration between the International Labour Organisation (ILO's) country office, The Tertiary and Vocational Education Commission, and the Employers' Federation of Ceylon. As per the selection criteria, the Field Officers chosen for this first project, had more than one year's experience and the best performance records. The programme concluded with a memorable award ceremony held at the the BMICH at which the qualifying employees were awarded their National Vocational Qualification certificates. The sense of pride and achievement they felt and the recognition at a ceremony of that stature for the first time, has been a significant boost to their morale. The Skills Passport which comes in the form of a smart card will enable the holders or prospective employers to access their skills record by scanning the QR code, thus empowering them in the employment market.

4 QUALITY EDUCATION

17 PARTNERSHIPS FOR THE GOALS

Convocation for Awarding NVQ Certificate & Skills Passports

HUMAN CAPITAL

Skills Training

An internally designed, innovative and structured training programme, with a focus on all categories of field staff members (i.e: Field officers, Assistant Field Officers and Field Supervisors) to enhance their knowledge to be on par with present trends and standards and to meet the current industrial challenges more effectively as well as enhance productivity. The training harnesses our "Knowledge Management Cycle" and in keeping with present trends is also a sharing and gaining of "Knowledge by Experience". Moreover, this internal certificate course, also gives opportunity for internal resource persons, (who are Estate Managers and Assistant Managers) to strengthen their knowledge sharing, presentation and training skills.

4 QUALITY EDUCATION

17 PARTNERSHIPS FOR THE GOALS



- **Plantation Management Training Programme-Batch No. 5 - Year 2021**
  We as the Kelani Valley Plantations PLC believe that adequate training will lead to increase the efficiency of the employees, thus serve as an asset to the Company. Therefore we have successfully conducted a Plantation Management Training programme for the Batch No. 5 with regard to the year 2021. Proper training was provided for the young budding personalities who wish to pursue a career in the estate sector. This programme was fully funded by the Kelani Valley



  Plantations (KVPL) itself. At the end of the training, well groomed trainees were able to join team KVPL as the Assistant Estate Managers (AEM), where they laid a foundation to a successful career.

- **The Global Learning Series :** A Senior Corporate Management Leadership Programme & the Executive Programme for Corporate Management by JASTECA & AOTS was scheduled for last year but could not be held due to the travel restrictions. The Company has thus planned a programme for younger Estate and Corporate Managers and Assistant managers to join for the next batch to gain overseas industrial exposure and knowledge of simple practical productivity enhancing Japanese management tools and their best practices such as Continuous Improvement (Kaizen) and Total Quality Management (TQM) which they can adopt on our estates to improve processes and work culture.

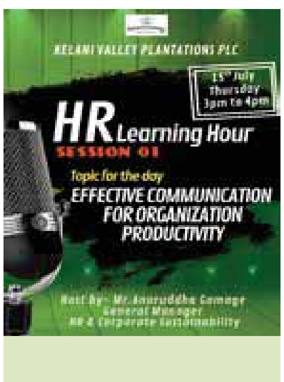
We will also look at expanding the opportunities for global learning by establishing links with other overseas institutions such as the National University of Singapore (NUS), Malaysia, European University Network for Green Ratings and Sustainability Learning programmes as well as expanding opportunities to a few high performing field level staff.

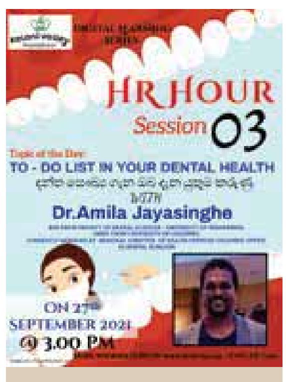
- **Mindfulness Training**

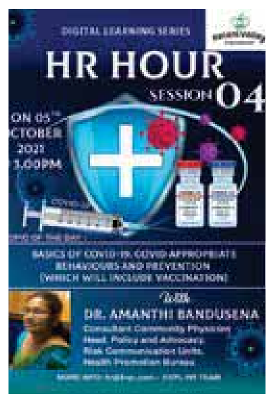
A series of mindfulness training sessions were conducted by experts such as Mr. Deepal Sooriyaarachchi, a highly regarded Management Development Consultant and Ms. Anjanee Samaranayaka, an Attorney-at-Law, Lecturer and a resource person at CIPM. These sessions teach employees how self-awareness, mindfulness and knowing oneself from inside out, can be central to the success of a business and to individual development. Ability to become aware of what goes on in our minds gives an employee the opportunity to be in charge, and to choose his/her response. It teaches how mindfulness is a skill that can be developed. It begins by bringing our attention to the present moment and choosing some of our routine activities to be done slower than usual whenever possible.

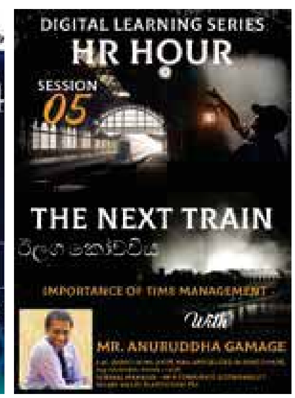


- **HR Hour** for HR staff to enhance their knowledge related to Health & Well-being. These programmes invite industry experts to offer science based knowledge on health, safety and well being. The subjects have included, oral health to nutrition and healthy foods, to psychological well being and communication skills, time management and team work.









- **Social Learning Series** via on-line platforms were able to expand the community learning opportunities by using widely used digital platforms via micro learning opportunities especially for the benefit of estate youth to enhance their technical and behavioral competencies. Most of our digital learning sessions are also now on air via our You Tube channel as one of the ways in which we implement our "Sustainable Knowledge Management: strategy under the KVPL ESG frameworks driven by the belief that sharing of knowledge is the key to knowledge sustainability". We also make this knowledge available to other industries and the Regional Plantations Companies (RPC's) for the benefit of their human resources and hence the entire industry and the country.

- **Green Learning Series**

This series also harnesses the many digital platforms and also holds short/ focus group learning and knowledge sharing sessions to enhance the knowledge on environmental sustainability and green initiatives as well as on compliance audits such as by RA, and FSC amongst others. Also, new sessions were conducted mainly to enhance the knowledge of Estate management and staff teams on Sustainability – ESG framework and our journey towards achieving SDG goals in 2030.

- Special programme on COVID 19 awareness with Dr. Amanthi Bandusena (Consultant Community Physician, Head, Policy and Advocacy, Risk Communication Units, Health Promotion Bureau.

HUMAN CAPITAL

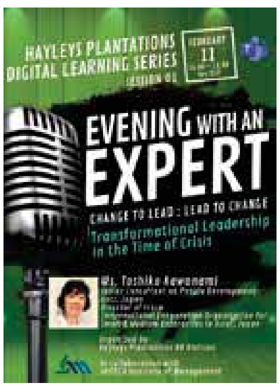
EVENING WITH AN EXPERT

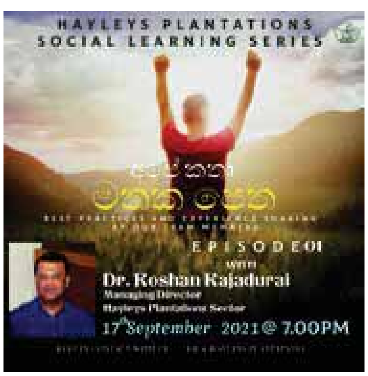
Our unique and innovative, flagship virtual learning platform under our 'DIGITAL LEARNING SERIES'. KVPL was able to count more 2500 + effective training person hours and highest ever 'Training Yield Ratio', an achievement made all the more significant as it was during a period of crisis and demonstrates the Company's commitment to not compromising on the value of ensuring a 'Knowledge Management Culture'.

- Offers stimulating and useful learning opportunities through local and international guest speakers who share their expertise on specific topics. The wide range of subjects included Agriculture to Management, and Sustainability, Climate Change, to Motivation and Leadership. The sessions are held after office hours, once every 10 days and hence offer an excellent opportunity for the staff as well as their family members to acquire knowledge in areas that interest them, from the comfort of their homes.

4 QUALITY EDUCATION

17 PARTNERSHIPS FOR THE GOALS





APE KATHA MATHAKA PETHA

- **Another unique initiative was the 'Ape Katha Mathaka Petha'** :

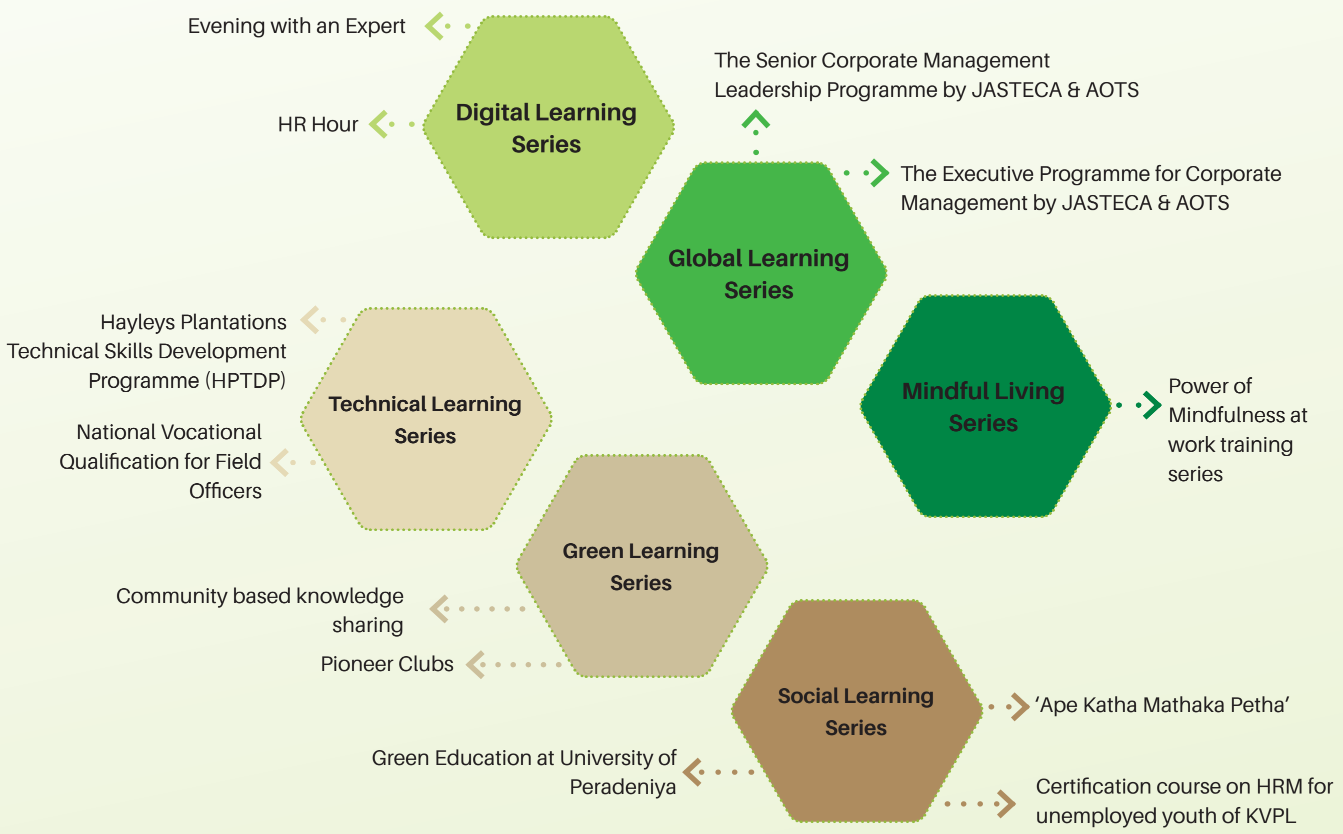
A Social Learning series which makes use of the Company's digital platforms to provide a "Learn By Experience" of our own team members. The team member would do an online session of about an hour sharing his or her life time experiences, best practices, success points, challenges faced in his or her personal lives. The sharing is followed by a Q&A and clarifications to learn by experience. The first session was with our MD enabling the KVPL to learn from the leader's experience. The initiative, in addition to offering learnings and inspiration also helps us empathise, and find commonalities and helped people feel connected during the times of working in isolation during the pandemic.

Highest ever Training Head Count 26,800

Highest positive cumulative increase of Training P/ Hours by 9.53 %

Highest Mean Average - Effective Training Yield Ratio of 1: 6

TRAINING AND DEVELOPMENT IN 2021/22 – IN A NUTSHELL



HUMAN CAPITAL

OUR CONTINUED RESPONSE TO THE COVID-19 PANDEMIC IN 2021/22

KVPL 's efforts yielded dividends by obtaining 100% vaccination coverage of its entire workforce for COVID 19 1 and 2 vaccines both

The COVID 19 pandemic that began to impact the entire world in 2020 continued in 2021, with its spread peaking since May to take its heaviest toll on Sri Lanka during June to November. As reported last year, employee commitment and cooperation across the board, enabled all our estates to ensure the implementation of COVID 19 safety protocols effectively and swiftly to ensure minimal interruptions to harvesting and processing on our estates and limited impacts on our people. Some of the HR management responses which were implemented to sustain impacts for the medium term include the following :

- Accelerated the existing HR digitalisation process
- Upgraded Crisis Management/ Emergency Response plan
- Continuation of the COVID 19 task force established in 2020
- Changes to the existing communication strategy
- Continuously conducted virtual training sessions in support employees' mental wellbeing
- Changes to daily habits and routines and a tracking system.
- Expanding the patterns of building up relationships with other key stakeholders/ key players attached to plantations

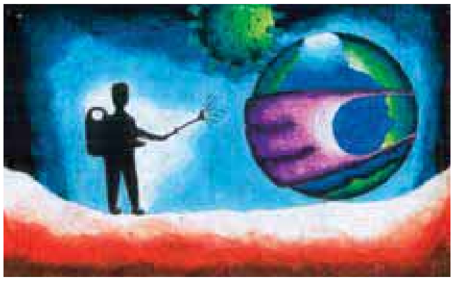
KVPL's Health and Well-being Policy 2021/23

SOME OF THE INFORMAL WAYS IN WHICH WE ENGAGE WITH OUR EMPLOYEES AND FOSTER CAMARADERIE AND A BETTER QUALITY OF LIFE

An Art & Talent Video Competition on Children's Day for KV Kids Fest

Children between the ages of 5 to 18 flocked to participate in the talent competition organised by KVPL, in celebration of International Children's Day.

The company showcased the amazing talent of children from the estate sector through an art and talent competition. The top 3 winners of the age categories of below 5 years, below 12 and below 18 years were awarded prizes and a trophy whilst all the other participants were also presented with a certificate of participation. It is also significant that the talents of our children from Sri Lanka have been showcased to the world as the art and videos of the winners will be uploaded to the website of the United Nations Children's Fund (UNICEF). Over 5000 works of art and 350 videos have been submitted for consideration.



CELEBRATING WOMEN ON INTERNATIONAL WOMEN'S DAY

Celebrating Women is an expression of gratitude to every woman in our lives, both in our personal and professional lives. And 8th March is designated as International Womens' Day to dedicate this day for appreciation of women around the world and for reflection of their value and to make progress in the agenda for women.

At KVPL, where a majority of the workforce comprises women, the celebration of International Womens Day had added significance. The Company organised a day of celebration, fun filled activities and uplifting programmes to celebrate the key contributors to the Company. There was also highlighting of the role women can play in overcoming the crises and how they can contribute to the sustainability of the Company via win-win relationships.

SOCIAL AND RELATIONSHIP CAPITAL

KVPL's operations encompass 8,700 direct employees as well as a 58,000 strong plantation community – facts which motivate us to drive our social sustainability strategy for the size of impact we know we can have; and they are also what underscores the importance of our Social DNA to the sustainability of the enterprise.

During one of the most challenging operating environs for the company and the entire country, KVPL was able to harvest the strength of its relationships and the results of its continuous efforts and investments to building its Social Capital to perform well.

The launch of the KPVL's ESG (Environmental, Social and Governance) sustainability framework during the year has lent further mettle to our Social sustainability framework, by establishing key strategies, priorities, and goals with systems and processes to achievement of them.

FORGING PARTNERSHIPS FOR HIGHER IMPACTS

Accordingly, a key strategy is also as per the UN SGD goal number 17; to strengthen and expand relationships with relevant external institutions and other stakeholders to facilitate the more efficient and effective achievement of the impacts we target and the goals we have set forth to achieve. KVPL has in fact been a pioneer in the plantations sector in Sri Lanka in some of these partnership initiatives.

The Partnerships with External Parties to uplift our Social and Natural Capital:
Key Partners

- Plantation Human Development Trust (PHDT)
- Ministry of Plantations, Ministry of Estate Infrastructure Development and other Government institutes
- National Institute of Occupational Health and Safety (NIOHS)
- Schools within the estates and surrounding villages

- Universities
- Divisional secretaries & other legal entities
- Government and Private sector Banks & Micro Financial service providers
- Deutsche Bank
- Trade Unions Sri Lankan Government
- Mahaweli Authority of Sri Lanka
- Save the Children Fund - Save the Children Sri Lanka
- International Union of Conservation of Nature (IUCN)
- Sri Lanka Red Cross Society
- Divisional secretaries & other legal entities
- Oxfam
- Great Place to Work
- Social Dialogue and Workplace Cooperation
- United Nations Global Compact (UNGC)

KVPL's Social DNA also focuses on improving the "Quality of Work Life" and the "Quality of Life" for its stakeholders, whether it be through the products we serve or the standards we maintain in the case of our customers or the processes with which we engage our employees. "Quality of Life" also takes on much wider and a concrete meaning on the Plantations as our estates are home to a population of over 58,000 people which include, the aged, adults, youth, and children. Hence our goal to uplift lives hence needs to be multi-pronged and comprehensive QL programmers are thus linked to Company's key value drivers.

Ongoing efforts at improving the equality of life ranges from the more concrete – literally, task of building infrastructure such as medical centers and creches to infusing technology and new thinking and providing exposure to broaden horizons for people.

3 GOOD HEALTH AND WELL-BEING

A HOME FOR EVERY PLANTATION WORKER

TM 2006 Kelani Valley Plantations Limited

FLAGSHIP INITIATIVE TO ENHANCE QUALITY OF LIFE FOR OUR ESTATE POPULATIONS

Our flagship initiative to enhance Quality of Life on our plantations was launched in 2006 branded as the KVPL "A Home for Every Plantation Worker" based on a holistic model to ensure that every worker owns his or her home. The programme continues to be funded by annual budgetary allocation of Rs. 1.50 from every Kg. of single origin tea sold. The programme comprises 4 primary pillars as below:

- Improving the living environment through infrastructure development of basic amenities
- Capacity development
- Health and nutrition
- Youth empowerment

Living Environment

Community Capacity Building

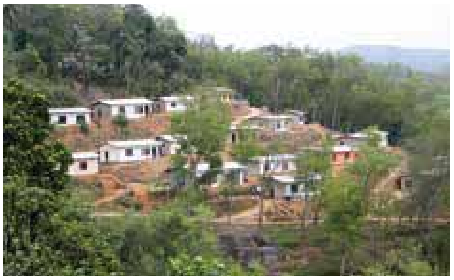
Health & Nutrition

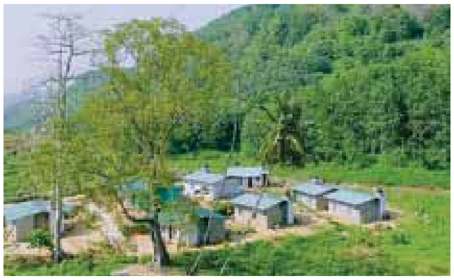
Empowerment of Youth

LIVING ENVIRONMENT

Improve the immediate living conditions of workers and their families by;

- Upgrading and rehabilitation of traditional worker houses
- Provision of factory and field rest-rooms
- Electrification of housing and living quarters
- Self-help housing projects
- Upgrading water schemes & Installation of new water delivery systems
- Improving access roads to worker housing
- Establishing rural agency post offices within the plantation boundaries
- Protecting and maintaining natural resources available in plantations





SOCIAL AND RELATIONSHIP CAPITAL

HEALTH & NUTRITION

Facilitating basic health requirements through;

- Regular medical assistance for all plantation communities
- Regular health and nutrition checkups which includes immunisation and monitoring of child development, maternal health and elder health
- Common ambulance service for estates in the same area.
- Day care centers 'crèches'
- Provision of medical facilities addressing all major health requirements.



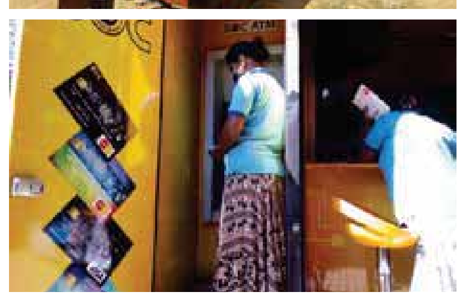



COMMUNITY CAPACITY BUILDING

- The provision of direct loan facilities to support higher education
- Provide internships to selected high-performers
- The provision of micro financing facilities in partnership with the estate
- Worker Housing Cooperative Societies (EWHCS)
- Provision of school and nursery for children
- Skill and personality development programmes
- Household cash management programmes





YOUTH EMPOWERMENT

- Training for small business management
- Bridal and beauty care programmes
- Home gardening
- English & Computer classes
- Monitoring on child development (5 – 18 years) in line with ILO standards
- Vocational training programmes to develop a multi-skilled youth population
- Primary school facilities






Our investments during the year to strengthen these pillars are listed in the table below.

GRI 413-1, 203-1

CSR Summary 2021/22 KVPL	
Description of work	**Total**
Category 1: LIVING ENVIRONMENT	
New houses build (units)	61
Land extent granted (perches)	1
Water schemes (units)	3
Sanitation - toilets (units)	5
Play grounds (units)	3
Upgrading staff quarters (units)	12
Electrification (housing units)	164
Field rest room (units)	3
Factory rest room (units)	1
Category 2: HEALTH & NUTRITION	
Logistic support (km)	4,921
Dental clinics	20
Eye care operations - Cataract	30
- Spectacles	547
- Clinics	34
Oral Cancer programmes	11
AIDS awareness programme	53
TB awareness programme	12
Dengue awareness programmes	89

CSR Summary 2021/22 KVPL	
Description of work	**Total**
Category 3: COMMUNITY CAPACITY BUILDING	
Micro financing (Rs.)	49,782,542
No. of borrowers	2,002
Deposits accepted (Rs.)	25,739,279
Street Dramas	5
Prevention of Alcoholism programmes	30
Household cash management programme	33
Category 4: EMPOWERMENT OF YOUTH	
Training for Small-business Management	82
Home Gardening	196
English Classes for Estate Children	137
Computer Classes	34
Vocational Training-Self Employment	47
COVID Awareness Programme	26
COVID Vaccination Programme	5

Annual CSR investment (Rs.) = 132,691,257
No of Beneficiaries = 2,165

SOCIAL AND RELATIONSHIP CAPITAL

GRI 416-1

Health & Safety Impacts of Product and Service Categories

- Annual Injury Rate 0.19%
- Annual Lost Day Rate 0.20%

GRI 416-2

There were no incidents of non-compliance concerning the health and safety aspects of products and services. KVPL observes stringent standards and controls on food and safety in its tea production as per the ISO 22000 standards.

3 GOOD HEALTH AND WELL-BEING

ENHANCING PROTECTION FOR THE CHILD ON OUR ESTATES

In 2018, KVPL became the 1st plantation company in Sri Lanka to adopt a Child Protection Policy in conjunction with Save the Children Sri Lanka

In line with our objective to enhance protection of children and the quality of life for children in our communities, KVPL, in 2018 became the first plantation Company in Sri Lanka to adopt a Child Protection Policy, in conjunction with the Save the Children Fund.

The policy formulated in line with the fifth Principle of the UNGC mandate (to which we are committed); entails improving maternal health and improving health, nutrition and sanitation facilities and education of children amongst estate communities. These also included establishing feeding corners in creches. The adoption of the policy became a significant starting point for KVPL to translate its commitment into action to ensure that all children living on estates owned by KVPL are protected from all forms of harm, violence, abuse and exploitation.

The initiatives and strategies developed following the adoption of the child policy include the appointment of Child Protection Focal Points (CPFP) on each tea estate, sub office level, and head office level for the coordination and monitoring of the Child Policy, Village Child Development Committees (VCDC) and Children's Clubs; the introduction of an online monitoring tool for CPFPs to keep track of their work; awareness raising measure such as distribution of leaflets to create awareness of child abuse case record (Log) books to provide a standard template for Estate managers to use when reporting to Head office and the distribution of training packs for easy reference during worker training.

PROGRESS MADE DURING THE YEAR IN IMPLEMENTING THE STRATEGY:

During the year, several measures were taken to operationalise the policy and these include the following :

- Ensuring at least one child caregiver is present in the crèche
- Ensuring that Crèche staff do not use physical punishment on children
- No child below the age of 16 years engages in labour
- Established procedures to ensure protection of children during emergency and natural disasters
- Ensuring that the country's law which makes school compulsory for children up to the age of 16 is adhered to by our estate communities
- Mandated that disciplinary procedures are aligned with international norm
- Introduced an App with the support of the ''Save the Children Fund'' to receive, respond, report and monitor complains on any incidents of violation of our child labour policy or incidents of abuse or exploitation across the many locations or estates. The data obtained on the App is used for decision making by our Estate and Corporate office cases of violation of the Child Protection policies

4 QUALITY EDUCATION

SUPPORTING EDUCATION

Education we believe is a sine qua non for any individual or society to thrive and progress if not survive. The importance is even greater for estate communities in order to shed stereotyping and to on par to compete with the rest of the population. KVPL has hence continued to support education of estate children and youth through numerous efforts and these include :

- Awarding of scholarships for children of employees to pursue higher education. The reward for our efforts has been to see many qualified as Doctors, Engineers, Accountants, Teachers and other professionals.
- Establishment of e-learning centres to enhance IT skills
- Granting of land to build schools on some estates so that children no longer have to commute long distances to reach the closest school









SOCIAL AND RELATIONSHIP CAPITAL

EXTENDING KVPL'S KNOWLEDGE SHARING CULTURE TO BEYOND KVPL

Having identified the immense opportunities through online and digital channels during the past two years in building a Knowledge Driven Culture, KVPL was able to expand the reach of our training and knowledge sharing sessions beyond executives to reach supervisory, office admin, factory and production staff and even to the families of staff who reside on our estates through the different digital channels. The Company facilitates the resident population to participate in these knowledge sharing initiatives by establishing micro learning centres, at different locations accessible to the estate population on our estates. The flagship Digital Learning Series is "An Evening with an Expert", in which local and international experts shared their expertise on a wide range of topics. The wide range of subjects included Agriculture to Management, and Sustainability, Climate change, to motivation and leadership and communication. The sessions are held after office hours, , once every 10 days and hence offer an excellent opportunity for the staff as well as their family members to acquire knowledge in areas that interest them. Driven by the belief that sharing of knowledge is the key to knowledge sustainability we also make this knowledge available to other industries and the Regional Plantations Companies (RPC's) for the benefit of their human resources and hence the entire industry and the country.

In addition KVPL also uses online delivery to empower estate youth through programmes on IT, English and Tamil language training to help pursue careers.






KVPI - A SOCIALLY AND ENVIRONMENTALLY WIN-WIN MILESTONE INITIATIVE

6 CLEAN WATER AND SANITATION
14 LIFE BELOW WATER
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

The Kelani Valley Protectors Initiative (KVPI) (which is described at length in the Natural Capital review); is aimed to support the achievement of both social and the natural capital targets we have established for ourselves.

The Kelani River is a vital source of water for over 25% of Sri Lanka's population; but it continues to be heavily polluted by industries and household water and sewage. It is thus alarming that it also serves the drinking water needs of over 6 m. people. The initiative is founded as a KVPL and IUCN supported "Public, Private and People Partnership" and support the Government's "Surakimu Ganga" project which aims to clean and sustain rivers across Sri Lanka. The KVPI will focus on cleaning and maintaining the We-oya catchment of the Kelani River basin and adjacent landscapes.

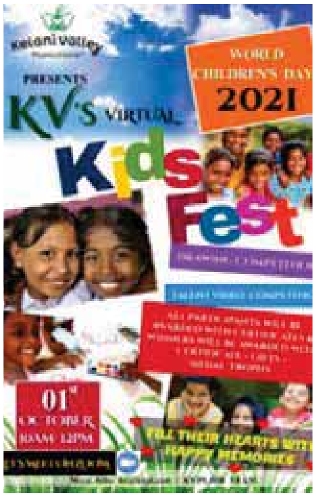
Preventing further pollution, removing existing pollution and safeguarding this source of water will significantly enhance the health, and the quality of life of not only the current generation but future generations. Our project will also include a set of activities to protect the We-oya while ensuring the health, nutrition and safety of communities. In addition to managing plastic, metal and electronic wastes it is also a community based voluntary initiative which will encourage communities to take up win-win activities such as composting, home gardening, and recycling.

Moreover, KVPI is also expected to bring plantation communities, villages, scientists, trainers, Government officials and like-minded entities to a single platform to conserve, manage and monitor the We-oya catchment area.

CELEBRATING CHILDREN ON OUR ESTATES ON INTERNATIONAL CHILDREN'S DAY

4 QUALITY EDUCATION
17 PARTNERSHIPS FOR THE GOALS

KVPL also organised a Children's art and Talent Competition in conjunction with UNICEF, to celebrate International Children's Day on 8th March. The initiative organised on virtual media due to the pandemic restrictions, included an art competition as well as a talent competition at which the children in three categories of under 5, under 12 and under 16 years could sing or dance or showcase any other talent. Winners of first three place in each category were awarded prizes while all the participants were given certificates of participation. Which the participants were videoed and the chosen videos also placed on.



SOCIAL AND RELATIONSHIP CAPITAL

STREET DRAMA PROGRAMME

Street drama is a proven effective tool in conveying important messages and raising awareness during the eyer KVPL conducted 35 such street dramas to create awareness and mobilise action towards the following important topics :

- Prevention of Alcoholism
- COVID 19 precautions
- Happy Family Concept which focuses on a range of issues which are important to create a happy family and addresses some pressing issues common on estates, such as domestic violence, gender equity, importance of education of the child, sports and recreation, work-life balance, home gardening.
- Importance of breast feeding.

CONTINUING TO BATTLE THE CHALLENGE OF COVID-19

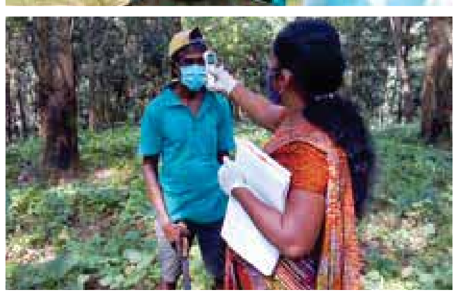
Following the start of the COVID 19 pandemic in 2020, the year under review saw another challenging year as the pandemic continued into 2021 and reached a peak in Sri Lanka during May to November; resulting in significant loss of lives and livelihoods for many. As we enumerated in last year's report, KVPL was able to manage the pandemic and its impacts on its people owing to a swift response to minimise the spread, and a concerted and spirited effort by the entire team of senior managers, managers to field level staff . Year 2021 also necessitated prolonged periods of lockdowns and which posed greater difficulty in accessing food and other essential items to estate communities than it did to those who live close to cities. Once again, the entire team of managers and executives rose to the occasion with hands on engagement from the top, to ensure that no household on our plantations was left wanting under these unprecedented circumstances.

It is most encouraging that the importance we place on engendering trust and ensuring effective channels of communication and dissemination of information in the organisation were both proven effective and valuable during the year.

OUR COVID-19 RESPONSE FROM 2020-2022, IN A NUTSHELL

- Continued to implement the COVID 19 Safety Policy
- Vaccination to achieve 100% coverage of eligible employees
- Distributed masks, medicines and other requirements to workers
- Ensured continuity of operations with minimal attendance required to minimise exposure and enable social distancing
- Continued the sanitisation of frequently used common areas such as workstations, equipment, screens, doorknobs and restrooms
- Expanded hand washing facilities at offices, plucking fields and factories and other areas to enable hand washing
- Continued awareness sessions on risks, prevention and safety measures through training programmes and display of posters
- Activated Emergency Teams at estate and divisional levels
- Expanded the focus of the Health, Safety & Wellbeing committees and Vigilance Committees
- Continued with the practice of mandated staggered lunch and tea breaks to facilitate social distancing
- Provided special training for Child Development Centre Officers to take extra measures required in caring for children under pandemic conditions
- Provided herbal drinks and foods as immunity boosters.






CSR

In addition to our planned social sustainability projects, the Company also conducts several community upliftment projects and responds at times of needs. Some of these many other initiatives play a valuable role in achieving our targets and objective of better Quality of Life and Quality of Work Life. These include the following :

- Dental clinic
- Dengue awareness programme
- Eye clinics
- AIDS awareness programme
- TB awareness programme
- Blood donation camps
- Oral cancer programmes
- Non-communicable disease clinics
- Cataract removal surgeries
- Medical camps
- Ayurvedic medical camps
- Immunisation clinics as per government instructions
- Antenatal and postnatal care clinics
- Free feeding programme for pregnant and lactating mothers
- Street dramas
- Alcohol prevention programme
- Supporting plantation workers obtain their national identity cards
- DP Education a valuable online portal which provides a variety of options for children to continue their education was facilitated at our Child Development Centres
- Scholarship for O/L, A/L & University students
- Career Guidance for youth

SUPPORTING VILLAGE AND COMMUNITY INITIATIVES AND VOLUNTEERISM

KVPL also lends its resources to different community developed initiatives and activities which build camaraderie and strengthen bonds such as religious festivals, sports and other recreational activities as well as Shramadhana programmes to clean their neighborhoods.

GRI 415-1

POLITICAL CONTRIBUTIONS

As a policy KVPL refrains from making any contributions to any Sri Lanka or foreign political party or person or affiliate.

GRI 419-1

There were no incident of non-compliance with any laws or regulations and hence no fines or penalties for non-compliance during the year.

CUSTOMERS RELATIONSHIPS

Our long term approach in business based on engendering trust and reliability with all our stakeholders also extends to our customers. Customer engagement is also guided by our company values and the ESG framework which further bolsters transparency.

Accordingly, in our tea business, we invite and encourage all our buyers who are major exporters to visit our estates with their clients at any time where we showcase our quality system, process and demonstrate and explain the key quality and sustainability measures we have adopted in our field and factory operations. We also invite our key buyers for tea testing sessions on our estates, as an opportunity to show case our teas as well as to obtain their valuable feedback on the product.
Some of the ways in which we engage with our customers had to change during the year due to the restrictive environment owing to the pandemic and the social distancing it required. For instance, the monthly visits to most of the tea traders by our General Manager of Marketing had to be replaced by digital meetings. A number of foreign buyers who were to visit our factories also could not do so due to travel restrictions.

In addition to the direct and indirect methods of customer engagement the Company also continues to facilitate consumer participation in its social sustainability initiative "A Home for Every Plantation Worker" by transferring Rs.1.50 from every kg of our single origin tea range to the fund.

SUPPLIERS

The fact that a number of our suppliers are those who have been our suppliers since 1992 (the privatisation of the Company), reflects the strength and sustainability of our supplier relationships.

SHAREHOLDERS

The Social DNA of the KVPL ESG framework covers Customers, Suppliers and Shareholders. The inclusion of Governance to the sustainability framework into the "KVPL Corporate DNA" framework launched this year, reflects the focus on strengthening governance and engagement with shareholders.

Moreover, the fact that the Company has been committed to providing attractive returns on investments to its owners of capital they are offered the best returns under the Company's value per share policy.

NATURAL CAPITAL

Our green Vision "To be the Environmentally Sensitive Tea & Rubber Producer of the World" is a natural extension of our business strategy. As a Company that strives to create value in Agriculture, we are always mindful that the long term productivity of our land, our people and financial capital are mutually dependent. And thus, sustaining our profitability for the long term requires sustaining as well as enhancing the value of our natural capital which includes over 13,000 hectares of land spread across the Up Country, Mid Country and Low Country of Sri Lanka. Some of these localities of our natural capital are also home to, or neighbours, some of Sri Lanka's rich bio diversity.

Today, our strategies and efforts to protect and enhance the value of Sri Lanka's Natural Capital are guided by the "Hayleys Life Code" and "KVPL's Corporate DNA", with a target to become Net Zero by 2050.

Our approach to sustaining the value of our natural capital is two pronged; we strive to minimise our environmental foot print on the one hand and proactively seek ways in which we can contribute to shaping a greener future and protecting our earth, on the other hand.

KVPL's corporate DNA on Environment has set in place an environmental management framework with targets to achieve by 2030 with the following focus areas for action

- Reliance on sustainable and renewable energy sources
- Reduction in energy intensity through improvement of operational efficiencies
- Phase-out of our absolute carbon footprint (aligning with science based targets)
- Application of sustainable water sources, reduction in water intensity through efficiency improvements
- Value additions over all the waste generations
- Ensure the responsible consumptions of natural resources and sustainable productions across the group
- Ensure best chemical management practices across the supply chain
- Biodiversity conservation and preservation relating to our business operations

The lofty targets to reach by 2030 toward the above:

- 30% reduction in absolute GHG emissions which is also related to ensuring
- 90% sustainable and renewable energy applications and
- 30% reduction in energy intensity

Our proactive approach with a target to become Net Zero by 2050 include the following:

1. Adoption of environmental best practices and international standards.
2. Development of renewable energy.
3. Efforts to directly impact the long term value of natural capital.
4. Planning for and responding to climate change impacts.
5. Targeting a Triple Bottom Line by integrating people and profit in environmental initiatives where ever possible.
6. Assessment of biodiversity on all our estates.
7. Staff training on biodiversity conservation and empowering youth for Biodiversity conservation

THE INTERNATIONAL CERTIFICATIONS WHICH ENDORSE OUR ENVIRONMENTAL SUSTAINABILITY COMMITMENT

- Rainforest Alliance for all our tea gardens
- Forest Stewardship Council for all our rubber gardens.
- USDA- NOP and EU organic certifications for rubber.
- Sustainability Framework certification for rubber.

The Commitments to International & Local Mandates:

- The CEO Water Mandate
- Member of the United Nations Global Compact (UNGC) and commitment to its 10 UNGC Principles
- The UN's Sustainable Development Goals
- Active member of Biodiversity Sri Lanka

KVPL Environmental Policy

KVPL is committed to conserving the environment for future generations by aligning its plantations in compliance with legal and voluntary international environmental management principles. To this end, we adopt sustainable, environmentally friendly processes with the participation of all employees whilst creating a framework to continually improve the system.

The other environment related policies implemented at KVPL

- Energy and Emissions Policy
- Chemical Management
- Water
- Material and Waste
- Biodiversity

6 CLEAN WATER AND SANITATION
15 LIFE ON LAND

As a plantation company, our operation is positively impacted on the Environment in;

- Soil conservation
- Watershed management
- Increasing green cover due to tree planting
- Plantation crops, commercial and conservation forest area act as a GHG sink
- Maintaining an inventory of biodiversity at all our estates

OPERATIONAL SITES OWNED, LEASED MANAGED OR ADJACENT TO PROTECTED AREAS AND AREAS OF HIGH BIO DIVERSITY VALUE OUTSIDE PROTECTED AREAS

GRI 304-1, SDG 6, 15, UNGC 8

Conservation Area (Ha)

Forest	1,501.61
Marsh Land	180.09
Rock Area	266.93
Watersheds	83.10
River/water sources	15.95
Total (Ha)	2,047.68

Amount expended on habitat conservation and prevention and environmental management: Rs. 3,703,607

NATURAL CAPITAL

PROACTIVE ACTION TO CONSERVE THE ENVIRONMENT AND PROTECT THE EARTH

6 CLEAN WATER AND SANITATION
14 LIFE BELOW WATER
15 LIFE ON LAND

Launch of Initiative to Protect Sri Lanka's Natural Water Resources as a community based environmental project:

Recognising the importance of achieving and protecting the quality of water in Sri Lanka's natural water bodies and rivers, the year under review saw KVPL launch the "Kelani Valley Protectors Initiative (KVPI)" as a joint Public, Private and People partnership with the International Union for the Conservation of Nature (IUCN), to support the Government's "Surakimu Ganga" Programme. The programme aims to clean and protect the Kelani River Basin.

The Kelani River meets the needs of more than 25% of Sri Lankans and provides drinking water for more than 6 m people in Colombo and its suburbs. The river is however continuously polluted, by effluents from the many industries in the district, fertilizer residue and eroded sediment from agricultural activities, bacteria from toilets, household waste, municipal waste and discarded plastic and metal. Its purification is thus of critical importance not only for the conservation of nature but for the health and safety of resident populations.

KVPL would initially focus on cleaning the We-oya catchment of the Kelani River. The efforts since the launch of the programme saw the collection of over 60 kgs. of plastic by our employees at We-oya estate. Collection of plastic and other harmful material will continue on We-oya estate, well supported by the use of two Kayaks donated by the IUCN for the use by our estate staff towards this end.

The overarching objective of KVPL is to increase collaboration between private sector and Government entities as well as scientists and other stakeholders, to promote Nature-based Solutions (NbS) for greening the river basin, improving water safety, preventing soil erosion, plastic and other waste management, reducing chemical foot prints and citizen science and management effectiveness tools to make the We-oya catchment pollution free. In addition our specific objectives include:

1. Adoption of Nature-based Solutions (NbS) for greening the We-oya catchment, its ecosystem and ecosystem services.
2. The design and support from Kelani Valley Plantation PLC to demonstrate a replicable Public, Private, People Partnership for catchment protection to support the Surakimu Ganga Programme
3. Ensuring a continuous Monitoring, Evaluation, Accountability and Learning (MEAL) approach.

The other entities that partner the initiative include the Divisional Secretariat, Forest, Wildlife, Agriculture and Health related agencies, Ministry of Environment, the UN Environmental Programme, Central Environment Authority, National Water Supply and Drainage Board and other like-minded entities.

In addition to ensuring cleaner water bodies, KVPI's objectives also extend to improving adjacent landscapes and the upliftment of communities in the area, looking into their health and nutrition as well as economic and environmental upliftment by promoting compost production, home gardening and recycling amongst the local communities. Furthermore, we will also look to empower youth by imparting skills such as first aid training, swimming and lifesaving skills and also help schools in the area by providing volunteer teachers and education material and create awareness to generate environmental stewardship by school children and youth.

Launch of KVPI at the We Oya estate in Yatiyantota on 28 February 2022

ADVERSITY SPARKS INGENUITY

The ban on imports of Chemical fertilizer as well as weedicides in 2021 caused severe hardships to Sri Lanka's Agriculture, whether it be the paddy, vegetables fruits or tea. Productivity of land began to plummet in most of these sectors.

KVPL responded to the challenge of the unavailability of weedicides, by introducing a 'Buy Back of Weeds" scheme, a win-win project where our workers and their families during their non-working hours are encouraged to hand pull the hard weeds during their early stages of growth and thereby earn an additional income. KVPL would purchase these pulled out weeds at a fair price per kg. to use as raw material for organic fertilizer. In addition to the rapid removal of weeds and the resulting benefit to the soil's productivity, and their use to KVPL as a raw material for organic fertilizer; the manual weeding also activates the surface "Feeder Root" system of the tea bushes enabling the root to draw in more nutrients from the soil. It thus has Triple Bottom Line impacts.

Buy Back Weeds and preparation of compost

MINIMISING OUR FOOTPRINT

Our efforts to minimise our negative impacts focus on reducing the consumption of Energy, Water and Materials on the one hand and on reducing the impacts of our operations by addressing emissions and effluence.

Points of Negative Impacts	Steps we take to minimize /eliminate
The use of Agro Chemicals	Minimise usage, follow an Integrated pest management plan approved by TRI, improve soil conditions to maximise fertilizer efficiency
Release of waste water	Water used by tea factories is released through soakage pits whilst the rubber estates ensure that the water is treated by effluent treatment plants prior to release to environment.
Impact on soil due to mono crop cultivation	Crop diversification, increasing the bio diversity in riverine boundaries and growing forest patches
Usage of fuel wood for tea factories	Cultivation /usage of sustainable biomass, screening of biomass suppliers for environmental sustainability initiatives. Forestry management plan

Goal	Strategy	Approach
Materials Management	Reduce material usage. Smart Precision Agriculture techniques.	Compliance with Company policies
Energy Management	Reduce impact of GHG emissions by planting trees. Improve the efficiency & effectiveness of energy usage	Compliance with company policies and national and international standards.
Water Management	Maintain quality drinking water and waste water treatment.	Compliance with national environmental laws & regulations
Waste Management	Increase recycling of solid waste and composting of biodegradable waste.	Compliance with Company policies
Habitat Conservation	Maintain soil nutrient levels and reduce erosion. Biodiversity conservation.	Compliance with Company policies

NATURAL CAPITAL

MATERIALS MANAGEMENT

Materials used by KVPL include renewable energy materials which is primarily green leaf, latex and packaging materials (paper bags) and the non-renewable inputs such as Fertilizer, Dolomite and Agrochemicals in liquid and solid form.
The Company began the use of Smart precision agriculture techniques such as the use of soil augers and burring of weeds, site specific precision fertilizer applications in keeping with the soil test and the integrated usage of fertilizers with organic fertilizers like compost made on our own estates using bio-degradable wastes, weeds, reduces and usage of synthetic fertilizers.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION



Usage of soil augers and preparation of compost in the estate

KVPL has raised the bar for itself by setting itself targets that are higher than the minimum standards for Agrochemicals established by the Tea Research Institute and the Rubber Research Institute and aims to meet the globally accepted sustainable agriculture standards.

THE RENEWABLE AND NON-RENEWABLE MATERIAL USAGE IS PRESENTED BELOW

GRI 301-1, SDG 12, 13, UNGC 7, 8

MATERIAL USED BY WEIGHT OR VOLUME

Usage of nonrenewable Material				
Type of Material	Unit	2021/22	2020/21	2019/20
Fertilizer	Kg	1,292,435	3,099,097	2,706,795
Dolomite	Kg	2,123,907	2,046,777	965,685
Agrochemicals(Liquid form)	Ltr	13,864	18,942	13,393
Agrochemicals (Solid form)	Kg	2,094	2,244	2,414

Renewable Material Used				
Type of material	Units	2021/22	2020/21	2019/20
Bought leaf	kg	2,743,594	2,293,333	4,222,222
Estate leaf	kg	17,609,419	17,893,179	17,185,575
Total green leaf	**kg**	**20,353,013**	**20,186,512**	**21,407,797**
Bought latex	kg	238,903	126,000	134,000
Estate latex	kg	2,745,943	3,304,000	2,710,000
Total latex	**kg**	**2,984,846**	**3,430,000**	**2,844,000**
Packing Materials	Nos.	113,283	92,364	98,593
Firewood	m3/Cubes	28,947	27,789	30,079

ENERGY MANAGEMENT

The need for conservation of energy and sources of renewal energy have been made more urgent than ever. The need is that much greater and immediate due to foreign currency crisis. The processing of Tea is an energy intensive industry. KVPL thus approaches Energy management through efforts to reduce our consumption whilst also developing renewable energy wherever possible. Renewable energy is also of critical importance due to their environmental friendliness in comparison to the detrimental effect of greenhouse gas emissions from other forms of energy.

Our efforts to develop and harness renewable energy to date

KVPL's renewable energy initiatives include generation of hydropower, solar power and bio mass.

KVPL Hydro power projects:

Utilise the availability of water streams and strong current on the estates of Glassaugh, Kalupahana and Battalagalla and the generated power is provided for the CEB grid.

Hydro Power Generation		
	20/21 Units (kWh)	21/22 Units (kWh)
Kalupahana	2,351,427	3,392,944
Glassaugh	7,471,085	8,593,201
Batalgalla	211,863	250,528
Total	10,034,375	12,236,673

There are also other small hydropower generation units in Tillyrie, Glassugh and Udaradella estates these factories consume the entire power generation. Discussions are also underway to repair and begin to use some of the other peltons available on our estates which are currently not in use, these include the plants on Edinburgh, Annfield, Kelani and Invery estates.

Solar Power projects

Annual solar power generation of Dewalakanda factory rooftop is;

Solar Power Generation in 2021/22 - 167,610 units kWh

KVPL is planing to commence 3 more roof top solar power projects in Panawatte, Ingestre factories and regional office, Dickoya.

KVPL has installed bio mass boilers to meet part of the energy requirements of the tea drying and withering processes. Fired using non-viable rubber wood from the Company's own rubber plantations, these bio mass boilers provide 95% of the total energy requirements of the tea drying ad withering process. We plant blocks of new fuelwood to obtain a regular supply of wood and in addition maintain plant nurseries for a regular supply of fuelwood plants.

Energy Source	2021/22	2020/21	2019/20
Total non-renewable energy usage (GJ)	14,505	12,969	12,870
Total renewable energy usage (GJ)	122,194	112,891	117,597

NATURAL CAPITAL

GRI 302-4

Reducing Energy Consumption

In addition to the large scale efforts of conservation, one of the Company's policies to conserve energy is the use of LED bulbs which consume lower levels of energy compared to conventional bulbs. Investing energy efficient machinery and equipment including Capacity Banks and Variable Frequency Drivers-VFD) in factories also helps conserve energy.

Moreover, we began the installation of circular chain saws and firewood splitters in all Tea Factories to obtain the maximum efficiency of firewood use for Tea production.

Energy Consumption within the Organisation

GRI 302-1, SDG 7,8,12,13, UNGC 7,8

Energy Source	Amount (GJ)		
	2021/22	2020/21	2019/20
Total Diesel Usage	12,117	10,841	10,910
Total Petrol Usage	2,004	1,724	1,573
Firewood	122,194	112,891	117,597
LP Gas	384	405	387
Total energy consumption from direct energy sources (GJ)	136,699	125,861	130,467

Location	Amount of electricity energy consumed	
	2021/22	2020/21
Factory	22,986	18,278
Office	713	510
Bungalow(s)	1,621	1,312
Quarters	167	159
Others	444	274
Total energy consumption from indirect energy sources (GJ)	25,931	20,532

WATER MANAGEMENT

The Kelani Valley Protectors Initiative (KPI) described on page 126 is a milestone Initiative which is aimed at cleaning a vital source of water for more than 25% of Sri Lankan population -the Kelani River.

As a signatory to the CEO Water Mandate (a public-private initiative sponsored by the United Nations Global Compact and the Government of Sweden), KVPL has infused further investments towards safeguarding water quality within its estates. These include maintaining riverine forests and establishing water purification and distribution plants and during the year under review, the launch of the Kelani Valley Protectors Initiatives to clean and protect the Kelani River basin in collaboration with the IUCN and in support of the Government's Surakimu Ganga project

As a custodian of large extents of flora and fauna, KVPL understands the importance of protecting essential life sustaining water sheds; and has hence developed a formal policy for watershed management, to protect all watersheds and water resources within Company lands. Towards this end, the Company strictly observes guidelines on chemical-free buffer zones and vegetation barriers around water sources and has also established soak pits in all estates to prevent water pollution due to community activities.

Periodic laboratory tests are conducted to ensure quality of drinking water in our estates and waste water filtration, through soak pits is tested by independent laboratories to assess effectiveness of existing systems and to develop further improvements.

In compliance with Rainforest Alliance (RA) certification to which we have pledge our commitment, we have mapped all water resources within our estates. The Company invests in regular maintenance work on the water distribution network and has installed waste water treatment tanks to prevent leakage of waste water and sewerage not water bodies. Septic tanks are not installed in flood-prone areas as a precaution and if water quality is found to be negatively affected anywhere corrective action is taken immediately.

Buffer zone maintenances, Effluent Treatment Plant and waste water testing

WATER WITHDRAWAL BY SOURCE

GRI 303-1, SDG 6, UNGC 7,8

As a Plantation Company KVPL uses natural surface water for manufacturing and other operations.

Surface water withdrawal	85,265,201 Ltr
Monthly Average rainfall	246 mm
Number of wet days	176

SOIL CONSERVATION

As a plantation, one of our key business and Environmental strategies is the protection, sustenance and quality enhancement of the soil we reap from. KVPL's initiatives to conserve soil includes crop rotation to minimise environmental impact, planting of cover crops, prevention of soil erosion and minimising the use of chemicals. During the year under review we launched the manufacture of compost on each of our estates and expertise from the Agriculture faculty of the University of Peradeniya was obtained in preparation of the recipe of this compost. It is more than a regular compost but we can name it as bio fertilizer as it contains more nutrients due to its recipe.

Drains and cover crops as soil conservation practices

MEASURES TO IMPROVE THE SOIL'S WATER RETENTION

KVPL uses ground cover management to reduce the evaporation of rain water from ground surfaces during drought conditions, using methods such as:

- Burying of pruned litter cut along tea inter rows which will help preserve rain water in soil for more than 2 years.
- Proper mulching of tea inter rows with a suitable thatching material or shade lopping.
- Proper tea bush management following suitable pruning practices.
- Incorporation of organic matter such as compost, weed compost and refuse tea.
- Establishment of cover crops and cutting them back to ground level before the on set of drought
- Leaving of soft herbs on the ground.
- Soil rehabilitation

NATURAL CAPITAL

PREVENTING EROSION

Company implements a number of soil erosion measuring and mitigation actions. These include:

- Proper land preparation before planting of tea and forking of mature tea fields in order to loosen the soil or reduce its bulk density to improve water retention capacity.
- Both on-farm and off-farm soil conservations are used. Namely cutting of " lock and spill" type lateral drains equipped with slit/reverse slopes on contour lines helps to retain a high volume of water whilst depositing soil which slides down with runoff water during rains and to gradually absorb water into soil.
- Off-farm (off-land) interventions, connect all contour drains to the leader drain to remove excess into the leader drain.

Company is currently conducting an environmental impact survey and monitoring the progress of uprooting and replanting programme.

BIO DIVERSITY

- **Second round biodiversity assessment plan**

Having completed biodiversity assessments of all of our estates, we are now engaged in a second round of assessments to evaluate changes to existing bio diversity on our estates. It will begin with a Biodiversity assessment of Halgolle in 2022 by IUCN Sri Lanka, the most reputed organisation in biodiversity conservation.

- **Training and awareness on Biodiversity**

Misty Hills- Youth Ambassador Programme was conducted in partnership with Kirin Beverages Company Limited, Japan and Friends of Horton Plains (FOHP)

Several internal and external training programmes have been conducted during the last financial year to enhance the knowledge of workers, staff and executives on flora & fauna available on our estates, maintaining buffer zones and importance of other biodiversity conservation measures.

The biodiversity training programme for estate youth 'Misty Hills- Youth Ambassador Programme was conducted in partnership with Kirin Beverages Company Limited, Japan and Friends of Horton Plains (FOHP). This initiative trained 50 estate youth and 12 estate staff on biodiversity conservation at a 3 day residential programme at Horton Plains.

In line with the Kelani Valley Protectors Initiative, which is described on page 126, we have planted native fruit species along the riverine of We-oya, a major water catchment to Kelani River. By selecting fruit species, we hope to achieve two objectives of enhancing not only plant diversity as well as animal and bird diversity as well.

Tree planting programme in line with Kelani Valley Protectors Initiative at We Oya estate

EMISSIONS

- **Commitment to a Science Based Target initiative to reduce our Carbon footprint**

KVPL 'committed to Science Base Target initiative' in 2020 to become a "Carbon Conscious" company and to become "Climate Friendly" company with long-term vision of "To be a NetZero by 2050" as per the Paris Agreement to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. At the moment we are in the process of target setting. During the year under review, we recorded the footprint of 25 estates located in Nuwara Eliya, Hatton and Yatiyantota covering an area of 13,128 hectares, employing over 8,589 people.

KVPL is in the process of obtaining ISO 14064-1:2015 Standard certification for the verification of organisational GHG emission by Sri Lanka Climate fund.

GHG EMISSIONS (tCO_2e)

Direct (SCOPE 1) GHG emissions, Energy indirect (scope 2) GHG emissions, other indirect (Scope 3) GHG emissions, Reduction of GHG emissions.

GRI 305-1, 305-2, 305-3, 305-5, /SDG 3, 12, 13,15 UNGC 7,8

Scope	2021/22	2020/21	Reduction of GHG emissions (tCO_2e)
Direct (Scope1) GHG Emissions	1,392	1,377	15
Energy indirect (Scope 2) GHG Emissions	4,260	3,612	648
Other indirect (Scope 3) GHG emissions	87	58	29
Total GHG emissions	5,805	5,047	758

Scope 1: Consumption of Diesel, Petrol, LPG, sustainable bio mass, fertilizer (Dolomite and Urea),CO_2 fire extinguisher, refrigerant, water treatment

Scope 2: Electricity usage from CEB, electricity transmission and distribution losses

Scope 3: Packing material, plastic recycling, waste disposal, business air travel Exclusions; employee commuting, raw material transport, 3rd party transport, compost.

Projects invested in as carbon sinks and to reduce the GHG emission;
Reforestation, Solar Power Projects, Hydro Power Projects

GHG Saving from Hydro & Solar power generation: 9,967.28 tCO_2

EFFLUENCE AND WASTE MANAGEMENT

KVPL's Rubber processing factors are equipped with Central Environmental Authority (CEA) approved effluent treatment plants. The Company is also establishing soak pits to filter waste water. Further, Company is establishing small plants of Liliaceae family as natural barriers where the gray water is released in to the environment.

Water treated by effluent treatment plants: 100,244,727L

KVPL'S INTEGRATED WASTE MANAGEMENT PROGRAMME

This initiative encourages employees and estate communities to practice waste segregation, waste collection as well as composting techniques for degradable waste. Empty chemical containers used in estates are sent for recycling. In addition training and awareness programmes are conducted to promote eco-friendly practices amongst employees. Furthermore, some estates sell some of their selected solid waste to waste collectors and earn an additional income for the benefit of the estate community.

Waste collection points established in estates

NATURAL CAPITAL

WASTE TYPE AND DISPOSAL METHOD

GRI 306-2, SDG 3,12, UNGC 8

Waste generated by KVPL estates and their disposal method

Type of waste (nonhazardous)	Weight Kgs	Disposal method
Bio degradable waste	6,335	Composting and Dumping
Non-bio degradable waste		
Glass	161	Onsite storage
Paper	669	Recycling and Dumping
Polythene	402	Dumping
Plastic	398	Recycling and Dumping
Hazardous waste		
e-waste	388	On site storage and Recycling
Bulbs	198	On site storage
Empty chemical cans	1,067	Recycling

NON COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

GRI 307-1, SDG 16, UNGC 8

KVPL is fully compliant with all applicable environmental laws and regulations and did not face any fines or penalties for non-compliance during the year under review.

WE DO NOT SEE INABILITY; ONLY POSSIBILITY

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CORPORATE GOVERNANCE

GRI 102-16, 17,18

STATEMENT FROM THE CHAIRMAN ON CORPORATE GOVERNANCE

Good corporate governance is a vital element that contributes to the long term growth and sustainability of KVPL. We strive to emulate good governance practices in all our day-to-day activities vis-à-vis strategies and procedures to facilitate good ethical behavior and a sound ethical culture. Our Corporate Governance framework consists of strong business principles, sound policies and procedures, underpinned by an efficient monitoring mechanism, where the Board of Directors stands as the apex governing body.

The Board consists of diverse mix of individuals drawn from various disciplines. Their collective experience and varied perspectives have enabled the Company to implement strategic initiatives to enhance performance of KVPL, to overcome numerous sector-specific business challenges that we had to face in the period under review.

Our governance framework is geared to strengthen the roles and responsibilities of the Board of Directors of the Group, ensure transparency and accountability and reinforce our commitment to provide sustainable returns for the benefit of all internal and external stakeholders, despite all odds. Our Code of Conduct and Business Governance offers direction for all the employees across the organisation, where we continually stress on the values of good governance, honesty, integrity and fairness.

This section of the Annual Report seeks to demonstrate KVPL's governance framework in action and its correlation to the regulatory framework applicable to our business. Accordingly, our business principles reflect the standards set out to ensure that we operate lawfully and comply with all mandatory requirements including the Companies Act, No. 07 of 2007 and the updated Code of Best Practice on Corporate Governance, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We hope that this brief message will be of value to you in assessing how the regulatory requirements and best practices are being put into action across KVPL.

I assure you that we make every effort to continuously improve our Corporate Governance practices by complying with the relevant regulatory and governance framework to achieve ethical and stewardship obligations, while supporting the creation of long - term sustainable stakeholder value.

As required in the above Code, I together with the Board of Directors hereby confirm that, we are not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics as the case maybe by any Director or any member of the Corporate Management of KVPL.

A M Pandithage
Chairman

Corporate Governance is the systems of rules, practices, and processes by which an organisation is directed, controlled and managed. The framework guides the organisation and drives towards progress by way of developing and implementing appropriate corporate strategies. In pursuing the corporate objectives, we have committed to the highest level of governance and strive to foster a culture that helps build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business ethics, thereby nurturing stronger growth and more inclusive societies out of integrity and mutual respect.

The Corporate Governance Framework at Kelani Valley Plantations plays a vital role in order to achieve a sustainable growth. Therefore we endeavor ethical business practices while maintaining the trust placed by our stakeholders.

KVPL confirms that it is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules applicable to the businesses of the Company. Further, the Company's practices are in line with the Code of Best Practices on Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CASL).

GRI 102-22

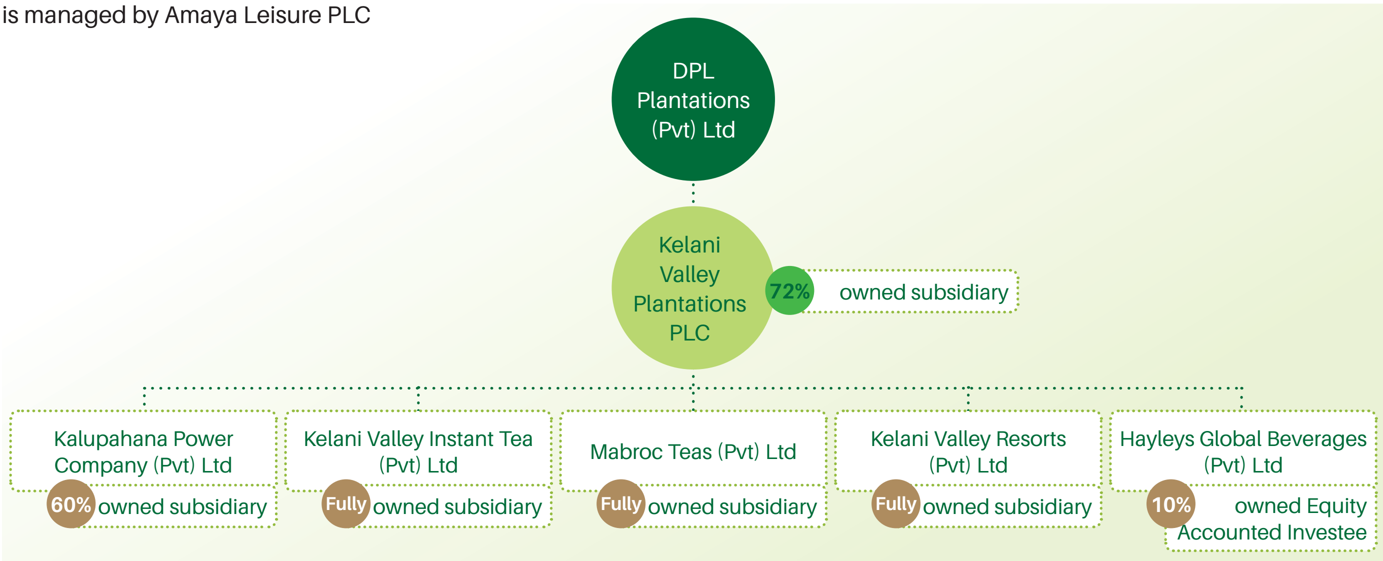
"Corporate Governance should be done more through principles than rules"

OWNERSHIP

Kelani Valley Plantations PLC (KVPL) is a member of the Hayley's Group and a subsidiary of DPL Plantations (Pvt) Ltd ("DPLP"), which is a fully owned subsidiary of Dipped Products PLC ("DPL"), a leading manufacturer of hand-protection wear in the world. Mabroc Teas (Pvt) Ltd ("MTPL"), Kelani Valley Resorts (Pvt) Ltd (KVR) and Kelani Valley Instant Tea (Pvt) Ltd ("KVIT") are fully owned subsidiaries of KVPL. Mabroc Teas (Pvt) Ltd is one of Sri Lanka`s leading tea exporters supplying a wide range of teas to the global markets. Kelani Valley Resorts (Pvt) Ltd operates the Oliphant Boutique Bungalow which is managed by Amaya Leisure PLC

In association with Eco-Power (Pvt) Ltd., KVPL established Kalupahana Power Company Ltd., in 2003, contributing 01 mw of electricity through its mini-hydro plant. 60% of Kalupahana Power Company (Pvt) Ltd ("KPC") is owned by KVPL. Martin Bauer Hayleys (Pvt) Ltd. is an equity accounted investee of KVPL and has a 10.1% ownership.

These guidelines, which are updated periodically, outline matters that require Board and Committee approval, advice or review. The Company adopts the Code of Best Practice on Corporate Governance 2013, jointly issued by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (Code) which has been recommended for adoption by listed companies by the Colombo Stock Exchange. In addition to the listing rules, the Code is used as a guideline to determine operational structures and processes that exemplify good governance practices across the business.



Governance and Risk

CORPORATE GOVERNANCE

These guidelines, which are updated periodically, outline matters that require Board and Committee approval, advice or review. The Company adopts the Code of Best Practice on Corporate Governance 2013, jointly issued by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (Code) which has been recommended for adoption by listed companies by the Colombo Stock Exchange. In addition to the listing rules, the Code is used as a guideline to determine operational structures and processes that exemplify good governance practices across the business.

The Names of the Board of Directors and their attendance at meetings

Name of Director	Director Category	05/08/2021	04/11/2021	02/02/2022	10/05/2022	Attendance
A M Pandithage - *Chairman*	Ex	√	√	√	√	4/4
W G R Rajadurai (Managing Director)	Ex	√	√	√	√	4/4
A Weerakoon	Ex	√	√	√	√	4/4
F Mohideen	INEx	√	√	√	√	4/4
S C Ganegoda	NEx	√	√	√	√	4/4
C V Cabraal	INEx	√	√	√	√	4/4
L N de S Wijeyeratne	INEx	√	√	√	√	4/4

Ex: Executive, **INEx**: Independent Non-Executive, **NEx**: Non-Executive

COPORATE GOVERNANCE FRAMEWORK GRI 102-20, 23,24

KVPL Governance guidelines provide Directors and the management with a road map of their respective responsibilities. The KVPL Governance Framework is depicted as follows.

COPORATE GOVERNANCE STRUCTURE GRI 102-18

KVPL Group's governance structure comprises of two levels,

KVPL CORPORATE GOVERNANCE STRUCTURE

External Governance

- Code of Best Practice on Corporate Governance – CASL and SEC of Sri Lanka
- Companies Act No. 07 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Inland Revenue Act No. 10 of 2006 and Inland Revenue Act No. 24 of 2017
- Customs Ordinance No. 17 of 1869
- Exchange Control Act No. 24 of 1953
- Ministry of Plantations
- Chamber of Commerce
- Tea Board of Sri Lanka

Internal Governance

- KVPL Board of Directors
- Hayleys PLC Board of Directors
- Hayleys PLC Group Management Committee (GMC)
- Audit Committee
- Nomination Committee
- Related Party Transactions Review Committee
- Remuneration Committee
- Corporate Management

INTERNAL GOVERNANCE STRUCTURE GRI 102-22

Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. This section details the components that are embedded within the Company, and as a result, have an impact on the execution, and monitoring of all governance related initiatives, systems and processes. The Internal Governance Structure encompasses:

- The Board of Directors
- Board Sub Committees
- The combined role of the Chairman-CEO
- Group Management Committee and other Management Committees
- Employee Empowerment

GRI 102-26, 33

The above components are strengthened and complemented by internal policies, processes and procedures such as strategy formulation and decision making, human resource governance, integrated risk management, IT governance, stakeholder management, and effective communication.

The policies and procedures established under the guidance of KVPL's Board of Directors support an effective and efficient decision making process that helps the company to meet corporate governance standards. It includes the roles various stakeholders play in achieving organisation's goals.

CORPORATE GOVERNANCE

CORPORATE MANAGEMENT TEAM

Comprising of the Managing Director and Director/CEO and the Senior Management Team, the Corporate Management Team is responsible for formulating, obtaining Board approval and implementing strategic imperatives within the policy framework established by the KVPL Board. The Management Committee is tasked with reviewing the annual budget, operational targets, review of monthly performance against budget and capital expenditure proposals prior to making recommendations to the Board.

The Audit Committee and the Corporate Management team are jointly responsible for reviewing managing risks and designing internal control systems to safeguard Company assets, ensure accurate and reliable system of record keeping and the timely dissemination of critical management information.

Corporate Management GRI 102-19

The Board has authorised the Managing Director (MD) as the primary authority responsible for the implementation of policies and achieving of strategic objectives of the Company. The MD is expected to exercise this authority within the policy framework established by the Board and the ethical framework and business practices inherent to the Company, which stipulates that the MD should comply with best practices when dealing with employees, customers, suppliers and the community at large.

The MD is also entrusted with optimising the use of Company's resources and implementing financial strategies outlined in the annual corporate plan and budget. In doing so, the MD should employ a continuous planning process with the active involvement of all executives. A system of regular review of operations is also in place to ensure close monitoring of performance and prompt corrective action is deployed where necessary.

GRI 102-31,34

Monthly Review Committees

Meeting of Finance, Corporate Communications and HR clusters of the Hayleys Group bring together representatives from different sectors of the Group to communicate relevant matters, areas of special interests and concerns, and share best practices. KVPL's Managing Director is a member of the Hayleys Group Management Committee (GMC) and expected to participate in all monthly review meetings. A monthly meeting chaired by the Chairman of the Hayleys PLC brings together all GMC members from different sectors within the Hayleys Group. This provides a platform for the Group to review sector performance, formulate policy, communicate sector relevant matters, areas of special interests and concerns and share best practices.

The Chief Financial Officer of the Company reports to the Hayleys Group CFO on a quarterly basis on any significant risks or concerns affecting the business activities of KVPL and the financials pertaining to the same. This reporting process may be more frequent if warranted. Further, The CFO's forum of the Hayleys Group enables relevant matters to be debated among the CFO's of the Hayleys Group in order to safeguard the interests of the Group.

Executive Management meetings are carried with the participation of The MD, CEO, and all other Heads of departments, to discuss the performance, new initiatives, problems and strategies etc. This works as a brainstorming session where matters pertaining to KVPL's performance, growth, governance, administration etc. are reviewed.

Both the Director Plantations Up Country and Low Country conduct review meetings at a regional level, to assess estate-level performance and discuss issues, strategies and initiatives needed at this level. This process also functions as an effective communication channel between estate level management and the corporate management. The decisions taken at these meetings are tabled and reported to Head Office.

External Governance Structure

We adhere to the regulations, codes and best practices adopted by different governing bodies.

- Companies Act No. 7 of 2007
- Listing rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the Institute of Charted Accountants of Sri Lanka
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka
- Inland Revenue Act No. 10 of 2006 and Inland Revenue Act No. 24 of 2017
- Customs Ordinance
- Foreign Exchange Act
- Tea Board of Sri Lanka
- Chamber of Commerce
- Ministry of Plantations

Internal Audit and Control

The Board jointly with the management is responsible for the Company's internal control and its effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. The Internal Audit and Control function is a comprehensive mechanism that covers all financial, operational and compliance controls, and risk management systems. However it is important to note that any system can expected to provide only reasonable, but not absolute assurance that errors and irregularities are detected and prevented within a reasonable time.

Information Technology (IT) Governance

KVPL's investment in IT covers resources operated and managed centrally and those resources deployed on the various estates where accounts are prepared using a computerised accounting package. The company's IT resources therefore comprises of these Computerised Accounting packages, utility software and networking facilities used at Head Office, including Internet and relevant devices are used to interconnect Head Office with estates.

IT Value and Alignment

In recent years, KVPL has come to leverage on more and more on IT to improve processes across the business. However, investment in IT projects and systems are made after considering their suitability for the related projects. Furthermore, aspects such as cost savings, the provision of timely information and the balance between cost and benefits are also considered when decisions are taken.

With productivity improvement being identified as a key growth driver for KVPL, the Company set up a Performance Monitoring Unit at the Head Office, to monitor the performance of the estates through an online system that delivers critical information in real time.

In additions, introduced digital weighing system for all Tea plantations replacing manual weighing improved the accuracy and timely information through a secured IT system.

Further, SAP- S4/HANA accounting package was implemented from February 2020 to Head office replacing years old XA -400 Accounting package to be in line with the Hayleys group common flat form.

Introduced Tea Ledger system from April 2021 to track Tea sales through auction starting from the point of dispatch to sale by the broker.

IT Risk Management

Risks associated with IT are assessed in the process of KVPL's Risk Management mechanism. The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of antivirus and firewall software, are some of the safeguards currently in place to minimise IT related risks.

External Audit

For the seventh consecutive year, Messrs. Ernst & Young were appointed as the external auditors of the company. The Company is guided by the knowledge and experience of the Audit Committee to ensure effective usage of our external auditor's expertise, while maintaining independence in order to deliver a transparent set of Financial Statements which are certified annually by them.

Whistle-blower Policy GRI 102-17

The Whistle-blower policy provides a mechanism for employees to raise concerns regarding any person within the organisation who they see as engaging in unlawful behavior or violating the Company's code of conduct by engaging in financial fraud, incorrect financial reporting, and improper conduct, breach of values and policies of the organisation. Under the guidelines of the Whistle-blower policy, any employee who raises such concerns will be provided a guarantee that they will be protected from reprisals and victimisation. The Company's whistle-blowing policy enables staff to raise concerns of suspected wrongdoing without fear of reprisal or retribution. The policy allows employees to directly raise concerns with the Company Secretary or a designated officer. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Board Audit Committee.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Section 1: The Company **A. Directors**	
Principle: A.1 The Board GRI 102-23 **AN EFFECTIVE BOARD** The overall effectiveness of the Board is enhanced by the diversity and breadth of perspectives of its members, who combine professional and academic skills and experience. Collectively, the Board also has sufficient financial acumen and knowledge with three Directors holding membership in professional accountancy bodies. All Directors have received comprehensive training and encompassing both general aspects of directorship and matters specific to the Company and industry. During the year under review, The Board consisted of Seven Directors – Four Non-Executive Directors and three Executive Directors including the Chairman. The Board considered that the preset composition and expertise is sufficient to meet the needs of the Group. The Non-Executive Directors contribute with their knowledge and experience collectively gained from experience in serving a variety of public and private organisations. Accordingly, the composition of the Board as at the end of the financial year is illustrated as follows: The profiles of the Directors are found on pages 18 and 19 of this report.	
Principle A.1 The Board GRI 102-20 **Every public company should be headed by and effective Board, Which should direct, lead and control the Company**	
A.1.1 Board meetings COMPLIED	The Board meets on a quarterly basis with special meetings convened if and when the need arises. During the year under review the Board met on four occasions. Details of meetings of the Board and attendance of the members are set out on page 142 of this Report. The information is provided to the Board on a structured manner and regular basis as agreed by the Board. Information to be reported to the Board includes ; • Financial and operational results on pre agreed Key Performance Indicators • Financial performance compared to previous periods, budgets and targets • Impact of risk factors on financial and operating results and actions to mitigate such risks • Compliance with laws and regulations and any non-compliances • Internal control review • Share trading of the Company and related party transactions by Key Management Personnel • Any other matters the Board should be aware of The minutes of the previous Board meeting and above information are distributed among the members 7 days prior to the meeting.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.1.2 Responsibilities of the Board COMPLIED	The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long term sustainable shareholder value through the entrepreneurial leadership. The Board has engaged DPL Plantations (Pvt) Ltd as the managing agent to manage the business and assets of the company. The Board's key responsibilities include: ⦿ Providing direction and guidance to the Company in the formulation of high-level medium, and long term strategies which are aimed at promoting the sustainable long term success of the Company ⦿ Appointing and reviewing the performance of the Chairman, Managing Director and CEO ⦿ Ensure Executive Directors and key management team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place. ⦿ Reviewing, approving and monitoring annual corporate plans, corporate budget and capital expenditure ⦿ Reviewing and approving major acquisitions, disposals and major investments by the management within their limits of authority ⦿ Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management ⦿ Ensure compliance with laws, regulations and ethical standards ⦿ Ensure all stakeholder interests are considered in corporate decisions ⦿ KVPL has adopted Integrated Reporting since 2012 and recognises sustainable business development in corporate strategy, decisions and activities ⦿ Set and communicate values/standards, with adequate attention being paid to accounting policies/ practices and fostering compliance with financial regulations ⦿ Adequacy and the integrity of the Plantation's Internal control systems over financial reporting and Management Information Systems are reviewed by the Board Audit Committee ⦿ Ensuring that financial statements are published quarterly and the Annual Report is published at the end of the financial year ⦿ Determining any changes to the discretions/authorities delegated from the Board to the key management team ⦿ Approving any amendments to constitutional documents
A.1.3 GRI 102-27 Compliance with the laws of the country and agreed to obtain independent professional advice. COMPLIED	The Board collectively as well the Directors individually, recognise their duty to comply with laws of the country which are applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. Directors have the power to obtain independent professional advice as deemed necessary, in furtherance of their duties, at the Company's expense. This will be coordinated through the Board Secretary facilitated through Hayleys Group Legal and Group Finance, as and when it is requested.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.1.4 Access to the advice and services of the Company Secretary. COMPLIED	The services and advice of the Company Secretary are available to all the Directors. The Company Secretary ensures that Board procedures and all applicable rules and regulation are complied with. The removal of the secretary is a matter for the Board as a whole. Obtained a directors and officers' liability insurance, providing worldwide cover to indemnify all Directors and Officers.
A.1.5 Independent judgment of the Directors. COMPLIED	Non-Executive Directors are independent from the Management and free from any business and other relations. None of the other Directors are related to each other. This enables all the members of the Board to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.
A.1.6 Dedication of adequate time and effort of the Directors COMPLIED	The Board of Directors dedicates adequate time and effort to ensure that their duties and responsibilities towards Company and Board are discharged. Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.8 Training for new and existing Directors COMPLIED	The Board of Directors recognises the need for continuous training & expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors. Every new Director and existing Directors are provided training on general aspects of directorship and matters specific to the industry when they are first appointed to the Board. Training programmes for top-management cover the training requirement for the Directors as well. Training was provided through the ultimate parent Hayleys group during the year.
Principle: A.2 Chairman and Chief Executive Officer (CEO) **There are two key tasks at the top of every public company - conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.**	
A.2.1 Division of responsibilities of Chairman and CEO COMPLIED	The Chairman and the Chief Executive Officer of the Company are two different personnel with a clear distinction between powers and authority. The Chairman of the Company is also the Chairman of DPL Plantations Limited, Dipped Products PLC and Hayleys PLC. The separation between the position of the Chairman and officers with executive powers in the Company ensure a balance of power and authority.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle: A.3 Chairman's role G4-42 **The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.**	
A.3.1 GRI 102-26 Chairman's role COMPLIED	The Chairman's role involves: ⦿ Approving the agenda for each meeting prepared in consultation with the CEO, Directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. ⦿ Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. ⦿ Ensuring that all Directors are aware of their duties and responsibilities ⦿ All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company ⦿ All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda ⦿ Maintaining the balance of power between Executive and Non-Executive Directors ⦿ The view of Directors on issues under consideration are ascertained ⦿ The Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders
Principle: A.4 Financial Acumen **The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.**	
A.4.1 Financial acumen. COMPLIED	The Board includes two senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Executive Director of Hayleys PLC .The Audit Committee Chairman is also a Senior Charted Accountant. Other members of the Board are adequately experienced in handling matters of finance by serving in different organisations. Hence the Board is with sufficient financial acumen and knowledge to offer guidance on matters of finance.
Principle: A.5 Board Balance **It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.**	
A.5.1 Non-Executive Directors COMPLIED	Four out of seven Directors as at 31 March on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfy the requirements laid down in the Listing Rules of the Colombo Stock Exchange
A.5.2 Independence of Non-Executive Directors COMPLIED	Three of four Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. The Board of Directors of the Company has determined that Mr. F. Mohideen who has served on the Board for over 9 years is nevertheless independent as he is capable of acting objectively and independently.
A.5.3 Independence of Non-Executive Directors COMPLIED	Non-Executive Directors' profiles reflect their caliber and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small Group of Directors dominate Board discussion and decision making.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.5.4 Annual declaration of independence – of Non-Executive Directors COMPLIED	Each Non-Executive Director submits annual declarations on his independence or non-independence in a prescribed format.
A.5.5 Board determination of independence of Non-Executive Directors and disclosure in Annual Report COMPLIED	The Board considers the declaration of independence submitted by each Non- Executive Director with the basis for determination laid down by the Listing Rule of the CSE and the Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Brief resumes of all the Directors is available on pages 18 and 19.
A.5.6 Appointment of alternate Director NOT APPLICABLE	There were no appointments of alternative Directors during the year
A.5.7, A.5.8 Requirement to appoint Senior Independent Director NOT APPLICABLE	This is not applicable as the Chairman and the Managing Director is not the same person.
A.5.9 Chairman's meetings with Non-Executive Directors COMPLIED	The Chairman holds meetings with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time where necessary.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.5.10 Record in the Board minutes of Concerns not unanimously resolved. COMPLIED	All Board/Committee matters of the Company are accordingly minuted with sufficient detail to enable a proper assessment to be made of the deliberations and any discussions taken at the meeting. All discussions during the year were unanimously agreed.
Principle: A.6 Supply of information **The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.**	
A.6.1 Timely and appropriate information to the Board. COMPLIED	Management provides the Board with appropriate and timely information. When information volunteered by management is inadequate, Directors could make further inquiries. Chairman ensures that all Directors are properly briefed on issues arising at the meetings.
A.6.2 Information provided in advance to the Board meetings. COMPLIED	The Board meetings are arranged in advance and all Directors are informed. The Chairman ensures that all Directors are properly briefed on issues arising at the Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the quarterly Board Meetings 7 days prior to the Board/Sub-Committee meetings.
Principle: A.7 Appointments to the Board G4-40 **There should be a formal and transparent procedure for the appointment of new Directors to the Board.**	
A.7.1, A.7.2 GRI 102-24 Appointment to the Board. COMPLIED	As per the recommendation made by the Nomination committee of Hayleys PLC, the ultimate parent company, the Board as a whole approves on the appointment of Directors. The Nomination Committee annually assess the Board Composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.
A.7.3 Appointment of a new Director. COMPLIED	There were no new Board appointments made during the financial year. In the event of new appointments, a brief resume of the Director, nature of his experience and the independence is informed to the Colombo Stock Exchange in line with the listing Rules and disclosed in the Annual Report on Pages 166 and 167.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle: A.8 Re-election **All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.**	
A.8.1, A.8.2 Re-election of Directors COMPLIED	The provisions of the Company's Articles require a Director appointed by the Board during a financial year, to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.
A.8.3 Resignation COMPLIED	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.
Principle: A.9 Appraisal of Board Performance G4-44 GRI 102-28 **Board periodically appraises their own performance in order to ensure that Board responsibilities are satisfactorily discharged.**	
A.9.1, A.9.2, A.9.3, A.9.4 Appraisal of Board performance COMPLIED	The performance of the Board and Sub-Committees is evaluated annually on self-assessment basis.
Principle: A.10 Disclosure of Information in respect of Directors **Shareholder should be kept advised of relevant details in respect of Directors**	
A.10.1 Disclosures about Directors COMPLIED	Name, qualifications, brief profile, and nature of expertise are given on pages 18 and 19 of this annual report. Director's interests in contracts are given on pages 183 of this report. The numbers of Board meetings attended by the Directors are available on page 142 of this report. Names of listed companies in Sri Lanka in which the Director concerned serves as a director is given on pages 18 and 19. Names of the Directors who serve as chairman or members of board committees and their attendance are given on page 142.
Principle: A.11 Appraisal of Chief Executive Officer **The Board should be required at least annually, to assess the performance of the CEO**	
A.11.1, A.11.2 Evaluation the performance of the CEO COMPLIED	The short, medium and long-term objectives determined by the Board including financial and non-financial targets that should be met by the CEO are set and evaluated at the commencement of each fiscal year. The performances were evaluated annually and ascertained whether the targets were achieved or whether achievement is reasonable in the circumstances.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
B. Directors Remuneration	
Principle: B.1 Remuneration procedure G4-51, 52 GRI 102-35, 36 Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	
B.1.1 Remuneration Committee. COMPLIED	The Remuneration Committee of Hayleys PLC, the ultimate parent company is responsible in assisting the Board in recommending the remuneration payable for the Executive Directors and Corporate management. The Board makes the final determination after considering such recommendations. No Director is involved in deciding his own remuneration.
B.1.2, B1.3 Composition of the remuneration committee COMPLIED	The Remuneration Committee of Hayleys PLC, which is the ultimate parent of the Company, acts as the Remuneration Committee of KVPL. The Remuneration Committee comprises of three Independent/Non-Executive Directors including Chairman and a Non-Executive Director of Hayleys PLC Dr. H Cabral, PC – Chairman (IND/NED) Mr. K D D Perera (NED) Mr. M Y A Perera (IND/NED) Mr. M H Jamaldeen (IND/NED) (IND – Independent , NED- Non-Executive Director)
B1.4 Remuneration of the Non-Executive Directors COMPLIED	The Board as a whole decides the remuneration of the Non-Executive Directors in line with the market rates and within the limit set in the Articles of Association of the Company.
B1.5 Consultation of the Chairman and access to professional advice. COMPLIED	Remuneration Committee consults the Chairman about its proposal regarding the remuneration of other Executive Directors. Both internal and external professional advice has been taken during the year under review.
Principle: B.2 The level and make up of remuneration **Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.**	
B.2.1, B.2.2 Levels of remuneration for Executive Directors COMPLIED	Remuneration package is designed to attract, retain and motivate the Directors needed to run the Company successfully but avoid paying more than necessary for this purpose. The Remuneration Committee takes into account market practices. Their remuneration comprises a fixed salary component, which include perquisites and allowances to promote the long-term success of the Company.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
B.2.3 Positioning company remuneration levels relative to other companies COMPLIED	The Remuneration Committee structures and reviews the Company's remuneration levels in relation to performance comparing with other companies and other parts of the Hayleys Group.
B.2.4 Determining annual salary increases & employment conditions COMPLIED	The Remuneration Committee considers remuneration and employment conditions sensitively elsewhere in the Company or the Group of which it is part.
B.2.5 Performance related elements of remuneration for executive Directors COMPLIED	The performance based incentives has been determined by the Remuneration Committee to ensure that the earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies
B.2.6 Share option Schemes NOT APPLICABLE	Presently the Group does not have an Executive Share Option scheme
B.2.7 Designing performance related Remuneration COMPLIED	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.8, B.2.9 GRI 102-39 Compensation, commitments in the event of early termination and dealing with early termination COMPLIED	There are no provisions for compensation for early termination in the letter of contract. However, the Directors would determine this on a case by case basis.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
B.2.10 Levels of remuneration for Non-Executive Directors COMPLIED	The Remuneration Committee determines the levels of remuneration for Non- Executive Directors taking into account the time commitment and responsibilities of their role and market practices. Remuneration for Non-Executive Directors does not include share options.
Principle: B.3 Disclosure of the Remuneration **The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.**	
B.3.1 Disclosure of the remuneration. COMPLIED	The names of the Directors of the Remuneration Committee are given under section B.1.2 above. The remuneration policy is to attract and retain a highly qualified and experienced work force, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution, bearing in mind the business' performance and shareholder return. The total of Directors' Remuneration is reported in note 9 to the Financial Statements.
C. Relations with Shareholders - Constructive use of the AGM and conduct of General Meetings GRI 102-21 **Principle: C.1 Boards should use the AGM to communicate with shareholders and should encourage their participation.**	
C.1.1 Notice of the AGM COMPLIED	The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
C.1.2 Separate resolution on each substantially separate issue COMPLIED	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue. A resolution for adoption of the Annual Report of the Board of Directors and the Financial Statements with the Independent Auditor's Report is proposed separately. A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.
C.1.3 Votes and use of proxy COMPLIED	The Company ensures that all proxy votes are properly recorded and counted. The level of proxies lodged on each resolution is conveyed to the Chairman.
C.1.4 Answer questions at the AGM COMPLIED	The Board invites the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
C.1.5 Notice of General Meetings COMPLIED	The Notice of Meeting is included in the Annual Report. The notice contains the Agenda for the AGM as well as instructions on voting for shareholders, including the appointment of proxies. The period of notice prescribed by the Companies Act No. 07 of 2007 has been met. The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
Principle: C.2 Communication with shareholders **The Board should implement effective communication with shareholders.**	
C.2.1 Channel to reach all shareholders of the company. COMPLIED	The modes of communication between the Company and the shareholders are the Annual Reports, Quarterly Financial Statements, and Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual / Extraordinary General Meetings. Shareholders may bring up concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the Company website as soon as they have been released to the Stock Exchange. The website posts news and latest updates of the Company. The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.
C.2.2 Disclosure of the communication policy COMPLIED	The communication policy and methodology for communication with the shareholders are given in the stakeholder engagement.
C.2.3 Implementation of the policy and methodology for communication with Shareholders COMPLIED	Annual Reports are posted on the CSE website and the Company website. However a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so. A copy of the interim financial statements are released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.
C.2.4 Disclosure of contact person COMPLIED	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
C.2.5 Major issues and concerns of shareholders COMPLIED	All the major issues relating to shareholders are brought to the attention of the Board.
C.2.6 Person to be contacted with regard to shareholders' matters. COMPLIED	The Company Secretary holds the responsibility to be contacted in relation to shareholder's matters
C.2.7 Process for responding to shareholder matters. COMPLIED	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and General meetings. The Board in conjunction with the Company Secretary formulates the process for addressing shareholder matters.
Principle: C.3 Major and material Transactions GRI 102-25 **Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would material alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.**	
C.3.1 Major Related Party Transactions COMPLIED	Prior to engaging to a major transaction with a related party or related party transactions which have the effect of substantially altering the nature of business, the Directors disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extra ordinary general meeting.
C.3.2 Disclosure of Major Transactions to shareholders COMPLIED	There have been no transactions during the year falling within the definition of "Major Transactions" as set out in the Companies Act No. 07 of 2007.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D. Accountability and Audit - Financial and Business Reporting (The Annual Report)	
Principle: D.1 The Board should present a balanced and an understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects. GRI 102-29	
D.1.1 D.1.2 Balance and understandable information to shareholders COMPLIED	Company has presented balanced and understandable financial statements which gives a true and fair view quarterly and annually. In the preparation of Financial Statements, Company has complied with the requirements of the Companies Act No. 07 of 2007 and requirement of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner as required.
D.1.3 CEO's & CFO's approval on financial Statements prior to Board approval COMPLIED	Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board. Responsibilities of Board of Directors and Directors statement on internal controls are given on pages 186 and 187 respectively
D.1.4 The Directors Report COMPLIED	The Annual Report of the Board of Directors on the affairs of the Company is given on pages from182 to 185 of this Annual Report which contains the following: ⦿ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka (refer page 182); ⦿ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested (refer page 183). ⦿ Equitable treatment to shareholders (refer page 185) ⦿ Compliance with best practices of corporate governance (refer page 184) ⦿ Information relating to PPE has been given in notes 12, 13 and 14 to the Financial statements. ⦿ Review of internal controls, risk management and reasonable assurance of effectiveness and adherence (Refer page 185). ⦿ Going concern of the business (refer page 185)
D.1.5 Statement of Directors Responsibility, statement on internal controls and Auditors' Report. COMPLIED	The Statement of Director's Responsibilities for the financial statements is given on page 187 and Directors statement on internal controls are given on page 186. The Auditors' Report is available on pages from 195 to 197.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D.1.6 Management Discussion & Analysis COMPLIED	A comprehensive coverage of key initiatives undertaken during the year, business model, industry structure and development, opportunities and threats, risk management, internal controls and their adequacy, governance, stakeholder relationship, social and environment protection activities, financial performance, Investment in physical and intellectual capital, human resource / industrial relations, sector performances, achievements and prospects for the future. Awards won and certifications received are available in the chairman's message (page 29 and 32) of this Report.
D.1.7 Summon an EGM to notify serious loss of capital COMPLIED	In the event the net assets of the Company fall below 50% of its Stated Capital, the Directors will forthwith summon an Extra Ordinary General Meeting to notify shareholders the remedial action being taken. However such event has not taken place since the adoption of New Companies Act No. 07 of 2007.
D.1.8 Related Party Transactions COMPLIED	The Company adheres to the Listing Rules of the CSE and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA). The Company secretary keeps records on related party transactions quarterly.
Principle: D.2 Risk Management and Internal Control GRI 102-30 **The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by a Company's Board of Directors and management designed to provide reasonable assurance regarding the achievement of Company's objectives**	
D.2.1 Monitoring sound system of internal control COMPLIED	The Directors review the risks facing the Company and the effectiveness of the internal controls. The Audit Committee executes this function evaluating the effectiveness of the internal controls and risk management on behalf of the Board and makes necessary recommendations to the Board.
D.2.2 Review of the process and effectiveness of risk management COMPLIED	The details of those risk affecting the Company and mitigation actions are explained from page 169 to 181.
D.2.3 Internal Audit function COMPLIED	Company is having an internal audit function at head office and sub office. Audits are conducted in accordance with the programme prepared at the beginning of the year. The Hayleys Group Management Audit and System Review Department (MA&SRD) carried internal audits according to the annual plan. The internal audit functions are also outsourced to leading audit firms according to the annual audit plan.

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D.2.4 Review the internal controls and risk management by the Audit Committee **COMPLIED**	The Board has delegated to the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to report it to the Board.
D.2.5 Content of statement internal controls **COMPLIED**	Directors' Statement on Internal Controls is given on page 186.
Principle: D.3 Audit Committee GRI 102-22 **The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.**	
D.3.1 Composition of Audit Committee **COMPLIED**	The Audit Committee was established in 2008. The Committee comprises three Independent Non-Executive Directors and is chaired by Mr. L N De S Wijeyeratne. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka.
D.3.2 Committees' terms of reference **COMPLIED**	Terms of References (TOR) provides proper guideline duty and authority to deliver the responsibilities The Committee is empowered to examine any matters relating to the Financial Reporting systems of KVPL, risk management, external audits and internal audits. Its duties include the detailed review of Financial Statements, internal control procedures and risk management framework, accounting policies and compliance with applicable accounting standards and other rules & regulations. It reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and company policies. The Audit Committee makes recommendations to the Board pertaining to appointment, re –appointment of External Auditors after assessing the independence and performance, and approves the remuneration and terms of engagement of the external auditors. The Chairman, the Managing Director, the Chief Executive Officer of the Company, Head of Group Internal Audit and Hayleys Group CFO are invited to attend Meetings. Other Directors and Senior Managers attend meetings as required. The input of the External Auditors is obtained where necessary. The Audit Committee helps the Group to achieve a balance between conformance and performance.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D.3.3 Disclosures COMPLIED	Mr. L N De S Wijeyeratne is the Chairman of the Audit Committee. Mr. F Mohideen and Mr. C V Cabraal are the two other members. Annual report contains a compliance report of the Audit Committee on page 188 and 189. Audit Committee charter can be found on page 188
Principle: D.4 Related Party Transactions Review Committee **G4-56** **The Board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties in the normal course of business**	
D.4.1 Related Party Transactions COMPLIED	Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in note 30 to the financial statements.
D.4.2 Composition of Related Party Transactions Committee COMPLIED	The Related Party Transactions (RPT) Review Committee of Hayleys PLC acts as the Company's RPT review committee and consists of • Dr H Cabral, PC - (chairman) Independent Non - Executive • M Y H Perera - Independent Non - Executive • S C Ganegoda - Executive
D.4.3 Terms of Reference COMPLIED	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. RPT review committee report describing the duties , task and attendance of the committee is appear on page 190.
Principle: D.5 Code of Business Conduct & Ethics **Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal fraudulent and unethical behavior be promptly reported to those charged with governance. The company must disclose waivers of the Code of Directors, if any.**	
D.5.1 Disclosure on presence of Code of Business Conduct & Ethics COMPLIED	The Directors and members of the Senior Management team are bound with a Code of Business Conduct & Ethics which is developed by the Hayley's Group. The Code consists of important topics such as conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, fair and transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets including information assets, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal, fraudulent or unethical behaviour. The Board ensures the compliance with the code and non-compliance may cause to disciplinary actions

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D.5.2 Process to identify & report price sensitive information COMPLIED	The Company has a process in place to ensure that material & price sensitive information is promptly identified and reported.
D.5.3 shares purchased by directors and key management personnel COMPLIED	The Company has a policy and a process for monitoring, and disclosure of shares purchased by any Director and key management personnel. Details of Directors share holdings are given on page 183 of the annual report of Board of Directors on the affairs of the Company.
D.5.4 Affirmation of Code in the Annual Report by the Chairman COMPLIED	The Chairman affirms that code of conduct and business governance offers direction for all the employees across the organisation and he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics in statement from the Chairman on Corporate Governance on page 140.
Principle: D.6 Corporate Governance disclosures **Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.**	
D.6.1 Disclosure of adherence to Corporate Governance COMPLIED	The extent to which the Company adheres to established principles and practices of good Corporate Governance are disclosed on page 184 under the Annual report of the Board of Directors on the affairs of the Company.
Section 2: Shareholders GRI 102-37 **E. Institutional Investors**	
Principle: E.1 Shareholder voting Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice	
E.1.1 Dialogue with shareholders COMPLIED	All shareholders are invited to attend the Annual General Meeting and they are encouraged to make comments/suggestions. The Company seeks dialogues with institutional investors. Impartiality is maintained on shareholder vote at the AGM based on individual holding and weightage.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle E.2. Evaluation of governance disclosures **When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.**	
E.2 Evaluation of governance disclosure COMPLIED	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating Companies' Governance arrangements particularly in relation to Board structure and composition.
F. other investors	
Principle: F.1 Investing/Divesting decisions **Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.**	
F.1 Individual shareholders are encouraged to do their own analysis or seek independent advice. COMPLIED	The quarterly Financial Statements, Company disclosures, and Annual Report provide sufficient information to carry out their own analysis in investing or divesting decisions. In addition, KVPL encourages individual shareholders to seek independent advice for their investing and divesting decisions.
F.2 Shareholder voting **Principle F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.**	
F.2 Encourage Shareholders to participate and vote at AGM COMPLIED	All individual shareholders are encouraged to actively participate in the Annual General Meetings and they have the independence of exercising their votes as they wish.
Principle: G. Internet of Things and Cyber Security	
G.1 The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cyber security risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive date. Such access could be authorised or unauthorised.	

CORPORATE GOVERNANCE

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
G.1 Cyber security risk from sending and receiving information COMPLIED	Company has a sound disaster recovery plan to mitigate the risk associated with IT failures due to both internal and external threats. Company's IT policy, including IT security, Privacy and Confidentiality is supported by maintenance contracts with reputed companies. The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of anti-virus and firewall software to screens malicious content, are some of the safeguards currently in place to minimise IT related risks.
Principle G.2 The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security risk management policy which should be approved by the Board.	
G.2 Appointment of Chief Information Security Officer (CISO) COMPLIED	Hayleys Group IT Department performs the role of the Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to implement and manage cyber- security risk.
Principle G.3 The Board should allocate regular and Adequate time on the board meeting agenda for discussions about cyber-risk management.	
G.3 Allocation of adequate board time to discuss cyber- risk management COMPLIED	The Board reviews business risk quarterly including IT and cyber- security risk.
Principle G.4 The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance. **The Scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.**	
G.4 Review and assurance of effectiveness of the cyber security risk management COMPLIED	Independent reviews are carried out to ensure cyber- security and secured management information system.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle G.5 The Board should disclose in the annual report, the process to identify and manage cyber security risks.	
G.5 Disclose of the process to identify and manage cyber security risk COMPLIED	Hayleys IT security policy provides a procedure to identify and manage cyber security risk. Manager – Information Technology, adhere the Group policy to manage and control the cyber security risk. Include procedure
Principle: H. Environment, Society and Governance (ESG) GRI 102-30, 32 **H.1 The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported.**	
H.1.1 Provide Sufficient information relating to ESG risks COMPLIED	Annual report contains sufficient and relevant information of ESG to assess how risks and opportunities are recognised, managed, measured and reported from page 40 to 48. The impact of ESG issues are disclosed in Risk Management Report from page 174 to 181.
H. 1.2.1 H.1.3.1 Environmental and social Factors COMPLIED	Direct and indirect economic, social, health and environmental implications of Company decisions and activities are discussed from page 93 to 134.
H.1.4.1 Governance COMPLIED	Company has an established Governance structure supporting the company's ability to create value and manage risk at all time on all pertinent aspects of ESG. Company has well recognised the key resources deployed in the business and financial and non-financial measures are established. The Company identified risk and has taken mitigatory actions for the risks which have an impact on the sustainability of the business and are discussed in the Risk Management Report from page 174 to 181.
H.1.5.1 Boards Role on ESG Factors COMPLIED	The Board has committed to environment, social and governance aspects and the environmental management and social activities have been discussed from page 93 to 134.

CORPORATE GOVERNANCE

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance A.5.1 Four out of seven Directors on the Board are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	Corporate Governance A.5.2 Three of six Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	Corporate Governance A.5.4 Each Non-Executive Director has submitted declarations stating the independence/non-independence in a prescribed format
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Corporate Governance A.5.5 Brief resumes of all the Directors is available on pages 18 and 19
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met	Compliant	Corporate Governance A.5.5 All the Independent Non-Executive Directors meet the criteria specified in the Listing Rules of the CSE.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Compliant	Corporate Governance A.5.5
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Compliant	Corporate Governance A.7.3 There were no new appointments of new Directors during the financial year.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Remuneration Committee of Hayleys PLC, the ultimate parent company, acts as the Remuneration Committee of KVPL
7.10.5 (a) G4-52	Composition of Remuneration Committee	Shall comprise Non-Executive Directors a majority of whom will be independent	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Comprise of two Independent Non-Executive Directors
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5
7.10.6	Audit Committee	The company shall have an Audit Committee	Compliant	Corporate Governance D.3.1, D.3.2 The Audit Committee was Established in 2008.

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent Non-Executive Directors shall be appointed as the Chairman of the committee Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Corporate Governance D.3.1, D.3.2 Audit Committee Report is available on pages 188 and 189.
7.10.6 (b)	Audit Committee Functions	Functions shall include: • Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards • Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and Requirements. • Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards • Assessment of the independence and performance of the external auditors • Make recommendations to the Board pertaining to appointment, re – appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.	Compliant	Corporate Governance D.3.3
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	The Audit Committee Report (Pages 188 and 189).
9.2.1 & 9.2.3	Related Party Transactions Review Committee	As per the Listing Rules of the CSE this is mandatory from 1 January 2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the parent Company may be permitted to function as such committee of the subsidiary.	Compliant	The RPT Committee of Hayleys PLC the Parent Company, which was formed on 10 February 2015 functions as the committee of the Company.
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director	Compliant	RPT review committee report Annual Report of the Board of Directors

CORPORATE GOVERNANCE

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
9.2	Related Party Transactions Review Committee Functions	• To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. • Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. • Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. • To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. • To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. • Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties. • To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. • To review the economic and commercial substance of both recurrent/non-recurrent related party transactions • To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party Transaction.	Compliant	RPT Review Committee Report
9.2.4	Related Party Transactions Review Committee-Meetings	Shall meet once a calendar quarter	Compliant	RPT Review Committee Report. Annual Report of the Board of Directors.
9.3.2	Related Party Transactions Review Committee-Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts c) Report by the Related Party Transactions re-view Committee d) A declaration by the Board of Directors	Compliant	RPT Review Committee Report. (Page 190) Annual Report of the Board of Directors. (Page 184)

RISK MANAGEMENT

RISK MANAGEMENT AT KVPL

Following the severe impact of the global COVID-19 pandemic on the Plantations industry in 2020/21, the industry began to recover as the restrictions enforced by the Government and the intensity of the pandemic eased. Despite the recovery, the Country's Tea Auctions continued to be held online with the latest technological developments.

The recovery however was short-lived as Sri Lanka's economic crisis began to have devastating impacts in the second half of the financial year 2021/22 due to the implications of the foreign exchange crisis which has resulted in a dearth of fuel, energy and fertilizer. The contingency plans that KVPL has established to mitigate and work through the above adversities helped the Company to meet the risks and achieve a better performance than predicted.

Furthermore, KVPL's expertise and its unique Enterprise Risk Management Process enabled it to contain other key risks also within manageable limits and with transparency. As a member of the Hayleys Group, the Company's overall Risk Management System is reviewed regularly, both internally and externally via the following mechanisms:

- A special review team for each region to ensure that the systems are in line with the existing controls. Based on the findings of their regular reviews, necessary feedback is given to the Head-Office Management as well as to the respective estates to take necessary actions.
- An independent external risk assessment is also conducted by the external auditors and specific risks which are identified through the audit findings are mentioned in the year end management letter.
- A stringent supervision of the KVPL 's entire Risk Management Process by the Hayleys Group through the Hayleys PLC Audit Division. The latter is actively engaged in and coordinates with the KVPL's Risk Division to control risks and improve efficacy of its Risk Management System.
- Submission of a Special Risk Assessment to the Board for its review each quarter.

RISK MANAGEMENT PROCESS

The KVPL Group, including the subsidiary companies, have adhered to a comprehensive Risk Management Process to face the unpredictable risks in the plantation industry, as illustrated below. KVPL's focus is to mitigate risks rather than avoid or accept them; by obtaining insurance coverage based on the nature of the business and advice of experts.

Similar to the other Companies, KVPL Group's Risk Management Strategy also comprises four steps as depicted below :

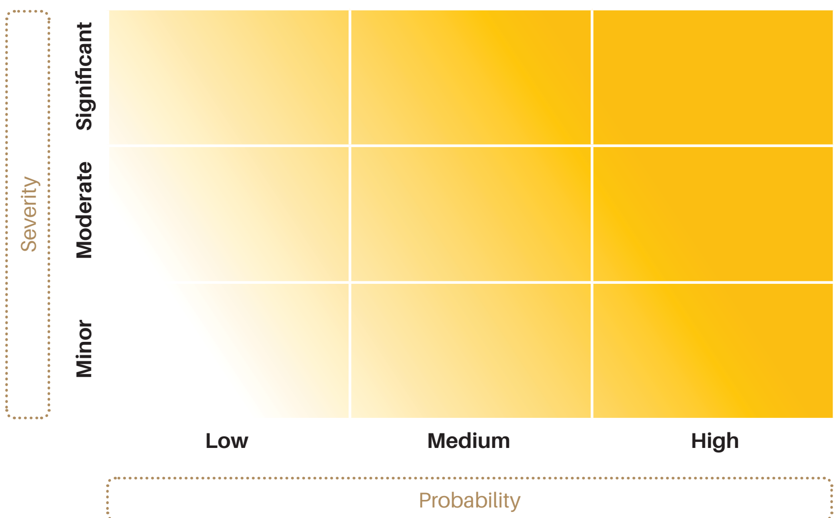
1. RISK IDENTIFICATION

Identification of risks is the initial step on which the entire Risk Management Process rests and hence critical to the successful management of risks. At KVPL, the Risk Identification process begins at the level of Estate Managers who identify the risks in their respective areas. Upon completion of their risk identification it is shared at the monthly/quarterly meetings for broader perspective and in order to identify possible risks which may arise from unique events. The risks identified as minor will be sorted at the estate level.

RISK MANAGEMENT

2. RISK EVALUATION

The responses for the identified risks will be considered based on the priority decided at the stage of Risk Evaluation. The identified risks will hence be evaluated carefully through an evaluation procedure and ranked as Low, Medium or High based on the impact of the risk and its probability. Following completion of the ranking, the Company management will take necessary action to respond to the risks based on the priority allocated.



3. RISK CONTROL

Based on the rankings, the top management of the Company will work to control the risk based on the priority allocated by,

- **Developing Risk Response Strategies**

The risk response strategies are planned and developed to manage the evaluated risk. The strategies will be mainly developed to accept, reduce and share or to avoid the risk based on the impact and the probability of the identified risk. The responsibility of developing risk strategies is placed on the Managing Director of KVPL and the highest level Management team. In addition, to ensure that the response strategy chosen is the best one out of the alternatives, the Company carries out proper internal controls which enables it to filter and provide the best response strategy for the Company. as in previous years, KVPL has responded to most of the risks that it came across in 2021/22 by mitigating them, rather than avoiding or merely accepting . We obtained adequate Insurance coverage based on the nature of the business and have ongoing discussions with industry experts to ensure we are adequately informed when determining strategy.

- **Risk Reporting**

Following the development of the strategies , they are discussed by the Company's Senior Management and thereafter, along with the Review Reports are presented to the Board of Directors as well as the Audit Committee, for further analysis. Following the analysis of strategies to address the respective risks, the strategies will be finalised after incorporating any adjustments that are considered necessary and upon finalisation, they are communicated to ground level for implementation. KVPL's communication of the strategies comprises 3 tiers of communication, namely:

- Corporate Level Communication
- Regional Level Communication
- Estate Level Communication

- **Corporate Level Communication**

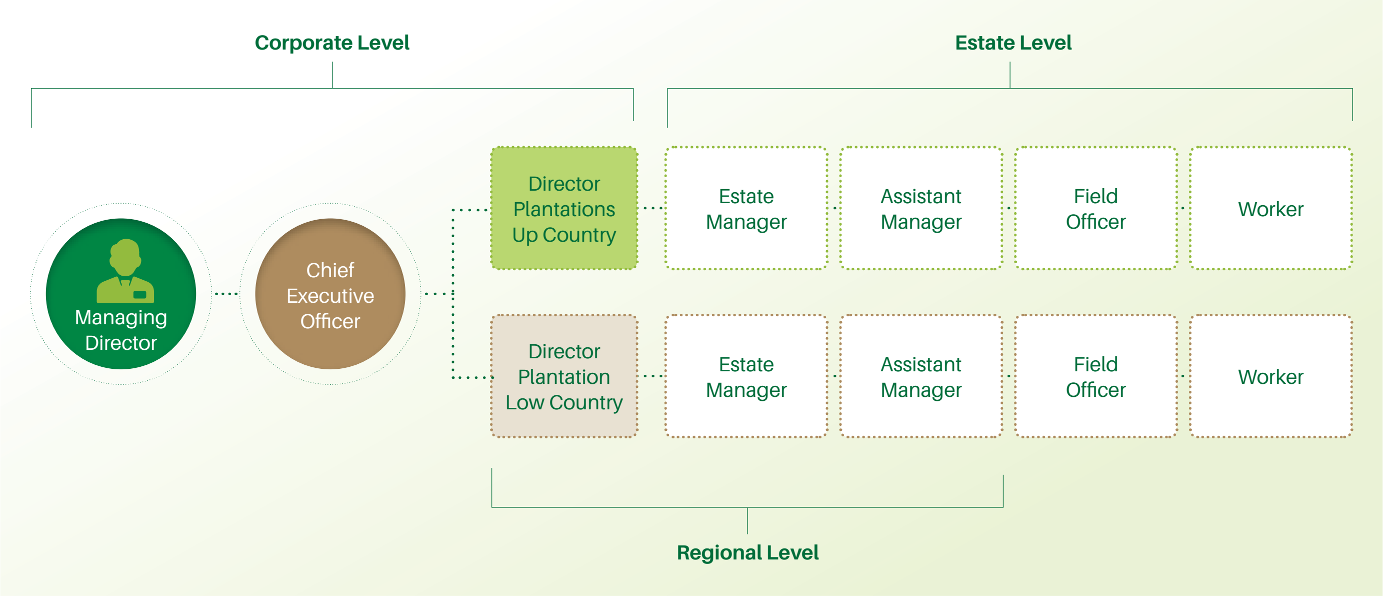
The highest level of the communication process where communication is between the Directors of KVPL, the CEO and the Managing Director which will entail the discussion of uncontrollable risks which can't be solved at ground level or regional level. The most important high-risk issues are discussed at this level.

- **Regional Level Communication**

This is the intermediary level of the KVPL communication process. The issues raised by the ground level/estate level workers which can't be solved at the estate level will be brought into this level and will be discussed and solved between the Estate Managers and the Directors of the Company's Low-Country and Up-Country segments.

- **Estate Level Communication**

This is the initial step of the communication process where the ground level workers and estate staff have the opportunity to raise their concerns with the Estate Manager and the Assistant Manager regarding their employment or community, on an allocated special labour day of each week.



4. RISK MONITORING

This final step of the risk management process at which the Company monitors the entire risk management process is divided into two components as follows :

- **Monitoring:**

The Company evaluates the efficiency and efficacy of the implemented strategies such as whether they have yielded the expected results by reducing the respective risks during the Year. This monitoring process is carried out at different levels of the organisation by different parties.

- **Review:**

A quarterly review of the KVPL's risk profile. During the year there was no substantial diversion.

RISK PORTFOLIO OF THE KVPL GROUP

With the Company's entry into diversified business sectors, KVPL's Risk Portfolio has also widened as illustrated by diagram below. The Company managed to mitigate the risk exposure through a range of diverse strategies.

KEY RISKS FACED IN 2021/22 GRI 201-2

Strategic Risk
- Climate Changes
- Production Risk
- Political Risk
- Commodity Risk
- Acquisitions
- Social & Environmental Risk

Financial Risk
- Foreign Exchange Risk
- Interest Rate Risk
- Credit Risk
- Investment Risk
- Liquidity Risk
- Accounting & Reporting Risk

Operational Risk
- Value Chain Risk
- Management Personnel & Worker Migration
- Business Disruption
- IT Risk
- Technological Risk
- Reputational Risk

Compliance & Other Risk
- Legal
- Tax
- Market Prices
- Data Privacy
- Product Security
- General Business Principles
- Occupancy Risk

RISK MANAGEMENT

KVPL Approaches towards Risk Management,

- **Bottom-Up Approach:**

Through this approach information such as Company results, opportunities, and operational risks will be provided by the ground level workers to the higher level employees of the Company through regular meetings at which remedial action and goal setting is also done.

- **Hayleys Groups' Risk Management Functions**

The Audit Division of the parent company (Hayleys PLC) also oversees the KVPL Risk Management Process and coordinates the identification and documentation of risk control areas and tries to enhance the risk management system at regular intervals while discussing with the Company management.

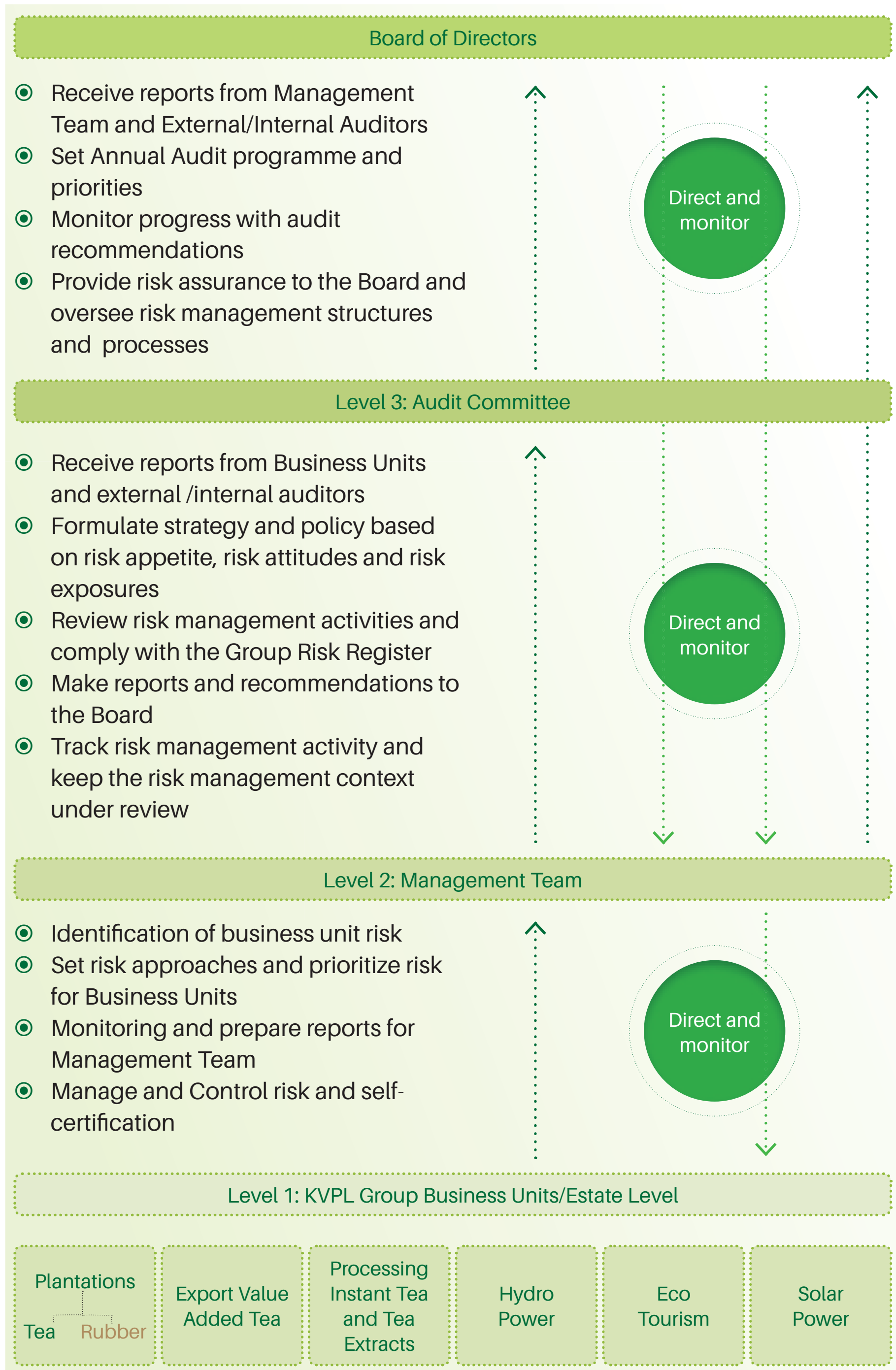
- **Internal Systems Review:**

A separate Review team at KVPL carries out system reviews in order to ensure the effectiveness and compliance of existing system and controls. Based on the review findings, necessary feedback will be given to the Head Office as well as the estates to take required action.

- **External Auditor's Management Letter:**

The year-end management letter issued by the external auditors highlights the risks associated with the audit findings. KVPL uses those findings for continuous enhancement of the Company's overall Risk Management System.

RISK ARCHITECTURE



Business Units/Estates: Divisional Business Units identify each unit's value creation model and shareholder concerns recognised through the stakeholder engagement processes, to identify material aspects and risk indicators. The risks thus originated are evaluated and managed within their approved risk appetites and policies. To manage these risks, they are required to establish and maintain appropriate risk management controls, resources and self-assurance processes.

Management Team / Executive Committee: The management team is responsible for developing division-specific risk appetite statements, policies, controls and procedures, in addition to monitoring and reporting in line with the Board's statement of risk appetite and the risk management frameworks approved by the Board of Directors. The Heads of the Business Units evaluate operational risk and consults operational management. The significant risks are reported to the Corporate Management where risks are analysed and strategies are implemented at the operational level.

Audit Committee – Group Audit Committee leads the optimisation of the risk-reward concept by overseeing the development of risk appetite statements, risk management frameworks, policies and risk concentration controls and monitoring diverse risk profiles to sharpen the alignment with approved risk appetites and strategies.

BOARD OF DIRECTORS

The ultimate responsibility of managing risk lies with the Company's Board of Directors. They have the task of reviewing the Group's risk profile and ensuring that risk management is embedded into all processes. The BOD will be assisted by the Audit Committee to overlook the responsibility for Risk and Internal Control.

ESTATE LEVEL RISK MANAGEMENT PROCESS

Since KVPL operates in the Plantation Industry, the risk management process has identified that the workers as well as the estate community are exposed to significant risk when they are on duty as well as off duty. These risks can be divided into two components as,

1. **Environmental Risk**– Such as Earth Slips, Floods, Cyclones, Lightning Strikes, Animal Attacks
2. **Housing & Other Risk** – such as Factory Fires, Factory Accidents, Customer Complaints, Fire at worker houses, Violence & Strikes, Field Accidents & Sudden Illness.

The above mentioned risks will be analysed by the Estate Risk management Process through the responses to the following questions :

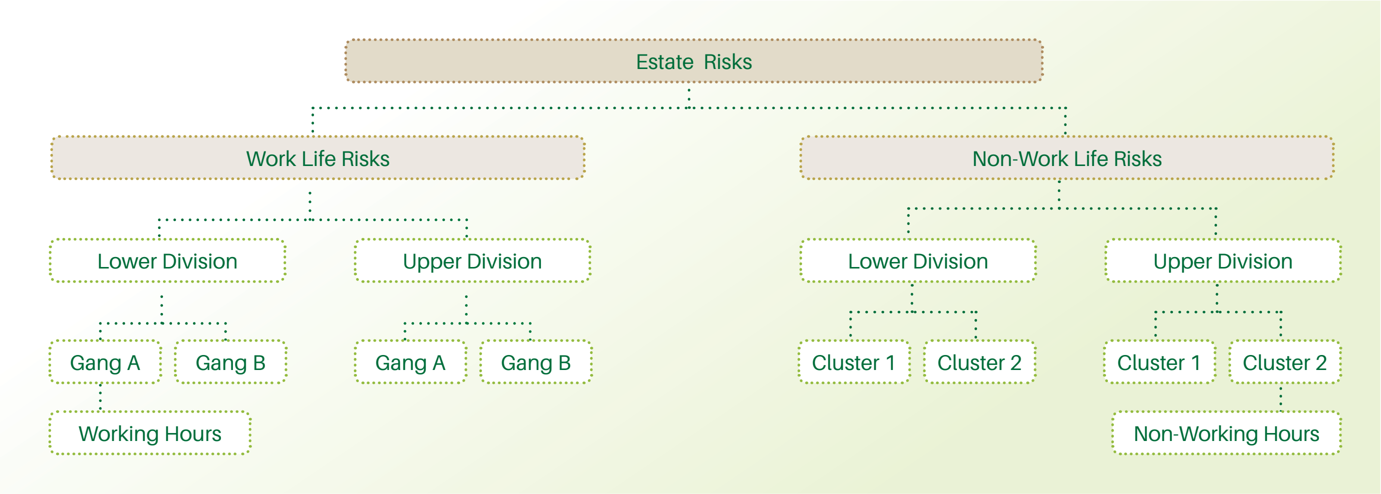
- How could the risk occur
- Who might be harmed
- What is being done already
- Is anything else required to control this risk
- Action by who
- Action by when

PROCESS OF MANAGING ESTATE RISKS

Based on the location where the possible risks could arise, the Estate Risk Management has divided risks into two components as,

- Field Level Risk Management
- Worker Housing/Environment Risk Management

The field level Risk Management directly covers the labour force while the worker housing/environment Risk Management covers the entire estate community. Response action to hazards are assigned at divisional, field and work group levels, to be able to reach the grass root level on each estate. Responsibilities are assigned between working hours and non-working hours and the risk communication processes follows a bottom-up approach.



RISK MANAGEMENT

GROUP RISK MANAGEMENT IN 2021/22

There were significant changes compared to the previous year observed in the Company's risk status during the current period, compared to the previous year. As in the previous year, climate change, value chain and possible changes to the wage structure were the other high-risk areas.

L Low M Medium H High

Risk Factor	Risk Rating		Response
	2021/22	2020/21	
Strategic Risk			
Climate Changes Both tea and rubber crop output fluctuated due to adverse weather conditions and in erratic weather patterns. This affected the yields quality, market share, earnings and profitability of the product.	H	H	Climate change risk remained high and unpredictable during the current year as well. Our sustainable agricultural practices strengthened the emergency response plan and the business recovery plan to mitigate effects of climatic changes. • Monitor tea and rubber crop variances. • Successful implementation of the Company's Crisis Management plan with periodic reviews. • Preserve forests and water sheds to retain the moisture content. • Pre-drought spraying for tea to prevent excessive transpiration during dry seasons. • Sloping Agriculture Land Technology (SALT) to avoid soil erosion. • Management of shade trees • Burial of weed heaps to retain moisture • Fixing of Rain Guards to protect the tapping area of rubber trees
Production Risk • Consistencies in product quality depends on the consistency in quality of raw material (Green leaf, Latex...etc).	H	H	Quality of end product (Eg; made tea and rubber) is purely dependent on quality of the raw material. Production risk remained high during the year as well due to the continued prohibition of non-organic fertilizer and non-availability of organic fertilizer. Apart from the pandemic, there was economic downfall which resulted in non availability of essential items that severely affected the plantation sector. Following mitigatory measures have been initiated • Strict Health and Safety Measures including required infrastructure facilities, have been provided by the Company for manual grade workers. • Guidelines have been provided to Estate Managers to monitor worker behaviours during the pandemic whilst overall monitoring was also conducted by the Head Office HR Team • Adequate facilities were provided to the Head Office and Estate staff to work from home. • Regular refresh programmes are conducted for manual grade work force on quality raw material and ways and means of harvesting. • Encouraged the workforce by having plucking competitions. • Revenue Share Model was introduced to mitigate the shortage of workers. • Management closely monitored products for which stocks are limited and prepared special plans to utilise the scarcity of resources to obtain optimum outcome.

Risk Factor	Risk Rating 2021/22	Risk Rating 2020/21	Response
⦿ Inconsistencies lead to reduced demand, resulting in a drop-in market price, market share and reputation and increases the number of quality claims	H	H	⦿ Obtaining advice from industry experts, TRI and RRI brokers and feedback from customers. ⦿ Conduct weekly tea assessments on quality. ⦿ Frequent quality audits, reviews and corrective measures. (quality assurance systems) ⦿ A better grade mix by converting our plantation latex crop in order to obtain the best market trends. ⦿ Centralised the manufacturing of high NSA teas. ⦿ Exploring new areas of diversification and product development into identified high market potential crops and products such as Cinnamon, Coconut etc. ⦿ Exploring new non-traditional markets.
Political Risk ⦿ Political interference into wage negotiations and industrial relations hamper the resolution of issues on the basis of economic viability alone and hence challenges the sustainability of the industry. ⦿ High level of instability & volatility in the political environment.	H	H	⦿ Political risk remained a high-level risk during the year. Management initiative to improve labour productivity in line with wages was not supported as expected, due to the Government's decision to make way for one of the election promises - to increase the basic wages to Rs.1,000 per day (Gazetted under Wage Board) without a proper link to productivity. ⦿ PA filled a case in this regard against the Gazette Notification and decision is still pending. ⦿ However, KVPL's management has a strong rapport with the workers which helps to mitigate unrest within the plantation. ⦿ Due to the volatile political environment, the management executed the contingency plans to ensure an uninterrupted production process.

RISK MANAGEMENT

<table>
<tr><th rowspan="2">Risk Factor</th><th colspan="2">Risk Rating</th><th rowspan="2">Response</th></tr>
<tr><th>2021/22</th><th>2020/21</th></tr>
<tr><td>Value chain
• Fluctuations in global supply and demand, close substitutes and competition from other major low cost producers (India, China, Kenya, Vietnam and Indonesia) affects the demand and determines the price(s) of KVPL products.
• Unavailability of chemicals and fertilizer due to restrictions imposed during the pandemic.
• Restrictions in rubber exports due to rules and regulations imposed by certain countries during the pandemic.</td><td>H</td><td>H</td><td>• Obtaining accreditations for Black Tea factories on international food hygienic standards and accreditations of Tea estates for good agricultural practices
• Membership of the UNGC which positions KVPL as a socially responsible plantation Company
• The Company continues to produce high quality products in order to reach high end markets, maintaining high Net Sale Average to optimise the profit margin
• Obtaining certifications which increase the goodwill of the estate products
1. ISO 22000:2018 Food Safety Management System Certification
2. Fair Rubber Certification
3. Organic Rubber Field Certification
• Complete ban on the use of certain chemicals and regular chemical tests.
• An integrated Weed Management System.
• Exploring new global markets for rubber (Germany).
• Maintaining good relations and reputation with global customers throughout the pandemic.</td></tr>
<tr><td>Social Environmental Risk
• The younger generation seeks other employment brands.
• Negative campaigns organised by Trade Unions</td><td>H</td><td>M</td><td>• We maintains a good rapport with workers and trade unions and arrange regular social and cultural events and youth events to build relationships with the new generation.
• Providing uniforms, change of designations, and creating awareness of the benefits of working in the plantation industry, such as medical, housing and other income sources
These will also enhance the appeal of the plantation sector to workers and the younger generation.</td></tr>
</table>

Risk Factor	Risk Rating 2021/22	Risk Rating 2020/21	Response
Financial Risk			
Foreign Exchange Risk ⦿ Our subsidiary Mabroc is primarily focused on foreign markets and adverse fluctuations of foreign exchange rates affects pricing policy and results of the Company and the Group. ⦿ The continuous depreciation of the LKR resulted in high cost increases to KVPL and Mabroc in particular impacting the bottom line of the Company	H	M	The exchange rate risk and the associated risk exposure is managed as follows, ⦿ Arranging forward exchange contracts to minimise the exposure of currency volatility ⦿ Monitor exchange rate movements and outlook for high exposure currencies ⦿ Forex exposures are monitored and appropriate action is recommended to reduce inherent risk and minimise adverse impact of currency rate movements on assets and liabilities ⦿ Measures are established to determine efficiency of actions taken ⦿ The Management closely monitors the performance of the estates on a weekly /monthly basis to ensure that they are maintained according to the internal budgets.
Interest Rate Risk ⦿ Frequent changes in national fiscal and monitory policies affect the Company's pricing policy and profitability. Similarly, low returns on investment, high opportunity cost of investment and difficulty in generating funds for capital development and growth are the other major risks inherent in the industry.	H	M	⦿ The KVPL Group's credibility, reputation strength and financial dependability helped to ensure ready access to funds at attractive rates. ⦿ Impact of fluctuation of local currency interest rates are minimised by having foreign currency borrowings linked to LIBOR. ⦿ The Company has taken actions to settle the high interest rate loans by obtaining low interest rate loans from the banks as soon as market rates were reduced with Central Bank initiatives to mitigate the impact of COVID-19 pandemic and these rate policy continued in the year 2021/22 as well . ⦿ The Company communicates with the Group Treasury continuously to get a higher return for the investments within the Group.

RISK MANAGEMENT

Risk Factor	Risk Rating 2021/22	Risk Rating 2020/21	Response
Credit Risk ⦿ Credit risk is in the form of financial losses when customers default and the prospect of protracted legal proceeding without assurance of a favourable outcome.	M	M	Although this is a medium risk area, mitigatory action is as follows in the context of the current economic conditions ⦿ Credit risks are assessed, limits are set and credit granted is closely monitored. ⦿ Suppliers are settled and dues collected from customers leaving no room for default on payment. ⦿ Tea and rubber stocks are sold through auction and settlements are assured in seven (07) days. ⦿ Customers of Mabroc Teas (Pvt) Ltd are given credit through a proper evaluation and all open account customers are subjected to credit insurance. ⦿ Government leases and other finances are closely monitored and settled without delay.
Investment Risk ⦿ This entails failure in investments/ inability to achieve expected objectives. This affects future profitability and sustainability of the Group.	M	M	⦿ Any "Proposed Investments" are subjected to a rigorous evaluation and feasibility process by seeking expert advice to ensure a maximum return on investment and seek Board approval prior to embarking on a proposed investment. ⦿ Further we closely monitor the progress to ensure project deliverables are achieved within the given budgets and timelines. ⦿ Prudent investments are made in capital development i.e. replanting, machinery and plant upgrading and rationalising the production capacities in major factories. ⦿ Investments have been diversified such as cultivation of minor crops to minimise the investment risk to some degree in this year as well.
Liquidity Risk ⦿ Liquidity problems are bound to arise due to uncontrollable factors such as erratic weather patterns, wage hike, drop in demand and prices and increase in prices of input materials etc.	M	M	Due to the positive performance of the year under review, the Liquidity Risk of the Company has reduced to a certain level compared to the 2021/22. Further, the Liquidity Risk of the Company was managed by following steps, ⦿ Efficient Cash Management such as close monitoring of expenditure, maintaining effective budgetary control system for each estate and building up of reserves are key to minimise liquidity risks. ⦿ We monitor cash flows on a daily basis against monthly forecasts (expenses are prioritised and expenditure curtailed to the earnings of the estates especially in less crop and lower NSA seasons). ⦿ Estates level monthly expenditure is monitored by plantation directors based on monthly expenditure forecast which is approved by the CEO at the beginning of each month. Further expenses are monitored through the annual budget.

Risk Factor	Risk Rating		Response
	2021/22	2020/21	
Accounting and Reporting Risk • Possibility of misstatement of financial position or profitability and non-compliance with accounting standards and other regulatory requirements	L	L	• The KVPL Board consists of senior qualified Accountants • The KVPL Group consists of Chartered Accountants and skilled staff with relevant qualifications and expertise knowledge in the industry. • We consult experts in the field when required and regular training on areas such as changes in standards, laws and compliance are given to the staff.
Operational Risk			
Human Capital Risk • Recruitment of competent and skilled employees	H	H	• Through Plantation Management Training Programme, absorbing talented and knowledgeable candidates to the plantation management team through transparent and comprehensive selection process. Batch no. 5 with 6 trainees have completed their 9 months training and already absorbed to the management cadre. • Structured and transparent system is in progress to screen and select the skilled employees in staff categories • Digital recruitment and on-boarding module through Oracle HCM have helped to recruit the talented and skilled employees.
• Retention and development of existing talent			• Goals setting and performance-based culture has been inculcated through ORACLE HCM • The performance-based evaluation system has been linked with comprehensive and well-structured benefit packages including training opportunities • More training and foreign exposure to young talent • Transparent succession plan • Maximising the opportunities on digital platforms available for focused and productive online training opportunities.

RISK MANAGEMENT

Risk Factor	Risk Rating		Response
	2021/22	2020/21	
Wage Structure ◉ Even the Worker wage is still a pending case in courts, most of the RPC companies used to pay Rs.1,000 and it has been a significant impact on cost of production, profitability and gratuity liability as the industry is highly labour intensive. ◉ Strong trade unions play an active role in determining wages.	H	H	This remained a high-risk area as labour cost accounts for over 60% of total costs of the Company. We are managing this risk by: ◉ Increasing land and worker productivity through training, monitoring, motivation and mechanisation. ◉ Revenue share model for harvesting and outsourcing non-value adding activities ◉ Motivating and empowering manual grade workers through several programmes such as, 1. Team Leader Development Programmes 2. Hayleys Plantation Technical Development Programmes
Reputation Risk ◉ KVPL's reputation may be tarnished due to non-compliance, unethical practices and inconsistency in product/service quality.	L	L	KVPL continues to adopt all global and local standards such as quality assurance policies, food safety standards, ISO standards etc to maintain the reputation within the country and globally. Further to maintain the product quality, the Company send tea samples frequently to Eurofins Dr.Specht International Gmbh in Germany.
Business Disruption ◉ Natural disasters, human involved activities (human errors, accidents etc.) may cause business/ operational disruptions.	L	L	◉ Obtained regular 3rd party certification on Health & Safety and implemented Disaster Management Policies with the help of the expertise knowledge of internal and external parties.

Risk Factor	Risk Rating		Response
	2021/22	2020/21	
IT Risk • Include risk of system failure and loss of data	M	M	• Have implemented a sound IT policy, including IT security, privacy and confidentiality, supported by adequate systems and controls • Have a Disaster Recovery Plan in place to mitigate the risk of IT failures. An effective backup procedure has been implemented both at estates and head office level with the support of Hayleys Group IT unit • Monitor system hardware capacities • Have a maintenance contract for hardware with a reputed company • Have immediate IT related support for estates in the capacity of skilled personnel in the regional office • Have provided new technologies (Tabs, Smart phones etc.) for online transmission of daily information to the estate managers • Closely monitor the internet and email usage
Technological Risk • Not keeping pace with technological developments could lead to obsolescence.	L	L	• Maximum possible mechanisation of estate functions • Investing in research and development activities whenever necessary • Investing in hardware resources • Maintain close relationship with research institutes and universities for new technology.
Compliance and Other Risks			
Regulatory Risk (Legal, Tax...etc) • Compliance with laws and other statutory obligations and risk arising from litigation and law suits against the Company may lead to loss of reputation and penalties being imposed.	L	L	• Statutory obligations are regularly reviewed by the Director of Finance and reported to the Audit Committee. • Group has its own legal and tax consultants

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Kelani Valley Plantations PLC has pleasure in presenting its Report on the Affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31 March, 2022.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 ('Companies Act'), the Colombo Stock Exchange ('CSE') Listing Rules and are guided by recommended best reporting practices.

PRINCIPLE ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principle activities of the Company are producing and processing of Tea and Rubber. Details of activities of other companies in the Group are given on page 22 of this Report. The Chairman's Message (pages 30 to 33) Managing Director's Review (pages 34 to 38), Sustainability Report (pages 40 to 134) and Financial Capital (pages 72 to 85) describe the performance of the Company during the year, with comments on the financial results, future strategic developments and the progress of its subsidiaries, Kalupahana Power Company (Pvt) Ltd., Kelani Valley Instant Tea (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., Kelani Valley Resorts (Pvt) Ltd. and Investment in Martin Bauer Hayleys (Pvt) Ltd.

There were no material changes in the nature of business of the Company and the Group during the financial year.

The Directors to the best of their knowledge and belief confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given from page 198 to 262.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given from page 195 to 197.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given from page 205 to 220.

GROUP REVENUE

The Group revenue during the year was Rs. 12,925,849,633 /- (2020/21 - Rs. 11,760,469,180 /-) and an analysis is given in Note 6 to the Financial Statements.

The Group revenue from Tea increased by Rs.633,055,665/- (2020/21 increased by Rs. 2,623,218,362/-) and rubber increased by Rs. 510,621,085 (2020/21– increased by Rs. 429,199,038/-) during the year, respectively. Segmental analysis of the Group revenue is shown in note 6 to the Financial Statement.

RESULTS AND DIVIDEND

First interim dividend of Rs. 0.70 (Cents seventy) per share, second interim dividend of Rs. 0.25 (Cents twenty five) per share and Third interim dividend of Rs. 1.00 (Rupees one) per share was paid to the shareholders on 25 October 2021, 26 January and 6 May 2022 respectively.

The Board of Directors has recommended the payment of final dividend of Rs. 2.50 (Rupee two and cents fifty) per share for the financial year 2021/22 subject to the approval of the shareholder at the forthcoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the first, second and third interim dividends paid and final dividend proposed. A solvency certificate was obtained from the auditors in respect of the first, second and third interim dividends paid and one has been sought in respect of the final dividend proposed.

The Group profit before taxation amounted to Rs. 1,965,171,491/- (2020/21- profit before taxation Rs. 947,520,544/-). After deducting Rs. 187,706,514/- (2020/21– Rs. 145,335,466/-) for taxation, the profit for the year was Rs. 1,777,464,486/- (2020/21 – profit of Rs. 802,184,978/-).

The Group profit attributable to owners of the parent which was deducted for non-controlling interest of Rs. 7,932,134/- (2020/21- Rs. 7,092,743/-) for the year was Rs. 1,769,532,352/- (2020/21 – of Rs. 795,092,235/-).

The Profit available for appropriation, inclusive of Rs. 2,201,151,155/- (2020/21-Rs. 1,397,192,252/-) of brought forward retained profit amounted to Rs. 3,852,994,998/- (2020/21- Rs. 2,209,054,344/-) Segmental analysis of the Group gross profit is shown in note 6 to the Financial Statement and KPI's are discussed in Financial Capital section of this report

PROPERTY, PLANT & EQUIPMENT

The capital expenditure of the Group during the period amounted to Rs. 471,065,982 (2020/21 - Rs. 266,954,495/-) whilst that of the Company was Rs. 295,017,687 (2020/21– Rs. 185,216,720/-) which includes replanting expenditure of Rs. 183,750,506/- (2020/21 - Rs. 173,150,488/-) on tea, rubber, coconut, cinnamon and fuel wood.

Information relating to movement of Property, Plant & Equipment is given in Notes 12,13 and 14 and segmental analysis is shown in note 36 to the Financial Statements.

STATED CAPITAL AND RESERVES

In compliance with the Companies Act, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received, due or payable to the Company in respect of the issue of shares.

The stated capital of the Company, consisting of 68,000,000 ordinary shares and one Golden share amounts to Rs. 340,000,010/-.There was no change to the stated capital during the year.

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

- The concurrence of the Golden Shareholder should be obtained to sub-lease estate lands and amend the Articles of Association of the Company in which the Golden Shareholders' rights are given.
- The Golden Shareholder or his nominee has the right to examine the books and accounts of the Company.
- The Company is required to submit a detailed quarterly report to the Golden Shareholder.
- The Golden Shareholder can request the Board of Directors of the Company for a meeting.

RESERVES

The total reserves of the Group as at 31 March, 2022 amounted to Rs. 5,552,994,648 /- (2020/21 -3,909,054,264 /-) comprising the general reserve of Rs. 1,700,000,000/- (2020/21 - Rs. 1,700,000,000/-) and the carried forward profit of Rs. 3,852,994,998 /- (2020/21 - Rs. 2,209,054,264/-)

The movement is shown in the Statements of Changes in Equity in the Financial Statements.

TAXATION

It is the Company's policy to provide for deferred taxation on all known temporary differences on the liability method. The Company is liable to income tax at the rate of 14% on its agro processing activities and 24% on other income. Agricultural profits of the Company is exempted for the year of assessment 2021/22.

Information relating to income tax rates of subsidiary companies is shown in Note 10 to the Financial Statements.

INTEREST REGISTER

The Company, in compliance with the Companies Act, maintains an Interest Register. Particulars of entries in the Interest Register are detailed below. The subsidiary companies have unanimously agreed to dispense with the keeping of an Interest Register.

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act. Note 32 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

DIRECTORS' INTERESTS IN SHARES

Directors who have relevant interests in the shares of the Company have disclosed their shareholdings and any acquisitions/ disposals during the year to the Board, in compliance with Section 200 of the Companies Act.

DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors as at 31 March 2022 were as follows;

No. of Shares	As at 31.03.2022	As at 31.03.2021
Mr. A M Pandithage	Nil	NIL
Dr. R Rajadurai	2,382	2,382
Mr. A Weerakoon	NIL	NIL
Mr. F Mohideen	NIL	NIL
Mr. S C Ganegoda	NIL	NIL
Mr. C V Cabraal	NIL	NIL
Mr. L N De S Wijeyeratne	NIL	NIL

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors and Officers liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

PAYMENT OF REMUNERATION TO DIRECTORS

Executive Directors' remuneration is determined within an established framework. The total remuneration of the Executive Directors of the Group and the Company for the year ended 31 March 2022, is Rs. 103,145,873 and Rs. 49,190,981 respectively, including the value of perquisites granted to them as part of their terms of service.

The total remuneration of Independent Non-Executive Directors of both Group and the Company for the year ended 31 March, 2022, is Rs. 2,614,500 determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of this remuneration is fair to the Company.

CORPORATE DONATIONS

No donations were made during the year (2021/22 - Nil) by the Company and its subsidiaries. No donations were made for political purposes.

DIRECTORATE

The names of the Directors who held office during the financial year are given below and their brief profiles appear on page 18 and 19.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Executive Directors
Mr. A M Pandithage, Dr. W G R Rajadurai, Mr. A Weerakoon

Non-Executive Directors
Mr. S C Ganegoda

Independent Non-Executive Directors
Mr. F Mohideen, Mr. C V Cabraal, Mr. L N De S Wijeyeratne.

In terms of Article 30 (1) of the Articles of Association of the Company, Mr. S. C. Ganegoda and Mr. A. Weerakoon retire by rotation and being eligible, offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act, of the intention to propose ordinary resolutions for the re-appointment of Mr. A M Pandithage and Mr. F Mohideen who are over 70 years of age, that the age limit of 70 years stipulated by Section 210 of the Companies Act shall not apply to them.

Mr. L. N. De S. Wijeyeratne, who is over 70 years of age has by notice in writing informed the Board that he shall retire at the Annual General Meeting and shall not offer himself for re-appointment.

Directors of the Company and subsidiaries are given on page 22.

CORPORATE GOVERNANCE
The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the CSE. Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Group are explained in the Corporate Governance Statement from page 140 to 168.

BOARD COMMITTEES
Audit Committee
The members of the Audit Committee and the composition of the members are given on Page 188 under the Audit Committee Report.

The Report of the Audit Committee on Page 188 to 189 sets out the manner of compliance by the Company in accordance with the requirements of the Listing Rules of the CSE on Corporate Governance.

Remuneration Committee
Remuneration Committee of the parent company, Hayleys PLC functions as the Remuneration Committee of the Company.

The members and the composition of the members are given on Page 191 under the Report of the Remuneration Committee.

The Report of the Remuneration Committee contains a Statement of the Remuneration Policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 9 on page 222 to the financial statements.

Board Nomination Committee
Nominations Committee of the Parent Company Hayleys PLC functions as the Nominations Committee of the Company and conforms to the requirements of the Listing Rules of the CSE.

The Nomination Committee members of Hayleys PLC are:
Mr. A M Pandithage
Mr. K D D Perera
Dr. H Cabral

Related Party Transactions Review Committee
The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayley's PLC, the Parent Company and are in compliance with Section 09 of the CSE Listing Rules.

The Related Party Transactions Review Committee of Hayleys PLC comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprises the following members.

Dr. H Cabral, PC – Chairman (Independent Non-Executive)
Mr. M Y A Perera (Independent Non-Executive)
Mr. S C Ganegoda (Executive)

Attendance
Committee met – 04 times in the Financial Year 2021/22.

Meetings were held on 17 May 2021, 10 August 2021, 09th November 2021 and 11 February 2022.

	Meetings
Dr. H Cabral, PC	4/4
Mr. M Y A Perera	4/4
Mr. S C Ganegoda	4/4

The related party transaction review committee report is shown on page 190.

AUDITORS
The Auditors, Messrs. Ernst & Young, Chartered Accountants were paid Rs. 6,493,950 /- (2020/21 – Rs. 5,991,959/-) and Rs. 5,203,060 /- (2020/21 Rs. 4,730,054 /-) by the Group and the Company respectively as Audit fees for the Financial year ended 31 March 2022.

In addition, the Group paid Rs. 764,803 /-(2020/21 - Rs. 522,509/-) to Messrs Ernst & Young for the year whilst the Company incurred Rs. 222,584 /- (2020/21– Rs. 274,320) on non – audit related work which is mainly consists of tax consultancy services.

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in the Company or any of its subsidiaries other than those disclosed above.

Messrs Ernst & Young, Chartered Accountants have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors and to authorise the directors to determine their remuneration is being proposed at the Annual General Meeting.

SHARE INFORMATION AND MAJOR SHAREHOLDINGS

Information relating to Earnings, Dividend, Net Assets per Share, Market Value Per Share and Share Trading is shown in page 26 and 265 respectively.

SHAREHOLDERS

It is the Group / Company policy to endeavor to ensure equitable treatment to its shareholders. The Twenty major shareholders' names, comparative number of shares held and the percentage held as at 31 March 2022 and public shareholding percentage and total number of public shareholders is shown on page 266.

EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

No circumstances have arisen since the date of Statement of Financial Position, which would require adjustments to, or disclosure of other than those disclosed in Note 35 to the Financial Statements.

EMPLOYEES & INDUSTRIAL RELATIONS

The Company has a structure and a culture that recognises the aspirations, competencies and commitment of employees. Career growth and advancement within the Company is promoted. Details of Company's human resource practices and employee and industrial relationships are given in Human Capital Section. The number of persons employed by the Group at financial year-end was 8,725 (2020/21 – 8,854) of which 8,552 (2020/21 – 8,711) are engaged in employment outside the Western province.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made promptly.

The declaration relating to statutory payments is made in the Statement of Directors' responsibilities on page 187.

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given on page 26.

ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the environment section of the Sustainability Report from page 40 to 134.

The Group's business activities can have direct and indirect effect on the environment. It is the Group's policy to minimise any adverse effects its activities may have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

INTERNAL CONTROL

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

The Board, having reviewed the system of internal controls is satisfied with its effectiveness for the period up to the date of signing the Financial Statements.

GOING CONCERN

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the corporate governance code, the Directors have a reasonable expectation that the Group and Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held via an online meeting platform, live streamed from the conference hall of Hayleys PLC No 400, Deans Road, Colombo 10 on 28 June 2022 at 10.00 a.m. The Notice of the Annual General Meeting appears on page 270.

For and on behalf of the Board,

A M Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

10 May, 2022

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The following statement fulfills the requirement to publish the Directors' Statement on Internal Control as per the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Hayley's Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by MA & SRD and Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits.
- The adoption of new Sri Lanka Accounting Standards, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2020/21 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

CONCLUSION

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Dr. Roshan Rajadurai
Managing Director

Anura Weerakoon
Director/Chief Executive Officer

10 May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1) & 153 of the Company's Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, Company's Act. No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Company's Act No. 07 of 2007 for first, second and third interim dividends paid and the Solvency Certificate has been sought from the auditors in this respect.

The External Auditors, Messrs. Ernst & Young were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the financial statements. The report of the Auditors, shown on page 95 and 96 sets out their responsibilities in relation to the financial statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board
HAYLEYS GROUP SERVICES (PVT) LTD
Secretaries

10 May 2022

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors.

Mr. L N de S Wijeyeratne (Chairman)
Mr. F Mohideen
Mr. C V Cabraal

The Chairman of the committee, Mr. L N de S Wijeyeratne is an Independent Non - Executive Director. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka with over thirty six years of experience in Finance and General Management.

Brief profiles of each member are given on page 18 and 19 of this report. Individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgements on matters that come within the Committee's purview.

Hayleys Group Services (Pvt) Ltd. - Company Secretaries acts as the secretary to the audit committee. The Chairman & Chief Executive, Group Chief Finance Officer of Hayleys PLC and Head – Hayleys Group Management Audit & System Review, Managing Director, Director/CEO and Director Finance of Kelani Valley Plantations PLC attend meetings of the Committee by invitation.

CHARTER OF THE AUDIT COMMITTEE

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met 4 times during the year. The attendance of the members at these meetings is as follows:

Independent Non-Executive Director	11/05/2021	05/08/2021	04/11/2021	02/02/2022	Total
Mr. L N de S Wijeyeratne (Chairman)	√	√	√	√	4/4
Mr. F Mohideen	√	√	√	√	4/4
Mr. C V Cabraal	√	√	√	√	4/4

ROLE OF THE AUDIT COMMITTEE

The committee has a written terms of reference, which clearly defined the oversight role and responsibility of the Audit committee and it is described in the Corporate Governance Report on page 160.

TASKS OF THE AUDIT COMMITTEE

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual financial statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining Statements of Compliance from Managing Director and Director/CEO. The committee recommended the financial statements to the Board for its deliberations and issuance. The committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The committee reviewed the process to assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of financial statements. The Hayleys Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedure in Group companies that are selected according to an annual plan. These reports are reviewed by the Audit Committee. Internal Audits are outsourced wherever necessary, to leading audit firms in line with the agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The committee appraised the independence of the MA & SRD and other internal auditors, in the conduct of their assignments.

The committee reviewed statements that indicated major business risks, mitigating actions or contemplated for management of these risks.

External Audits
The committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial actions were recommended wherever necessary.

The audit results were presented to the Audit Committee after the completion of the audit. The committee reviewed the audit observations in relation to the Group's accounting policies, judgements and accounting estimates adopted, with particular reference to the Going Concern and impairment of assets assessments carried out by Management and noted that there were no significant issues reported .

The Audit Committee has reviewed the other services provided by the External Auditors to the Group to ensure that their independence as External Auditors has not been compromised.

APPOINTMENT OF EXTERNAL AUDITORS
The Audit Committee has recommended to the Board of Directors that Messers. Ernst & Young; continue as Auditors for the financial year ending 31 March 2023.

SUPPORT TO THE COMMITTEE
The Committee received information and support from Management and Group Auditor during the year to carry out its duties and responsibilities effectively.

ETHICS AND GOOD GOVERNANCE
The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

Sri Lanka Accounting Standards Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.

The committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

The committee has pursued the support of Messers. Ernst & Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

L N de S Wijeyeratne
Chairman

Audit Committee

10 May 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the parent Company, functions as the RPTRC Committee of the Company in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee of Hayleys PLC comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows,

Dr. H Cabral**, PC - Chairman
Mr. M Y A Perera **
Mr. S C Ganegoda*

** Independent Non-Executive
*Executive

ATTENDANCE

Committee met four (04) times in the Financial Year 2021/22.

Meetings were held on 17 May 2021, 10 August 2021, 09 November 2021 and 11 February 2022.

Attendance at Meetings	
Dr. H Cabral, PC	4/4
Mr. M Y A Perera	4/4
Mr. S C Ganegoda	4/4

THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'Competent Independent Advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

TASK OF THE COMMITTEE

The committee reviewed the related party transactions and their compliances of Kelani Valley Plantations PLC and communicated the same to the Board.

The committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.

Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC

17 May 2022

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of the parent Company Hayleys PLC functions as the Remuneration Committee of the Company and comprises three Independent Non-Executive and one Non-Independent Non-Executive Director.

Dr. H Cabral, PC	(IND/NED) – Chairman
Mr. K D D Perera	(NED)
Mr. M Y A Perera	(IND/NED)
Mr. M H Jamaldeen	(IND/NED)

IND/NED – Independent Non-Executive Director
NED - Non-Executive Director

A brief profile of the Directors is given on page 18 and 19.

The Chairman & Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

DUTIES OF THE REMUNERATION COMMITTEE

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include:

- Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies and parameters for the compensation structures for all Executives staff of the Company.
- Review information related to executive pay from time to time to ensure same in par with the market/ industry rates.
- Evaluate the performance of the Chairman & Chief Executive and Key Management Personnel against the predetermined targets and goals.
- Assess and recommend to the Board of Directors promotions of Key Management Personnel and address succession planning.
- Approve annual salary increments and bonuses.

REMUNERATION POLICY

The remuneration policy of the Company is to attract and retain highly qualified and experienced work force and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and is commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

ACTIVITIES IN 2021/22

- During the year the committee reviewed the performance of the Chairman & Chief Executive, Executive Directors and Group Management Committee based on the targets set in the previous year and determined the bonus payable and the annual increments.
- Recommended the bonus payable and annual increments to be paid to Executive and Non-Executive staff based on the ratings of the Performance Management System.

Dr. Harsha Cabral, PC
Chairman

Remuneration Committee
17 May 2022

MANAGING DIRECTOR'S, CHIEF EXECUTIVE OFFICER'S, AND DIRECTOR - FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of Kelani Valley Plantations PLC and the Consolidated Financial Statements of the Group as at 31 March, 2022 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 7 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange; and
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the financial statements are appropriate and are constantly applied, as described in the notes to the financial statements. The significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee and our External Auditors.

We have taken measures in installing systems of internal control and accounting records, to safe guard assets, and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurance that the established policies and procedures have been consistently followed was provided through periodic audits conducted by Hayleys Group Internal Auditors (MA & SRD) and our own staff. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets quarterly and additionally if required with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The financial statements were audited by Messrs Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is given on page 195 and 196 of the Annual Report.

The Audit Committee reviews the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that:

- The Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements:
- There are no non-compliances: and
- There is no material litigation that is pending against the Group.

Dr. Roshan Rajadurai
Managing Director

Anura Weerakoon
Director / Chief Executive Officer

Vidura Weerabahu
Director - Finance

10 May 2022

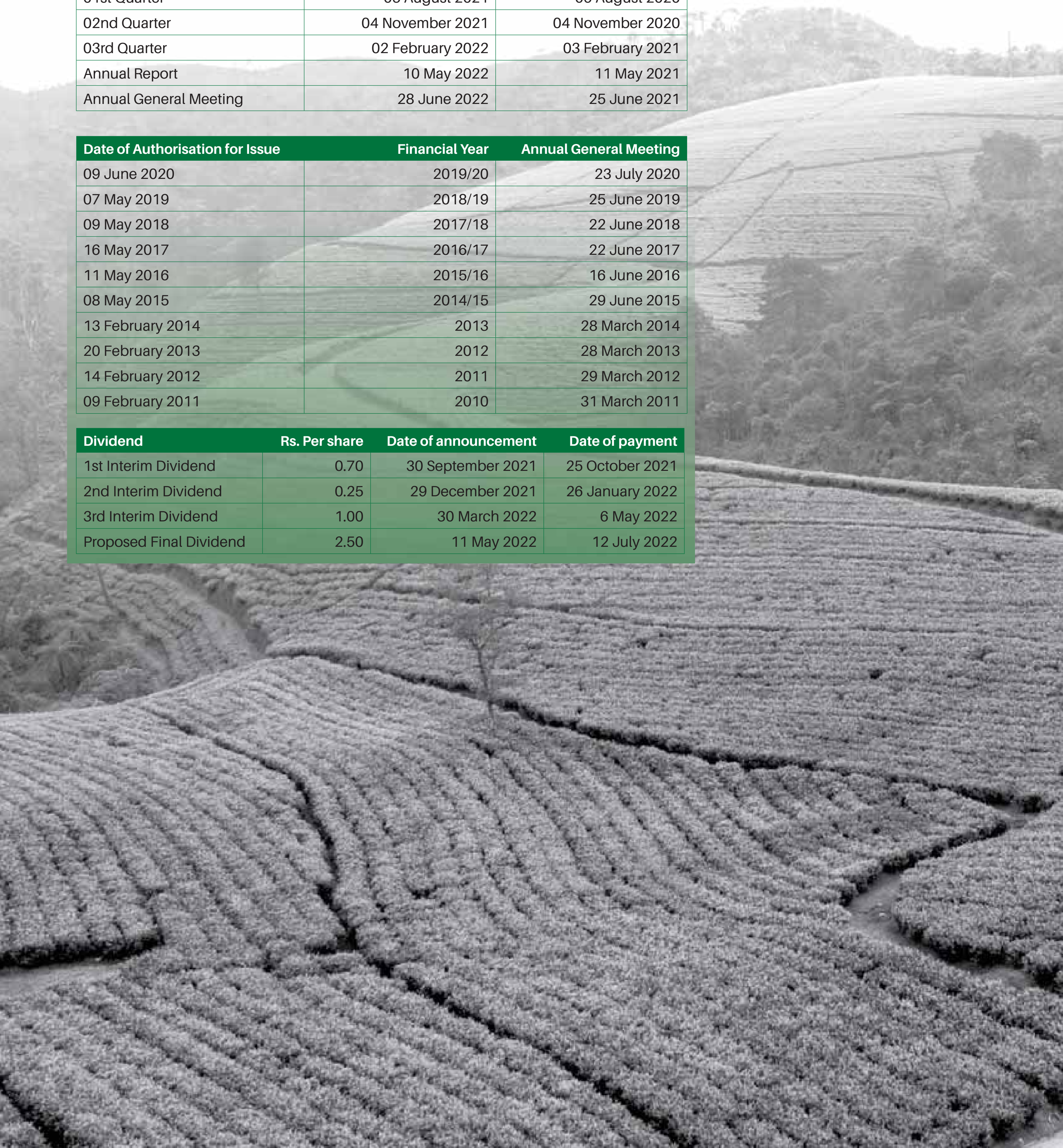
Financial Reports

FINANCIAL CALENDAR

Financial Calendar	2021/22	2020/21
01st Quarter	05 August 2021	06 August 2020
02nd Quarter	04 November 2021	04 November 2020
03rd Quarter	02 February 2022	03 February 2021
Annual Report	10 May 2022	11 May 2021
Annual General Meeting	28 June 2022	25 June 2021

Date of Authorisation for Issue	Financial Year	Annual General Meeting
09 June 2020	2019/20	23 July 2020
07 May 2019	2018/19	25 June 2019
09 May 2018	2017/18	22 June 2018
16 May 2017	2016/17	22 June 2017
11 May 2016	2015/16	16 June 2016
08 May 2015	2014/15	29 June 2015
13 February 2014	2013	28 March 2014
20 February 2013	2012	28 March 2013
14 February 2012	2011	29 March 2012
09 February 2011	2010	31 March 2011

Dividend	Rs. Per share	Date of announcement	Date of payment
1st Interim Dividend	0.70	30 September 2021	25 October 2021
2nd Interim Dividend	0.25	29 December 2021	26 January 2022
3rd Interim Dividend	1.00	30 March 2022	6 May 2022
Proposed Final Dividend	2.50	11 May 2022	12 July 2022



INDEPENDENT AUDITORS' REPORT

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Ernst & Young
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BW/NG/MRH

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KELANI VALLEY PLANTATIONS PLC

Report on the Financial Statements

Opinion

We have audited the financial statements of Kelani Valley Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2022, and statement of Profit or loss the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation	
The retirement benefit obligation as at 31 March 2022 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group. Measurement of the retirement benefit obligation was a key audit matter due to following reasons: Key areas of significant judgments, estimates and assumptions included the following: ⦿ The retirement benefit obligation of the Group is significant (Rs. 1,034 Mn) in the context of the total liabilities of the Group (16% of total liabilities). ⦿ The actuarial valuation involves making significant assumptions about discount rate. Further, the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation. ⦿ The determination of the base salary/ wage rate and the future salary/wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end. Required significant management judgments are disclosed under Notes 26 & 33 to the financial statements.	Our audit procedures were based on the latest available information up to the date of our report and included the following: ⦿ We assessed the competency, capability and objectivity of the external actuary engaged by the Group. ⦿ We read the external actuary's report and understood the key estimates made and the approach taken by the valuer in determining the present value of retirement benefit obligation. ⦿ We assessed the assumption for salary increases against the historical collective agreements. ⦿ We agreed the discount rate used, to our internally developed benchmarks. ⦿ We validated the key data used by the actuary to the underlying data held by the Group. ⦿ We evaluated the impact on retirement benefit obligation resulting from wage negotiations and assessed the adequacy of disclosures given in Note 33 to the financial statements. We have also assessed the adequacy of the disclosures made in Notes 26 to the financial statements relating to the significant judgements and estimates.

INDEPENDENT AUDITORS' REPORT

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Bearer Biological Assets	
The Bearer Biological Asset is a significant non-current asset of the Group representing 31% of the total assets consisting with Rs 2,918 Mn as Mature plantations and Rs 962 Mn as Immature Plantations as at 31 March 2022. Assessing the valuation of Bearer Biological asset in the financial statements is a key audit matter due to following factors: ⦿ Magnitude of the balance and its significance to total assets (31%) of the group. Which includes Rs. 2,918 Mn of mature plantations carried at cost less depreciation and amount of Rs. 962 Mn immature plantations carried at cost less impairment. ⦿ Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers to be made from immature plantations to mature plantations and for the identification of triggers of impairment (if any).	Our audit procedures were based on the latest available information up to the date of our report and included the following: ⦿ We assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations. ⦿ We validated the significant amounts capitalised (including capitalised labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. ⦿ Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations. ⦿ We inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements. ⦿ Assessed the reasonability of depreciation provided on the matured plantations by performing independent computation. ⦿ We also assessed the adequacy of the related disclosures given in Notes 3.7.8.1 and 14.1 in the financial statements.

Other information included in The Company's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-2440.

Ernst & Young

10 May 2022
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Revenue	6.1	12,925,850	11,760,469	5,351,531	4,573,645
Cost of sales		(10,661,213)	(10,003,835)	(4,441,459)	(3,868,725)
Gross profit	6.2	2,264,637	1,756,634	910,072	704,920
Gain on change in fair value of biological assets	14.2.1	16,207	8,840	16,207	8,840
Other income	7	331,637	140,284	448,748	349,804
Administrative expenses		(877,826)	(708,587)	(425,972)	(362,210)
Distribution expenses		(59,139)	(24,737)	-	-
Results from operating activities		1,675,516	1,172,434	949,055	701,354
Finance income	8.1	960,908	176,711	105,283	12,517
Finance expenses	8.2	(588,140)	(320,568)	(48,201)	(88,348)
Interest paid to Government on lease	8.3	(83,113)	(81,056)	(83,113)	(81,056)
Net finance income/(cost)	8	289,655	(224,913)	(26,031)	(156,887)
Profit before tax	9	1,965,171	947,521	923,024	544,467
Tax expense	10.1	(187,707)	(145,336)	15,810	(48,929)
Profit for the year		1,777,464	802,185	938,834	495,538
Attributable to:					
Equity holders of the Parent		1,769,532	795,092	938,834	495,538
Non-controlling interest		7,932	7,093	-	-
Profit for the year		1,777,464	802,185	938,834	495,538
Earnings per Share					
Basic earnings per share (Rs.)	11.1 (A)	26.02	11.69	13.81	7.29
Diluted earnings per share (Rs.)	11.1 (B)	26.02	11.69	13.81	7.29
Dividend per Share (Rs.)	11.2	-	-	4.45	3.00

Figures in brackets indicate deductions.

Notes to the Financial Statements from page 205 to 262 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Profit for the year		1,777,464	802,185	938,834	495,538
Comprehensive Income					
Comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Revaluation of land	13	62,715	-	-	-
Actuarial gain on retirement benefit obligations	26	59,487	138,110	62,344	142,116
Income tax effect	10.2	(13,224)	(19,332)	(4,844)	(19,896)
Comprehensive income for the year, net of tax		108,978	118,778	57,500	122,220
Total comprehensive income for the year, net of tax		1,886,442	920,963	996,334	617,758
Attributable to:					
Equity holders of the Parent		1,878,539	913,864	996,334	617,758
Non-controlling interest		7,903	7,099	-	-
Total comprehensive income for the year		1,886,442	920,963	996,334	617,758

Figures in brackets indicate deductions.

Notes to the Financial Statements from page 205 to 262 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

	Notes	Group As at 31.03.2022 Rs. '000	Group As at 31.03.2021 Rs. '000	Company As at 31.03.2022 Rs. '000	Company As at 31.03.2021 Rs. '000
ASSETS					
Non-current assets					
Right-of-use Assets	12	595,090	624,842	595,090	624,842
Freehold property, plant & equipment	13	2,106,696	2,021,491	871,025	862,329
Improvements to leasehold property	14.1	3,880,180	3,858,625	3,880,180	3,858,625
Biological assets - consumable	14.2	212,691	204,178	212,691	204,178
Investments in subsidiaries	15	-	-	347,813	350,609
Other non-current financial assets	15.2	390,920	390,920	390,920	390,920
Intangible assets	16	41,251	40,521	-	-
Total non-current assets		7,226,828	7,140,577	6,297,719	6,291,503
Current assets					
Produce on bearer biological assets	17.1	16,980	9,286	16,980	9,286
Inventories	17.2	1,855,248	1,346,248	711,067	503,516
Amounts due from subsidiaries	30.1	-	-	22,910	21,153
Amounts due from other related companies	30.1	224,877	72,655	154,010	49,209
Trade and other receivables	18	2,319,105	1,804,972	457,684	510,425
Income tax recoverable	29.1	138	422	-	-
Short-term deposits	20.1	496,060	46,088	264,794	45,837
Cash and cash equivalents	20.2	371,939	332,148	85,286	133,815
Total current assets		5,284,347	3,611,819	1,712,731	1,273,241
Total assets		12,511,175	10,752,396	8,010,450	7,564,744
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	340,000	340,000	340,000	340,000
Revenue reserves		5,552,995	3,909,055	3,827,764	3,066,030
Total equity attributable to equity holders of the company		5,892,995	4,249,055	4,167,764	3,406,030
Non-controlling interest		49,085	41,182	-	-
Total equity		5,942,080	4,290,237	4,167,764	3,406,030
Non-current liabilities					
Interest-bearing borrowings	22.1	125,574	193,108	8,669	39,200
Other financial liabilities	23	-	71,454	-	-
Deferred income	24	672,440	667,443	671,819	666,796
Deferred tax liability	25.1	444,120	462,162	386,973	432,211
Retirement benefit obligations	26	1,034,290	1,073,035	988,099	1,031,234
Lease liability	27.3	599,964	599,096	599,964	599,096
Total non-current liabilities		2,876,388	3,066,298	2,655,524	2,768,537

	Notes	Group		Company	
		As at 31.03.2022 Rs. '000	As at 31.03.2021 Rs. '000	As at 31.03.2022 Rs. '000	As at 31.03.2021 Rs. '000
Current liabilities					
Trade and other payables	28	1,391,394	813,673	795,359	514,600
Lease liability	27.3	16,899	14,785	16,899	14,785
Amounts due to subsidiaries	30.1	-	-	11,997	12,469
Amounts due to other related companies	30.1	82,753	90,199	55,420	49,302
Income tax payable	29.2	96,915	42,997	-	1,642
Interest-bearing borrowings payable within one year	22.1	137,861	159,454	30,278	64,712
Other financial liabilities	23	92,081	150,000	-	-
Short-term interest bearing borrowings	22.2	1,845,270	1,983,276	250,000	600,000
Bank overdraft	20.3	29,534	141,477	27,209	132,667
Total current liabilities		3,692,707	3,395,861	1,187,162	1,390,177
Total liabilities		6,569,095	6,462,159	3,842,686	4,158,714
Total equity and liabilities		12,511,175	10,752,396	8,010,450	7,564,744
Net assets per share (Rs.)		86.66	62.49	61.29	50.09

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Vidura Weerabahu
Director - Finance

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board,

A M Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Notes to the Financial Statements from page 205 to 262 form an integral part of these Financial Statements.

10 May 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

Group	Note	Stated capital Rs. '000	General reserve Rs. '000	Re-valuation reserve Rs. '000	FVTOCI financial assets Rs. '000	Timber reserve Rs. '000	Bearer biological produce Rs. '000	Retained earnings Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
		Attributable to equity holders of the parent									
			Revenue reserves								
Balance as at 1 April, 2020	21	340,000	1,700,000	-	89,347	147,611	5,621	1,154,613	3,437,192	41,882	3,479,074
Profit for the year		-	-	-	-	5,175	3,665	786,252	795,092	7,093	802,185
Comprehensive income		-	-	-	-	-	-	118,771	118,771	7	118,778
Dividends		-	-	-	-	-	-	(102,000)	(102,000)	(7,800)	(109,800)
Balance as at 31 March, 2021		340,000	1,700,000	-	89,347	152,786	9,286	1,957,636	4,249,055	41,182	4,290,237
Profit for the year		-	-	-	-	8,513	7,694	1,753,325	1,769,532	7,932	1,777,464
Comprehensive income											
Actuarial gains on defined benefit plans		-	-	-	-	-	-	59,521	59,521	(34)	59,487
Revaluation of land	13	-	-	62,715	-	-	-	-	62,715	-	62,715
Income tax on comprehensive income	10.2	-	-	(8,780)	-	-	-	(4,448)	(13,228)	5	(13,223)
Total comprehensive income		-	-	53,935	-	-	-	55,073	109,008	(29)	108,979
Total Comprehensive income for the period		-	-	53,935	-	8,513	7,694	1,808,398	1,878,540	7,903	1,886,443
Dividend to equity holders	11.2	-	-	-	-	-	-	(234,600)	(234,600)	-	(234,600)
Balance as at 31 March, 2022		340,000	1,700,000	53,935	89,347	161,299	16,980	3,531,434	5,892,995	49,085	5,942,080

Company	Note	Stated capital Rs. '000	General reserve Rs. '000	Timber reserve Rs. '000	Bearer biological produce Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
		Revenue reserves					
Balance as at 1 April, 2020	21	340,000	1,700,000	147,611	5,621	697,040	2,890,272
Profit for the year		-	-	5,175	3,665	486,698	495,538
Comprehensive income		-	-	-	-	122,220	122,220
Dividends		-	-	-	-	(102,000)	(102,000)
Balance as at 31 March, 2021		340,000	1,700,000	152,786	9,286	1,203,958	3,406,030
Profit for the year		-	-	8,513	7,694	922,627	938,834
Comprehensive income		-	-	-	-	57,500	57,500
Dividends	11.2	-	-	-	-	(234,600)	(234,600)
Balance as at 31 March, 2022		340,000	1,700,000	161,299	16,980	1,949,485	4,167,764

General reserves set aside for future distribution and investment.
The timber reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.
The bearer biological produce relates to change in fair value of harvestable produce growing on bearer biological assets.

Figures in brackets indicate deductions.

Notes to the Financial Statements from page 205 to 262 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 March	Notes	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Cash flows from operating activities					
Profit before tax		1,965,171	947,521	923,024	544,467
Adjustments for;					
Interest on Government finance lease	8.3	83,113	81,056	83,113	81,056
Finance expenses	8.2	588,140	320,568	48,201	88,348
Finance income	8.1	(960,908)	(176,711)	(105,283)	(12,517)
Profit on disposal of property, plant & equipment	7	(15,137)	(6,238)	(14,745)	(2,000)
Net gains on fair value of biological assets		(16,207)	(8,840)	(16,207)	(8,840)
Dividend income	7	-	-	(305,100)	(225,000)
Depreciation		327,398	298,027	251,060	228,660
Amortisation of Right-of-use assets		47,629	44,290	47,629	44,290
Amortisation of intangible assets	16	2,422	1,711	-	-
Provision for retirement benefit obligations		152,948	186,073	146,547	177,720
Amortisation of capital grants	24	(30,538)	(27,474)	(30,512)	(27,448)
Provision for falling value of investments	15.1	-	-	2,796	2,457
Provision/(reversal) for obsolete inventories		(183)	(4,354)	1,566	497
Provision/(reversal) for doubtful debts		1,591	(2,155)	2,574	(358)
Operating profit before working capital changes		2,145,439	1,653,474	1,034,663	891,332
(Increase)/decrease in inventories		(508,817)	(285,601)	(209,117)	(55,948)
(Increase)/decrease in trade and other receivables		(515,724)	(1,016,915)	15,895	(124,233)
(Increase)/decrease in amounts due from related companies		(152,221)	(30,328)	(106,558)	(13,114)
Increase/(decrease) in trade and other payables		472,922	194,485	210,769	146,620
Increase/(decrease) in amount due to related companies		824	(37,833)	13,915	(70,682)
Cash generated from operating activities		1,442,423	477,282	959,567	773,975
Interest paid on Government lease	8.3	(83,113)	(81,056)	(83,113)	(81,056)
Interest paid		(149,682)	(174,611)	(48,201)	(88,348)
Taxes paid		(128,324)	(72,473)	-	-
Retirement benefit obligations paid	26	(132,206)	(126,942)	(127,338)	(119,302)
Net cash flow from operating activities		949,098	22,200	700,915	485,269
Cash flows from investing activities					
Field development expenditure	14.1	(183,751)	(173,150)	(183,751)	(173,150)
Interest received	8.1	20,491	10,608	9,077	6,224
Dividends received		-	-	305,100	201,780
Acquisition of property, plant & equipment		(197,573)	(86,733)	(105,893)	(12,066)
Proceeds from disposal of property, plant & equipment		25,020	8,004	23,077	2,094
Acquisition of intangible assets		(3,152)	(7,071)	-	-
Net cash used in investing activities		(338,965)	(248,342)	47,610	24,882
Net cash Inflow/(outflow) before financing activities		610,133	(226,142)	748,525	510,151

STATEMENT OF CASH FLOWS

As at 31 March	Notes	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Cash flows from financing activities					
Dividend paid		(166,245)	(109,800)	(166,245)	(102,000)
Capital settlement of net liability to lessor		(14,899)	(11,392)	(14,899)	(11,392)
Exchange gain/(loss)		501,958	20,146	96,206	6,293
Short-term loans obtained during the year		6,918,715	6,370,234	1,750,000	600,000
Short-term loans repaid during the year		(7,056,722)	(5,295,522)	(2,100,000)	(413,797)
Long-term loans obtained during the year	22.1	79,750	75,000	-	50,000
Long-term loans repaid during the year	22.1	(298,249)	(308,445)	(64,966)	(103,138)
Long-term loans repaid to group company		(8,270)	(15,566)	(8,270)	(15,566)
Grants received	24	35,535	78,287	35,535	78,287
Net cash used in financing activities		(8,427)	802,942	(472,639)	88,687
Net increase/(decrease) in cash and cash equivalents		601,706	576,800	275,886	598,838
Cash and cash equivalents at the beginning of the period		236,759	(340,041)	46,985	(551,853)
Cash and cash equivalents at the end of the period (Note A)		838,465	236,759	322,871	46,985
Note A: Analysis of cash and cash equivalents					
Cash and bank balances	20.2	371,939	332,148	85,286	133,815
Short-term deposits	20.1	496,060	46,088	264,794	45,837
		867,999	378,236	350,080	179,652
Bank overdraft	20.3	(29,534)	(141,477)	(27,209)	(132,667)
Cash and cash equivalents		838,465	236,759	322,871	46,985

Figures in brackets indicate deductions.
Notes to the Financial Statements from page 205 to 262 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Kelani Valley Plantations PLC was incorporated on 18 June, 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No 400, Deans Road, Colombo 10 and Plantations are situated in the planting districts of Nuwara Eliya, Hatton and Yatiyantota.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The Consolidated Financial Statements of Kelani Valley Plantations PLC., as at and for the year ended 31 March, 2022 comprise the Company and its Subsidiaries namely, Kalupahana Power Company (Pvt) Ltd.("KPC"), Kelani Valley Instant Tea (Pvt) Ltd ("KVIT"), Mabroc Teas (Pvt) Ltd ("MTPL") and Kelani Valley Resorts (Pvt) Ltd ("KVRL").

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

1.1 Principle Activities and nature of the operations

During the year, the principle activities of the Company were the producing and processing of Tea and Rubber.

Principle activities of other companies in the Group are as follows.

Company	Nature of the business/Principle Place of Business
Kalupahana Power Company (Pvt) Ltd	Generating Hydropower Kalupahana Estate, Bulathkohupitiya
Kelani Valley Instant Tea (Pvt) Ltd	Manufacture of Ready-To-Drink Tea Powder Nuwara Eliya Estate, Labukelle
Mabroc Teas (Pvt) Ltd	Export of Bulk and Retail Packed Tea No.57/3 New Hunupitiya Road, Kiribathgoda
Kelani Valley Resorts (Pvt) Ltd	Provide Services in the Hospitality Industry Oliphant Estate, Nuwara Eliya

1.2 Holding Company

The Company is a subsidiary of DPL Plantations (Pvt) Ltd., which is a wholly-owned subsidiary of Dipped Products PLC (DPL) whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorization for issue

The Financial Statements of Kelani Valley Plantations PLC for the period ended 31 March 2022, were authorized for issue in accordance with a resolution of the Board of Directors on 10 May 2022.

1.4 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding Notes.

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

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

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31 March 2022.

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

NOTES TO THE FINANCIAL STATEMENTS

- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – ("IBOR reform"
- Amendments to LKAS 1 and LKAS 8 Definition of Material
- Amendments to IAS 41 Agriculture – Taxation in fair value measurements
- Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

2.4 Functional and Presentation Currency

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

2.5 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2022. Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Comprehensive Income (CI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Company level investments in subsidiaries are recognised at cost.

3.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Current versus non-current classification

The Group presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset as current when it is:

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each Statement of Financial Position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Managed Consumable biological assets Note 14.2.
- Produce Growing on Bearer Biological Assets Note 17.1.

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

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

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

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

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

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

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

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

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- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

External valuers are involved for valuation of significant assets, such as managed consumable biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

3.5 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in Statement of Profit or Loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in CI until the net investment is disposed of, at which time, the cumulative amount is reclassified to Statement of Profit or Loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in CI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in CI or Statement of Profit or Loss are also recognised in CI or Statement of Profit or Loss, respectively).

3.6 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Statement of Profit or Loss.

3.7 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.7.1 Basis of Recognition

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

3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost (or at fair value in the case of land) less accumulated depreciation and accumulated impairment losses, if any.

3.7.3 Borrowing Cost

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

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

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

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

The amount so capitalised and the capitalisation rates are disclosed in Notes to the Financial Statements.

3.7.4 Owned Assets

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

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

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

3.7.5 Leases

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

Group as a Lessee

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

3.7.5.1 Right-of-Use Assets

The Group recognises right-of-use of assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use of assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.7.5.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.7.6 De-recognition

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

3.7.7 Land Development Cost

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

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

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

3.7.8 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable

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specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

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

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

3.7.8.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property, Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.7.8.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

3.7.8.3 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Market approach by an independent professional valuer. Accordingly, the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. The timber trees which have not reached to the harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor. All other assumptions and sensitivity analysis are given in Note 14.2

The main variables in Market approach model concerns

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleble condition. Here, the valuer has considered timber prices published by State Timber Corporation as the sector benchmark as the appropriate basis for determining the fair value of the subject timber trees.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in Statement of Profit or Loss for the period in which it arises.

Permanent impairments to biological asset are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.7.8.4 Nursery Plants

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

3.7.9 Depreciation and Amortisation

a) Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

Assets Category	No. of Years	Rate (%)
Buildings & Roads	40	2.50
Plant & Machinery	20	5.00
Plant & Machinery-Effluent Treatment Plant	10	10.00
Electronic Machinery	10	10.00
Hydro Power Plant	30	3.33
Motor Vehicles-Utility	10	10.00
Motor Vehicles-Supervisory	5	20.00
Equipment	4	25.00
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00
Computer Accessories	4	25.00
Tea Bagging Machines	15	6.67
Intangible assets	5	20.00

Mature Plantations (Replanting and New Planting)

Mature Plantations	No. of Years	Rate (%)
- Tea	33 1/3	3.00
- Rubber & Cinnamon	20	5.00

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

No depreciation is provided for immature plantations.

(b) Amortisation

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

	No. of Years	Rate (%)
Right of Use land	53	1.89
Right of Use Building	05	20
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	20	5.00

3.7.9.1 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.7.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Statement of Profit or Loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually

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or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 recognised in the Statement of Profit or Loss when the asset is de-recognised.

3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 Financial assets

3.8.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, investments, trade and other receivables.

3.8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through CI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through CI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial Assets at Amortised Cost (Debt Instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is de-recognised, modified or impaired.

Financial Assets at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial Assets at Fair Value Through CI (Debt Instruments)

The Group measures debt instruments at fair value through CI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through CI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in CI. Upon de-recognition, the cumulative fair value change recognised in CI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through CI.

c) Financial Assets at Fair Value Through CI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through CI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in CI. Equity instruments designated at fair value through CI are not subject to impairment assessment. The Group has opted to classify investment in shares of Martin Bauer Hayleys (Pvt) Ltd under Financial assets at fair value through CI.

d) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through CI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss. The Company has opted to classify investment in shares of Martin Bauer Hayleys (Pvt) Ltd under Financial assets at fair value through profit or loss.

3.8.1.3 De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset,

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.8.1.4 Impairment of Financial Assets
The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.8.2 Financial liabilities
3.8.2.1 Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.8.2.2 Subsequent Measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial Liabilities at Fair Value Through Profit or Loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

(b) Financial Liabilities at Amortized Cost
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are de-recognised as well as through the effective interest rate method (EIR) amortization process.

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Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.8.2.3 De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged or canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

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

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

3.9 Harvestable Agricultural Produce Growing on Bearer Biological Assets

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

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas.

- Tea – Bought leaf rate less cost of harvesting & transport.
- Rubber – Latex price (92.5% of current RSS1 Price) less cost of tapping & transport.

3.10 Inventories

a) Finished Goods Manufactured from Agricultural Produce of Biological Assets
These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to salable condition.

b) Input Material, Spares and Consumables
At actual cost on weighted average basis.

c) Agricultural Produce Harvested from Biological Assets
Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.11 Cash and Cash Equivalents

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

3.12 Impairment of Non-Financial Assets

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

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

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

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

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

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Provisions

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

3.14 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

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

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through comprehensive income. Past service costs are recognised immediately in Statement of Profit or Loss

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

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 26.

3.15 Capital Commitments and Contingencies

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

3.16 Events Occurring after the Reporting Date

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

3.17 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 Deferred Income

3.18.1 Grants and Subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

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Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years
Sanitation & water supply	20 years
Plant & equipment	13 1/3 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.19 Statement of Profit or Loss

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

3.19.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

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

3.19.1.1 Revenue from contracts with customers

- **Sale of Plantation Produce**

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods is transferred to the customer. Black Tea and Rubber produce are sold at the Colombo Tea/ Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

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

The Mabroc Teas (Pvt) Ltd ("Subsidiary") is the most significant revenue contributor to the Group's revenue and they are recognised their export revenue at a point in time when control of the goods is transferred to the customer, generally on delivery / handed over to the shipper.

Rendering of Services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognised at the point of hydro energy releases to the national grid at a pre-determined unit price.

- **Fee from Management Services**

Fee from management services are recognised as revenue over the time during the period in which the services are rendered.

3.19.1.2 Other Source of Income

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

- **Rental Income**

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

- **Dividend Income**

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

- **Interest Income**

Interest income is recognised based on effective interest method.

Interest income on financial assets at FVTPL is recognised as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortised cost is calculated by using the effective interest method and is recognised as other income.

3.19.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the year.

3.19.2.1 Financing Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Foreign currency gains and losses are reported on a net basis.

3.19.2.2 Taxes

3.19.2.2.1 Current Income Tax

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

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

3.19.2.2.2 Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.20 Statement of Cash Flow

The Statement of Cash Flow has been prepared using the ‘indirect method’. Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows, for the purpose of presenting the Statement of Cash Flow.

3.21 Segment Reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

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Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described in Note 36 in the Notes to the Financial Statements. The Group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest-bearing loans, borrowings, and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

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

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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

4.1 Taxation

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

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

4.2 Deferred Tax

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

4.3 Measurement of Retirement Benefit Obligation

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

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

Further details about Retirement Benefit Obligations are provided in Note 26.

4.4 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

4.5 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 14.

4.6 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgement in determining the point at which a plant is deemed ready for commercial harvesting.

4.7 Leases - Estimating the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

4.8 Impairment of Non-Financial Assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 SLFRS 17 – Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4-Insurance Contracts that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The amendments are not expected to have a material impact on the Group.

5.2 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are

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explicitly chargeable to the counter-party under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

5.3 Amendments to LKAS 16-Property, Plant & Equipment: Proceeds before Intended Use

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 - Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

5.4 Amendments to SLFRS 3 Business Combinations: Updating a Reference to Conceptual Framework

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

6. REVENUE

6.1 Industry Segment Revenue

For the year ended 31 March	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Tea	11,187,812	10,518,571	3,381,385	3,127,222
Rubber	1,928,763	1,418,142	1,928,763	1,418,142
Others	102,349	80,645	41,383	28,281
Less: Intra-group sales	(293,074)	(256,889)	-	-
	12,925,850	11,760,469	5,351,531	4,573,645

6.2 Industry Segment Results (Gross Profit)

Tea	1,706,821	1,394,115	399,392	379,346
Rubber	493,420	321,060	493,420	321,060
Others	64,396	41,459	17,260	4,514
	2,264,637	1,756,634	910,072	704,920

7. OTHER INCOME

For the year ended 31 March	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Profit on disposal of property, plant & equipment	15,137	6,238	14,745	2,000
Lease / rent income	39,290	40,458	39,290	40,458
Dividend income	-	-	305,100	225,000
Hydro power and Solar income	9,144	10,877	10,952	12,807
Amortisation of Government grants	30,538	27,474	30,512	27,448
Revenue grants	500	-	500	-
Sale of timber	6,151	16,673	6,151	16,673
Facilitation fee	183,178	-	6,763	-
Sundry income	47,699	38,564	34,735	25,418
	331,637	140,284	448,748	349,804

There are no unfulfilled conditions or contingencies attached to the grants.

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8. NET FINANCE COST

8.1 Finance Income

	Group		Company	
For the year ended 31 March	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Interest income	20,491	10,608	9,077	6,224
Foreign exchange gain	940,417	166,103	96,206	6,293
	960,908	176,711	105,283	12,517
8.2 Finance Expenses				
Interest on term loans	(21,186)	(31,510)	(3,962)	(8,859)
Interest on overdraft and short-term loans	(122,086)	(134,455)	(40,102)	(75,206)
Foreign exchange loss	(438,459)	(145,957)	-	-
Interest expense on corporate guarantee	(2,272)	(4,363)	-	-
Interest paid on lease	(4,137)	(4,283)	(4,137)	(4,283)
	(588,140)	(320,568)	(48,201)	(88,348)
8.3 Interest paid to Government on lease	(83,113)	(81,056)	(83,113)	(81,056)
	(83,113)	(81,056)	(83,113)	(81,056)
Net finance cost	289,655	(224,913)	(26,031)	(156,887)

9. PROFIT BEFORE TAXATION

Profit before tax is stated after charging all expenses including the following:

		Group		Company	
For the year ended 31 March	Notes	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Directors' emoluments		105,760	69,921	49,191	28,273
Auditor's remuneration					
- Audit services		6,494	5,992	5,203	4,730
- Non-audit services		765	523	223	274
Depreciation and Lease Amortisation					
- Right-of-use asset-land	12.1.a	23,141	22,396	23,141	22,396
- Right-of-use asset-building	12.1.b	11,789	9,195	11,789	9,195
- Right-of-use asset-immovable assets	12.2.1/12.2.2	12,700	12,698	12,700	12,698
- Amortisation of intangible assets	16	2,422	1,711	-	-
- Tangible property, plant & equipment	13	165,203	154,030	88,864	84,662
- Bearer biological assets	14.1	162,196	143,998	162,196	143,998
Staff Costs					
- Defined contribution plan costs (EPF, CPPS, ESPS & ETF)		410,704	405,415	383,930	381,457
- Defined benefit plan cost (Retirement benefit obligations)	26	152,948	186,073	146,547	177,720
- Salaries and wages and other staff costs		2,945,637	2,600,352	2,646,775	2,358,251
- Staff training & development cost		3,414	1,162	2,409	569
Legal fees		8,174	9,313	7,600	7,258
Provision/(reversal) for bad & doubtful debts		1,591	(2,155)	2,574	(358)
Provision/(reversal) for obsolete inventories		(183)	(4,354)	1,566	497

10. TAX EXPENSE

10.1 Statement of Profit or Loss

For the year ended 31 March		Notes	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
(I) Current Tax Expense						
Income tax on current year profit	Company	10. A	(30,184)	(1,642)	(30,184)	(1,642)
	Subsidiaries	10. A	(185,914)	(93,296)	-	-
			(216,098)	(94,938)	(30,184)	(1,642)
(Under)/over provision in respect of previous years			1,214	(851)	-	(270)
Irrecoverable economic service charge written-off			(4,088)	(22,078)	(4,088)	(22,078)
			(218,972)	(117,867)	(34,272)	(23,990)
(II) Deferred Tax Expense						
Origination and reversal of temporary difference of						
	Company		50,082	(24,939)	50,082	(24,939)
	Subsidiaries		(18,817)	(2,530)	-	-
		25	31,265	(27,469)	50,082	(24,939)
Tax expense reported in the Statement of Profit or Loss			(187,707)	(145,336)	15,810	(48,929)

10.2 Statement of Comprehensive Income

		Notes	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Net (gain)/loss on actuarial (gain)/loss on defined benefit plans	Company		(4,844)	(19,896)	(4,844)	(19,896)
	Subsidiaries		400	564	-	-
Revaluation of land	Company		-	-	-	-
	Subsidiaries		(8,780)	-	-	-
Tax charge directly to other comprehensive income		25	(13,224)	(19,332)	(4,844)	(19,896)

KPC is liable to income tax, during the year of assessment 2021/22 at the rate of 14% & 24% in terms of Inland Revenue Act, No. 24 of 2017.

KVIT is liable to income tax, during the year of assessment 2021/22 at the rate of is 24% in terms of Inland Revenue Act, No. 24 of 2017

The Mabroc Teas (Pvt) Ltd. has been taxed at the rate of 14%, 18% and 24% in terms of Inland Revenue Act, No. 24 of 2017.

KVR is liable to income tax, during the year of assessment 2021/22 at the rate of 14% in terms of Inland Revenue Act, No. 24 of 2017.

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10. TAX EXPENSE (CONTD.)

(A) Reconciliation of Accounting Profit to Income Tax Expense

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Profit before tax	1,965,171	947,521	923,024	544,467
Aggregate disallowable expenses	760,764	538,702	605,184	465,146
Aggregate tax deductible expenses	(248,223)	(432,031)	(244,589)	(373,616)
Aggregate non-taxable income	(434,833)	(33,273)	(433,845)	(33,273)
Total statutory income	2,042,879	1,020,919	849,773	602,724
Tax exempt income/(losses) from agro farming	244,589	55,637	244,589	55,637
Taxable income/(losses) from agro processing	284,065	315,241	284,065	315,241
Taxable income from subsidiaries	1,191,478	637,720	-	-
Other source of income	322,747	12,321	321,119	231,846
Total statutory income	2,042,879	1,020,919	849,773	602,724
Tax losses for the year	(1,564)	-	-	-
Tax losses claimed during the year	(401,025)	(315,241)	(401,025)	(540,241)
Tax exempt income	(244,589)	(55,637)	(244,589)	(55,637)
Total taxable income	1398,829	650,041	204,159	6,846
Income tax @ 14%	165,051	88,987	26,340	-
Income tax @ 18%	5,183	2,994	-	-
Income tax @ 24%	45,864	2,957	3,844	1,642
Income tax on current year profit	216,098	94,938	30,184	1,642
(Over)/under provision in respect of previous years	(1,214)	851	-	270
Irrecoverable economic service charge written-off	4,088	22,078	4,088	22,078
Income tax charge for the year	218,972	117,867	34,272	23,990

(B) Tax Losses

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
As at 1 April	(413,937)	(1,269,099)	(401,025)	(1,256,187)
Adjustment for tax loss during the year	(12,136)	314,921	-	314,921
	(426,073)	(954,178)	(401,025)	(941,266)
Tax loss for the year	(1,564)	-	-	-
Loss set-off during the year	401,025	540,241	401,025	540,241
	399,461	540,241	401,025	540,241
As at 31 March	(26,613)	(413,937)	-	(401,025)

11. EARNINGS PER SHARE AND DIVIDEND PER SHARE

11.1 Earnings per Share

(A) Basic Earnings per Share

The computation of the basic earnings per share is based on profit attributable to ordinary shareholders for the period divided by weighted average number of ordinary shares outstanding during the period and calculated as follows,

	Group		Company	
For the year ended 31 March	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Amount used as the Numerator				
Profit attributable to ordinary shareholders (Rs. '000)	1,769,532	795,092	938,834	495,538
Amount used as the Denominator				
Weighted average number of ordinary shares ('000)	68,000	68,000	68,000	68,000
Basic earnings per share (Rs.)	26.02	11.69	13.81	7.29

The ordinary shares of the Company were subdivided by splitting each issued Ordinary Share into two ordinary shares (except for Golden Share) from 10 February 2021. Consequently, the total number of existing issued Ordinary Shares increased from 34,000,000 to 68,000,000 without changing the Stated Capital of the Company which remains at Rs. 340,000,010/-.

(B) Diluted Earnings per Share

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive shares outstanding at any time during the financial year.

11.2 Dividend per Share

	Company	
	2021/22	**2020/21**
First interim dividend Rs.0.70 per share, Second interim dividend Rs. 0.25 per share & Third interim dividend Rs.1/- per share (2020/21-First interim dividend prior to split Rs.1/- per share & Second interim dividend after split Rs.1/- per share) (Rs. '000)	132,600	102,000
Proposed dividend Rs. 2.50 per share (2020/21 -Rs. 1.50 per share) (Rs. '000)	170,000	102,000
	302,600	204,000
Number of ordinary shares ('000)	68,000	68,000
Dividend per share (Rs.)	4.45	3.00

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NOTES TO THE FINANCIAL STATEMENTS

12. RIGHT-OF-USE ASSETS

	Notes	Group/Company 2021/22 Rs. '000	Group/Company 2020/21 Rs. '000
Right-of-use of land	12.1.a	532,243	537,507
Right-of-use of building	12.1.b	23,577	35,366
Right-of-use asset-Immovable bearer biological assets	12.2.1	39,246	51,830
Right-of-use asset-Immovable assets (other than Right-of-use asset land, Building and bearer biological assets)	12.2.2	24	139
		595,090	624,842

12.1.a Right-of-use of land

This Right-of-use asset-land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset-land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 April 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset-land" and "Lease Liability" has been enhanced. "Right-of-use asset-land" have been executed for all estates for a period of 53 years.

The effect to the Statement of Financial Position and amortisation of the right to use of land up to 31 March 2022 are as follows:

As at 31 March	Group/Company 2021/22 Rs. '000	Group/Company 2020/21 Rs. '000
Capitalised Value		
As at 1 April	581,688	566,421
Adjustment on reassessment of lease liability as at 01 April 2021	17,877	15,267
As at 31 March	599,565	581,688
Amortisation		
As at 1 April	44,181	21,785
Amortisation for the year	23,141	22,396
As at 31 March	67,322	44,181
Carrying amount	532,243	537,507

The unexpired period of the lease as at the Statement of Financial Position date is 23 years.

The Company has sub leased an extent of 1.0127 hectares in Ingestre Estate and 2.2247 hectares in Blinkbonnie Estate to Martin Bauer Hayleys (Pvt) Ltd.

12.1.b Right-of-use asset-Building

Kelani Valley Plantations PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent). The effect to the Statement of Financial Position and depreciation of building to 31 March 2022 are as follows:

	Group/Company	
	2021/22 Rs. '000	2020/21 Rs. '000
As at 1 April	52,459	39,490
Adjustment on reassessment of lease liability as at 01 December 2020	-	12,969
As at 31 March	52,459	52,459
Amortisation		
As at 1 April	17,093	7,898
Amortisation for the year	11,789	9,195
As at 31 March	28,882	17,093
Carrying amount	23,577	35,366
Total Carrying Amount of Right-of-use asset-land & building	555,820	572,873

12.2 Right-of-use asset-Immovable assets

12.2.1. Right-of-use asset-Immovable Bearer Biological Assets

	Mature Plantations		Group/Company	
As at 31 March	Tea Rs. '000	Rubber Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Capitalised Value (18 June, 1992)	213,541	178,145	391,686	391,686
Amortisation				
As at 1 April	181,474	158,382	339,856	327,273
Amortisation for the year	6,814	5,770	12,584	12,583
As at 31 March	188,288	164,152	352,440	339,856
Carrying amount	25,253	13,993	39,246	51,830

Investment in immature plantations at the time of handing over to the Company as at 18 June, 1992 by way of estate leases were shown under immature plantations.

However, since then all such investments in immature plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further, investments in such plantations to bring them to maturity are shown under Note 14.

NOTES TO THE FINANCIAL STATEMENTS

12. RIGHT-OF-USE ASSETS (CONTD.)

12.2.2. Right-of-use asset-Immovable assets (other than Right-of-use asset land, building and bearer biological assets)

	Group/Company				
	Land development Rs. '000	Buildings Rs. '000	Machinery Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Capitalised Value (18 June, 1992)	3,455	84,600	23,094	111,149	111,149
Amortisation					
As at 1 April	3,316	84,600	23,094	111,010	110,895
Amortisation for the year	115	-	-	115	115
As at 31 March	3,431	84,600	23,094	111,125	111,010
Carrying amount	24	-	-	24	139

13. FREEHOLD PROPERTY, PLANT & EQUIPMENT

(A) Group

As at 31 March,										2021/22	2020/21
	Land Rs. '000	Buildings Rs. '000	Plant & machinery Rs. '000	Hydro power plant Rs. '000	Motor vehicles Rs. '000	Furniture & fittings Rs. '000	Equipment Rs. '000	Computers Rs. '000	Others Rs. '000	Total Rs. '000	Total Rs. '000
Cost											
As at 1 April	479,285	1,181,176	1,098,198	133,017	362,162	166,575	145,546	42,271	42,478	3,650,708	3,600,536
Additions during the year	-	3,647	147,545	-	43,406	23,391	4,317	2,295	-	224,601	68,135
Revaluation of land	62,715	-	-	-	-	-	-	-	-	62,715	-
Disposals	-	-	(8,507)	-	(32,471)	(3,101)	-	(13,177)	-	(57,256)	(17,963)
As at 31 March	542,000	1,184,823	1,237,236	133,017	373,097	186,865	149,863	31,389	42,478	3,880,768	3,650,707
Depreciation											
As at 1 April	-	308,744	680,218	67,405	306,320	99,538	129,214	36,706	32,724	1,660,869	1,523,038
Charge for the year	-	39,495	67,806	4,434	23,353	18,322	8,184	2,328	1,281	165,203	154,030
Disposals	-	-	(7,099)	-	(24,139)	(2,959)	-	(13,177)	-	(47,374)	(16,198)
As at 31 March	-	348,239	740,925	71,839	305,534	114,901	137,398	25,857	34,005	1,778,698	1,660,870
Net book value	542,000	836,584	496,311	61,178	67,563	71,964	12,465	5,532	8,473	2,102,070	1,989,838
Work-in-Progress (a)										4,626	31,653
Carrying amount										2,106,696	2,021,491

(a) Work-in-Progress

	Group				Company			
	Balance as at 01.04.2021 Rs. '000	Additions for the year Rs. '000	Transfers/ Disposals Rs. '000	Balance as at 31.03.2022 Rs. '000	Balance as at 01.04.2021 Rs. '000	Additions for the year Rs. '000	Transfers/ Disposals Rs. '000	Balance as at 31.03.2022 Rs. '000
	31,653	(78,374)	51,347	4,626	8,673	(79,274)	73,900	3,298
	31,653	(78,374)	51,347	4,626	8,673	(79,274)	73,900	3,298

(B) Company

As at 31 March,	Buildings Rs.'000	Plant & machinery Rs.'000	Motor vehicles Rs.'000	Furniture & fittings Rs.'000	Equipment Rs.'000	Computers Rs.'000	Others Rs.'000	2021/22 Total Rs.'000	2020/21 Total Rs.'000
Cost									
As at 1 April	817,191	731,701	310,919	13,384	138,720	41,134	42,478	2,095,527	2,084,656
Additions during the year	3,647	59,778	43,407	-	2,142	2,294	-	111,268	12,365
Disposals	-	(2,527)	(32,471)	-	-	(13,177)	-	(48,175)	(1,494)
As at 31 March	820,838	788,952	321,855	13,384	140,862	30,251	42,478	2,158,620	2,095,527
Depreciation									
As at 1 April	282,278	470,039	283,137	11,918	125,799	35,975	32,725	1,241,871	1,158,609
Charge for the year	22,215	40,369	15,730	330	6,829	2,112	1,280	88,864	84,662
Disposals	-	(2,527)	(24,139)	-	-	(13,177)	-	(39,842)	(1,400)
As at 31 March	304,493	507,881	274,728	12,248	132,628	24,910	34,005	1,290,893	1,241,871
Net book value	516,345	281,071	47,127	1,136	8,234	5,341	8,473	867,727	853,656
Work-in-Progress								3,298	8,673
Carrying amount								871,025	862,329

(a) The assets shown above are those movable assets vested in the Company by Gazette notification on the date of formation of the Company (18 June 1992) and all investment in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Note 12.

(b) The cost of fully depreciated Property, Plant and Equipment which are still in use as at date of Statement of Financial Position is as follows,

As at 31 March,	Group 2021/22 Rs.000	Group 2020/21 Rs.000	Company 2021/22 Rs.000	Company 2020/21 Rs.000
Computers	22,007	33,289	21,886	33,289
Equipment	139,375	126,429	117,927	109,440
Furniture & fittings	47,341	41,547	10,715	9,761
Motor vehicles	237,082	254,559	230,997	249,138
Mature plantations	130,527	99,594	130,527	99,594
Plant & machinery	213,873	211,365	185,962	186,363
Intangible assets	2,933	3,390	-	-
Others	18,052	16,458	18,052	16,458
	811,190	786,631	716,066	704,043

(C) Unexpired lease periods of land:

Kelani Valley Plantations PLC	23 years
Kalupahana Power Company (Pvt) Ltd.	23 years

NOTES TO THE FINANCIAL STATEMENTS

14. BIOLOGICAL ASSETS

14.1 Improvements to Leasehold Property (Bearer Biological Assets)

Group/Company

	Immature Plantations				Mature Plantations					
	Tea Rs. '000	Rubber Rs. '000	Other Rs. '000	Total Rs. '000	Tea Rs. '000	Rubber Rs. '000	Other Rs. '000	Total Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Cost										
As at 1 April	142,879	866,078	230,517	1,239,474	1,141,481	2,536,703	83,043	3,761,227	5,000,701	4,853,349
Additions during the year	727	98,103	84,921	183,751	-	-	-	-	183,751	173,150
Transfers (from)/to	(3,140)	(364,493)	(93,587)	(461,220)	3,140	364,493	93,587	461,220	-	-
Inter crop transfers	-	(10,644)	10,644	-	-	-	-	-	-	(25,798)
As at 31 March	140,466	589,044	232,495	962,005	1,144,621	2,901,196	176,630	4,222,447	5,184,452	5,000,701
Depreciation										
As at 1 April	-	-	-	-	370,097	766,936	5,043	1,142,076	1,142,076	1,023,876
Charge for the year	-	-	-	-	36,510	121,519	4,167	162,196	162,196	143,998
Write off	-	-	-	-	-	-	-	-	-	(25,798)
As at 31 March	-	-	-	-	406,607	888,455	9,210	1,304,272	1,304,272	1,142,076
Carrying amount	140,466	589,044	232,495	962,005	738,014	2,012,741	167,420	2,918,175	3,880,180	3,858,625

These are investments in Mature/Immature Plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Note 12 to the Financial Statements. Further, investments in Immature Plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The Company policy is capitalized borrowings cost on specific borrowing only. However, borrowing costs were not capitalised during the year under Immature Plantations (2020/21 - Nil).

The addition of Rs. 184 m (2020/21 - Rs. 173 m) shown above includes the following costs among other costs incurred during the year in respect of Uprooting and Planting of Tea and Rubber.

Group/Company

As at 31 March,		2021/22		2020/21	
		Extent - ha	Rs. '000	Extent - ha	Rs. '000
Uprooting	Tea	-	-	-	-
	Rubber	-	-	20	165
Planting	Tea	-	-	-	-
	Rubber	95	32,823	11	6,622
		95	32,823	31	6,787

14.2 Biological Assets (Consumable)

Group/Company

	Mature Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
As at 1 April	204,178	204,178	199,003
Gain of change in fair value less cost to sell	8,513	8,513	5,175
As at 31 March	212,691	212,691	204,178

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

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried out by FRT Valuation Services (Pvt) Ltd, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

14.2.1 Change in Fair Value of Biological Assets

	Group/Company	
As at 31 March	**2021/22 Rs. '000**	**2020/21 Rs. '000**
Change in fair value of consumable biological assets (Note 14.2)	8,513	5,175
Change in fair value of produce on bearer biological assets (Note 17.1)	7,694	3,665
	16,207	8,840

14.2.2 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

Non-Financial Asset	Valuation Technique		Unobservable inputs	Range of Unobservable inputs (Probability Weighted Average.)		Relationship of Unobservable Inputs to Fair Value
	2021/22	2020/21		2021/22	2020/21	
Consumable managed biological assets	Market Approach	Market Approach	Discounting Rate	15.42%	13.57%	The higher the discount rate, the lesser the fair value
			Optimum rotation (Maturity)	20-25 Years	20-25 Years	Lower the rotation period, the higher the fair value
			Volume at rotation	23 - 95 cu.ft	23 - 95 cu.ft	The higher the volume, the higher the fair value
			Price (per cu.ft)	Rs.50/- to Rs.2,860/-	Rs.140/- to Rs.2,800/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1. It is assumed that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor, i.e.15.42%.
2. The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost is not taken in to consideration.
4. Pre-commercial stand are valued on cost approach and 15 years is taken as per merchantable depending on the growth.

The valuations, as presented in the external valuation models based on market values, take into account the possible market conditions and long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the active market prices and other variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that active market price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

NOTES TO THE FINANCIAL STATEMENTS

14. BIOLOGICAL ASSETS (CONTD.)

14.2.3 Sensitivity Analysis

Sensitivity variation sales price

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

	Group/Company	
	Rs. '000	Rs. '000
Managed Timber	-10%	+10%
As at 31 March, 2022	(21,269)	21,269
As at 31 March, 2021	(20,418)	20,418

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are less sensitive to changes of the discount rate applied because majority of the timber trees have reached their maturity by the time of valuation. Simulations made for timber show that an increase or decrease by 1.5% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Company	
	Rs. '000	Rs. '000
	-1.5%	+1.5%
As at 31 March, 2022	511	(481)
As at 31 March, 2021	863	(808)

No biological assets have been pledged as securities for the year ended 31 March 2022 (2020/21 - nil).
There are no capital expenditure commitments for biological assets as at the reporting date.

15. INVESTMENTS IN SUBSIDIARIES

15.1 Unquoted Investments

	% Holding		No of Shares		Company Value Rs '000	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000	18,000	18,000
Kelani Valley Instant Tea (Pvt) Ltd.	100	100	3,000,000	3,000,000	31,881	31,881
Provision for Impairment - KVIT					(12,068)	(9,272)
Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000	260,000	260,000
Kelani Valley Resorts (Pvt) Ltd	100	100	5,000,000	5,000,000	50,000	50,000
Carrying amount					347,813	350,609

Subsidiaries	Principal Activity	% Equity Interest
Kalupahana Power Company (Pvt) Ltd.	Generates hydro power	60
Kelani Valley Instant Tea (Pvt) Ltd.	Manufactures instant tea	100
Mabroc Teas (Pvt) Ltd.	Exports of bulk & retail packed tea	100
Kelani Valley Resorts (Pvt) Ltd	Provide services in the hospitality industry	100

15.2 Financial Asset

Martin Bauer Hayleys (Pvt) Ltd.

Group - Fair Value Through Other Comprehensive Financial Asset

	Group			
	Holding %	No of Shares	2021/22 Value Rs '000	2020/21 Value Rs '000
As at 31 March 2021	10.1%	39,091,550	390,920	390,920
Gain/(loss) on FVTOCI Financial Asset		-	-	-
As at 31 March 2022	10.1%	39,091,550	390,920	390,920

Company - Fair Value Through Profit or Loss Financial Asset

	Company			
	Holding %	No of Shares	2021/22 Value Rs '000	2020/21 Value Rs '000
As at 31 March 2021	10.1%	39,091,550	390,920	390,920
Gain/(Loss) on FVTOCI Financial Asset		-	-	-
As at 31 March 2022	10.1%	39,091,550	390,920	390,920

	As at 31 March 2022 Value Rs.	As at 31 March 2021 Value Rs.
Fair Value of a share	10.00	10.00

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

Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs 2021/22	2020/21
Financial Asset (Investment in shares of Martin Bauer Hayleys (Pvt) Ltd)	DCF	Discounting Rate	11%	11%
		Growth Rate	1.5%	2.5%
		Exchange rate USD	LKR. 294/-	LKR. 185/-

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15. INVESTMENTS IN SUBSIDIARIES (CONTD.)

15.2.2 Sensitivity Analysis - Based on Discounting Rate

Discount Rate	Rs. '000 -1%	Rs. '000 +1%
2021/22	50,455	(36,160)
2020/21	54,091	(46,028)

Growth Rate	Rs. '000 -1%	Rs. '000 +1%
2021/22	(24,673)	36,217
2020/21	(32,908)	37,797

16. INTANGIBLE ASSETS

Cost	Group			
	Goodwill Rs'000	Software Rs'000	2021/22 Rs'000	2020/21 Rs'000
As at 1 April	33,310	12,670	45,980	38,909
Addition during the year	-	3,152	3,152	7,071
As at 31 March	33,310	15,822	49,132	45,980
Amortisation and impairment				
As at 1 April	-	5,459	5,459	3,748
Amortisation for the year	-	2,422	2,422	1,711
As at 31 March	-	7,881	7,881	5,459
Carrying Amount	33,310	7,941	41,251	40,521

Key assumptions used in the Value In Use calculations

Gross Margins
The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount Rates
The discount rate used is the risk-free rate, adjusted by the addition of an appropriate risk premium. The discount rate used for the valuation is 11%. (2020/21 -11%)

Inflation
The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth
Volume growth has been budgeted on a reasonable and realistic basis by taking in to account the growth rates of one of four years immediately subsequent to the budgeted year based on industry growth rates. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. The growth rate used for the valuation is 6%. (2020/21-6%)

The carrying value of goodwill represents the goodwill on acquisition of Mabroc Teas (Pvt) Ltd. There has been no permanent impairment of intangible assets that requires a provision.

17. PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

17.1 Produce on Bearer Biological Assets

	Group/Company	
	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 1 April	9,286	5,621
Change in fair value less cost to sell	7,694	3,665
	16,980	9,286

Level 2 inputs were used when arriving above figures.

17.2 Inventories

	Group		Company	
As at 31 March,	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Input materials	219,565	87,655	219,565	87,655
Nurseries	9,297	3,546	9,297	3,546
Harvested crop	457,098	413,479	457,098	413,479
Bulk tea & raw materials	1,145,330	845,615	-	-
Finished goods	7,084	5,700	1,506	107
Spares and consumables	36,675	10,237	36,675	10,237
	1,875,049	1,366,232	724,141	515,024
Provision for obsolete inventories	(19,801)	(19,984)	(13,074)	(11,508)
	1,855,248	1,346,248	711,067	503,516

The carrying amount of inventories pledged as securities for bank facilities obtained amounted to Rs. 457 m (2020/21 - Rs. 413 m) and Rs. 464 m (2020/21 - Rs.507 m) by the Company & the Group respectively.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
As at 31 March,	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Trade receivables	1,957,479	1,506,815	154,935	109,045
Lease rent paid in advance	21,834	21,114	21,834	21,114
Employee advances and receivables	68,165	71,824	67,712	71,465
Advance company tax recoverable	2,760	2,760	2,760	2,760
ESC recoverable	-	17,393	-	16,862
WHT recoverable	3,277	3,262	3,277	3,262
Dividend receivables	-	-	-	135,000
Other current assets	271,669	186,292	210,776	151,953
	2,325,184	1,809,460	461,294	511,461
Provision for impairment in trade and other receivables	(6,079)	(4,488)	(3,610)	(1,036)
	2,319,105	1,804,972	457,684	510,425

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE AND OTHER RECEIVABLES (CONTD.)

18.1 Movement in the provision for trade and other receivables

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
As at 1 April	(4,488)	(6,643)	(1,036)	(1,394)
Charge for the period	(1,591)	-	(2,574)	-
Reverse during the period	-	2,155	-	358
As at 31 March	(6,079)	(4,488)	(3,610)	(1,036)

18.2 The aging analysis of trade receivables is as follows;

			Neither Past due nor impaired			
Balance as at 31 March 2022	Total Rs.'000	0-60 days Rs.'000	61-120 days Rs.'000	121-180 days Rs.'000	181-365 days Rs.'000	> 365 days Rs.'000
Company	154,935	154,187	217	401	130	-
Group	1,957,479	1,941,507	12,818	555	537	2,062

Trade receivables are non-interest bearing and are generally on seven-day terms for the Company.
No loans over Rs. 20,000/- have been given to Directors or officers of the Company.
The carrying amount of debtors pledged as securities for bank facilities obtained amounted to Rs.154 m (2020/21 - Rs. 109 m) by the Company.

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2022 are disclosed below.

The funds borrowed by the Company and the Group are given in Note 22 and 30.2.

	Group		Company	
	Interest - Bearing Borrowings Rs.'000	Other Borrowings Rs.'000	Interest - Bearing Borrowings Rs.'000	Other Borrowings Rs.'000
Balance as at 01 April 2021	2,557,292	8,270	703,912	8,270
Cash in flows from financing activities	6,998,465	-	1,750,000	-
Cash out flows from financing activities	(7,354,971)	(8,270)	(2,164,966)	(8,270)
Balance as at 31 March 2022	2,200,786	-	288,946	-

20. CASH AND CASH EQUIVALENTS

As at 31 March	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
20.1 Short term deposits				
Short term fixed deposits	496,060	46,088	264,794	45,837
	496,060	46,088	264,794	45,837
20.2 Favourable balances				
Cash in hand	1,305	1,353	623	461
Cash at bank	370,634	330,795	84,663	133,354
	371,939	332,148	85,286	133,815
20.3 Unfavourable balances				
Bank overdraft	(29,534)	(141,477)	(27,209)	(132,667)
	(29,534)	(141,477)	(27,209)	(132,667)

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group. Interest income is earned at the prevalent interest rates at the respective short-term deposit rates.

The securities pledged have been disclosed in Note 31 to the financial statements.

21. STATED CAPITAL

	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Issued & fully paid-ordinary shares				
68,000,000 (2020/21 - 68,000,000)	340,000	340,000	340,000	340,000
and 01 golden share	340,000	340,000	340,000	340,000

The holders of ordinary shares and golden share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the golden share are given in the Annual Report of the Board of Directors on the Affairs of the Company.

NOTES TO THE FINANCIAL STATEMENTS

22. INTEREST-BEARING BORROWINGS

22.1 Long-term interest bearing borrowings

Group	Sampath Bank Rs. '000	Pan Asia Bank Rs. '000	HNB Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2021/22 Total Rs. '000	2020/21 Total Rs. '000
As at 1 April	243,650	5,000	-	64,074	39,838	352,562	457,050
Obtained during the year	-	-	79,750	-	-	79,750	75,000
Repayments during the year	(91,200)	(225)	(12,486)	(38,095)	(26,871)	(168,877)	(179,488)
As at 31 March	152,450	4,775	67,264	25,979	12,967	263,435	352,562
Payable within one year	(77,450)	(3,542)	(26,591)	(18,100)	(12,178)	(137,861)	(159,454)
(Transferred to current liabilities)							
Payable after one year	75,000	1,233	40,673	7,879	789	125,574	193,108
Analysis of long-term borrowings by year of repayment							
Repayable within one year from year-end	77,450	3,542	26,591	18,100	12,178	137,861	159,454
Repayable between 2 and 5 years from year-end	75,000	1,233	40,673	7,879	789	125,574	193,108
	152,450	4,775	67,264	25,979	12,967	263,435	352,562

Company	NDB Rs. '000	Amana Bank Rs. '000	2021/22 Total Rs. '000	2020/21 Total Rs. '000
As at 1 April	64,075	39,838	103,913	157,050
Obtained during the year	-	-	-	50,000
Repayments during the year	(38,095)	(26,871)	(64,966)	(103,138)
As at 31 March	25,980	12,967	38,947	103,912
Payable within one year	(18,100)	(12,178)	(30,278)	(64,712)
(Transferred to current liabilities)				
Payable after one year	7,880	789	8,669	39,200
Analysis of long-term borrowings by year of repayment				
Repayable within one year from year-end	18,100	12,178	30,278	64,712
Repayable between 2 and 5 years from year-end	7,880	789	8,669	39,200
	25,980	12,967	38,947	103,912

Long-term interest bearing borrowings - Lender Analysis

Company

22.1.1 Amana Bank

As at 31 March	Loan outstanding 2021/22 Rs. '000	2020/21 Rs. '000	Rate of interest per annum	Installments and terms of repayments
Disbursement 2	-	6,503	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 19.03.2017
Disbursement 3	2,706	12,838	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 21.01.2017
Disbursement 4	10,261	20,497	SLIBOR + 3.25%	60 monthly installments commenced on 17.11.2017
Amana Bank - Total	12,967	39,838		

22.1.2 National Development Bank

As at 31 March,	Loan outstanding 2021/22 Rs. '000	2020/21 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 2	10,003	13,641	6.30%	303,125/-	72 monthly installments commenced on 19.01.2019
Term loan 3	2,372	3,234	6.30%	71,875/-	72 monthly installments commenced on 19.01.2019
COVID -19 Saubagya Loan	5,400	22,200	4%	1,400,000/-	17 monthly installments of Rs.1.4 m & one-month installment of Rs.1.2 m commenced on 24.02.2021
COVID -19 Loan	8,200	25,000	4%	1,400,000/-	17 monthly installments of Rs.1.4 m & one-month installment of Rs.1.2 m commenced from 24.04.2021
NDB - Total	25,975	64,075			
Company - Total	38,942	103,913			

NOTES TO THE FINANCIAL STATEMENTS

22. INTEREST-BEARING BORROWINGS (CONTD.)

22.1.3 Subsidiary - Mabroc Teas (Pvt) Ltd.

As at 31 March	Loan outstanding 2021/22 Rs. '000	2020/21 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Lender **Sampath Bank PLC**					
Sampath Bank 1	150,000	223,650	AWPLR + 1%	6,250,000/-	48 monthly installments commenced on 30.04.2019
COVID -19 Loan	2,450	20,000	4%	1,350,000/-	15 monthly installments commenced on 26.03.2021
Sampath Bank - Total	152,450	**243,650**			
Hatton National Bank PLC					
Solar System	21,660	-	AWPLR+0.25%	834,000/-	36 monthly installments commenced on 12.05.2021
Color Sorter Machine	45,604	-	AWPLR+0.50%	1,381,940/-	36 monthly installments commenced on 06.12.2021
HNB - Total	67,264				
Mabroc Teas (Pvt) Ltd - Total	219,714	243,650			

22.1.4 Subsidiary - Kelani Valley Resorts (Pvt) Ltd

As at 31 March,	Loan outstanding 2021/22 Rs. '000	2020/21 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Lender **Pan Asia Bank**					
COVID -19 Saubagya Loan	4,775	5,000	4%	208,333/-	24 monthly installments commenced on 30.10.2021
KVR - Total	4,775	5,000			
Group-Total	263,432	352,563			

22.2 Short-term interest bearing borrowings

Company

As at 31 March Lender	Currency	2021/22 Rs. '000	2020/21 Rs. '000
National Development Bank	LKR	250,000	600,000
Total		250,000	600,000

Subsidiary - Mabroc Teas (Pvt) Ltd

As at 31 March, Lender	Currency	2021/22 Rs. '000	2020/21 Rs. '000
Sampath Bank PLC	LKR	150,000	-
Hongkong & Shanghai Banking Corporation Ltd.	USD	210,287	214,221
Hongkong & Shanghai Banking Corporation Ltd.	CNY	657,283	813,728
Hatton National Bank PLC	USD	-	76,535
National Development Bank	LKR	155,000	-
Hatton National Bank PLC	LKR	150,000	152,300
Standard Chartered Bank (Sri Lanka) Ltd	LKR	183,000	126,492
Citi Bank N. A.	USD	89,700	-
Total		1,595,270	1,383,276
Group-Total		1,845,270	1,983,276

The securities pledged for these facilities have been disclosed in Note 31 to the Financial Statements.

23. OTHER FINANCIAL LIABILITY

Group

As at 31 March	Repayable Within One Year Rs. '000	Repayable After One Year Rs. '000	2021/22 Total Rs. '000	2020/21 Total Rs. '000	Rate of interest per annum	Installments and terms of repayments Due date	Amount
Long-Term Financial liability	-	-	-	71,454	-	-	-
Short-Term Financial liability	92,081	-	92,081	150,000	10.50%	30-Jan-23	92 m
	92,081	-	92,081	221,454			

Mabroc Teas (Pvt) Ltd has purchased company premises from MHL Holding (Pvt) Ltd with future Payment of 400 m. The Company has discounted short-term portion of future Payment at the rate of 10.5%.

NOTES TO THE FINANCIAL STATEMENTS

24. DEFERRED INCOME

Grants and Subsidies	Group 2021/22 Rs. '000	Group 2020/21 Rs. '000	Company 2021/22 Rs. '000	Company 2020/21 Rs. '000
Capital Grants				
As at 1 April	939,563	861,276	938,596	860,309
Grants received during the year	35,535	78,287	35,535	78,287
As at 31 March	975,098	939,563	974,131	938,596
Amortisation				
As at 1 April	272,120	244,646	271,800	244,352
Amortisation for the year	30,538	27,474	30,512	27,448
As at 31 March	302,658	272,120	302,312	271,800
Carrying amount	672,440	667,443	671,819	666,796

Grants were received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board, Save the Children International and Rubber Development Department of Ministry of Plantation Industries.

The amount spent is capitalised under relevant classification of improvement to leased-hold Property, Plant & Equipment. Corresponding grant component is reflected under deferred grants and subsidies and amortised over the useful life span of the asset.

25. DEFERRED TAX LIABILITY / (ASSETS)

25.1 Statement of Financial Position

As at 31 March,	Group 2021/22 Temporary difference Rs. '000	Group 2021/22 Tax effect Rs. '000	Group 2020/21 Temporary difference Rs. '000	Group 2020/21 Tax effect Rs. '000
As at 1 April	3,273,090	462,162	2,966,856	415,361
Amount originating during the year	820,560	(18,042)	306,234	46,801
As at 31 March	4,093,649	444,120	3,273,090	462,162
Deferred Tax Liability				
Temporary difference of Right-of-use asset	526,937	55,328	527,751	73,885
Temporary difference of Property, Plant & Equipment (including mature and immature plantation)	4,483,927	480,740	4,286,872	604,126
Temporary difference of biological asset	207,691	21,808	199,178	27,885
Temporary difference of unrealised foreign exchange gain	273,623	34,940	11,922	1,669
As at 31 March	5,492,178	592,816	5,025,723	707,565
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(770,361)	(82,490)	(748,025)	(104,757)
Temporary difference of lease liability	(592,335)	(62,196)	(571,902)	(80,067)
Temporary difference of provision for impairment of subsidiary	(12,068)	(1,267)	(9,272)	(1,298)
Temporary difference of provision for bad debts	(3,964)	(429)	(2,425)	(340)
Temporary difference of impairment for inventories	(19,801)	(2,315)	(19,984)	(2,798)
Tax losses	-	-	(401,025)	(56,143)
As at 31 March	(1,398,529)	(148,696)	(1,752,633)	(245,403)
Net deferred tax liability as at 31 March	4,093,649	444,120	3,273,090	462,162

25.1 Statement of Financial Position (Contd.)

As at 31 March,	Company			
	2021/22		2020/21	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
As at 1 April	3,087,224	432,211	2,766,971	387,376
Amount originating during the year	598,236	(45,238)	320,253	44,835
As at 31 March	3,685,460	386,973	3,087,224	432,211
Deferred Tax Liability				
Temporary difference of Right-of-use asset	526,937	55,328	527,751	73,885
Temporary difference of Property, Plant & Equipment	4,200,291	441,031	4,055,288	567,740
(including mature and immature plantation)				
Temporary difference of biological asset	207,691	21,808	199,178	27,885
Temporary difference of unrealised foreign exchange gain	96,206	10,102	6,168	864
As at 31 March	5,031,125	528,268	4,788,385	670,374
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(724,578)	(76,081)	(706,418)	(98,899)
Temporary difference of lease liability	(592,335)	(62,195)	(571,902)	(80,067)
Temporary difference of provision for impairment of subsidiary	(12,068)	(1,267)	(9,272)	(1,298)
Temporary difference of provision for bad debts	(3,610)	(379)	(1,036)	(145)
Temporary difference of impairment for inventories	(13,074)	(1,373)	(11,508)	(1,611)
Tax losses	-	-	(401,025)	(56,143)
As at 31 March	(1,345,665)	(141,296)	(1,701,161)	(238,163)
Net deferred tax liability as at 31 March	3,685,460	386,973	3,087,224	432,211

25.2 Statement of Profit or Loss

	Group		Company	
	2021/22 Rs. 000'	2020/21 Rs. 000'	2021/22 Rs. 000'	2020/21 Rs. 000'
As at 1 April	462,162	415,361	432,211	387,376
Tax charge recognised in profit or loss	(31,265)	27,469	(50,082)	24,939
Tax charge recognised in other comprehensive income	13,224	19,332	4,844	19,896
As at 31 March	444,120	462,162	386,973	432,211

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March, 2022 is 10.5% (2020/21 - 14%) for the Company.

NOTES TO THE FINANCIAL STATEMENTS

26. RETIREMENT BENEFIT OBLIGATIONS

Movement in the Retirement Benefit Obligations

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
As at 1 April	1,073,035	1,152,014	1,031,234	1,114,932
Current service cost	68,859	77,153	65,703	72,192
Interest cost	64,089	108,920	80,847	105,528
Charged to profit or loss	152,948	186,073	146,547	177,720
Actuarial (gain) / loss due to changes in financial assumptions	(208,140)	(10,950)	(208,145)	(10,582)
Actuarial (gain) / loss due to changes in experience	148,653	(127,160)	145,801	(131,534)
Charged to statement of other comprehensive income	(59,487)	(138,110)	(62,344)	(142,116)
Benefit paid by the plan	(132,206)	(126,942)	(127,338)	(119,302)
As at 31 March	1,034,290	1,073,035	988,099	1,031,234

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligations and the current service cost. This require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

According to the actuarial valuation report issued by the actuarial value as at 31 March 2022 the actuarial present value of promised retirement benefits amounted to Rs. 1,034,290/- (2020/21 - Rs.1,073,035,450/-). If the Group had provided for gratuity on the basis of 14 days wage & half months salary for each completed year of service, the liability would have been Rs. 1,536,209,803/- (2020/21 - Rs. 1,180,496,983/-).

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

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Within the next 12 months	245,420	248,640	238,502	241,663
Between 2 to 5 years	409,836	369,964	394,107	351,459
Between 5 to 10 years	228,394	249,651	216,242	238,340
More than 10 years	150,640	204,780	139,248	199,772
	1,034,290	1,073,035	988,099	1,031,234

The weighted average duration of the defined benefit plan obligation as at the end of the reporting period for Staff is 6 years and Workers is 5 years .The present Value of retirement benefit obligations is carried on annual basis.

The key assumptions used by Messrs. Acturial & Management Consultants (Pvt) Ltd. include the following,

	2021/22	2020/21
(i) Rate of interest	15%	8%
(ii) Rate of salary increase		
Workers	8% (per annum)	5.68% (per annum)
Staff	13.5% (per annum)	7% (per annum)
(iii) Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Executive and Head office staff	60 years	55 years

Sensitivity Analysis
Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

Group

A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2022	(42,609)	46,787
As at 31 March 2021	(53,525)	59,970

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March 2022	39,359	(36,328)
As at 31 March 2021	62,746	(56,951)

Company

A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2022	(39,916)	43,769
As at 31 March 2021	(51,494)	57,565

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March 2022	36,124	(33,398)
As at 31 March 2021	60,148	(54,708)

NOTES TO THE FINANCIAL STATEMENTS

27. LEASE LIABILITY

As at 31 March,	Note	Group/Company 2021/22 Rs. '000	Group/Company 2020/21 Rs. '000
Lease liability on Right-of-Use asset- Land	27.1	589,923	575,786
Lease liability on Right-of-Use asset- Building	27.2	26,939	38,095
	27.3	616,862	613,881

27.1 Lease liability on Right-of-Use asset- Land

	Group/Company 2021/22 Rs. '000	Group/Company 2020/21 Rs. '000
Balance at the beginning of the year	575,786	563,702
Reassessment Adjustment as at 01 April	17,878	15,267
Accretion of Interest	83,113	81,056
Repayment during the year	(86,854)	(84,239)
Balance as at end of the year	589,923	575,786

The effect of adoption SLFRS 16 - Leases as at 01 April 2019

	Group/Company Lease Liability Rs.'000	Group/Company Right-of-Use Assets - Land Rs.'000	Group/Company Retained Earnings Rs.'000
Balance as at 01 April 2019 (before initial application of SLFRS 16)	439,903	255,003	797,342
Transition adjustment due to initial application of SLFRS 16	126,518	311,418	184,899
Adjusted balance as at 01 April 2019 (at the initial application of SLFRS 16 leases)	566,421	566,421	982,241

27.1.1 Maturity analysis of lease liability as follows,

	Group/Company	
	2021/22 Rs. '000	**2020/21 Rs. '000**
Payable within one year		
Gross liability	86,855	84,239
Finance cost allocated to future periods	(82,589)	(80,610)
Net liability transferred to current liabilities	4,266	3,629
Payable within two to five years		
Gross liability	347,419	336,957
Finance cost allocated to future periods	(323,488)	(316,597)
Net liability	23,931	20,360
Payable after five years		
Gross liability	1,563,386	1,600,544
Finance cost allocated to future periods	(1,001,659)	(1,048,747)
Net liability	561,727	551,797
Net liability payable after one year	585,658	572,157

The base rental payable per year Rs. 86,854,760/-.
The lease liability as at 01 April 2021 has been reassessed under the provisions of SLFRS 16 and both "Right to Use of Land" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2022 as follows:

	2021/22 Rs.'000	**2020/21 Rs.'000**
Gross liability	1,997,659	2,021,742
Finance charge	(1,407,736)	(1,445,956)
Net liability	589,923	575,786

Maturity analysis of gross lease liability are shown under Note. 37.3.

NOTES TO THE FINANCIAL STATEMENTS

27. LEASE LIABILITY (CONTD.)
27.2 Lease liability on Right-of-Use asset- Building

	Group/Company	
	2021/22 Rs. '000	2020/21 Rs. '000
Balance at the beginning of the year	38,096	33,335
Reassessment Adjustment as at 01 December 2020	-	12,969
Accretion of Interest	4,136	4,284
Payments during the year	(15,293)	(12,492)
Balance as at 31 March 2022	26,939	38,096
Current Liability	12,633	11,156
Non Current Liability	14,306	26,940
Total Lease Liability as at 31 March 2022	26,939	38,096

The base rental payable per year Rs. 15,293,203/-.

The lease liability as at 01 December 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-Use of Building" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2022 as follows:

	2021/22 Rs.'000	2020/21 Rs.'000
Gross liability	30,586	45,880
Finance charge	(3,647)	(7,784)
Net liability	26,939	38,096

Maturity analysis of Gross lease liability are shown under Note 37.3.

27.3 Lease Liability

Current Liability	16,899	14,785
Non-Current Liability	599,964	599,096
Total Lease Liability as at 31 March 2022	616,863	613,881

28. TRADE AND OTHER PAYABLES

	Group		Company	
As at 31 March,	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Trade payables	390,933	162,841	29,347	23,167
Staff payables	282,368	250,652	282,368	250,652
Unclaimed dividends	18,684	16,274	18,684	16,274
Dividend Payable	68,355	-	68,355	-
Other payables and accruals	631,054	383,906	396,605	224,507
	1,391,394	813,673	795,359	514,600

29. INCOME TAX

29.1 Income Tax Receivable

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
As at 01 April	422	622	-	-
Transferred from income tax payable	(284)	(200)	-	-
As at 31 March	138	422	-	-

29.2 Income Tax Payable

	Group		Company	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
As at 01 April	42,996	41,114	1,642	-
Transferred from income tax receivable	(815)	-	-	
Subsidiaries/Parent taxation on current year's profit	216,098	94,938	30,184	1,642
(Over)/under provision in respect of previous years	(1,214)	851	-	270
Cash Paid during the year	(128,324)	(72,473)	-	-
ESC,WHT,ACT set-off against income tax	(31,826)	(21,433)	(31,826)	(270)
As at 31 March	96,915	42,997	-	1,642

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30. RELATED COMPANY BALANCES

30.1 Other related companies

As at 31 March,	Group			
	2021/22		2020/21	
	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Ultimate parent company				
Hayleys PLC	184,701	25,275	-	41,403
Intermediate parent				
Dipped Products PLC	3,196	15,208	3,311	1,947
Dipped Products PLC - loans	-	-	-	8,270
Other related companies				
DPL Premier Gloves (Pvt) Ltd.	-	-	40,420	-
Martin Bauer Hayleys (Pvt) Ltd.	-	-	4,355	-
Hanwella Rubber Products Ltd.	-	14,149	-	4,717
Hayleys Agriculture Holdings Ltd.	31,624	27,204	-	3
Hayleys Agro Fertilizers (Pvt) Ltd.	-	-	6	-
Talawakelle Tea Estates PLC	814	917	1,302	-
Hayleys Consumer Products Ltd.	-	-	15,258	18
Amaya Leisure PLC	4,542	-	6,331	-
Culture Club Resorts (Pvt) Ltd.	-	-	124	-
Haycarb Ltd.	-	-	55	-
The Kingsbury PLC	-	-	336	-
Kandy Resorts (Pvt) Ltd.	-	-	54	-
Sun Tan Beach Resorts Ltd.	-	-	19	-
Singer (Sri Lanka) PLC	-	-	98	115
Hayleys Business Solutions International (Pvt) Ltd.	-	-	-	48
Fentons Ltd.	-	-	210	27,462
Logistics International Ltd.	-	-	29	-
Alumex PLC	-	-	223	-
Agility Logistics (Pvt) Ltd.	-	-	-	1,724
Aventura (Pvt) Ltd.	-	-	30	278
Advantis Project & Engineering (Pvt) Ltd.	-	-	29	1,110
Ceva Logistics Lanka (Pvt) Ltd.	-	-	-	1,440
Expelogix (Pvt) Ltd.	-	-	-	1,664
Logiwiz Ltd.	-	-	436	-
S & T Interiors (Pvt) Ltd.	-	-	29	-
Total	224,877	82,753	72,655	90,199

Subsidiaries	Company 2021/22 Receivable Rs. '000	2021/22 Payable Rs. '000	2020/21 Receivable Rs. '000	2020/21 Payable Rs. '000
Kalupahana Power Co. (Pvt) Ltd.	1,757	-	-	51
Kelani Valley Instant Tea (Pvt) Ltd.	-	11,827	-	12,170
Mabroc Teas (Pvt) Ltd.	-	170	-	248
Kelani Valley Resorts (Pvt) Ltd.	21,153	-	21,153	-
	22,910	11,997	21,153	12,469
Ultimate parent company				
Hayleys PLC	150,000	25,146	-	34,325
Intermediary ultimate parent				
Dipped Products PLC	3,196	15,208	3,308	1,947
Dipped Products PLC - loans	-	-	-	8,270
Other related companies				
DPL Premier Gloves (Pvt) Ltd.	-	-	40,420	-
Martin Bauer Hayleys (Pvt) Ltd.	-	-	4,355	-
Hanwella Rubber Products Ltd.	-	14,149	-	4,717
Talawakelle Tea Estates PLC	814	917	1,126	-
Advantis Project & Engineering (Pvt) Ltd.	-	-	-	43
Total	154,010	55,420	49,209	49,302

30.2 Other related companies - Loan payable

Dipped Products PLC	Group/Company 2021/22 Rs. '000	2020/21 Rs. '000
As at 1 April	8,270	23,836
Repayments during the year	(8,270)	(15,566)
As at 31 March	-	8,270
Payable within one year	-	(8,270)
(Transferred to current liabilities)		
Payable after one year	-	-

Dipped Products PLC granted a loan at the rate of eight percent (8%) per annum which shall be repayable in five (5) years.

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31. ASSETS PLEDGED AS SECURITY

Following assets have been pledged as security for liabilities:

Company

Nature of liability	2021/22 Facility (Rs. m)	2021/22 Outstanding (Rs. m)	Security
Overdraft			
Bank of Ceylon	100.0	Nil	Concurrent mortgage over stock in trade and debtors.
Hatton National Bank PLC	74.5	Nil	Promissory Note.
Sampath Bank PLC	30.0	20.28	Concurrent mortgage over stock in trade and debtors.
Term-Loan			
National Development Bank PLC	77.0	26.0	Primary mortgage over the leasehold rights, Buildings, Plant & Machinery of Pedro, Mahagastota & Panawatte estates.

Subsidiary
Mabroc Teas (Pvt) Ltd.

Nature of liability	2021/22 Facility (Rs. m)	2021/22 Outstanding (Rs. m)	Security
Overdraft			
Sampath Bank PLC	10.0	Nil	Hypothecation bond over stock and book debts.

Short-term borrowings (Foreign currency loans)	2021/22 Facility (USD m)	2021/22 Outstanding (Rs. m)	Security
Hatton National Bank PLC	2.02	Nil	Confirmed order and irrevocable export LC
Sampath Bank PLC	1.97	Nil	Hypothecation bond totaling Rs. 200 m over stocks and book debts.

Term-Loan	2021/22 Facility (Rs. m)	2021/22 Outstanding (Rs. m)	Security
Sampath Bank PLC	300.0	152.0	Negative pledge over fixed assets held at No.427, 427/A & 431, New Hunupitiya Road,Eriyawetiya, Kiribathgoda.

32. RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at market price. Details of significant related party disclosures are as follows;

Recurrent Transactions

Company For the year ended 31 March,	Relationship	Nature of Transaction	Amount (paid)/received 2021/22 Rs. '000	 2020/21 Rs. '000
(A) Parent and Ultimate Parent Company				
The Company has controlling related party relationship with its parent company DPL Plantations (Pvt) Ltd.				
(i) Hayleys PLC	Ultimate parent	Office space together with other related facilities, finance and secretarial services	(129,846)	(163,088)
		Loan receivable	150,000	-

The managing agent DPL Plantations (Pvt) Ltd. has waived the management fees in its entirely effective from 2007.

(B) Transactions with key management personnel

Key management personnel includes, members of the Board of Directors of the Company and key employees holding directorships in the subsidiaries and other related companies.

(i) Loans to Directors

No loans have been given to the Directors of the Company.

(ii) Key Management Personnel Compensation

For the year ended 31 March,	2021/22 Rs. '000	2020/21 Rs. '000
Directors' emoluments	105,760	69,921

(C) Transactions with Subsidiaries

Company For the year ended 31 March,	Relationship	Nature of Transaction	Amount (paid)/received 2021/22 Rs. '000	 2020/21 Rs. '000
(i) Kalupahana Power Co. (Pvt) Ltd.	Subsidiary	Share of revenue	-	3,756
(ii) Kelani Valley Instant Tea (Pvt) Ltd.	Subsidiary	Sale of BMF	-	118
		Manufacturing charges	244	51
(iii) Mabroc Teas (Pvt) Ltd.	Subsidiary	Purchase of tea	(1,829)	(2,565)

The Company has sub leased an extent of 8 acres, 2 roods and 6.1 perches in Kalupahana estate to Kalupahana Power Co. (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY DISCLOSURES (CONTD.)

(D) Transactions with other related Companies

Company For the year ended 31 March,	Relationship	Nature of transaction	Amount (paid)/received 2021/22 Rs. '000	2020/21 Rs. '000
(i) Dipped Products PLC	Intermediate parent	Sale of latex	77,084	136,278
		Purchase of skim crepe	(7,798)	(5,330)
		Cost of facilities and related services rendered	(502)	(11)
		Loan installment & interest	(8,464)	(19,713)
(ii) Hanwella Rubber Products Ltd.	Affiliates	Purchase of skim crepe	(27,546)	(3,792)
		Sale of latex	-	35,345
(iii) DPL Premier Gloves (Pvt) Ltd.	Affiliates	Sale of latex	139,207	78,469
(iv) Hayleys Agro Fertilizers (Pvt) Ltd.	Affiliates	Purchase of fertilizers	(83,621)	(42,392)
(v) Hayleys Agriculture Holdings Ltd.	Affiliates	Purchase of chemicals	(3,044)	(6,072)
(vi) Hayleys Lifesciences (Pvt) Ltd.	Affiliates	Purchase of consumer products	-	(372)
(vii) Rileys (Pvt) Ltd.	Affiliates	Sale of rubber products	5,387	6,093
(viii) Hayleys Consumer Products Ltd.	Affiliates	Purchase of consumer products	(94)	(128)
(ix) Talawakelle Tea Estates PLC	Affiliates	Share of office maintenance cost		
		Receipt	1,395	843
		Payment	(2,165)	(2,876)
		Payment of Expences	(18,423)	(6,300)
(x) Hayleys Business Solutions International (Pvt) Ltd.	Affiliates	Payment of executive payroll processing	(3,895)	(1,120)
(xi) Fentons Ltd.	Affiliates	Solar System Installation	(13,970)	-
(xii) The Kingsbury PLC	Affiliates	Services rendered for AGM	(17)	(78)
(xiii) Logiwiz Ltd.	Affiliates	Storage & handling charges	(1,446)	(524)
(xiv) Hayleys Aventura (Pvt) Ltd.	Affiliates	Payment of Expences	(1,207)	-
		Cost of Chemicals	(1,122)	(386)
		Purchase of Machinery	(1,807)	-
(xv) Horana Plantations PLC	Affiliates	Reimbursement of expenses	927	1,208
(xvi) Uni Dil Packaging Solution Ltd.	Affiliates	Purchase of packing materials	(8,099)	(9,912)
(xvii) Uni Dil Packaging (Pvt) Ltd.	Affiliates	Purchase of packing materials	(2,318)	(699)
(xviii) Singer Digital Media (Pvt) Ltd.	Affiliates	Purchase of Computer and Mobile Accessories	-	(554)
(xix) Toyo Cushion Lanka (Pvt) Ltd.	Affiliates	Sale of Latex	22,373	17,843
(xx) Singer Sri Lanka PLC	Affiliates	Purchase of Electronic Items	(1,140)	(11)
(xxi) Advantis Pro and Eng. Pvt Ltd.	Affiliates	Purchase of Plastic Seals	(454)	(251)
(xxii) Advantis Freight (Pvt) Ltd.	Affiliates	Storage & handling charges	(1,331)	(1,276)

Non - Recurrent Transactions

(E) Transactions with FVTOCI

Company **For the year ended 31 March,**	**Relationship**	**Nature of transaction**	**Amount (Paid)/received** **2021/22** **Rs. '000**	 **2020/21** **Rs. '000**
(i) Martin Bauer Hayleys (Pvt) Ltd.	Financial assets	Reimbursement of expenses	12,612	38,723

The Company has sub leased an extent of 1.0127 hectares in Ingestre estate and 2.2247 hectares in Blinkbonnie Estate to Martin Bauer Hayleys (Pvt) Ltd .

There are no non-recurrent related party transactions where aggregate value exceeds 10% of the equity or 5% of total assets and recurrent related party transactions where aggregate value exceeds 10% of gross revenue/income.

There are no related party transactions and balances other than those disclosed above and in Notes 30 to the Financial Statements.

33. CONTINGENT LIABILITIES

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

Court of Appeal Case No CA WRIT 143/2021

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

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

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavorable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be Rs. 68 m and of which Rs. 5 m need to be charged to Profit or Loss and Rs. 63 m to be charged under Other Comprehensive Income for the year ended 31 March 2022. However, no provisions have been made in the financial statements for the year ended 31 March 2022 in this regard.

34. CAPITAL EXPENDITURE COMMITMENTS

There were no material capital commitments as at the reporting date. However, the budgeted capital expenditure approved but, not committed by the Company for the financial year 2022/23 amounts to Rs.490,046,513/- (2021/22 Rs.345,246,638/-).

NOTES TO THE FINANCIAL STATEMENTS

35. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

At the Board Meeting held on 10 May 2022, the Directors have recommended the Final Dividend of Rs. 2.50 per share subject to the approval by the shareholders at the Annual General Meeting to be held on 28 June 2022 to be paid to the shareholders on 12 July 2022.

On date 10 May 2022, Exchange rate of US Dollar is Rs.368.36 compared 31 March 2022 Rs.293.87.

36. SEGMENTAL ANALYSIS

Group	Tea		Rubber		Others		Unallocated		Total	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
Segmental assets										
Non-current assets	2,580,457	2,641,697	3,287,555	3,166,934	342,346	358,691	1,016,470	973,255	7,226,828	7,140,577
Current assets	4,097,478	3,046,162	77,788	149,863	87,933	63,761	1,021,148	352,033	5,284,347	3,611,819
Total assets	6,677,935	5,687,859	3,365,343	3,316,797	430,279	422,452	2,037,618	1,325,288	12,511,175	10,752,396
Segmental liabilities										
Non-current liabilities	1,536,104	1,630,017	737,211	708,924	15,491	15,319	587,582	712,038	2,876,388	3,066,298
Current liabilities	2,767,131	2,274,971	141,067	142,156	10,928	18,578	773,581	960,156	3,692,707	3,395,861
Total liabilities	4,303,235	3,904,988	878,278	851,080	26,419	33,897	1,361,163	1,672,194	6,569,095	6,462,159
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	444,120	462,162	444,120	462,162
Retirement benefit obligations	737,088	762,902	296,430	309,370	772	763	-	-	1,034,290	1,073,035
Trade & other payables	791,194	488,728	318,879	206,316	8,330	13,834	272,991	104,795	1,391,394	813,673
Total depreciation	160,789	166,831	121,519	117,987	15,054	13,209	30,036	-	327,398	298,027
Amortisation of right of use assets	18,679	19,518	17,162	15,577	-	-	14,211	10,906	50,051	46,001
Capital expenditure	110,940	55,704	98,103	104,138	88,041	69,078	111,268	12,365	408,352	241,285
Company										
Segmental assets										
Non-current assets	1,761,201	1,920,797	3,287,555	3,166,934	232,495	230,517	1,016,468	973,255	6,297,719	6,291,503
Current assets	613,499	771,047	77,788	149,863	-	-	1,021,444	352,331	1,712,731	1,273,241
Total assets	2,374,700	2,691,844	3,365,343	3,316,797	232,495	230,517	2,037,913	1,325,586	8,010,450	7,564,744
Segmental liabilities										
Non-current liabilities	1,330,731	1,347,575	737,211	708,924	-	-	587,582	712,038	2,655,524	2,768,537
Current liabilities	272,514	287,865	141,067	142,156	-	-	773,581	960,156	1,187,162	1,390,177
Total liabilities	1,603,245	1,635,440	878,278	851,080	-	-	1,361,163	1,672,194	3,842,686	4,158,714
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	386,973	432,211	386,973	432,211
Retirement benefit obligations	691,669	721,864	296,430	309,370	-	-	-	-	988,099	1,031,234
Trade & other payables	219,379	203,489	318,879	206,316	-	-	257,101	104,795	795,359	514,600
Total depreciation	95,338	108,249	121,519	117,987	4,167	2,424	30,036	-	251,060	228,660
Amortisation of right of use assets	18,679	19,518	17,162	15,577	-	-	11,788	9,195	47,629	44,290
Capital expenditure	727	2,162	98,103	104,138	84,921	66,850	111,268	12,366	295,019	185,516

Information in respect of geographical segments was considered not significant enough to be disclosed as explained under segment reporting in accounting policies.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, forward exchange contract and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly, the Group has exposure to mainly Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the Groups exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

37.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

37.2 Credit Risk

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

As at 31 March 2022	Trade Receivables					
		Days past due				
	Current Rs.000	61-120 days Rs.000	121-180 days Rs.000	181-365 days Rs.000	> 365 days Rs.000	Total Rs.000
Expected credit loss rate	0.12%	1%	4%	7%	12%	
Estimated total gross carrying amount at default	1,102	1,824	555	537	2,062	6,079
Expected credit loss	1	18	22	38	247	327

As at 31 March 2021	Trade Receivables					
		Days past due				
	Current Rs.000	61-120 days Rs.000	121-180 days Rs.000	181-365 days Rs.000	> 365 days Rs.000	Total Rs.000
Expected credit loss rate	0.12%	1%	4%	7%	12%	
Estimated total gross carrying amount at default	102	449	151	354	3,432	4,488
Expected credit loss	0.12	4	6	25	412	447

NOTES TO THE FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.2.1 Trade and Other Receivables

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

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

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs.2,319 m (2020/21 – Rs.1,804 m).

KVPL has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

MTPL has the largest exposure to credit risk as a major portion of the trade receivables are from foreign currencies. All open account debtors are covered with export credit Insurance. Settlement of other debtors are carried through banks.

37.2.2 Investments

Credit risk from invested balances with the financial institutions are managed by the Hayleys Group Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counter-parties and within credit limits assigned to each counter-party. The limits are set to minimise the concentration of risks and therefore, mitigate financial loss through potential counter-party's failure.

The Group held short-term investments of Rs. 496 m as at 31 March 2021 (2020/21 – Rs. 41 m) which represents the maximum credit exposure on these assets.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 372 m as at 31 March 2022 (2020/21 – Rs.332 m) which represents its maximum credit exposure on these assets.

- Sampath Bank PLC – AA- (lka)
- Hatton National Bank PLC –AA- (lka)
- Bank of Ceylon – AA- (lka)
- Citi Bank N.A. – AAA (lka)
- Hong Kong and Shanghai Banking Corporation Ltd – AAA (lka)
- DFCC Bank PLC – A+ (lka)
- National Development Bank PLC – A+ (lka)

37.3. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

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

The table below summarises the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31 March 2022	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	29,533	495,783	1,487,348	125,574	-	2,138,238
Lease liability on Right-of-Use asset- Land	7,238	14,476	65,141	347,418	1,563,381	1,997,653
Lease liability on Right-of-Use asset- Building	1,274	2,549	11,470	15,293	-	30,586
	38,045	512,808	1,563,959	488,285	1,563,381	4,166,477
Company						
Interest bearing loans & borrowing	27,209	70,069	210,208	8,669	-	316,157
Lease liability on Right-of-Use asset- Land	7,238	14,476	65,141	347,418	1,563,381	1,997,653
Lease liability on Right-of-Use asset- Building	1,274	2,549	11,470	15,293	-	30,586
	35,721	87,094	286,819	371,380	1,563,381	2,344,395

As at 31 March 2021	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	141,477	655,273	1,487,457	193,108	-	2,477,315
Lease liability on Right-of-Use asset- Land	7,020	14,040	63,179	336,957	1,600,546	2,021,742
Lease liability on Right-of-Use asset- Building	1,274	2,549	11,470	30,586	-	45,880
	149,771	671,862	1,562,106	560,651	1,600,546	4,544,937
Company						
Interest bearing loans & borrowing	132,667	166,178	498,534	39,200	-	836,579
Lease liability on Right-of-Use asset- Land	7,020	14,040	63,179	336,957	1,600,546	2,021,742
Lease liability on Right-of-Use asset- Building	1,274	2,549	11,470	30,586	-	45,880
	140,961	182,767	573,184	406,743	1,600,546	2,904,202

37.4 Market Risk

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

NOTES TO THE FINANCIAL STATEMENTS

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.4.1 Interest Rate Risk

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

The Group held long term borrowings with floating interest rates of Rs. 263 m (2020/21 – Rs.353 m) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity

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

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.'000
Group		
2021/22	+5%	5,549
	-5%	(5,549)
2020/21	+1%	3,526
	-1%	(3,526)
Company		
2021/22	+5%	1,947
	-5%	(1,947)
2020/21	+1%	1,039
	-1%	(1,039)

37.4.2 Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These currencies primarily are USD and CNY.

The Group hedges its exposure to fluctuation on the transaction of its foreign operations mainly by using forward contracts and exchange rate fluctuations are closely monitored with the assistance of Group Treasury.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD, JPY, EUR, RMB, CHF and CNY exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in basis points	Effect on profit before tax Rs.'000
Group		
2021/22		
USD	25%	191,457
JPY	25%	9,237
EUR	25%	6,530
RMB	25%	93,730
USD	-25%	(191,457)
JPY	-25%	(9,237)
EUR	-25%	(6,530)
RMB	-25%	(93,730)
2020/21		
USD	25%	42,355
CNY	25%	15,294
EURO	25%	686
CHF	25%	(813)
USD	-25%	(42,355)
CNY	-25%	(15,294)
EURO	-25%	(686)
CHF	-25%	813

37.4.3 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the Financial Statements. However, Company does not hold any quoted shares as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

37.4.4 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	Group		Company	
	2021/22 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000	2020/21 Rs.'000
i Interest bearing borrowings				
Current portion of long-term interest bearing borrowings	137,861	159,454	30,278	64,712
Payable within 2 and 5 years	125,574	193,108	8,669	39,200
ii Lease liability				
Current portion of liability to make lease payment	16,899	14,785	16,899	14,785
Payable within 2 and 5 years	38,237	47,299	38,237	47,299
Payable later than 5 years from year-end	561,727	551,797	561,727	551,797
iii Short-term Interest bearing borrowings	1,845,270	1,983,276	250,000	600,000
iv Bank overdraft	29,534	141,477	27,209	132,667
Total debts	2,755,101	3,091,196	933,019	1,450,460
Equity	5,892,995	4,249,055	4,167,764	3,406,030
Equity & debts	8,648,095	7,340,252	5,100,783	4,856,490
Gearing ratio	32%	42%	18%	30%

Annexures

TEN YEAR SUMMARY

Period Ended	2021/22 31-Mar (12 Months) Rs.'000	2020/21 31-Mar (12 Months) Rs.'000	2019/20 31-Mar (12 Months) Rs.'000	2018/19 31-Mar (12 Months) Rs.'000	2017/18 31-Mar (12 Months) Rs.'000	2016/17 31-Mar (12 Months) Rs.'000	2015/16 31-Mar (12 Months) Rs.'000	2014/15 31-Mar (15 Months) Rs.'000	2013 31-Dec (12 Months) Rs.'000	2012 31-Dec (12 Months) Rs.'000
Trading Results										
Revenue	12,925,850	11,760,469	8,909,174	9,166,118	8,642,220	6,852,262	6,068,746	8,647,349	6,790,012	6,518,253
Gross profit	2,264,637	1,756,634	844,957	967,084	1,091,683	617,739	464,702	739,302	885,720	1,156,106
Profit/(loss) before tax	1,965,171	947,521	(22,772)	447,767	202,487	12,474	(30,520)	102,407	465,485	680,956
Profit/(loss) after tax	1,777,464	802,185	(87,019)	387,913	160,422	(15,349)	(42,191)	52,495	391,693	560,732
Balance Sheet										
Funds Employed										
Stated capital	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000
Revenue reserves	5,552,995	3,909,055	3,097,193	2,982,544	2,677,740	2,580,914	2,292,660	2,358,424	2,435,888	2,228,473
Total equity attributable to equity holders of the company	5,892,995	4,249,055	3,437,193	3,322,544	3,017,740	2,920,914	2,632,660	2,698,424	2,775,888	2,568,473
Non Controlling interest	49,085	41,182	41,882	33,380	31,470	33,475	33,087	158,739	22,322	16,667
Lease liability	599,964	599,096	587,014	437,712	439,902	441,841	443,557	445,075	395,060	427,914
Amounts due to other related companies	-	-	13,086	28,392	43,041	36,286	22,500	-	-	-
Interest Bearing Borrowings	125,574	193,108	270,817	162,924	299,131	368,375	323,916	432,145	98,327	97,588
Other financial liabilities	-	71,454	200,411	-	-	-	-	-	-	-
Bank Overdraft	29,533	141,477	634,929	675,083	219,827	274,302	95,081	51,190	16,297	1,865
	6,697,151	5,295,372	5,185,332	4,660,035	4,051,113	4,075,193	3,550,801	3,785,573	3,307,894	3,112,507
Assets Employed										
Non current assets	7,226,828	7,140,577	7,186,006	6,034,828	5,456,908	5,443,706	5,219,898	5,203,870	4,408,806	4,019,663
Current assets	5,284,346	3,611,819	2,185,654	2,651,826	2,329,463	1,813,705	1,306,824	1,793,293	1,938,316	2,054,898
Current liabilities	(3,663,173)	(3,254,384)	(2,002,323)	(1,914,931)	(1,812,969)	(1,372,311)	(909,299)	(1,217,120)	(1,153,489)	(1,146,763)
Retirement benefit obligations	(1,034,290)	(1,073,035)	(1,152,014)	(1,109,974)	(916,919)	(816,560)	(1,153,244)	(1,122,870)	(1,046,403)	(1,025,142)
Deferred tax liability	(444,120)	(462,162)	(415,361)	(405,363)	(427,497)	(457,659)	(390,615)	(393,243)	(363,132)	(301,387)
Deferred income	(672,440)	(667,443)	(616,630)	(596,351)	(577,874)	(535,688)	(522,763)	(478,357)	(476,204)	(488,762)
Capital employed	6,697,151	5,295,372	5,185,332	4,660,035	4,051,113	4,075,193	3,550,801	3,785,573	3,307,894	3,112,507
Key Indicators										
Gross profit margin %	17.52	14.94	9.48	10.55	12.60	9.02	7.66	8.50	13.04	17.74
Current ratio (times)	1.43	1.06	0.83	1.02	1.15	1.10	1.30	1.41	1.66	1.79
Turnover to capital employed (times)	1.93	2.22	1.72	1.97	2.13	1.68	1.71	2.28	2.05	2.09
Return on shareholders' fund %	30.03	18.71	(2.78)	11.40	5.19	(0.64)	(1.05)	2.23	13.80	21.85
Earning per share (Rs.) *	26.02	11.69	(1.40)	5.57	2.28	(0.28)	(0.41)	0.89	5.65	8.25
Net assets per share (Rs.) *	86.66	62.49	50.55	48.86	44.38	42.95	38.72	39.68	40.82	37.77
Dividend per share (Rs.)	4.45	3.00	-	-	1.00	-	-	1.00	3.5	6.0
Dividend payout ratio % *	17.10	25.66	-	-	43.82	-	-	112.88	61.96	72.70
Price earnings (Times) *	2.23	3.21	-	8.35	17.53	-	-	40.58	6.93	4.85
Market value (Rs.) *	58.00	37.50	80.00	93.00	80.00	82.00	65.00	71.90	78.30	80.00

* Due to company's shares were sub-divided by splitting each issued ordinary share into two ordinary shares,comparative key indicators (Share related) also ammended accordingly.

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The ordinary shares of Kelani Valley Plantations PLC are listed with the Colombo Exchange. The audited Company and Consolidated Statements of Profit or Loss for the year ended 31 March 2022 and the audited Statement of Financial Position of the Company and of the Group as at the date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

2. ORDINARY SHAREHOLDERS AS AT 31 MARCH 2022

Number of shareholders 16,482

	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1000	15,292	3,847,446	5.66	5	2,628	-	15,297	3,850,074	5.66
1001 - 10,000	955	3,313,525	4.87	6	30,630	0.05	961	3,344,155	4.92
10,001 - 100,000	199	5,664,754	8.33	1	40,000	0.06	200	5,704,754	8.39
100,001 -1,000,000	19	3,667,291	5.39	3	1,140,418	1.68	22	4,807,709	7.07
Over 1,000,000	2	50,293,308	73.96	-	-	-	2	50,293,308	73.96
	16,467	66,786,324	98.21	15	1,213,676	1.79	16,482	68,000,000	100.00

	Residents			Non-Residents			Total		
No. of Shares held	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	16,233	11,874,412	17.46	13	964,658	1.42	16,246	12,839,070	18.88
Institutions	234	54,911,912	80.75	2	249,018	0.37	236	55,160,930	81.12
	16,467	66,786,324	98.21	15	1,213,676	1.79	16,482	68,000,000	100.00

3. MARKET VALUE

The market value of Kelani Valley Plantations PLC ordinary shares :

	2021/22		2020/21	
Highest - Rs	124.00	(25 January 2022)	105.00	(21 January 2021)
Lowest - Rs	36.00	(27 April 2021)	34.00	(04 March 2021)
Period end - Rs	58.00		37.50	

4. DIVIDEND PAYMENT

First interim dividend of Rs.0.70 per share (2020/21 - prior to share split Rs.1/- per share), second interim dividend of Rs.0.25 per share (2020/21 - after split Rs.1/- per share) and third interim dividend Rs. 1/- per share (2020/21 - Rs. Nil per share)
Proposed Final dividend of Rs.2.50 per share (2020/21 - Rs. 1.50 per share)

5. SHARE TRADING

	2021/22	2020/21
Number of transactions	33,980	10,728
Number of shares traded	36,314,561	7,481,760
Value of shares traded (Rs.)	2,884,277,228.20	584,595,147.60

INVESTOR INFORMATION

6. FIRST TWENTY SHAREHOLDERS AS AT 31 MARCH, 2022

	Name of Shareholder	No. of Shares as at 31.03.2022	%	No. of Shares as at 31.03.2021	%
1	DPL Plantations (Pvt) Limited	49,253,800	72.43	49,253,800	72.43
2	Bank Of Ceylon A/C Ceybank Unit Trust	1,039,508	1.53	1,205,908	1.77
3	People's Leasing & Finance PLC /Mr.L.P.Hapangama	787,054	1.16	5,118,886	7.53
4	Mr. Talib Tawfiq Talib Al-Nakib (Deceased)	610,000	0.90	605,504	0.89
5	Dr. Mohamed Akram Mohamed Arafath Akram	311,600	0.46	-	-
6	Mr. Hashim Ahmed Alsayid Hashim Algharabally	291,400	0.43	300,000	0.44
7	Hatton National Bank PLC/ Mushtaq Mohamed Fuad	265,150	0.39	-	-
8	Mellon bank N.A-Acadian Frontier Markets Equity Fund	239,018	0.35	-	-
9	Dr. Dilesh Jayanntha	226,000	0.33	226,000	0.33
10	Mr. Mohamed Zareen Rasheed	210,963	0.31	-	-
11	Hatton National Bank PLC/ Palaniyandy Muralitharan	200,000	0.29	-	-
12	Mr. Palaniyandi Muralitharan	150,000	0.22	-	-
13	Mr. Zoebaly Gulamabass Carimjee	147,734	0.22	147,734	0.22
14	Mr. Subramaniam Vasudevan / Mrs. V. Saraswathi	147,039	0.22	-	-
15	Mr. Mohamed Imtizam Abdul Hameed	141,200	0.21	141,200	0.21
16	Secretary to the Treasury	140,962	0.21	140,962	0.21
17	Gampaha District Co-operative Rural Bank Union Ltd.	132,600	0.20	132,600	0.39
18	DFCC Bank PLC/ P. Muralitharan	123,677	0.18	-	-
19	Mr. Mohamed Farzad Fazi	120,000	0.18	-	-
20	Mr. Mohamed Hishaam Liaqat Ali	120,000	0.18	-	-
TOTAL		54,657,705	80.38	57,272,594	84.42

7. THE PERCENTAGE OF ORDINARY SHARES HELD BY THE PUBLIC WAS 27.56% (2020/21 - 27.56%) OF THE ISSUED SHARE CAPITAL AS AT 31 MARCH 2022.

- There were no non-voting shares as at 31 March 2022
- Total number of Shareholders representing the Public Holding is 16,479.
- Float Adjusted market capitalization 1,092,588,640
- The Company complies with option 5 of the listing rules 7.13.1 (a) - Less than Rs.2.5Bn.
- Float Adjusted market capitalization which requires 20 % minimum public holding.

GLOSSARY

FINANCIAL TERMS

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

ACCRUAL BASIS
Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ACTUARIAL GAINS AND LOSSES
Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

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

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

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

AVAILABLE FOR SALE
Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

AWDR
Abbreviation for Average Weighted Deposit Rate.

AWPLR
Abbreviation for Average Weighted Prime Lending Rate.

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

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

B
Billion

BIOLOGICAL ASSETS
A living animal or plant.

BIOLOGICAL TRANSFORMATION
It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological assets.

BORROWINGS/DEBT
All interest-bearing liabilities. Such as Bank loans , Overdraft, Long term loans, Debentures, Finance Obligations.

CAPEX
Abbreviation for Capital Expenditure

CAPITAL EMPLOYED
Total equity, non-controlling interest and interest bearing borrowings.

CAPITAL RESERVES
Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

CASH EQUIVALENTS
Abbreviation for liquid investments with original maturity periods of three months or less.

CASL
Abbreviation for the Institute of Chartered Accountants of Sri Lanka

CBSL
Abbreviation for Central Bank of Sri Lanka

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

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

CSE
Abbreviation for Colombo Stock Exchange

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

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

DCF METHOD
A method of valuing project, Company or asset using the concepts of the time value of money. All future cash flows are estimated and discounted by using cost of capital to give their present value(PVs).

DEBT TO EQUITY RATIO
Borrowing divided by Equity.

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

DERIVATIVE
Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

DIVIDEND
Distribution of profits to holders of equity investments.

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

DIVIDEND PAYOUT
Dividend per share as a percentage of the earnings per share.

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

GLOSSARY

EBIT
Abbreviation for Earnings Before Interest and Tax.

EBITDA
Abbreviation for Earnings before Interest, Tax, Depreciation and Amortisation.

EFFECTIVE TAX RATE
Income tax expenses divided by profit from ordinary activities before tax

EIR
Abbreviation for Effective Interest Rate

ENTERPRISE VALUE-EV
Market capitalisation plus Market Value of Debt, Minority Interest & Preference shares minus total cash & cash equivalent.

ENTERPRISE MULTIPLE-EM
Enterprise value divided by earnings before Interest Tax Depreciation & Amortisation (EBITDA)

EPS
Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

EQUITY
Shareholders' fund.

EQUITY INSTRUMENTS
Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

EVA
Abbreviation for Economic Value Addition. The return earned beyond the cost of capital.(Weighted Average Cost of Capital into Capital Invested minus Net Operating Profit).

FAIR VALUE
Fair Value is the amount for which an asset could be exchanged between a knowledgeable or liability settled between knowledgeable willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT AND LOSS
A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short – term profit taking, or a derivative. (except for a derivative that is a financial guarantee contract)

FINANCIAL ASSET
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

FINANCIAL INSTRUMENT
Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

FINANCIAL LIABILITY
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

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

GEARING
Proportion of total interest-bearing borrowings to capital employed.

GEARING RATIO
Interest bearing capital divided by total capital invested (interest bearing and non-interest bearing).

GSA
Abbreviation for the Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage etc.

Ha
Hectares

IBR
Abbreviation for Incremental Borrowing Rate

INTEREST COVER
Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

IAS
Abbreviation for International Accounting Standards.

IFRIC
Abbreviation for International Financial Reporting Interpretations Committee

IFRS
Abbreviation for International Financial Reporting Standards.

LIBOR
Abbreviation for London Inter- Bank Offered Rate.

MARKET CAPITALISATION
Number of shares in issue multiplied by the market value of a share at the period date.

MARKET VALUE ADDED-MVA
The difference of market capitalisation and book value of share capital.

m
Million.

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

NON-CONTROLLING INTEREST
The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

COMPREHENSIVE INCOME
Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

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

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

RETIREMENT BENEFITS
Present Value of a Defined Benefit Obligation
The present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

CURRENT SERVICE COST
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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

ACTUARIAL GAINS AND LOSSES
The effect of difference between the previous actuarial assumptions and what has actually occurred and effects of changes in actuarial assumption.

RETURN ON EQUITY
Attributable profits to the shareholders divided by shareholders funds.

RETURN ON CAPITAL EMPLOYED
Profit before tax plus net interest cost divided by capital employed.

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

REVENUE RESERVES
Reserves considered as being available for distributions and investments.

RPT
Abbreviation for Related Party Transactions

SEGMENTS
Constituent business units grouped in terms of similarity of operations and location

SLFRS / LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

SLIBOR
Abbreviation of Sri Lanka inter Bank offered Rate.

SoRP
Statement of Recommended practice.

SUBSIDIARY
A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

SLAS
Abbreviation for Sri Lanka Accounting Standards. Also known as LKAS and SLFRS.

TOTAL BORROWING
Total borrowing consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with resources.

TURNOVER PER EMPLOYEE
Consolidated turnover of the company for the year divided by the number of employees

VALUE ADDITION
The quantum of wealth generated by the activities of the group measured as the difference between turnover and the cost of materials and services bought in.

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

NON-FINANCIAL TERMS

AGM
Abbreviation for Annual General Meeting

CROP
The total produce harvested over a given period of time (usually during a financial year).

EXTENT IN BEARING
The extent of land form which crop is being harvested

IMMATURE PLANTATION
The extent of plantation that is under-development and is not being harvested.

JEDB
Abbreviation for Janatha Estate Development Board

KVAL.N0000
CSE stock code for the company.

KEY MANAGEMENT PERSONNEL
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Ltr
Litre

MATURE PLANTATION
The extent of plantation from which crop is being harvested.

REPLANTING
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

ESG
Enviornment, Social. Governance

GHG
Green House Gas

SDG
Sustainable Deveopment Goals

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING OF KELANI VALLEY PLANTATIONS PLC will be held on Tuesday, 28th June 2022 at 10.00 a.m. via online meeting platform for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.

2. To declare the final dividend of Rupees Two and Cents Fifty (Rs. 2.50) per share as recommended by the Directors.

3. To re-elect as a Director Mr. A. Weerakoon, who retires by rotation at the Annual General Meeting in terms of Article 30(1) of the Articles of Association of the Company.

4. To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 30(1) of the Articles of Association of the Company.

5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy one years.

   Ordinary Resolution
   'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy one years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director'

6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. F. Mohideen, in terms of Section 211 of the Companies Act No. 07 of 2007, who retires having attained the age of seventy Five years.

   Ordinary Resolution
   'That Mr. Faiz Mohideen, who has attained the age of seventy five years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director'.

7. To authorise the directors to determine donations and contributions to charities for the ensuing year.

8. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration.

9. To consider any other business of which due notice has been given.

Notes:
1. The Annual Report of the Company for 2021/22 is available on the corporate website https://www.kvpl.com/about-us and on the Colombo Stock Exchange website - https://www.cse.lk.
2. In the interest of protecting public health the Annual General Meeting of the Company will be held as a virtual meeting via an online meeting platform. Details are given in the circular to shareholders
3. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to kvplagm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting
4. In relation to the final dividend, the XD date will be 29th June 2022.

By Order of the Board,

KELANI VALLEY PLANTATIONS PLC
HAYLEYS GROUP SERVICES (PVT) LTD
Secretaries

Colombo

25th May 2022

FORM OF PROXY

KELANI VALLEY PLANTATIONS PLC
Company Registration Number - PQ 58

I/We* ....(full name of shareholder**)
NIC No./Reg. No. of Shareholder (**) ....of..
being Shareholder/Shareholders* of **KELANI VALLEY PLANTATIONS PLC** hereby appoint:
(1) ....(full name of proxyholder**)
NIC No. of Proxyholder (**) ....of ....or,
failing him/them

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo , or failing him, One of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Thirtieth Annual General Meeting of the Company to be held on 28th June 2022 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

		For	Against
1.	To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2022 together with the Report of the Auditors thereon.		
2.	To declare the final dividend of Rs. 2.50 per share as recommended by the Directors		
3.	To re-elect Mr. A. Weerakoon as a director who retires by rotation at the Annual General Meeting		
4.	To re-elect Mr. S.C. Ganegoda as a director who retires by rotation at the Annual General Meeting		
5.	To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007,who retires having attained the age of seventy One years.		
6.	To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. F. Mohideen, in terms of Section 211 of the Companies Act No.07 of 2007,who retires having attained the age of seventy Five years.		
7.	To authorise the Directors to determine contributions to Charities for the financial year 2022/2023.		
8.	To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company for the year 2022/23 and to authorise the Directors to determine their remuneration in terms of Section 158 of the Companies Act No. 07 of 2007		

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given As witness my/our* hands this .... day of 2022

Witnesses: Signature: ....
Name: ....
Address: ....
NIC No.:...

....
Signature of Shareholder

Notes:
(a) * Please delete the inappropriate words.
(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.
** Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.
(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
(d) Instructions are noted on the reverse hereof.
(e) This Form of Proxy is in terms of the Articles of Association of the Company.
(f) Please refer the 'Circular to Shareholders' dated 25th May 2022 and follow the instructions to join the meeting physically or virtually

FORM OF PROXY

Instructions as to Completion

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to kvplagm@secretarial.hayleys.com not less than forty eight (48) hours before the start of the Meeting.

2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.

3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.

4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.

5. 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 its Articles of Association.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

CORPORATE INFORMATION

NAME OF COMPANY
Kelani Valley Plantations PLC

LEGAL FORM
A Public Limited Company, incorporated in Sri Lanka on 18 June 1992.

REGISTRATION NUMBER
PQ 58

ACCOUNTING YEAR END
31 March

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

STOCK CODE
KVAL.N0000

PRINCIPLE LINE OF BUSINESS
Producing and processing of Tea and Rubber

DIRECTORS
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer
F Mohideen
S C Ganegoda
C V Cabraal
L N De S Wijeyeratne

SUBSIDIARIES
Kalupahana Power Company (Pvt) Ltd.
Kelani Valley Instant Tea (Pvt) Ltd.
Mabroc Teas (Pvt) Ltd.
Kelani Valley Resorts (Pvt) Ltd.

AUDIT COMMITTEE
L N De S Wijeyeratne - Chairman
F Mohideen
C V Cabraal

MANAGING AGENT
DPL Plantations (Pvt) Ltd.
400, Deans Road, Colombo 10, Sri Lanka

SECRETARIES
Hayleys Group Services (Pvt) Ltd
400, Deans Road, Colombo 10, Sri Lanka.
Telephone: (94-11)2627650
E-mail: info@sec.hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

REGISTERED OFFICE / HEAD OFFICE
400, Deans Road, Colombo 10, Sri Lanka
Telephone: (94-11) 2627700,
2686274-5 (2 Lines)
Fax : (94-11) 2694216
E-mail : postmaster@kvpl.com
website : www.kvpl.com

BANKERS
Bank of Ceylon
National Development Bank
Sampath Bank PLC
Hatton National Bank
DFCC Bank
Citi Bank N.A.
People's Bank
Amana Bank

AUDITORS
Ernst & Young, Chartered Accountants
No. 201, De Saram Place, Colombo 10
Sri Lanka

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