Change. Progress. Growth.

Kelani Valley Plantations®

Kelani Valley Plantations PLC
Annual Report

2018/19

Change. Progress. Growth.

At KVPL, we have always considered ourselves the catalysts for progress. Whether it's smart agriculture, looking out for new ways in which to diversify or motivating our team, the year under review was one in which we were active and proactive in making our Company the best in the business. While instilling commitment and enthusiasm in our people through new management techniques and also ensuring that their quality of life is consistently elevated, we are building our assets and taking on the responsibility of transforming the industry.

Change,
progress,
growth...

It's up to us.

Kelani Valley Plantations PLC
Annual Report

2018/19

CONTENTS

REPORT PROFILE

GRI *102-50, 51, 52*

We are pleased to present Kelani Valley Plantations PLC's (KVPL) sixth Integrated Annual Report. The reporting period for this report pertains to the 12 months from 01st April 2018 to 31st March 2019 under the annual reporting cycle of the Company. The date of the most recent report is KVPL's Integrated Annual Report 2017/18.

In line with our commitment to sustainability reporting, in the current financial year we have also attempted to align our report with the National Green Reporting System of Sri Lanka, published by the Ministry of Environment of Sri Lanka.

GRI *102-54*

"This report has been prepared in accordance with the GRI Standards: Core option."

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 report may contain certain forward-looking statements with respect to KVPL's financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. As such, the Company does not undertake to review or revise such forward-looking statements.

POLICY ON ASSURANCE

GRI *102-56*

Messrs. Ernst & Young Colombo has issued an independent report on Financial Statements.

In addition, the content of this Integrated Report has been approved by the respective business heads and reviewed by the Audit Committee prior to submission to the Board of Directors for approval.

CONTACT POINT

GRI *102- 53*

For any questions and clarifications on this report, the contact point at KVPL would be; 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 2018/19 Integrated Annual Report on 07 May 2019, for release to shareholders.

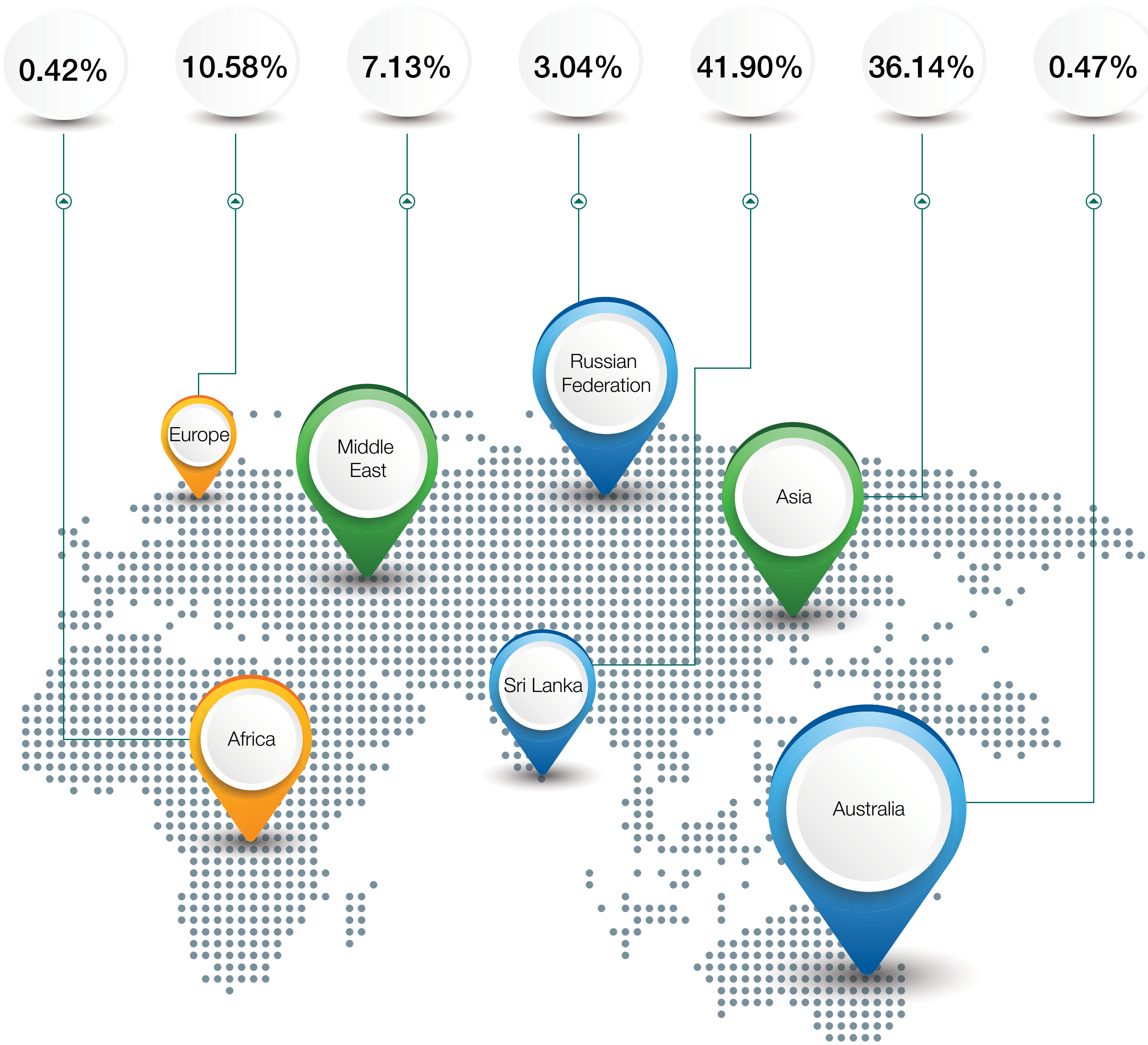
Managing Director – On behalf of Board of Directors
Date : 07 May 2019

REVENUE DISTRIBUTION LOCAL & GLOBAL

Continent	%
America	0.31
Europe	10.58
Middle East	7.13
Africa	0.42
Asia	36.14
Australia	0.47
Russian Federation	3.04
Total Foreign Revenue	58.10
Total Local Revenue	41.90

Rs. 5.25 billion

Tea Export Revenue



Rs. 74.9 million

Rubber Export Revenue

OUR LAND

GRI *102-06,304-01*

2018/19			Extent					Crop	
Estate	Tea	Rubber	Other crop	Other	Total	No. of Factory	Elevation (ft)	Tea Kgs'000	Ruber Kgs'000
1) Pedro	544	-	-	124	668	1	6,237	491	-
2) Nuwara Eliya	185	-	-	62	247	1	5,999	282	-
3) Glassaugh	162	-	-	66	228	1	5,074	208	-
4) Uda Radella	157	-	-	68	225	1	5,328	186	-
5) Edinburgh	148	-	-	31	179	1	5,075	145	-
6) Oliphant	232	-	-	132	364	1	6,440	125	-
7) Ingestre	525	-	-	305	830	2	4,723	631	-
8) Fordyce	231	-	-	172	403	1	4,599	286	-
9) Annfield	222	-	-	153	375	1	4,297	293	-
10) Tillyrie	188	-	-	147	334	1	4,264	189	-
11) Invery	124	-	-	182	306	1	4,310	193	-
12) Robgill	181	-	-	119	300	1	4,500	224	-
13) Battalgalla	141	-	-	120	261	1	4,300	174	-
14) Halgolle	246	-	4	946	1,196	1	3,478	292	-
15) Ederapolla	19	414	25	209	667	1	338	17	278
16) Kitulgala	45	-	93	444	582	-	1,003	48	-
17) Kalupahana	64	158	3	287	512	-	1,500	61	118
18) Kelani	27	216	20	86	349	1	300	36	141
19) Dewalakande	-	528	4	185	717	2	502	-	339
20) Panawatte	11	705	2	312	1,030	1	1,000	10	435
21) Urumiwela	3	523	2	194	722	1	800	6	273
22) Kiriporuwa	23	342	13	209	587	2	805	21	241
23) Lavant	-	396	14	159	569	1	800	-	257
24) Ganapalla	-	319	52	119	490	-	1,000	-	171
25) We Oya/Polatagama	24	682	15	266	987	-	1,000	12	459
Total	3,502	4,283	247	5,097	13,128	24		3,929	2,713

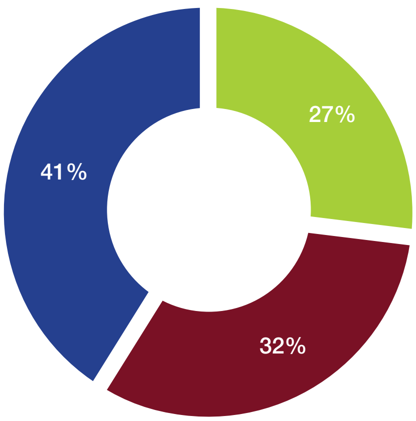
13,128 Ha

Total Hectares Managed

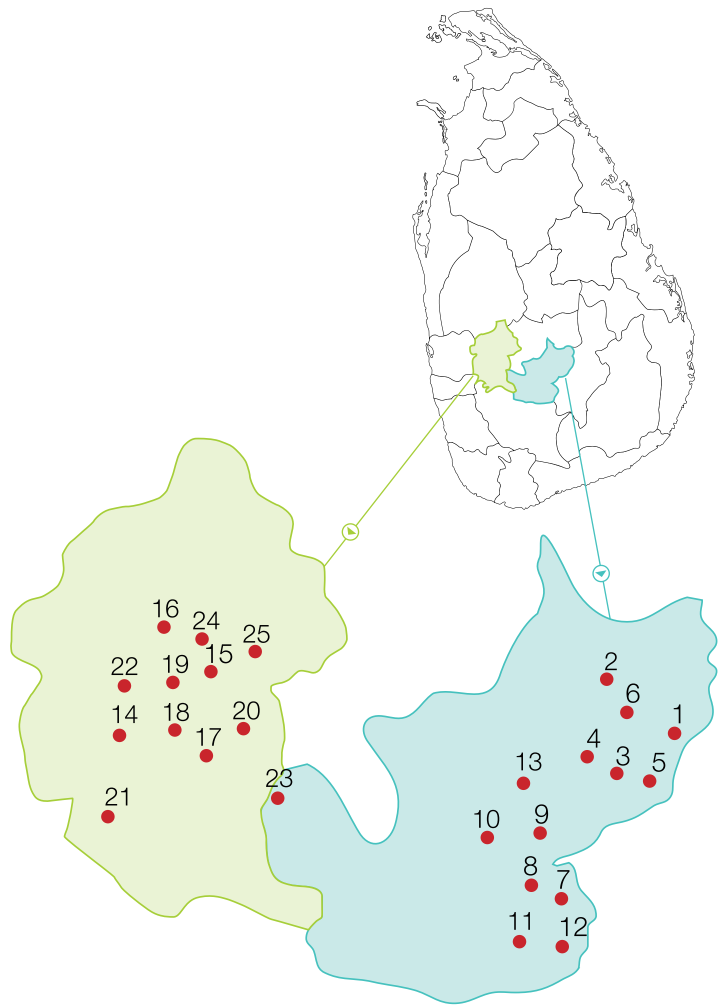
27%	32%	41%
3,502 Ha	4,283 Ha	5,343 Ha
Tea	Rubber	Other

OUR SPREAD

Distribution of Land



TEA	27%
RUBBER	32%
OTHER	41%



6,606 Ha
Mature

2,192 Ha
Immature

Tea	Rubber	Other
3,354 Ha	2,740 Ha	512 Ha
148 Ha	1,543 Ha	501 Ha

CORPORATE PROFILE

GRI *102-01,02,05,07,11,12,13,16*

Kelani Valley Plantations PLC (KVPL) was incorporated as a regional plantation company in June 1992, as a preliminary to the privatisation of the then State-owned segment of the plantation industry. It is a wholly-owned subsidiary of Dipped Products PLC a leading manufacturer of hand protection wear worldwide. Kelani Valley plantations comprises 25 estates spanning three distinct agro-climatic regions spanning over 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 Rainforest Alliance and UTZ certifications. Additionally being compliant with the Ethical Tea Partnership (ETP) certifies the Company's commitment to good agricultural practices with highly stringent adherence to environmental best practices, while signifying a responsible approach to augmenting ethical business practices in worker safety and health and preservation of bio-diversity within the plantations.

In addition, the Company's Glassaugh factory produces green tea, while KVPL's 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 newly-launched '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 too have been endorsed by The Rainforest Alliance as Forest Stewardship Council Certified Producers of sole crepe, centrifuge latex and crepe rubber.

Designed to uplift the quality of life of our people in all aspects, a unique multi-dimensional initiative branded as "A Home for Every Plantation Worker" was launched in 2006 and has been featured at the UNGC Network Conference in Mexico in 2017.

Mabroc Teas (Pvt) Ltd., our tea marketing company, has a reach of over 50 countries and together with KVPL 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.

Pursuing a policy of diversification into other complementary business models, in 2003 Kalupahana Power Company (Pvt) Ltd. was established to generate a 01 MW hydro power plant. The most recent addition to this area of business was a solar plant of 165 kWP in Dewalakanda Estate.

The picturesque Oliphant Bungalow Luxury boutique resort in Nuwara Eliya is surrounded by lush tea plantations and has expanded KVPL's portfolio into the leisure sector with the incorporation of Kelani Valley Resorts (Pvt) Ltd. in 2017.

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 9,500 strong team, led by a closely-knit management collective.

Mabroc Teas - Stall.

Kalupahana Power Plant

Kelani Valley Resorts Oliphant Bungalow

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.

VALUE

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 Plantation Company fully owned by the Government of Sri Lanka and managed by DPL Plantations (Pvt) Ltd.

1995

DPL Plantations (Pvt) Ltd. acquired the controlling interest

1996

In January, KVPL listed in CSE and issued 20 m ordinary shares each at Rs.10 and 14 m redeemable debentures at Rs.10.

FSC certification for rubber

1996

Debentures were converted to 14 m additional shares

2000

Implementation of mini hydropower scheme at Battalgalla Estate

2001

Expanded the Centrifuged Latex Project at Kiriporuwa Estate

2003

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

Strategic alliance with Mabroc Teas (Pvt) Ltd.

2004

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

2005

Commenced operations of Kalupahana Power Company (Pvt) Ltd.

2006

UN Global Compact Signatory with Mabroc and KVPL

2007

Commencement of instant tea at Nuwara Eliya Estate

ISO 22000:2005, HACCP & TASL-SGS Certification for 13 black tea processing centres

2008

Global G.A.P. Certification

Black tea factory at Glassaugh converted to green tea

2009

Dewalakanda and Panawatta Sole Crepe - Certified for FSC

2010

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

2011

Rainforest Alliance certification

2013

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

2014

Incorporation of Hayleys Global Beverages (Pvt) Ltd. and invested in 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

Celebration of 25 years in the plantation industry, excellence in tea and rubber plantations

2017

Incorporation of fully-owned subsidiary Kelani Valley Resorts (Pvt) Ltd.

Highest-ever recognition of National Business Excellence Awards 2017 by winning the overall Excellence Bronze Award with six Gold Awards and two Silver Awards

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

Highest ever recognition for Human Resource Management by winning the Global HR Excellence award for second Consecutive year

BOARD OF DIRECTORS

A M PANDITHAGE
Chairman/Executive Director

DR. R RAJADURAI
Managing Director/ Executive Director

A WEERAKOON
Chief Executive Officer/ Executive Director

F MOHIDEEN
Independent Non-Executive Director

S C GANEGODA
Non-Executive Director

L T SAMARAWICKRAMA
Non-Executive Director

C V CABRAAL
Independent Non-Executive Director

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 and appointed to the Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009.Appointed to the Board of Kelani Valley Plantations PLC in July 2009.

Fellow of the Chartered Institute of Logistics & Transport (UK). 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 Ship's Agents.

Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers; Excellence Leadership Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with lifetime achievement award at Seatrade –Sri Lanka Ports, Trade and Logistics; Life time award for most outstanding Logistics and Transport personality of the year – Chartered Institute of Logistics & Transport.

DR. ROSHAN RAJADURAI
Managing Director/Executive Director

Appointed to the Board in 2013.

Managing Director of Kelani Valley Plantations PLC Talawakelle Tea Estates 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.

Holds a B.Sc. In Plantation Management, an MBA from the Post Graduate Institute of Agriculture, University of Peradeniya, a D.Sc. from Wayamba University and a Ph.D from University of Hawaii, USA.

He was also the Chairman of the Planters' Association of Ceylon and was a member of the Sri Lanka Tea Board, Rubber Research Board, Tea Research Institute, Tea Council of Sri Lanka and the Tea Small Holdings Development Authority of Sri Lanka. He was the Chairman of the Consultative Committee on Estate and Advisory Services, a member of the Experiment and Extension Forum of the Tea Research Institute, a Member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grants Commission as well as a Member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

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 33 years of experience in the plantations industry. Specialised in introducing modern management systems and system development strategies to the plantation sector. Certified in Green Tea Technology by Fujian Chamber of Commerce – China.

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

Director of Kelani Valley Plantations PLC since September 2009. Joined Hayleys in March 2007 and was appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Hayleys Board in September 2009. Fellow of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Management Accountants of Australia. Holds a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for the Hayleys Group between 1987 and 2002. Subsequently he held several Senior Management Positions in large private sector entities in Sri Lanka and Overseas. Has responsibility for the Strategic Business Development Unit of the Hayleys Group and the Fentons Group.

L T SAMARAWICKRAMA
Non-Executive Director

Director of Kelani Valley Plantations PLC since November 2009. An internationally-qualified hotelier having gained most of his management experience in UK, working for large international hotel chains over a long period of time. The first Sri Lankan manager to be appointed by the Beaufort International Chain of Hotels to run the first seaside boutique resort. A member of the Institute of Hospitality, UK (formerly HCIMA) and of the Royal Society of Health, London. He has many years of experience in the trade, having specialised in hotel designs and development, has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment and rehabilitation programmes.

An Executive Director of Hayleys PLC and Managing Director of Amaya Leisure PLC, Hunnas Falls, Sun Tan Beach Resorts, Luxury Resorts Maldives, Hayleys Tours (Pvt) Ltd., a Director of Royal Ceramics Lanka PLC, Royal Porcelain (Pvt) Ltd., Royal Ceramics Distributors (Pvt) Ltd., Rocell Bathware Limited, Culture Club Resorts (Pvt) Ltd. and Deputy Chairman of The Fortress Resorts PLC.

C V CABRAAL
Independent Non-Executive Director

Appointed to the Board in January 2013. A Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus on manufacturing and design from the Missouri University of Science and Technology. Currently working for CHEC Port City Colombo (Pvt) Ltd. in the Property Development Department. Worked at Brandix Lanka (Pvt) Ltd., as a Sustainability Engineer (2011-2014) in the Energy and Environment Department. Started his career in 2010 as a Management Trainee at John Keells Hotel Management Services. The co-owner and co-founder of Royal Orchids (Pvt) Ltd., which owns and operates a floriculture farm. Serves on the Boards of Vallibel Power Erathna PLC and The Fortress Resort and Spa 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.

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 (Appointed w.e.f.01/12/2018)
S Siriwardana - Chief Executive Officer (Retired w.e.f. 15/11/2018)
F Mohideen
S C Ganegoda
L T Samarawickrama
Dr. K I M Ranasoma (Resigned w.e.f. 01/07/2018)
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. 350 m

Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai
A Weerakoon (Appointed w.e.f.01/12/2018)
S Siriwardana (Retired w.e.f. 15/11/2018)
S C Ganegoda
Dr. K I M Ranasoma (Resigned w.e.f. 01/07/2018)
Soon Huaf NG (Appointed w.e.f.15/10/2018)

Kalupahana Power Company (Pvt) Ltd.
Generates Hydro Power
Incorporated in 2003 in Sri Lanka
Stated capital – Rs. 30 m, Group interest – 60%

Directors:
A Weerakoon (Appointed w.e.f.01/12/2018)
S Siriwardana (Retired w.e.f. 15/11/2018)
Dr. K I M Ranasoma (Resigned w.e.f. 01/07/2018)
Dr. Roshan Rajadurai
M F M Ismail
L G Perera

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. K I M Ranasoma (Resigned w.e.f. 01/07/2018)
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
R M Hanwella
Dr. Roshan Rajadurai
Dr. K I M Ranasoma (Resigned w.e.f. 01/07/2018)
R S Samarasinghe
S C Ganegoda

Kelani Valley Resorts (Pvt) Ltd.
Operates Butique Bunglow
Incorporated in 2017 in Sri Lanka
Stated capital – Rs. 50 m, Group interest – 100%

Directors:
A M Pandithage
Dr. Roshan Rajadurai
A Weerakoon (Appointed w.e.f.01/12/2018)
S Siriwardana (Retired w.e.f. 15/11/2018)
L T Samarawickrama

MANAGEMENT TEAM

Kelani Valley Plantations PLC

Board of Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer (Appointed w.e.f.01/12/2018)
S Siriwardana - Chief Executive Officer (Retired w.e.f. 15/11/2018)

Operational Directors:
Y U S Premathilake - Plantations (Rubber)
J A Rodrigo - Corporate Affairs

Regional General Managers:
B C Gunasekera - Panawatte /(Rubber Group I)
K W S F Fernando - Kiriporuwa /(Rubber Group II)
A P Senanayake - Pedro (Up Country)

General Managers:
K C de J Seneviratne - Regional Administration
R D G Fernando - Rubber Marketing & Administration
R M V W Weerabahu - Finance

Deputy General Managers:
D I Gallearachchi - Robgill
D E P K Welikala - Kelani
A T Gamage - Human Resources & Corporate Sustainability

Group Managers:
A M C B Attanayake - Annfield
U K Tennakoon - Edinburgh
R C V V Ramanathan - Ingestre

Senior Managers:
W P S B Abeywardena - Dewalakande
P K A H Thilakaratna - We-Oya
R L Obeysekara - Ederapola
K Murugadas - Senior Manager - Marketing
Susantha Wijesinghe - Senior Manager IT

Managers:
N D Amaratunga - Marketing
K A R Alles - Corporate Affairs
S Ram - Human Development

Estate Managers:

Up Country (Nuwara Eliya & Hatton Group)
D M K C B Dhanapala - Nuwara Eliya
Y A Hettiarachchi - Uda Radella
M K D Priyantha - Fordyce
R C Gnanasekeram - Invery
C Ikiriwatte - Tillyrie
M G Jayamantri* - Glassaugh
K T Benthota** - Pedro
W.E.Charles** - Battalgalla

Low Country (Tea & Rubber Group)
D W M M R B Madawala - Lavant
R M R Y B Ratnayake - Ganepalla
R M U S Jayasundara - Urumiwella
A Gannoruwa - Halgolla
R M Vithanawasam - Kalupahana

W A K Chandana - Centrifuge factory
G U Premarathne* - Kitulgala
E A G C Athauda** - Panawatte
T M N D B Tennakoon** - Ganepalla

** Acting Estate Manager*
*** Deputy Manager in charge*

Mabroc Teas (Pvt) Ltd

Directors:
N R Ranatunga - Managing Director
R M Hanwella - Operations
R S Samarasinghe - Marketing

General Managers:
S C Hikkaduwage - Finance
U A De Silva Kulasiri - Marketing local sales
T M L J Peris - Marketing

Managers:
K L D C Niroshini - Finance
H M S Wijerathne - Information technology
E F W Samaraweera - Factory
G A M S Perera - Operations networking
V A W Wakista - Tea
S L T Puvimannasinghe - Creative
S U Gonaduwa - Schedule planing & efficiency management

Corporate Management Profile

Back row, left to right:

K A R Alles
Manager Corporate Affairs

N D Amaratunga
Manager Marketing

Y U S Premathilake
Director Plantations (Rubber)

K Murugadas
Senior Manager Marketing

R M V W Weerabahu
GM Finance

W L P S Wijesinghe
Senior Manager Information Technology

T M Wickramarathna
Accountant

Front row left to right:

A T Gamage
DGM Human Resources and Corporate Sustainability

J A Rodrigo
Director Corporate Affairs

R D G Fernando
GM Rubber Marketing and Administration

Corporate Management Profile

UP COUNTRY MANAGEMENT TEAM

K C de J Seneviratne
General Manager - Regional Administration

A P Senanayake
Regional General Manager - Pedro

D I Gallearachchi
Deputy General Managers - Robgill

U K Tennakoon
Group Manager - Edinburgh

R C V V Ramanathan
Group Manager - Ingestre

A M C B Attanayake
Group Manager - Annfield

Y A Hettiarachchi
Estate Manager - Uda Radella

C D Ikiriwatte
Estate Manager -Tillyrie

M K D Priyantha
Estate Manager - Fordyce

D M K C B Dhanapala
Estate Manager - Nuwara Eliya

A R C Gnanasekeram
Estate Manager - Invery

S Ram
Manager - Human Development

M G Jayamantri
Acting Estate Manager - Glassaugh

W E Charles
Deputy Manager - Battalgalla

C M K Wijayawardana
Assistant Manager - Oliphant

Chandana Senevirathne
Accountant

LOW COUNTRY MANAGEMENT TEAM

S F Fernando
Regional General Manager - Kiriporuwa

B C Gunasekera
Regional General Manager - Panawatte / (Rubber Group)

D E P K Welikala
Group Manager - Kelani

R L Obeysekara
Senior Manager - Ederapola

W P S B Abeywardena
Senior Manager - Dewalakande

P K A H Thilakaratna
Senior Manager - We Oya

D W M M R B Madawala
Estate Manager - Lavant

R M R Y B Ratnayake
Estate Manager - Ganepalla

A Gannoruwa
Estate Manager - Halgolla

R M Vithanawasam
Estate Manager - Kalupahana

W A K Chandana
Manager - Centrifuged Factory

R M U S Jayasundara
Estate Manager - Urumiwela

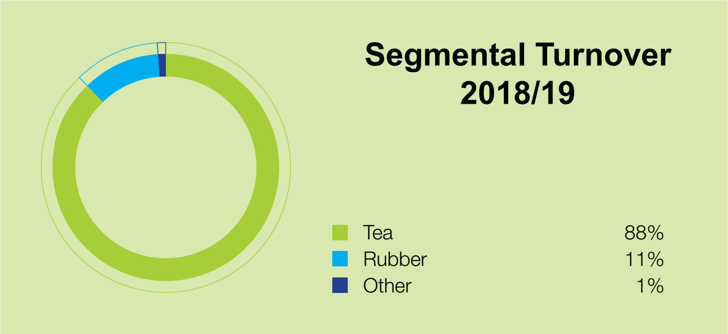
G U Premarathne
Acting Estate Manager - Kitulgala

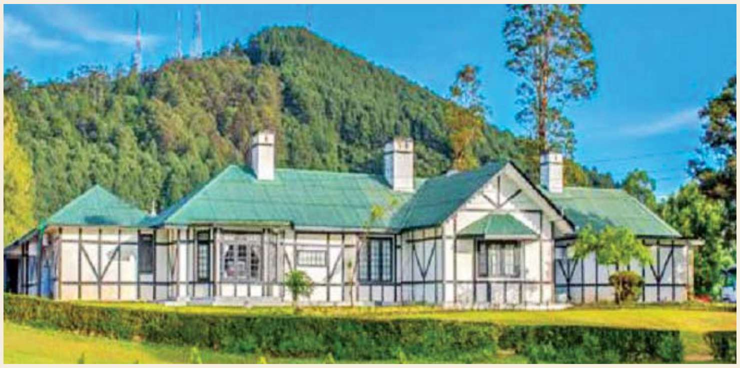
IN ADDITION TO TEA, RUBBER AND COCONUT, KVPL HAS INVESTED IN VALUE-ADDED TEA, CINNAMON, SOLAR ENERGY AND THE LEISURE SECTOR.

Under the KVPL crop diversification strategy, the Company has diversified from traditional tea and rubber, into cinnamon, coconut, timber and agarwood. Under the business diversification strategy, KVPL has invested in value added tea, hydropower generation and leisure.

During the current financial year, 20.61 hectares of coconut were introduced as another new crop and total cinnamon cultivation expanded to 100.98 hectares. Agarwood planted in the previous year is growing rapidly.

Mabroc Teas (Pvt) Ltd. did extremely well during the year with its profit after tax increasing by 130% to Rs. 234 m. Kalupahana Power Company (Pvt) Ltd. benefited from the higher rainfall and recorded a 75% increase in profit after tax to Rs. 23 m. Kelani Valley Resorts (Pvt) Ltd. reported a revenue of Rs. 23 m and a profit after tax of Rs. 0.7 m in its first year of operations.

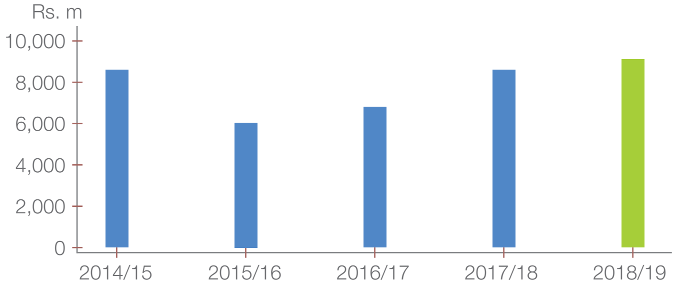




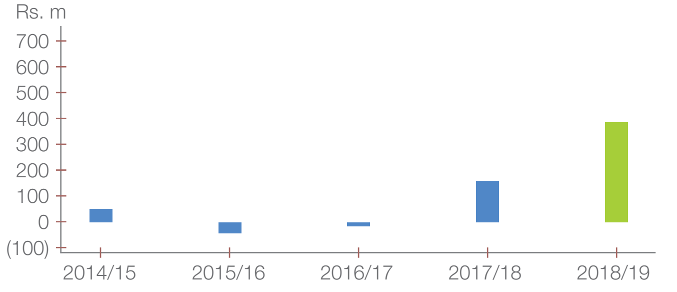
FINANCIAL HIGHLIGHTS

		Group			Company		
		2018/19	2017/18	% of change	2018/19	2017/18	% of change
Earning Highlights and Ratios							
Revenue	Rs.'000	9,166,118	8,642,220	6	4,048,459	4,382,866	(8)
Result from operating activities	Rs.'000	451,903	579,537	(22)	191,377	490,137	(61)
Profit before tax	Rs.'000	447,767	202,487	>100	19,898	348,248	(94)
Profit/(loss) after tax	Rs.'000	387,913	160,422	>100	18,745	326,180	(94)
Operating profit margin	%	4.9	6.7	(26)	4.7	11.2	(58)
Net profit margin	%	4.2	1.9	>100	0.5	7.4	(94)
Return on assets (ROA)	%	4.47	2.06	>100	0.27	4.97	(95)
Return on capital employed (ROCE)	%	11.38	7.21	58	4.28	11.70	(64)
Interest cover	Times	3.14	2.23	41	1.12	3.45	(68)
Financial Position Highlights and Ratios							
Shareholders' funds (Equity holders of the Company)	Rs.'000	3,322,544	3,017,740	10	2,979,215	3,121,740	(5)
Gearing (debt/(equity+debt)	%	42	41	2	33	25	32
Working capital	Rs.'000	61,818	296,667	(79)	(329,476)	60,122	<100
Current ratio	Times	1.02	1.15	(11)	0.76	1.07	(29)
Market capitalisation	Rs.'000	3,162,000	2,720,000	16	3,162,000	2,720,000	16
Capital expenditure	Rs.'000	436,345	473,086	(8)	396,418	387,574	2
Per share (Year End):							
Earnings	RS.	11.14	4.56	>100	0.55	9.59	(94)
Dividend	RS.	-	-	-	-	1.00	(100)
Market value	RS.	93.00	80.00	16	93.00	80.00	16
Net assets	RS.	97.72	88.76	10	87.62	91.82	(5)

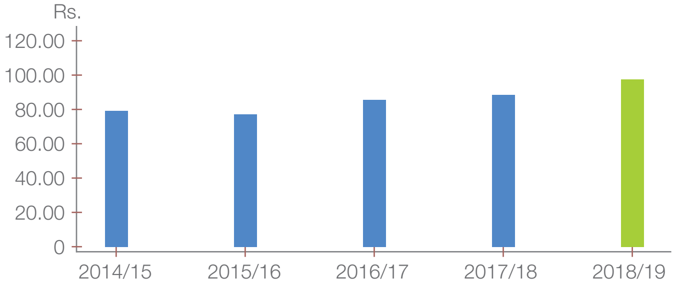
Group Turnover



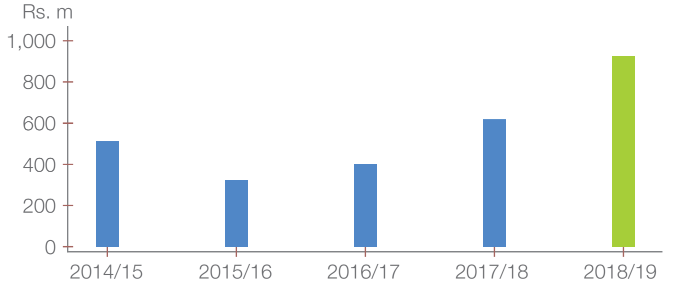
Group Profit After Tax



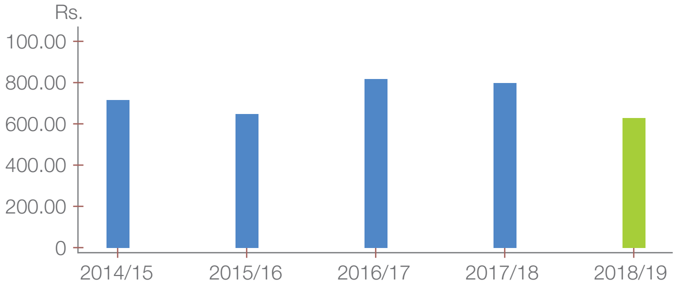
Net Assets per Share



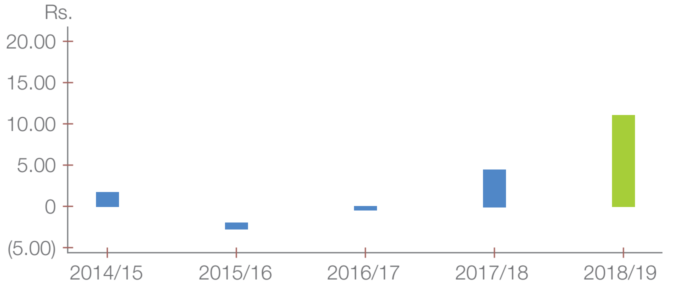
EBITDA



Market Price per share



Earnings per share



NON FINANCIAL HIGHLIGHTS

HIGHLIGHTS FOR 2018/19

GRI Disclosure		2018/19	Page Reference
Economic Performance			**79**
GRI 201-1	Value created shared with		
	Employees	91.30%	
	Government of Sri Lanka	5.90%	
	Shareholders	1.20%	
	Lenders of capital	0.70%	
Natural Capital			**105**
GRI 301-1,2,3	GHG Emission (tCO2e)	5,711	
	Hydropower generation (kWh)	12,463,912	
	Water usage (L)	99,464,704	
	Water treatment (L)	110,312,660	
	Electrical intensity - Tea (kWh/kg)	1.01	
	Electrical intensity - Rubber (kWh/kg)	0.35	
	Fertiliser usage (kg)	2,905,338	
	Insecticide usage	-	
	Solar power (kWh)	114,009	
	Conservation Area (Ha)	2,048	
	Fuelwood planting	1,535	
	Native and shade tree planting	1,550	
Human Capital			**88**
GRI 401-1	Total new employee hires	822	
	Training head count	8,866	
	Training hours	62,690	
	Training investment (Rs.)	8,562,546	
Social Capital			**99**
	New housing units built	183	
	Reroofing	50	
	Electrification (No. of housing units)	173	
	General rehabilitation	-	
	Water schemes	7	
	New toilets (units)	158	

GRI Disclosure		2018/19	Page Reference
	Playgrounds	6	
	Upgraded staff quarters	5	
	Community Centres	1	
	Factory rest rooms	6	
	Field rest rooms	8	
	Child Development Centres	5	
	Hot water bathing spots	-	
	Land extent granted as perches	1,310	
	Access roads (km)	18	
	Dental clinics	22	
	Dengue awareness programmes	179	
	Eye clinics	197	
	AIDS awareness programme	88	
	TB awareness programme	69	
	Oral cancer Programmes	155	
	Cataract removal surgeries	188	
	No. of spectacles provided to community	531	
	Logistic support for the patients (km)	9,585	
	Street dramas	10	
	Alcohol prevention programmes	49	
	No. of individuals who have taken loans	6,422	
	Household cash management programmes	72	
	Loan amount (Rs)'000	78,510	
	Deposits accepted (Rs)'000	26,316	
	Training for small business management	22	
	Bridal and beauty care programmes	1	
	Home gardening programmes	88	
	English classes	586	
	Computer classes	23	
	Vocational Training - Self-Employment	43	

AWARDS AND ACCOLADES

HIGHLIGHTS FOR 2018/19

- We received the highest recognition for human resource management during the year under review by winning the Global HR Excellence Award 2018/19 for the second consecutive year.
- For the first time in the plantations history, we were recognised with a Special Award in the Extra Large category for our exceptional human care practice at the Sri Lanka Corporate Health & Productivity Awards 2018, organised by Japan External Trade Organization (JETRO) and Chamber of Young Lankan Entrepreneurs (COYLE).
- Kelani Valley Plantations became the winner of Great HR Practices – 2018 organised by the Institute of Personnel Management (IPM), Sri Lanka.
- KVPL won Best Advance in Performance Management – Gold Award at the Golden Globe Tigers Awards 2018 for Excellence in HR Leadership.
- ‘A Home for Every Plantation Worker’ CSR project won the Bronze award at the Ian Dias Abeysinghe Memorial JASTECA CSR Awards 2018.

- At the National Business Excellence Awards, KVPL bagged a number of accolades including:
  - Excellence in Performance Management – Gold
  - Agriculture & Plantation Sector – Silver
  - Excellence in Corporate Social Responsibility – Silver
  - Excellence in Environmental Sustainability – Silver
  - Excellence in Corporate Governance – Merit
  - Excellence in Local Market Reach – Merit

- At the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka, Kelani Valley's 2017/18 Annual Report won the Silver award.
- At the National Social Dialogue and Workplace Cooperation Awards, Kelani Valley Estates were recognised with Gold, Silver and Bronze awards as follows:
  - Gold (Large & Small) - Ingestre and Kalupahana
  - Silver (Medium) - Udaradella
  - Bronze (Medium & Small) - Fordyce and Battalgalla

CHAIRMAN’S MESSAGE

GRI *102 -14*

HIGHLIGHTS FOR 2018/19

I AM PLEASED TO REPORT THAT THE KVPL GROUP REPORTED AN AFTER TAX PROFIT GROWTH OF 142% YEAR-ON-YEAR, REACHING Rs. 387.9 M.

I am happy to note that the KVPL Group’s bottom line was strongly supported by its subsidiaries, demonstrating the effectiveness of our diversification strategy.

DEAR SHAREHOLDER,

The financial year 2018/19 was a year in which the Sri Lankan plantation industry demonstrated admirable resilience in the face of multiple challenges at a macro and micro level, ranging from global geopolitics, to extreme weather conditions.

Despite the multitude of problems that have impacted the industry over the last few decades, I take pride to note the resilience of the plantation industry in face of adversity. I see this resilience in your Company’s ability to evolve and modernise despite challenges, paving the way for a modern, technology driven Plantation Company. In this backdrop, it is with a sense of pride that I present the Annual Report and Financial Statements of Kelani Valley Plantations PLC (KVPL) for the financial year 2018/19.

PROGRESS OF OUR SUSTAINABILITY STRATEGY

KVPL’s sustainability strategy is carried out on a planned and monitored platform upon which financial, operational and business strategies are developed. Many activities are conducted annually to raise awareness among all levels of our team, on the benefits of sustainable agricultural practices to permeate a sustainability mindset across the Company. A number of globally recognised accreditations are used to ensure that environmental and social sustainability practices are maintained across the value chain. In addition, the Company is also a signatory to the United Nations Global Compact’s Ten Principles (UNGC). The Company’s ability to maintain its quality rankings with a high level of cooperation extended by the estate workers in a year of collective bargaining is indicative of the effectiveness of our social sustainability model.

KVPL’s growth plan is based on a business and crop diversification strategy that takes into account the long-term financial sustainability within the

KVPL has continued to add new components to the business process digitalisation and is ready to integrate drones into its agricultural model, on a large scale, in 2019.

emerging macro risk environment. Under the Company's crop diversification strategy, older, less profitable rubber lands have been repurposed for cinnamon and agarwood cultivation. During the current financial year, coconut was added to the product mix. Business diversification meanwhile, has enhanced the value added revenues as demonstrated by the increased contribution to profits by KVPL subsidiaries during the year.

A key component of our sustainability strategy is the Smart Agriculture Plan, which is a digitalisation drive along the entire value chain. KVPL has continued to add new components to the business process digitalisation and is ready to integrate drones into its agricultural model on a large scale, during the year in 2019.

The Company's revenue share model was further refined and expanded within its estates during the year, where plots of tea are managed by resident estate families, under the agricultural supervision of the Company. I am convinced this is the way forward for the plantation industry, as resident communities in the plantation estates are now moving to other non-estate employment channels, which poses a significant threat of worker shortages for plantations, in the future.

While ensuring financial returns for shareholders, we are extremely conscious of our social obligations. Therefore, KVPL's sustainable social model is designed to make the Company the preferred plantation sector employer in the country through an extensive human development and community welfare scheme. During the current financial year, the Company continued to support its numerous welfare programmes implemented in partnership with Government and international non-governmental agencies. A more detailed explanation on these projects are described under Social & Relationship Capital.

FINANCIAL PERFORMANCE

In the backdrop of the national economy growth dipping during the year with real GDP growth reducing from 3.4% to 3.2%, I am pleased to report that the KVPL Group reported a Consolidated profit after tax growth of 142% year-on-year, reaching Rs. 387.9 m. KVPL, at company level, recorded a profit after tax decline of 94%, reaching Rs. 18.7m. The financials were supported for the most part on the back of tea revenues, as global rubber prices continued a downward spiral. The Company's diversified crops do not yet represent a significant contribution share to the revenue.

The KVPL Group's total assets increased by 11.56% to Rs. 8,686 m and shareholders' funds grew by 10% year on year, to Rs. 3,355 m. Return on assets improved from 2.06% to 4.47% at Group level, while the return on equity improved from 5% to 12%.

I am happy to note that the KVPL Group's financial performance was strongly supported by its subsidiaries, demonstrating the effectiveness of our diversification strategy. As at end of the current financial year, Mabroc Teas, the marketing subsidiary of the Group and Kalupahana Power Company (Pvt) Limited, the hydropower company, accounted for 66% of the KVPL Group's bottom-line contributing to Rs. 234 m and Rs. 23 m respectively.

Hayleys Global Beverages (Pvt) Limited, our instant tea extraction plant in Hatton, entered into a strategic joint venture with Martin Bauer, a leading plant extraction company based in Germany. KVPL's ownership in the instant tea company is 10% during the year under review, new capital infusion resulted net gain of Rs. 204 m to the Group. The Company's instant tea extraction plant has made steady progress and is expected to increase its contributions to the Group in the new financial year.

The Kelani Valley Group's latest venture, Kelani Valley Resorts (Pvt) Limited, the operators of the Oliphant Boutique Bungalow, commenced operations in December 2017. KVPL's first attempt in tourism reported an encouraging inaugural year under the management of Amaya Leisure PLC.

AWARDS

KVPL has maintained its position in high grown, low grown and Tea Board rankings during the year and has been recognised for excellence in business practice and effective human resource development initiatives. Among other accolades, the Company won the Silver award at the National Business Excellence Awards 2018 under the Agriculture & Plantation Sector and was crowned with the highest recognition for human resource management by winning the Global HR Excellence Award by the World HRD Congress, for the second consecutive year. For the first time in plantation history, KVPL was recognised with a special award for its exceptional human care practices at the Sri Lanka Corporate Health & Productivity Awards 2018, organised by the Japan External Trade Organisation (JETRO) and Chamber of Young Lankan Entrepreneurs (COYLE). These independent recognitions demonstrate the Company's commitment towards employee welfare and human capital development.

FUTURE PLANS

KVPL will remain focused on its current long-terms strategy of diversification, value addition and modernisation, transforming from a traditional plantation company into a modern technology-based, diversified, agricultural producer.

Due to far-sighted investments, KVPL now owns 1500 hectares of immature rubber, totaling to almost 40% of the Company's total rubber

Chairman's Message

extent. This biological treasure will ensure a supply of high quality natural rubber for the next 15 to 20 years, ensuring sustained revenues when global rubber prices reverse favourably. KVPL's sole crepe factories in Dewalakanda and Panawatta are in high demand and we will continue to operate these units. While phasing out older rubber lands for more financially viable crops, including coconut, cinnamon and pepper, we will retain about 3,000 hectares of rubber to feed the factories.

The diversification model will be further strengthened and we are already studying the feasibility of converting more unused tea factories into leisure opportunities.

Technology will remain a key driver of productivity and cost efficiency. Already, KVPL has conducted successful aerial spraying programmes at tea estates and a full-scale drone offensive is planned for 2019. The value chain digitisation will continue to automate the production and administration of estates, shifting the Company from the traditional labour intensive model, towards a strong technology base.

DIRECTORATE

I would like to extend a special note of appreciation to Mr. Sarath Siriwardena who retired as the Director/ CEO after 23 years of service to the Company. Mr Siriwardena joined KVPL in 1995 and was appointed to the Board in 2009. He retired as the Director/ CEO of KVPL on 15th November 2018, leaving behind a long track record of service. I take this opportunity to thank him for his dedicated service and contribution to the growth of the Company.

Dr. Mahesha Ranasoma relinquished his position from the Board of Directors from July 01, 2018 after serving the Company as a Non-Executive Director.

Mr Anura Weerakoon was appointed as the Director/CEO of KVPL with effect from 01 December 2018.

APPRECIATIONS

I extend my sincere gratitude to my colleagues on the Board for their commitment towards our shared vision, particularly in such challenging times as the current year under review. As always, I am fully appreciative of the proactive attitude of the management team and our highly-motivated employees of KVPL in overcoming all obstacles. I take this opportunity also to thank our shareholders, investors, business partners and all other stakeholders for their continued support. I look forward to a year of growth and progress as we remain steadfast and united in our vision for the future.

A M Pandithage
Chairman

07 May 2019

MANAGING DIRECTOR'S MESSAGE

GRI *102-14*

HIGHLIGHTS FOR 2018/19

DESPITE THE EXTERNAL OBSTACLES, KVPL'S TEA SECTOR HAS MANAGED TO SUSTAIN THE GSA RANKING FOR THE YEAR DESPITE THE LOWER AVERAGE PRICES FOR MUCH OF THE YEAR, PRIMARILY DUE TO THE CONSISTENT QUALITY PRACTICES ADOPTED.

KVPL's crop diversification strategy continued to perform well with total cinnamon cultivation expanding to 100.98 hectares and the agarwood planted in the previous year growing rapidly.

Following up on an excellent 2017 and a promising start in 2018, we anticipated a very good year for the plantation sector in 2018/19. However, while the first quarter of 2018 experienced some of the best auction average prices for tea, the climate reversed drastically immediately afterwards. The plantation industry, particularly the tea sector, endured one of the worst periods of volatility in its history, while the rubber sector could not cushion the blow, as prices of natural rubber continued downwards.

Within this context, I am pleased to report that the KVPL Group has emerged relatively unscathed, primarily due to our long-sighted investments and sustainable agricultural practices. On another positive note, I am extremely pleased to announce excellent progress in our Smart Agriculture Plan, where ICT, automation and drone technology are being rapidly incorporated into plantation practices.

KVPL TEA SECTOR

The Sri Lankan tea sector fell victim to global geopolitics when in May 2018, the US Government imposed sanctions on Iran, which is one of the largest single buyers of Ceylon Tea. This had direct and cascading financial repercussions across the tea supply chain, countering the opportunity for domestic plantations to benefit from the Sri Lankan Rupee depreciation-which boosted toplines of all other export industries. In fact, average auction prices declined across most tea categories and particularly among low grown tea, which is a reflection of the demand downturn from the large Middle Eastern market. Up to 40% of auction stocks remained unsold in some months of the year.

Ceylon Tea also faced a setback in exports to Japan, due to the domestic policy decision to ban glyphosate as a weedicide. As plantations switched to other permitted weedicides, the maximum chemical residue levels became incompatible with Japanese import standards. Again, tea revenues suffered, while costs increased due to the necessity of manual weeding.

Managing Director's Message

Despite the turbulent global scenario, I am confident the investments infused into our fundamentals including best practices for agriculture, quality systems, employee welfare and modern technologies, will ensure a strong position for KVPL, whatever the external risk aspects. This position is backed by our diversification strategy, which dilutes the concentration risk on tea and rubber.

Erratic weather patterns that prevailed during some parts of the year, also had negative impacts on tea output and leaf quality.

Despite the external obstacles, KVPL's tea sector has managed to sustain the GSA ranking for the year despite the lower average prices for much of the year, primarily due to the consistent quality practices adopted.

KVPL's tea production for the year declined by 5% against the previous financial year, totaling 4.2 m kgs, while total tea revenue declined by 8% against 2017/18. Tea profits declined by 50% to Rs 232 m mainly due declined auction prices and additional gratuity provision due to wage hike.

MANAGING PEOPLE

The plantation sector experienced some production disruption during wage negotiations but this was at a minimal level. I am very proud to state, that at KVPL estates we saw no work disruptions and maintained business as usual. I can attribute this level of worker loyalty directly to the effectiveness of our employee engagement and welfare policies.

While faced with increasing labour outmigration, KVPL has continued to invest in people to motivate and retain employees. KVPL managers are sent for JASTECA (Japan Sri Lanka Technical and Cultural Association) training, while executives are also sent for overseas training. Currently, KVPL is the only plantation company to provide NVQ certification training for workers and kanganies (supervisors), who are now re-designated as team leaders.

The numerous employee events held during the year were aimed at facilitating relationship building between all levels of our team. The year began with a company-wide social event to renew relationships with a fellowship lunch hosted for all 9,700 workers. In 2017/18 an award to recognise high performers was introduced. The Best Plucker competitions are held from estate level, to company level. The winner and her family are rewarded with an overseas trip.

While the plantation industry has a resident population of about 1 m, only 140,000 work within the estates. We believe that by eliminating the stigma associated with plantation work, an avenue will be opened to help retain plantation labour. Therefore, manifold activities are implemented to instil dignity in the world of work of our plantation workers. Our estate workers are given uniforms, ergonomically designed baskets and name cards. In addition, we maintain a list of key value drivers aimed at improving overall quality of life of estate families.

INCREASING PRODUCTIVITY

A core component of the productivity enhancement drive is the KVPL Smart Agriculture Plan. The objective is to gradually digitise and automate previous manual processes and introduce more effective and cost efficient, precision agriculture techniques.

On a high note, I am pleased to report that KVPL's pioneering drone project has taken off during the year with successful test runs conducted in using drones to spray fertiliser. Using a Swiss-Norwegian system, digital terrestrial mapping of all the upcountry estates has been completed to facilitate drone operations. We hope to obtain 40 drones through an Indian investment partner for full-scale deployment in 2019.

Other components of the KVPL Smart Agriculture Plan have also made progress. At ground level, the digitisation of the weighing process has been operationalised across all estates. The weight of plucked tea leaves is recorded real-time, accurately, via a digital scale and the daily earnings credited to each plucker. In the new financial year, bank accounts of plucking personnel will be connected to debit cards and the Company will negotiate with retailers to allow KVPL pluckers to benefit from retail reward schemes. We believe this will improve family welfare of estate workers by allowing women to access quality food and other household requisites.

At the management end, all estate managers have been equipped with networked tablet computers, providing access to real time production and sales information.

The revenue-share model was improved during the year and is gaining acceptance among estate communities. The concept is also demonstrating productivity gains with an increase in high grown tea crop, coupled with lowering of costs.

The tea sector also experienced productivity losses due to manual weeding. The large numbers of manual labour and supervision required to clear massive areas of tea land made this a prohibitively expensive exercise-while increasing the health and safety costs of estate labour due to insect, reptile and leech attacks.

BEST AGRICULTURE PRACTICES

KVPL maintains stringent agricultural compliances across the operational vertical. Regular replanting and maintenance, new clearings, well-maintained machinery and timely plucking are essential to maintain the quality of the end product. KVPL goes beyond the stipulated level of care by using slow-releasing nitrogen fertiliser and adding compost made out of urban waste incorporated with rock phosphate that was costlier with long-term returns envisaged. GPS mapping was undertaken and areas of conservation have been protected and enriched for the sustainability of the plantations. Mitigation of climate change losses has taken precedence and in doing so nurseries have been laid out for the planting of shade trees and forestry as a priority in our estates. Intensive planting of ground covers in denude landscapes have been undertaken in addition to the terracing and draining to protect our soil. The Company complies with ISO 22000:2005 for food safety management in all 12 tea processing centres, and also accommodates UTZ, Rainforest Alliance, FSC and the Ethical Tea Partnership certification for ethical social practices.

COMMUNITY INVESTMENT

‘A Home for Every Plantation Worker’ is the Company’s flagship CSR project and has received international acclaim. The programme aligns with the UN Global Compact principles and also incorporates the Save the Children Fund’s Mother-and-Child-Friendly Tea Estates concept. Under this project, KVPL has emphasised on the protection of the children in the plantations and partnered with Save the Children Sri Lanka to adopt a policy, the first of such policies amongst any plantation company in the world.

The Company also supports the UNGC-CEO Water Mandate, to contribute towards improving water and sanitation levels and support Child Development Centres at estates in the Hatton region. Under the CEO Water Mandate, the World Bank has pledged support for infrastructure for purified drinking water in two estates and to build essential sanitation facilities covering all the families. The estates also benefit from the PACE programme for women in the estate workforce conducted by CHRYSALIS, an NGO partnering KVPL.

During the current year, housing remained a key focus of development partners, with the Indian Government also contributing. In fact, some KVPL estates now have excess housing, as estate workers are unwilling to shift from their traditional home plots to new locations. Please refer the Social and Economic Capital chapters for more details on KVPL’s social welfare projects.

Managing Director's Message

KVPL RUBBER

The rubber sector remained under a cloud during the year as global prices were unfavourable. In addition, Sri Lanka suffers from comparatively lower productivity levels in rubber tapping. Despite the gloomy macro scenario, KVPL has managed to achieve the targeted price and yield. This is mainly due to the success of the Company's 'Early Tapper Initiative.'

KVPL's total rubber production remained static against the previous year's production mainly due to work stoppages, while revenue declined by 7% year-on-year, and gross profit dropped to Rs. 73 m compared to Rs. 176 m in the previous year.

Several important steps were taken to build a more sustainable operating framework for the rubber segment. This included ensuring the availability of 500 tappable rubber trees per hectare.

REPLANTING PROGRAMME

KVPL has consistently maintained higher than traditional replanting rates for rubber, and by now has nearly 40% in replanted young rubber trees. These trees will be ready for tapping over the next few years, securing rubber production

DIVERSIFIED CROPS

KVPL's crop diversification strategy continued to perform well with total cinnamon cultivation expanding to 100.98 hectares and the agarwood planted in the previous year is growing rapidly. During the year, 20.61 hectares of coconut were introduced as another new crop. The diversified portfolio contributed Rs. 3.5 m to profits in the current year, which is a growth of 10%.

PERFORMANCE OF SUBSIDIARIES

Mabroc Teas (Pvt) Ltd. did extremely well during the year with its tea gaining popularity. The Company's profit after tax increased by 130% to Rs. 234 m.

Kalupahana Power Company (Pvt) Ltd. benefited with the higher rainfall received and increased its contribution to the national grid by 8%, enabling a 75% increase in profit after tax to Rs. 23 m.

Kelani Valley Resorts (Pvt) Ltd. reported a revenue of Rs. 23 m and a profit after tax of Rs. 0.7 m in its first year of operations. The response to Oliphant Bungalow has been well above its capacity but the venture will remain focused on quality rather than quantity to retain exclusivity and the pristine environment of the project. We can expect stronger revenues from this venture in the new financial year.

Hayleys Global Beverages (Pvt) Ltd. entered into a strategic joint venture with Martin Bauer, a leading plant extraction company based in Germany, further enhancing the marketing and technology aspects. The Company has made steady progress and is expected to increase its contributions to the Group in the next financial year.

FUTURE OUTLOOK

Despite the turbulent global scenario, I am confident the investments infused into our fundamentals including best practices for agriculture, quality systems, employee welfare and modern technologies, will ensure a strong position for KVPL, whatever the external risk aspects. This position is backed by our diversification strategy, which dilutes the concentration risk on tea and rubber. KVPL's subsidiaries and diversified crops are already providing some level of support to the Group's bottom-line and I expect this position to improve in the new financial year. KVPL will continue to invest in consolidating and expanding its current diversified businesses and will also fine tune and expand the revenue-share model in its estates, to build a more sustainable operating platform. The technology drive will be stepped up in the new financial year with the deployment of drones and other automations along the value chain.

I am extremely pleased by the Government's decision to lift the ban on the use of glyphosate as a weedicide and have a more liberal policy on fertiliser. These policy decisions will definitely support the plantation sector.

While the plantation industry's Collective Agreement was concluded with minimum disruption to production activities, I believe the removal of the productivity attendance linked incentive is disadvantageous for both Regional Plantation Companies and workers. This is particularly significant in the emerging threat of Kenya as a large-scale producer of orthodox tea. Both the Kenyan and Indian tea plantations are supported by their governments and already record higher levels of productivity and lowers costs than Sri Lanka. Within the next few years, I believe global tea markets will see an influx of orthodox tea of other origins which will weaken Sri Lanka's position as the largest orthodox black tea producer.

Globally, demand for tea will remain strong, despite of various upheavals in different regions. Market trends indicate a growing interest in tea, among the younger generation who are more health conscious and are better informed about the health benefits of tea. There is also scope for growth in non-traditional markets, such as China, which is a large green tea producer but also has an emerging market for black tea. A revival in demand from the Middle East is a strong possibility, as tea may not be targeted by US sanctions on Iran, and this will clear export obstacles to the entire region. The US itself is a market opportunity for value added tea, such as iced tea and instant tea. Demand in India for tea can also be expected to increase creating niche opportunities. Overall, it is feasible that demand for tea will outpace supply, which will generate higher prices for tea.

APPRECIATIONS

Before I conclude, I would like to extend a heartfelt farewell to KVPL's outgoing CEO S Siriwardana and thank him for his many contributions in steering the Company during good times and bad. We at KVPL appreciate his services and wish him all contentment in his retirement. I take this opportunity to also formally welcome the new CEO of KVPL Anura Weerakoon who takes over this position.

I would like to express my appreciations to our Chairman and my fellow Directors for their guidance and insights during this difficult year. I also acknowledge the contributions by the Management and all grades of employees for their conscientious and dedicated service. I also extend a thank you to our buyers, brokers, suppliers and our shareholders for their continued support and I look forward to a prosperous new financial year.

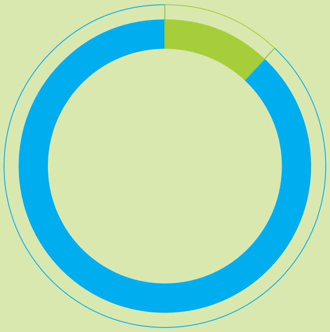
Dr. Roshan Rajadurai
Managing Director

07 May 2019

In progress ...

KVPL ADVOCATES THE REVENUE SHARE MODEL WITH ITS ESTATE WORKERS FOR INCREASED PRODUCTIVITY

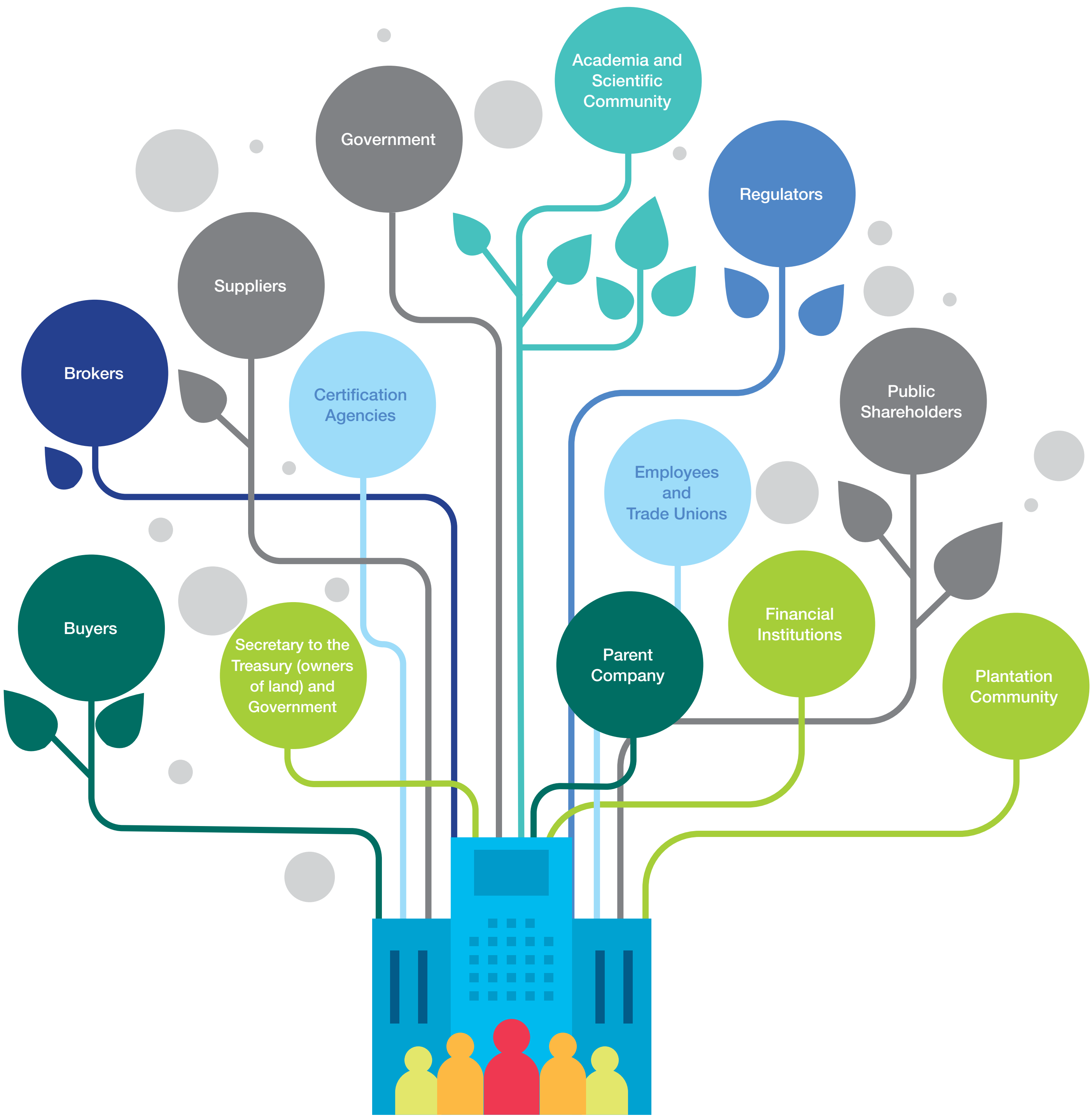
KVPL's revenue share model was further refined and expanded within its estates during the year, where plots of tea are managed by resident estate families, under the agricultural supervision of the Company. It is encouraging to note a reduction in the labour cost component in the cost of production is directly attributable to this approach.



Hectare Percentage of Revenue Share Plucking

Revenue share model	12%
Traditional Wage model	88%

STAKEHOLDER ENGAGEMENT



STAKEHOLDER GROUPS

COLLECTIVE BARGAINING AGREEMENTS GRI *102-41*

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

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.

Influence	Interest: Low	Interest: Medium	Interest: High
High	Suppliers	Plantation community	Employees and trade unions Parent Company Buyers Brokers Public shareholders
Medium			
Low	NGOs		Regulators and Government Certification agencies Media Academia and scientific community

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	None
Secretary to Treasury (owners of land) and Government	As required on policy engagements	Ban on glyphosate as a weedicide (lifted in 2019)	KVPL responded by changing the weedicide and using manual weeding
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	None
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

Stakeholder Engagement

Stakeholder Group	Frequency of Engagement	Key Topics and Concerns that have been Raised through Stakeholder Engagement	KVPL's Response to Key Topics Raised
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	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. Kelani Valley Resorts
b. Kelani Valley Instant Tea
c. Mabroc Teas
d. 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 requirements under:

1. The GRI Standards 2016 core option
2. The International Integrated Reporting (IR) framework of 2013
3. United Nations Global Compact (UNGC) Communication of Progress (COP) requirements
4. United Nations Sustainable Development Goals (UNSDGs)
5. The Companies Act of 2007
6. Listing rules 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.
8. During the current financial year, we have also attempted to align our report with the National Green Reporting System of Sri Lanka issued by the Ministry of Environment of Sri Lanka

COMPLYING WITH REPORTING PRINCIPLES GRI *102 -47*

Due to the sustainability reporting frameworks and regulatory compliances, the sustainability context has been integrated into the report. The contents have been selected according to materiality to both the Company and key stakeholders and we have attempted to present complete information where ever 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 maximum 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 low, medium 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

Materiality Assessment

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* & GRI *103 -01,02,03,408-1,409-1*

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 -01* Why the topic is material and topic boundary	GRI *103 -02* Management Approach	GRI *103 -03* 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 rebalance 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			

GRI Disclosure		GRI *103* : Management Approach 2016		
		GRI *103 -01* Why the topic is material and topic boundary	**GRI** *103 -02* Management Approach	**GRI** *103 -03* Evaluation of the management approach
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.
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.

Materiality Assessment

GRI Disclosure		GRI *103* : Management Approach 2016		
		GRI *103 -01* Why the topic is material and topic boundary	GRI *103 -02* Management Approach	GRI *103 -03* Evaluation of the management approach
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			
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 programs	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 financials.
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

CREATING VALUE FOR OUR STAKEHOLDERS

SUSTAINABLE DEVELOPMENT GOALS

1. NO POVERTY
'Home for Every Plantation Worker'

2. ZERO HUNGER
Our welfare schemes are fully committed to achieve zero hunger

3. GOOD HEALTH AND WELLBEING
Improve good health and well-being of our community

4. QUALITY EDUCATION
Committed to learning culture and investment in training and development

5. GENDER EQUALITY
Fair labour practices in HR management

6. CLEAN WATER AND SANITATION
We provide clean water and sanitation facilities to our estate communities

7. AFFORDABLE AND CLEAN ENERGY
We focus on energy efficiency and renewable energy usage

8. DECENT WORK AND ECONOMIC GROWTH
Fair labour practice and significant value creation

9. INDUSTRY INNOVATION AND INFRASTRUCTURE
Strategic investments to improve infrastructure

10. REDUCED INEQUALITIES
Humanitarian approach in HR management

11. SUSTAINABLE CITIES AND COMMUNITIES
Responsible community treatment

12. RESPONSIBLE CONSUMPTION AND PRODUCTION
Responsible usage of natural resources

13. CLIMATE ACTION
Supporting biodiversity and reduce carbon footprint

14. LIFE BELOW WATER
Reduced and responsible waste water discharge

15. LIFE ON LAND
Protection and improve eco-systems

16. PEACE, JUSTICE AND STRONG INSTITUTIONS
Ethical practices in business and governance

17. PARTNERSHIPS FOR THE GOALS
Pledge on allegiance to support SDGs

Creating Value for our Stakeholders

VISION
"Kelani Valley Plantations – Products of Excellence"

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 (water, soil, energy)

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'

SOCIAL AND RELATIONSHIP CAPITAL
- Community development
- Capacity building
- Stakeholder relationship
- Improving quality of life
- Child Policy Implementation

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

INTELLECTUAL CAPITAL
- Product and market research
- Innovation and development
- Customer engagement
- Diversified business

Intput

BUSINESS SEGMENTS

Tea and Rubber Estates

Marketing

Hydro Power/Solar Power Generation

Agro-Tourism

MISSION

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

Value

SUPPORT SERVICES

Quality Assurance

Customer Engagement

Plantation Management

Sustainability Practices

Manufacturing

Output

FINANCIAL CAPITAL
- EBITDA as % sales 10.17%
- ROCE 11.38%
- Capital expenditure Rs. 436 m
- ROA 4.47%

NATURAL CAPITAL
- International accreditation and certification - RA, FSC, ETP, ISO 22000, GMP
- Investment into fuelwood nurseries
- Merit award for compost project
- Stepping into organic certifications

HUMAN CAPITAL
- 8,866 personnel were trained
- 62,690 hours of training per person was recorded
- Strategically-aligned performance management practices with reward management process
- Gold award at Global HR Excellence Awards 2019, winning the title of 'Best HR Organization to Work For'
- Special award at first-ever Health and Wellbeing Awards organized by JETRO

SOCIAL & RELATIONSHIP CAPITAL
- First-ever Health and Wellbeing Policy
- 'Home for every Plantation Worker' strategy in partnership with 'Save the Children'
- Safety and protection of next generation within the plantation community.

MANUFACTURED CAPITAL
- Digital scales connect remotely to data collection device
- Rs. 11 m on upgrading and new additions
- Invest in new technology equipment for agricultural practices

INTELLECTUAL CAPITAL
- Organic rubber certifications
- New Chinese and German markets for rubber
- New 'Golden Bud' tea range
- KVPL outgrower model

Creating Value for our Stakeholders

PRODUCT RESPONSIBILITY AND CUSTOMER HEALTH AND SAFETY

All our products and processes are fully compliant with ISO 22000:2005 and HACCP certifications issued by the Sri Lanka Accreditation Board. Additionally, during the last year, all factories received GMP (Good Manufacturing Practices) Certification.

Implementing and maintaining the Food Safety Management System (ISO 22000:2005 and HACCP) for all black tea manufacturing facilities reinforces our commitment towards product responsibility and ensures food safety and quality standards are maintained from end-to-end 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.

For rubber, FSC-COC certified standards are strictly maintained and ensures high quality products are produced.

The UTZ and RA standards further strengthen our alignment with international Food Safety and Quality Management Systems. In addition, a designated in-house team has been established at each estate, to monitor compliance with quality parameters, with regular internal audits and an external audit conducted annually, to ensure continuous improvements are made.

KVPL CERTIFICATIONS

Food Safety Commitments	ISO 22000:2005	All Tea Processing Centres are Certified
	HACCP	
	GMP	
Environmental Commitments & Social Commitments	RA	All Tea Estates are Certified
	ETP	All Tea Estates are Certified
	UTZ	All Nuwara Eliya Tea Estates are Certified
	FSC™	All Rubber Estates are Certified

Further, KVPL complies with the following international standards:

1. UNGC 10 principles
2. UNSDGs

COMPLIANCE WITH PRODUCT AND SERVICE LABELLING

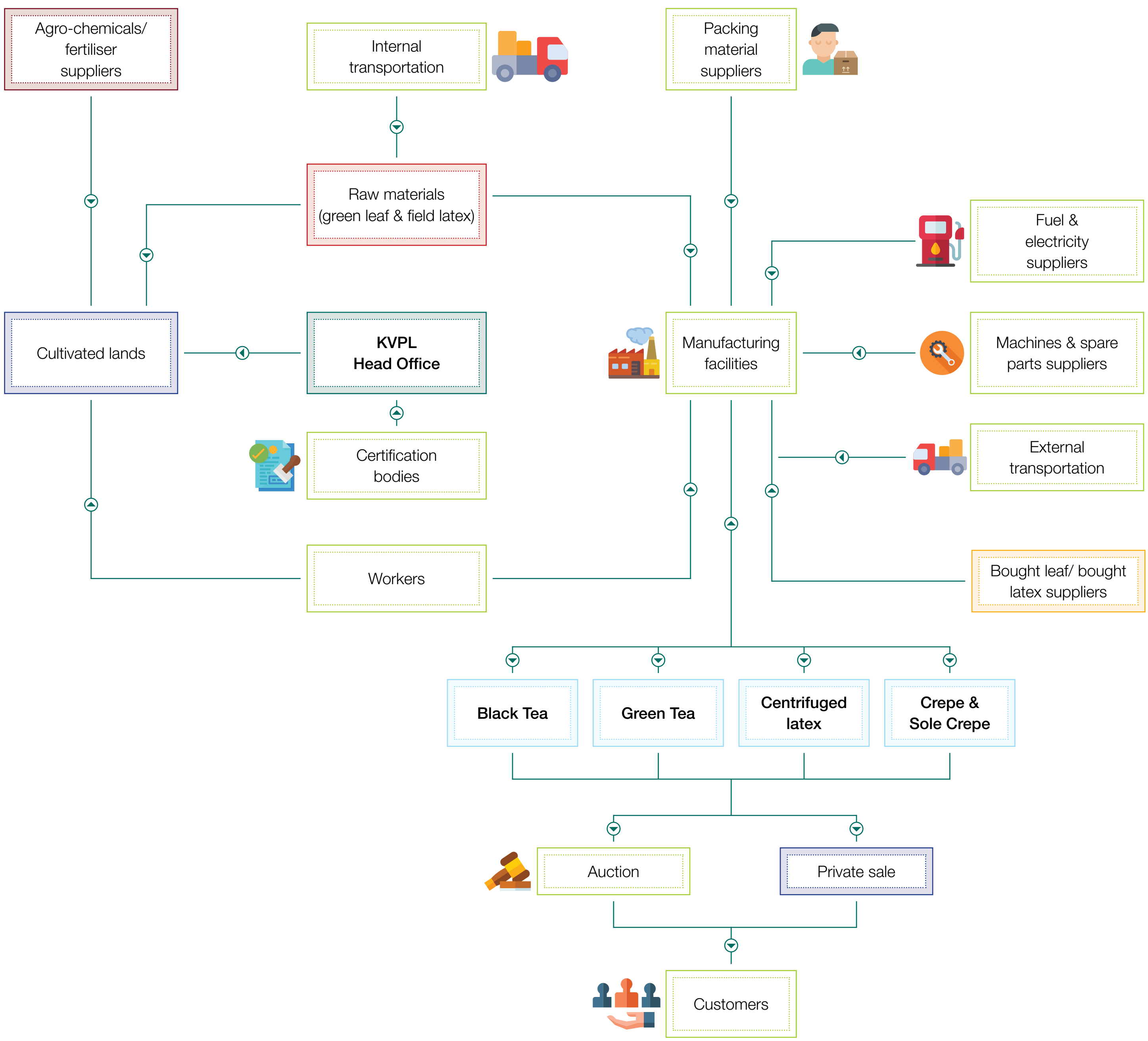
For tea, KVPL adheres to the labelling requirements specified by the Ceylon Tea Traders Association (CTTA) and the Ceylon Tea Board. Details are stencilled onto each package and include the following:

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

Given the strict compliance framework in place, there were no reported incidents of non-compliance of laws and regulations with regard to labeling 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 KVPL and its supply chain during the reporting period



Bringing change...

IMPLEMENTING CHILD RIGHTS WITHIN THE ESTATE

THE FIRST EVER COMPANY TO IMPLEMENT THE POLICY IN THE WORLD AS AN INITIATIVE WITH SAVE THE CHILDREN SRI LANKA

A Child Policy, in line with the UNGC's fifth principle for the abolition of child labour, has been introduced across all KVPL estates, 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 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 labelled '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 creches.

SECTOR REVIEWS

Tea

KVPL's tea sector revenue increased by 8% year-on-year from Rs. 7,540 m to Rs. 8,116 m, while the cost of production increased by 9% to Rs. 7,571 m from Rs. 6,919 m a year before. The sector profitability therefore, decreased by 5% against the previous year to Rs. 839 m.

GLOBAL ECONOMY

Source: IMF World Economic Outlook April 2019

Following a broad-based upswing in growth that lasted nearly two years, global economic expansion decelerated in the second half of 2018 amid an increase in trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and higher policy uncertainty across many economies. After peaking at close to 4% in 2017, global growth remained strong, at 3.8% in the first half of 2018, but dropped to 3.2% in the second half, and eventually growth for 2018 was revised down by 0.1% point to 3.6%. During the year, China's growth declined and the euro area economy also lost momentum as consumer and business confidence weakened and natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and, financial market sentiment worsened. Conditions have eased in 2019 as the US Federal Reserve signalled a more accommodative monetary policy stance and markets became more optimistic about a US-China trade deal.

Global energy prices declined by 17% as oil prices dropped from a four-year peak of US$ 81 a barrel in October, to US$ 61 in February 2019. Since the beginning of

2019, oil prices have recovered considerably, primarily due to production cuts by oil-exporting countries.

On major exchange rates, the US dollar was back to its September 2018 level, the euro depreciated by about 3%, the yen appreciated modestly, and the pound strengthened by about 3%. Emerging market currencies generally strengthened, including currencies that had come under pressure in previous months—primarily the Argentine peso and the Turkish lira, but also the Brazilian real and the South African rand—as well as the Indian rupee and the Russian ruble. Most other Asian currencies also appreciated, with the Chinese renminbi strengthening by about 2%.

The forecasts for 2019 and 2020 were marked down by 0.4% and 0.1%, respectively to 3.3% in 2019, before returning to 3.6% in 2020.

SRI LANKAN ECONOMY

Source: Central Bank Annual report 2018

Real GDP growth was recorded at 3.2% in 2018, compared to 3.4% in the previous year. This growth was largely supported by services activities that expanded by 4.7% and the recovery in agriculture activities, which recorded a growth of 4.8%. Industry activities slowed down significantly to 0.9% during the year, mainly as a result of the contraction in construction.

The total size of the Sri Lankan economy was estimated at US$ 88.9 b, while the per capita GDP was recorded at US$ 4,102 in 2018, which was marginally lower than in the previous year.

Both male and female unemployment rates increased during the year to 3.0% and 7.1%, respectively, from 2.9% and 6.5%, respectively, in the previous year. The agriculture sector accounted for 25.5% of the employed population while the industry and services sector shares were 27.9% and 46.6%, respectively, during the year.

Year-on-year headline inflation based on the Colombo Consumer Price Index declined to 2.8% by end 2018 from 7.1% at end 2017. Year-on-year headline inflation based on the National Consumer Price Index declined sharply to 0.4% by December 2018 from 7.3% at end 2017.

Earnings from exports grew by 4.7% to US$ 11,890 m in 2018 from US$ 11,360 m in 2017. Expenditure on imports grew by 6.0% to US$ 22,233 m in 2018, in comparison to US$ 20,980m in 2017. The trade deficit as a percentage of GDP widened to 11.6% in 2018 from 10.9% in 2017. Meanwhile, the Sri Lankan rupee depreciated by 16.4% against the US dollar in 2018.

TEA SECTOR REVIEW

Consequent to the banning of glyphosate by the Government of Sri Lanka, plantations were forced to use alternative weedicides, resulting in MCPA levels showing

Sector Reviews

higher than permitted levels, for exports to Japan. This caused purchases from Japan to decline. In and around May, US sanctions on Iran were imposed, which had a cascading impact on auction prices in Colombo, particularly for the low grown (Tippy) teas. There was some optimism for tea prices to turn around towards June/July 2018 following the strengthening of oil prices and the weakening of the Sri Lankan rupee. However, this too, did not materialise due to the weak economies in most Middle Eastern countries and Russia, resulting in currencies in the importer countries also depreciating against the US Dollar. The outcome of this situation is that the Sri Lankan tea sector could not gain from rupee depreciation.

During the send half of 2018, global tea production increased significantly, primarily due to increased production in the African region. These increases did not reflect too adversely on Colombo auction prices, as most of the increase comprised of CTC teas.

The glyphosate ban was lifted through a Special Gazette dated 11 July 2018. However, a considerable period of time will lapse before shipments are available for plantations on a regulated basis.

Tea Production

Unfavourable weather conditions in tea growing areas, particularly during the months of May and June 2018, and wage-related trade union action in the plantation sector affected the total tea production during the year. Accordingly, total tea production decreased by 1.0% to 303.8 m Kgs in 2018 from 307.1 m Kgs in 2017. Low grown tea production, which accounts for 63.2% of the total production, decreased by 2.7% to 192.0 m Kgs, while the production of high grown tea and medium grown tea increased by 1.3% to 64.8 m Kgs and 3.0% to 47.0 m Kgs, respectively.

Auction Prices

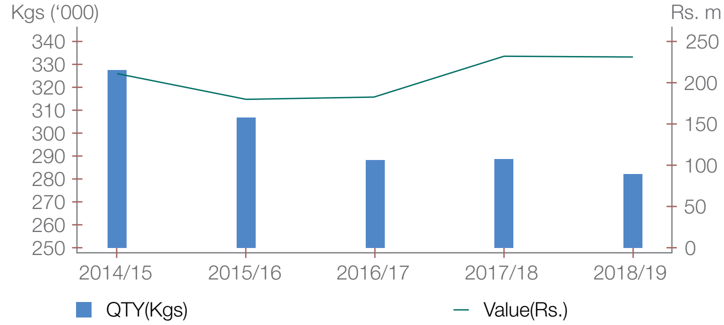
Although the higher volume of black tea production and exports, particularly from Africa, resulted in a decline in the international tea prices at the Mombasa and Kolkata auctions, prices of Sri Lankan Orthodox tea remained relatively strong due to the limited supply.

However, despite an increase observed in the first quarter of 2018, the average export price of one kg of tea declined during the year to US$ 5.06, in comparison to US$ 5.29 in 2017, due to restricted trade with Iran and Russia following the imposition of sanctions on these countries.,

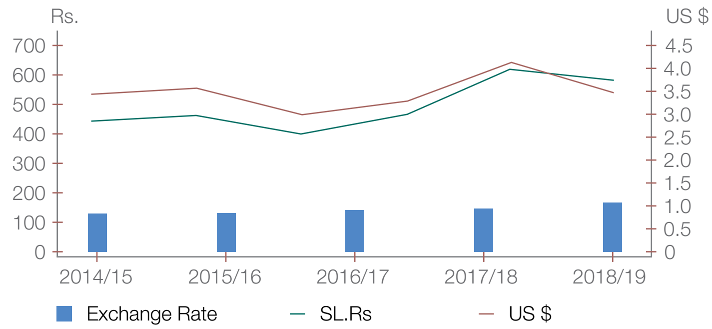
Tea Exports

Earnings from tea exports, declined by 6.6% to US$ 1,428 m in 2018, due to the combined impact of lower average export prices and reduced exported volumes of tea. The volume of tea exported declined by 2.3% in 2018.

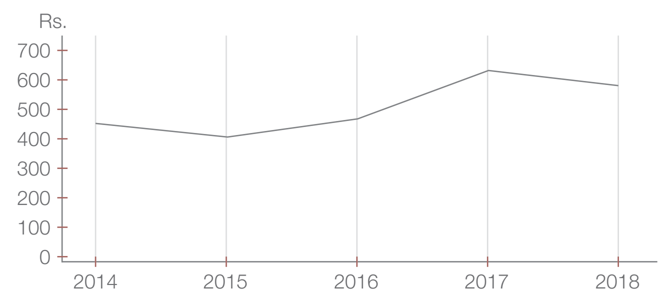
Sri Lanka Tea Exports - 2011 to 2018



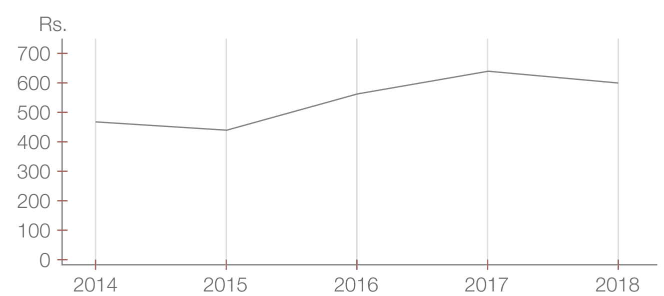
Colombo Auction Averages Vs US$-2007 to 2018



Colombo Auction Averages - National



Colombo Auction Averages - Low Grown



KVPL TEA SECTOR REVIEW

KVPL's tea sector revenue increased by 8% year-on-year from Rs. 7,540 m to Rs. 8,116 m, while the cost of production increased by 9% to Rs. 7,277 m from Rs. 6,657 m a year before. The sector profitability, therefore, decreased by 5% against the previous year to Rs. 839 m.

While the total low grown crop produced by the country declined by 4% during the year, KVPL achieved a 12% increase in low grown crop from 1,191,541 Kgs in 2017 to 1,331,255 Kgs in 2018, which is a growth of 139,714 Kgs. Our low grown tea factories - Kelani recorded a 26% increase, Ederapola achieved a 14% increase and Halgolla reported a 4% increase – contribut towards this growth.

Meanwhile, the national low grown average NSA also declined, from Rs. 644.19 in 2017, to Rs. 608.86 in 2018. This trend was mirrored among our low grown factories as well, with the low grown NSA from Kelani decreasing from Rs. 691.51 in 2017 to Rs. 666.24 in 2018, the NSA from Ederapola falling from Rs. 658.51, to Rs. 578.74 and the NSA from Halgolla falling from Rs. 657.08 to Rs. 601.19.

The total volume of KVPL tea sold at the Colombo auctions decreased by 8% compared to the previous year to 4.7 m Kgs. KVPL's production output for the year reduced by 5% to 3.9 m Kgs and the yield per hectare recorded an decrease of 6% to 1,172 Kgs.

KVPL tea estates maintained an unflagging quality focus throughout the year despite extremities of weather to ensure best prices and brand integrity among buyers. The mechanisation programme contributed towards ensuring consistency of leaf quality across all plantations at all times.

Compliance

KVPL tea operations are conducted according to international best practices and has obtained Rainforest Alliance Certification and UTZ certified standards for sustainable farming and also the ISO 22000: 2005 Food Safety Management Standards and the HACCP guidelines for the management of food safety on the production floor.

TEA SECTOR OUTLOOK

The Government's decision to lift the ban on the use of glyphosate and the decision to also allow a more liberal policy on fertiliser should contribute favourably towards the Sri Lankan tea sector.

India with its aged plantations is unlikely to show any significant improvement in its output. On the other hand, Kenya with its steady growth in production in the past several years is poised to achieve 500 m Kgs in 2018 and is likely to play a significant role when assessing the total global supply situation.

Demand growth in China and India, considering the magnitude of these two markets, is likely to influence prices and consumption is expected to outstrip production. USA too could be singled out as a fast-growing market, particularly for instant tea and iced tea segments, whilst imports from Sri Lanka to the US have shown quite a significant growth in 2018.

Colombo Auction prices have shown a significant appreciation in the latter two quarters, particularly in respect of Leafy orthodox teas. Further, the Q1 is traditionally a low cropping period with enhanced product quality from most producer countries. This scenario will augur well for Small Leaf liquoring varieties that would be on offer. Another important factor that might influence tea prices is the variation in exchange rates. The Sri Lankan rupee, which was under severe pressure at the commencement of Q4 2018, stabilised somewhat towards mid-December. If this trend is reversed and the previous depreciation pattern that was seen a couple of months ago is a reality, this too would help Colombo Auction prices in rupee terms. Improved demand from Iran following the recent indications that tea would not be featured on the list of items attracting US import sanctions. Importers of orthodox teas are likely to have lower inventory levels in the backdrop of deficits accumulated since 2015.

These factors predict an upward movement in prices, particularly in the first half for most varieties of orthodox teas. The market demand for teas thereafter, would greatly depend on how the global tea industry would progress during the first half. As we have periodically highlighted, market demand for good quality teas would command a premium consistently throughout the year.

The Government's decision to lift the ban on the use of glyphosate and the decision to also allow a more liberal policy on fertiliser should contribute favourably towards the Sri Lankan tea sector.

Rubber

Despite the unfavourable global prices for natural rubber, we have continued to invest in the future of our rubber industry through an ongoing replanting programme. As at end March 2019, KVPL rubber estates enjoy a nearly 40% replanted extent that ensuring secure financial returns from young productive trees, well into the future.

RUBBER SECTOR

The year under review was a difficult year for the rubber industry world over. The prices in most planting countries were lower than the cost of manufacture. Hence, tapping was abandoned by many small holders in most producer countries. The excess supply over demand put pressure on prices. However, the new producer countries such as Vietnam and Cambodia continued to expand its production. This put further pressure on world natural rubber prices.

Global rubber consumption declined by 2.5% to 29.16 MT in 2018, while global natural rubber production increased modestly by 2.4% in 2018 due to output expansion in Thailand, Mekong countries and Ivory Coast, which offset contraction in India, Indonesia, Malaysia and

Sri Lanka. Consequently, and the world natural rubber market was in marginal surplus of 56,000 tonnes in 2018. Synthetic rubber production expanded marginally by 1.0% in 2018.

The global natural rubber exports growth was flat in 2018, driven by strong deceleration in the pace of growth in import demand. Slowing demand growth was owing to China's growth trends and comparison with a strong base in 2017 as well.

Sri Lankan rubber production
Sri Lanka's rubber production declined by 0.6% to 82.6 m Kgs in 2018 from 83.1 m Kgs produced in 2017. Continuous rain in plantation areas that prevailed during tapping days along with the high cost of production and smallholders abandoning tapping due to poor returns contributed to the drop in total rubber production in 2018.

The production of sheet rubber, which accounts for about 50.0% share of total rubber production, declined by 0.5% to 41.3 m Kgs from 41.5 m Kgs in 2017. Crepe rubber production recorded a considerable growth of 26.2% to 14.5 m Kgs. Production of other categories of rubber, which accounts for 32.4% of total rubber production, declined by 11.1% to 26.8 m Kgs, in comparison to the previous year's production of 30.1 m Kgs.

Domestic usage of rubber for local industries increased by 5.6% to 135.2 m Kgs in 2018.

Rubber Exports

Meanwhile, exports of raw rubber recorded a decline of 18.9% to 14.0 m Kgs during 2018 and rubber export earnings declined by 18.8% year on year, to US$ 31.6 from US$ 38.9 in 2017.

Rubber Auction Prices

Reflecting the drop in international market prices in 2018, rubber prices in the domestic market also showed a declining trend during 2018.

At the Colombo Rubber Auction, the average price of Ribbed Smoked Sheet No.1 (RSS1) declined by 8.2% to Rs. 281.64 per Kg, while prices of latex crepe declined by 8.5% to Rs. 321.70 per Kg. Low rubber prices in the international market and lower domestic production resulted in an increase of raw rubber imports from 61.8 m Kgs in 2017 to 65.8 m Kgs during 2018 to meet the requirements on rubber based industries in the country.

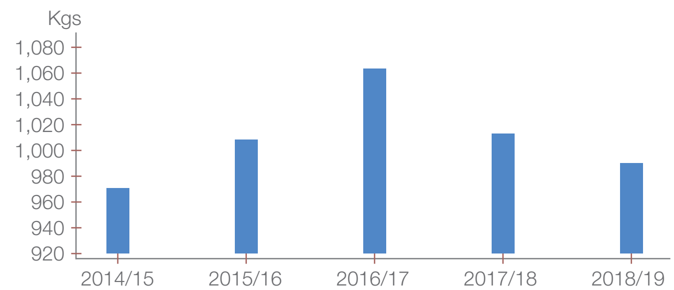
KVPL RUBBER SECTOR REVIEW

KVPL's rubber sector revenue continued to decrease by 7%, against the previous financial year to Rs. 969 m from Rs.1,043 m and sector gross profits for the year also decreased to Rs. 73 m from Rs. 176 m.

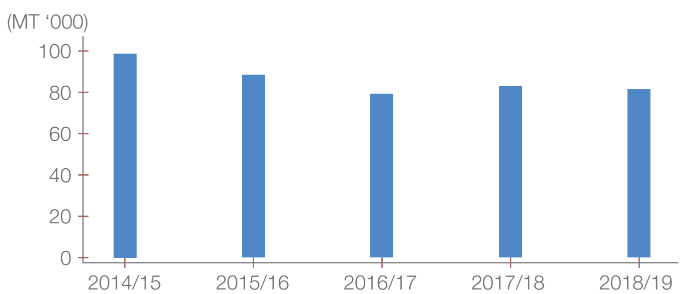
Sector Reviews

The yield per-hectare for the year declined by 2% year on year. Despite the unfavourable global prices for natural rubber, we have continued to invest in the future of our rubber industry through an ongoing replanting programme. In the year under review, 89.45 ha were replanted. As at end March 2019, KVPL rubber estates enjoy a nearly 40% replanted extent that ensuring secure financial returns from young productive trees, well into the future.

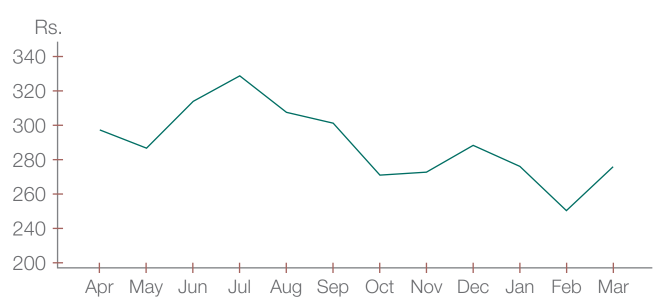
KVPL Rubber Yield Per Hectare



National Rubber Production Sri Lanka



KVPL Rubber GSA



Under our early-tapping model, the intake-per-tapper continued to increase by 33%, compared to last five years. We are also conducting pilot studies on the feasibility of using mechanised tapping devices. If successful the device would not only contribute towards increasing tapper yields but also minimise physical damage caused to the tree during the manual tapping process.

COMPLIANCE

KVPL rubber estates are fully compliant with international accreditations such as the Rainforest Alliance and FSC standards for sustainable farming. In furtherance to the Company's certification policy, we intend pursuing into environmentally-friendly product certification.

RUBBER SECTOR OUTLOOK

Moving into 2019, crude oil prices have demonstrated an upswing from year-end low levels. Declining production in both OPEC and the United States and the drawdown in US inventory are the main market driving factors.

A further slowdown in natural rubber output is expected in the first quarter of 2019, driven by higher than expected daily temperatures, coinciding with wintering season in the major producing region. However, a recovery in Chinese synthetic rubber production is expected in the first quarter of 2019.

Global natural rubber exports are estimated to contract in Q1 of 2019 over the solid growth seen in Q1 of 2018. Market sentiments on Chinese policies aimed at stimulating the economy and expected implementation of the ITRC's Agreed Export Tonnage Scheme (AETS) of cutting a total volume of 240,000 tonnes (from April onwards) could extended some support to natural rubber prices through the first quarter of 2019.

At KVPL we will continue to rationalise our rubber lands towards more productive options while focusing on high intensity tapping methods and new fertiliser applicators will be introduced to minimise the leeching of fertiliser.

KVPL CINNAMON

Our largest diversified crop cinnamon, which commenced as a pilot project in 2010, continued to perform well during the current financial year against a backdrop of strong global demand.

Total revenues from cinnamon decreased by 25% to Rs. 11,283,685/- from Rs. 15,041,225/- in the previous year. At present over 95% of sales volumes are generated through direct sales to local buyers, with only 5% attributed to indirect sales.

The cultivated cinnamon extent in our low country estates expanded/ contracted by 59% to 100.98 ha during the year.

CINNAMON SECTOR OUTLOOK

Cinnamon enjoys a growing demand globally with Ceylon cinnamon recognised internationally for its medicinal properties and distinct aroma. Therefore, we will continue to evaluate opportunities for value additions and value added exports, while expanding the cultivation.

Cinnamon enjoys a growing demand globally with Ceylon cinnamon recognised internationally for its medicinal properties and distinct aroma. Therefore, we will continue to evaluate opportunities for value additions and value added exports, while expanding the cultivation.

Cinnamon Nursery

Cinnamon Plantation

Progressive steps...

KVPL USES DRONE TECHNOLOGY FOR SMART AGRICULTURE

SPRAYING OF NUTRIENTS USING THE DRONES REQUIRE NO PILOTING AS GI MAPPING ENABLES IT.

KVPL's pioneering drone project has taken off during the year with successful test runs conducted in using drones to spray fertilizer. Using a Swiss-Norwegian system, digital terrestrial mapping of all the upcountry estates has been completed to facilitate drone operations. Full scale deployment is planned for 2019 with 40 drones obtained through an Indian investment partner.

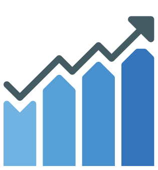
FINANCIAL CAPITAL

Vision

The KVPL Group continues to adhere to best practices in financial reporting, while giving high priority on timely filing of quarterly and annual financial statements

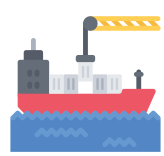
KVPL WON THE SILVER AWARD FOR ITS 2017/18 ANNUAL REPORT IN THE PLANTATION COMPANIES CATEGORY AT THE 2018 ANNUAL REPORT AWARDS CONDUCTED BY THE ICASL. THE REPORT WAS ALSO NAMED JOINT FIRST RUNNER-UP IN THE "BEST PRESENTED ANNUAL REPORT AWARDS AND SAARC ANNIVERSARY AWARDS FOR GOVERNANCE DISCLOSURES," CONDUCTED BY THE SOUTH ASIAN FEDERATION OF ACCOUNTANTS.

KEY PERFORMANCE MEASURES OF MABROC IN 2018



19%

Annual Increase in Revenue



18%

Increase in Export Quantities

FINANCIAL REPORTING AND ACHIEVEMENTS

The KVPL Group continues to adhere to best practices in financial reporting, while giving high priority on timely filing of quarterly and annual financial statements. In addition, new developments in financial reporting and amendments to financial reporting standards were promptly adopted to ensure full compliance in financial disclosures. Accordingly, the financial reports on pages 171 to 247 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 (CASL).

Due to KVPL's high level of compliance and accurate financial reporting process, the Company has been acknowledged with many awards locally as well as internationally.

KVPL won the Silver award for its 2017/18 Annual Report in the Plantation Companies category at the 2018 Annual Report Awards conducted by the ICASL. The report was also named joint First Runner-Up in the 'Best Presented Annual Report Awards and SAARC Anniversary Awards for Governance Disclosures,' conducted by the South Asian Federation of Accountants.

FINANCIAL PERFORMANCE

Achievements

- Group revenue increased by 6%
- Group gross profit decreased by Rs. 124 m
- Group PBT increased by Rs. 245 m
- Group assets reached Rs. 8.6 b

Challenges

- Imposition of chemical residual levels for tea by key buyers
- Ban on certain weedicides by the Government
- Higher labour turnover in the plantations

Future outlook

- Diversification from over reliance on two main crops, namely tea and rubber

Plans for 2019/20

- Diversification into cinnamon, coconut, cloves, pepper cultivation

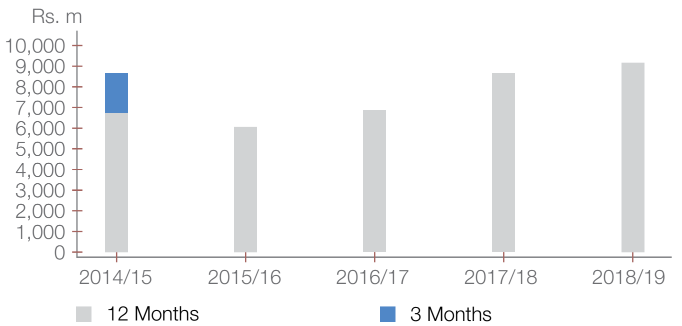
Group Financial Performance at a Glance GRI *102-07*

Item	2018/19 Rs. m	2017/18 Rs. m	Change (2018/19-2017/18) %	Reasons in summary
Revenue	9,166	8,642	6	• Rupee depreciation • Increased Tea outputs
Cost of sales	8,199	7,551	8	• Cost of Sales at KVPL increase due to the wage increase in the latter part of the year • Cost of production increased at MTPL with the increase in quantities sold.
Other income	154	126	28	• Increase is mainly due to sundry incomes
Administrative expenses	615	556	11	• Mainly due to KVR's full year of operations compared to six months in the previous year
Distribution expenses	54	82	(34)	• MTPL's distribution expenses increased corresponding to increases in revenue
Finance income	6	4	50	• Increase in KVPL interest income
Finance expenses	139	97	42	• MTPL's interest on term loans/bank OD and foreign exchange losses increased
Tax expense	59	42	40	• Increase in Income Tax and Deferred Tax

Group Turnover

The KVPL Group's revenue increased by 6% in the financial year under consideration, supported by the increased prices for tea in the export market. The tea segment contributed 89% of Group revenue, while the rubber segment contributed 10% and 1% of the turnover derived from others, mainly consisting of the hydro power and agri-tourism segments.

Group Turnover



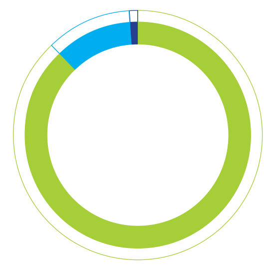
The contribution to Group revenue from the plantation sector - Kelani Valley Plantations PLC and the tea marketing sector Mabroc Teas - was 41% and 58% respectively, while the Kalupahana Power Company, Kelani Vally Resorts and Kelani Valley Instant Tea accounted for the remaining 1%.

Segmental Turnover

The Tea segment was the main contributor to Group revenue with Rs. 8,116 m, compared to Rs. 7,540 m last year, which represents 89% of the Group revenue. The Group's Tea turnover comprised a contribution of 33% from KVPL and 55% from MTPL. KVIT's contribution was not significant to the Group turnover as it is an experimental project.

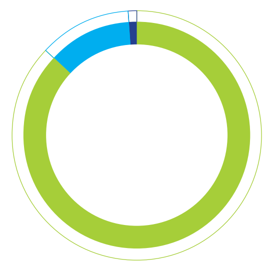
The increased revenue recorded from the tea segment had a positive impact on the bottom line. Tea revenue increased by 8% in the period under consideration, although Tea prices reduced as did the crop, compared to the previous year. However, the Company benefited from the rupee depreciation. The high export volumes recorded by MTPL also had a positive impact on the Group revenue.

Segmental Turnover 2018/19



Tea	88%
Rubber	11%
Other	1%

Segmental Turnover 2017/18



Tea	87%
Rubber	12%
Other	1%

KVPL's tea turnover encompasses 73% from Western High Growns and 27% from Low Growns. The increase in High Grown and Low Grown prices and quantities recorded at the Colombo Tea Auction had a positive impact on KVPL's tea turnover.

The rubber segment recorded a revenue of Rs. 969 m which is a decrease of 8% compared to last year. The rubber crop during the period declined by 1% due to the increased number of wet days recorded. Rubber prices decreased by 13% compared to last year, by Rs. 41 per kg.

Rubber production during the year also decreased by 1%, mainly due the reduction in rubber bought crop for centrifuge operations, to accommodate lower demand.

	2018/19	2017/18
Tea (kg 000')	4,691	5,094
Rubber (kg 000')	3,100	2,936
Hydro Power (units 000')	2,524	2,330

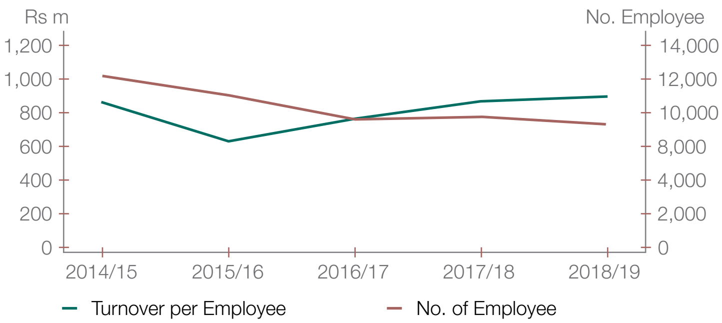
The Group's hydro power income increased by 26%, compared to last year which translates to an increase of Rs. 9 m. This was mainly due to hydro power generation posting an incline of 8%, which is an increase of 194,659 Kwh, as a result of favourable weather patterns.

The Oliphant Boutique bungalow, the newest venture of the KVPL Group, which is into plantation tourism, contributed Rs. 23 m.

Financial Performance per Employee

The turnover per employee indicates how efficiently the workforce has been utilised throughout the period. The turnover per employee increased up to Rs. 966,062 in 2018/19, from Rs. 873,547 within the year. This increase has been achieved despite the number of employees reducing by a significant 4% in the KVPL Group during the year under consideration.

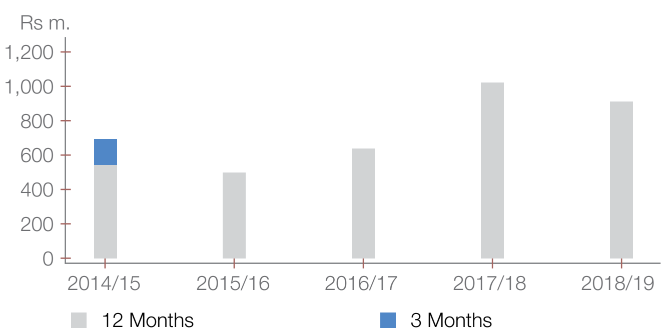
Turnover per Employee



Gross Profit

The gross profit for the period under review was Rs. 967 m, which is a decrease of 11% compared to Rs. 1,092 m recorded last year. The KVPL Group achieved a gross profit margin of 11% during the year, against 12% in 2017/18.

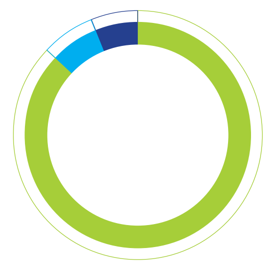
Gross Profit



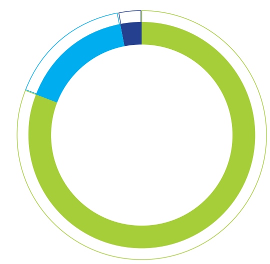
Segmental Gross Profit

Tea was the main contributor to gross profit, representing 87%, amounting to Rs. 839 m, while rubber contributed 7%, which is Rs. 73 m. The contribution from other sources was Rs. 55 m.

Segmental Gross Profit 2018/19



Segmental Gross Profit 2017/18



The gross profit margin for Tea decreased to 10% from 12% in 2017/18 which came to Rs. 43 m. This drop in margins is mainly attributable to the increase in cost of production.

The rubber segment recorded a gross profit of Rs. 73 m with the gross profit margin reducing to 8%, compared to 17% in 2017/18. The reduction in gross profit margins was due to lower prices and also lower volumes of rubber bought crop.

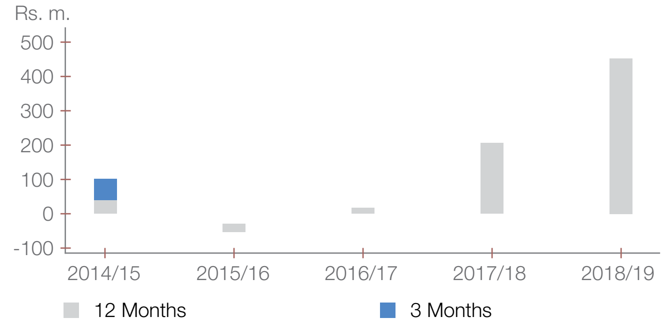
The KVPL Group's other segments improved significantly to record a gross profit of Rs. 55 m. The main contributors were Kalupahana Hydropower Kelani Valley Resorts and contribution from minor crops, such as cinnamon and coconut.

Profit Before Tax (PBT)

The Group recorded a profit of Rs. 448 m in the year under consideration, compared to the profit of Rs. 202 m recorded in 2017/18. The increased production of tea and the positive contributions from Mabroc Teas and Kalupahana Hydropower Company were the main attributable factors to the increased profits.

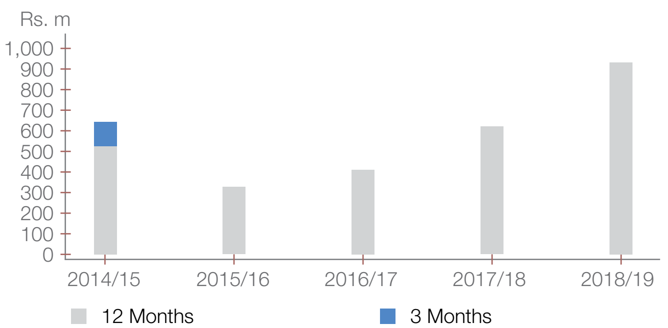
Financial Capital

Net Profit Before Tax



Earnings Before Interest, Tax, Depreciation and Amortisation
The Group's EBITDA increased by 33% to Rs. 932 m in 2018/19, compared to Rs. 622 m in 2017/18.

EBITDA

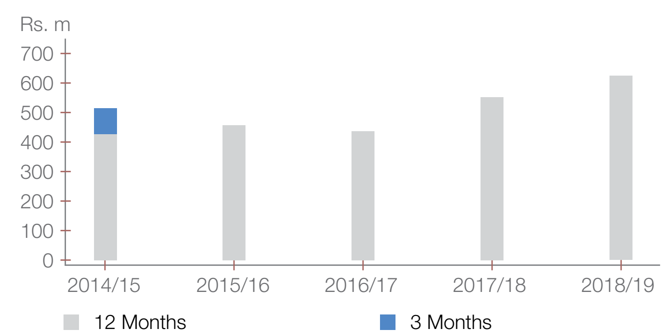


Administrative and Distribution Cost

Administrative expenditure in the period under consideration increased by 11% to Rs. 615 m, compared to Rs. 556 m in 2017/18.

The distribution expenses of the Group arising from MTPL, decreased by 34% to Rs. 54 m in 2018/19, compared to Rs. 82 m in 2017/18.

Administrative Cost



Net Finance Cost

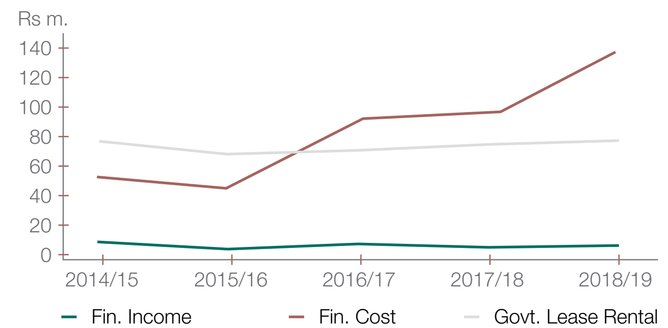
The finance cost mainly consists of interest costs on long-term and short-term loans and overdraft interest

Interest on term loans increased due to new loans obtained for working capital requirements by KVPL. Interest on term loans increased by 47% to Rs. 67 m, which was Rs. 46 m in the year 2017/18. The interest paid on overdrafts and short-term loans was Rs. 60 m, compared to Rs. 49 m in 2017/18.

The interest paid on the government lease was Rs. 76 m, an increase of 7% compared to last year, which increases annually based on the GDP deflator.

Finance income in the period under consideration increased to Rs. 5.8 m.

Finance Cost & Lease Rental Paid to Government Vs. Finance Income



Income Tax and Deferred Taxation

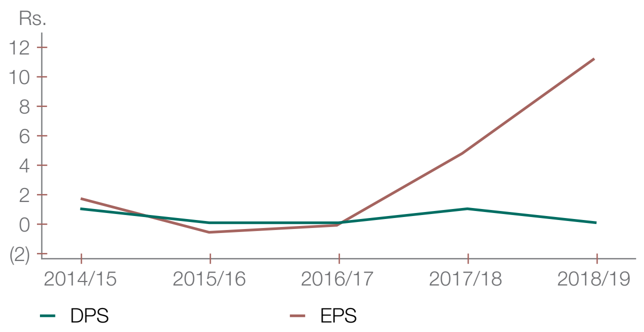
The Group tax charge for the year was Rs. 60 m, which is a 42% increase compared to the tax of Rs. 42 m in 2017/18. KVPL's income tax is derived from business profits, as well as other sources of income. Kalupahana Power Company's income tax cost increased significantly due to better performance recorded in the year under consideration.

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, in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%.

Any concessions and rates applicable to companies within the Group are available on page 203 to 207.

Earnings per Share (EPS) and Dividend per Share (DPS)

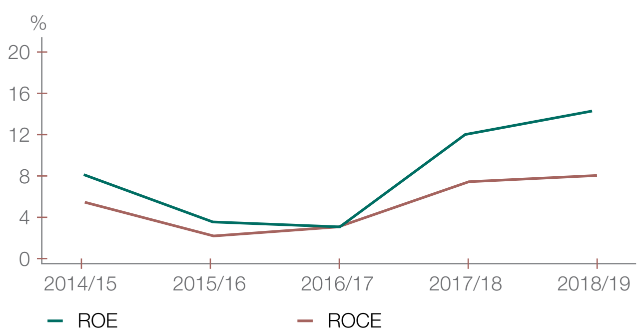
Earnings per Share (EPS) & Dividend per Share (DPS)



Due to the favourable performance, the Group's EPS increased by Rs. 6.58, from Rs. 4.56 in the previous year.

Return on Capital Employed (ROCE) and Return on Equity (ROE)

Return on Capital Employed (ROCE) & Return on Equity (ROE)

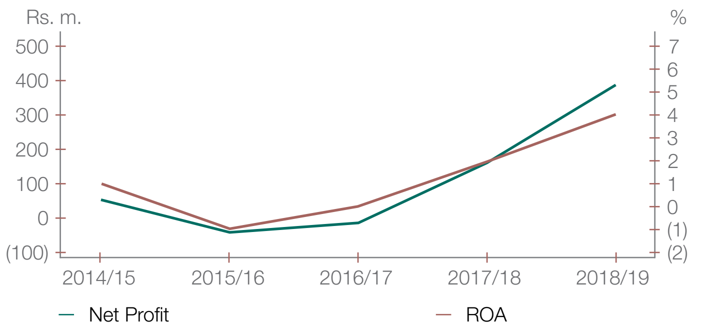


The ROCE remained the same during the year. However, the ROE increased from 12% to 14%.

Return on Assets (ROA)

Reflects the profitability and efficiency of the Company relative to its total assets, the ROA has increased from 2.06% to 4.47% in 2018/19, due to the increase in profits compared to the last financial year.

Return on Assets (ROA)



Financial Capital

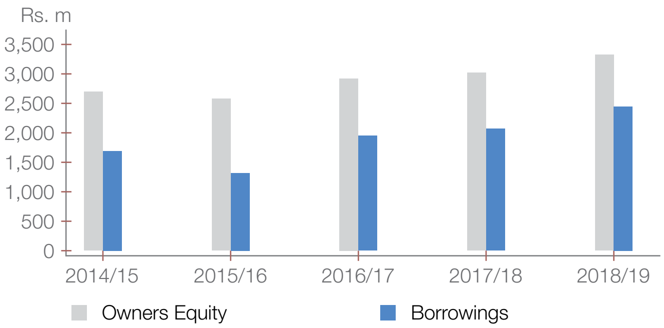
Financial Position at a Glance

Rs. M	2018/19	2017/18	Change	% of change	Key reason
Non-Current Assets					
Freehold property, plant & equipment	1,387	1,402	(15)	(1)	Decreased due to the fully depreciated assets in KVPL
Improvements to leasehold property	3,713	3,515	198	6	Increased due to additions at KVPL, mainly in replanting, which represents 73% of total KVPL additions
Biological assets (Consumables)	177	152	25	16	Increased due to increase in fair value
Current Assets					
Inventories	1,121	1,317	(196)	(15)	Have decreased due to stock clearing at MTPL
Trade and other receivables	1,335	831	504	61	MTPL trade receivables has increased by 70%
ST Investment, ST deposits, cash in hand and bank	63	87	(24)	(28)	Decrease in cash at bank of KVPL
Equity and liabilities					
Non-Current liabilities					
Deferred income	596	579	17	3	Grants received by KVPL has increased
Deferred tax liability	405	427	(22)	(5)	Increase in deductible temporary difference of retirement benefit obligation and carried forward tax loss
Retirement benefit obligations	1,110	917	193	21	Increase in past service cost
Long-term liability to make lease payment	437	440	(3)	(1)	Repayment of loan liability
Current Liabilities					
Trade and other payables	630	642	(12)	(2)	Decrease in staff payables of KVPL
Amounts due to other related companies	70	37	33	89	Increase in related party payables of KVPL and MTPL
Income tax payable	44	26	18	69	Increased due to current year tax liability of the Group
Short-term interest bearing borrowings	1,110	959	151	16	Mainly due to increased short term borrowings of MTPL

Financial Position

Capital Structure

Gearing

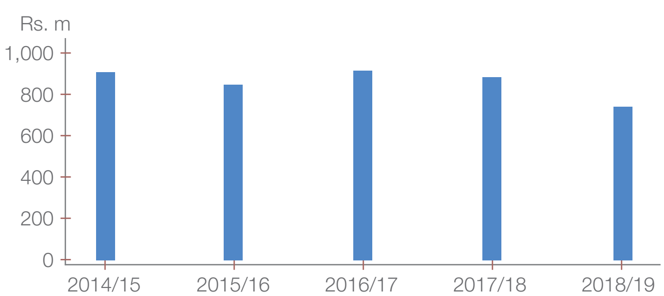


Funds attributable to the equity shareholders of the Company increased by 10% from Rs. 3,018 m, to Rs. 3,323 m. Long-term borrowings increased by 18% compared to last year due to additional borrowings by KVPL and MTPL during the year.

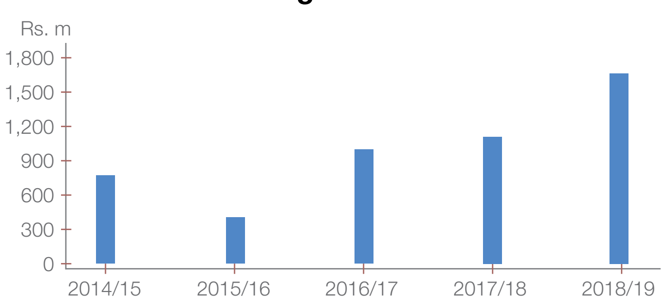
Gearing and Interest Coverage

Borrowings

Long Term Borrowings



Short Term Borrowings



The Group's short-term borrowings consist of foreign currency borrowings amounting to Rs. 917 m on account of MTPL, and another Rs. 96 m for KVPL. Further, the short-term borrowings have increased by 44% during the year due to KVPL's bank overdraft increasing to Rs. 675 m from Rs. 220 m.

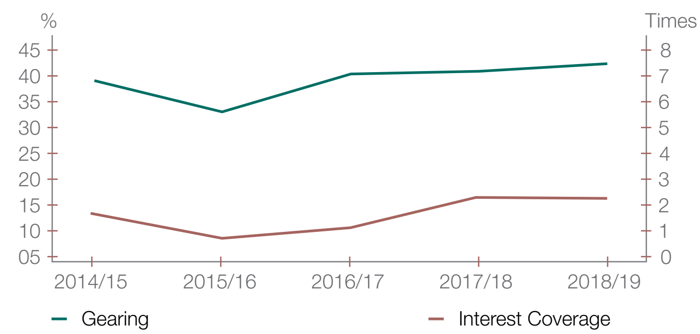
The gearing ratio has increased to 42% during the year from 41% previously, due to the increased short term borrowings by KVPL. However, the management has successfully maintained gearing at an optimum level to minimise the cost of capital.

Interest cover

Compared to the prior financial year, short term borrowings have increased sharply from Rs. 1,178 m to Rs. 1,695 m, which is a 44% increase. The main reason for the increase is loans obtained by the KVPL.

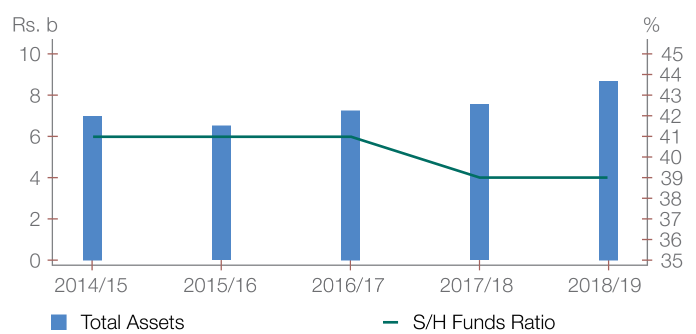
Interest coverage was retained at 2.2 times for the last two years.

Gearing and Interest Coverage



Shareholders' Funds Ratio

Share Holder's Funds



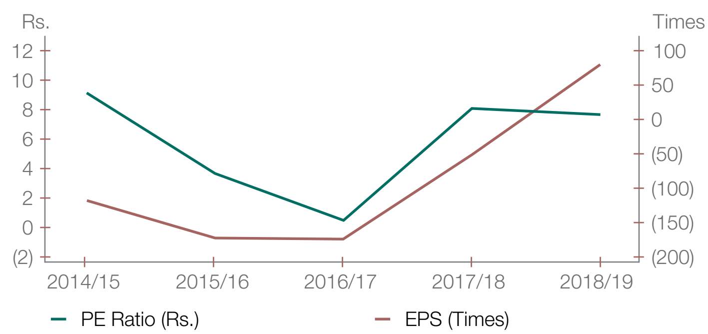
Financial Capital

The shareholder fund ratio reflects how much money the shareholders receive if the Company's assets are liquidated. The shareholders' fund ratio has remained unchanged at 39% during 2018/19.

Price Earnings Ratio

EPS & Price Earning Ratio

EPS and Price Earning Ratio



Biological Assets-Consumable & Produce

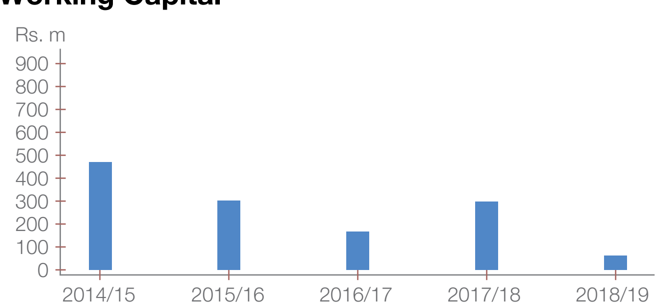
The Group's commercial timber is classified as a consumable biological asset, the value of which increased by Rs. 25 m, due to increased fair value.

The gain in fair value, less cost to sell on produce bearer biological, was Rs. 7 m, with the tea segment accounting for Rs. 6.7 m, and the rubber segment accounting for Rs. 0.3 m.

Working Capital

The working capital in the year under review has decreased to Rs. 62 m, which is a 79% decrease compared to the last year. The main reason for the decrease is the drop in tea production and higher tea stock holdings.

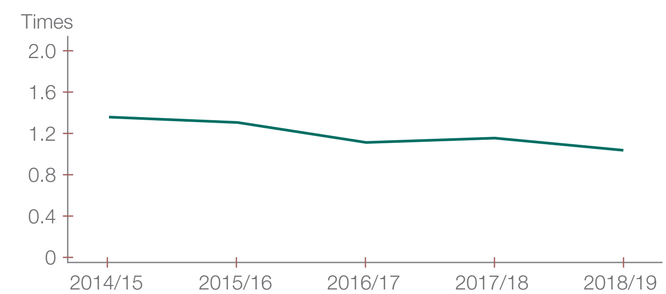
Working Capital



Current Ratio

The current ratio of the Group has decreased to 1.02 times, compared to 1.15 times the last year. This reflects a decrease working capital, mainly due to the increase in short-term borrowings and the decrease in tea production

Current Ratio



Cash Flow

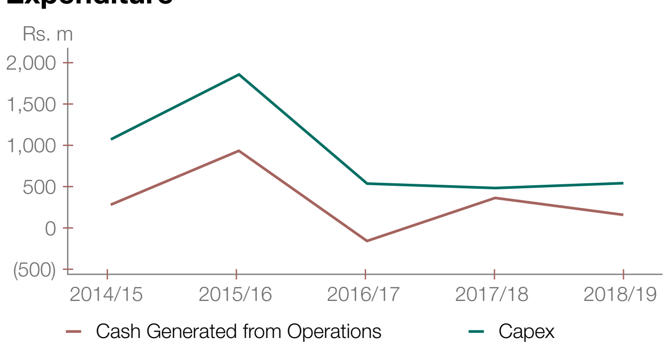
The net cash flow from operating activities was negative, at Rs. 507 m compared to Rs. 701 m in the last financial year, due to the unfavourable performance in the year under consideration.

Cash generated from operating activities before working capital changes, has also decreased to Rs. 845 m compared to Rs. 961 m last year.

The capital expenditure of the 2018/19 has decreased slightly by 3%, mainly due to the lower investment in field development and acquisition of property, plant and equipment.

The year ended cash and cash equivalents reflected a negative increase compared to the last year, of over 491%.

Cash Generated from Operations & Capital Expenditure



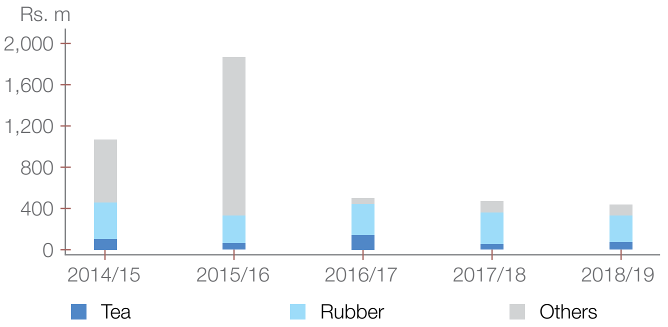
Financing Cash Flows

Financing cash flows decreased by 146% to Rs. 105 m, from Rs. 230 m in the previous year.

Capital Expenditure by Segment

The total capital expenditure on field development for tea, increased from Rs. 57 m, to Rs. 77 m, while the expenditure on field development for Rubber decreased from Rs. 308 m, to Rs. 258 m.

Capital Expenditure by Segment



From the above expenditure, Rs. 9 m was spent on immature tea fields, while Rs. 216 m was spent on immature rubber fields, of which 1,558 ha were planted in the year under review. In the other category, Rs. 80 m was spent on immature Cinnamon fields, to plant 101 ha in the year under review and the planting of 21 ha of coconut.

Performance Measurement

Quarterly Performance

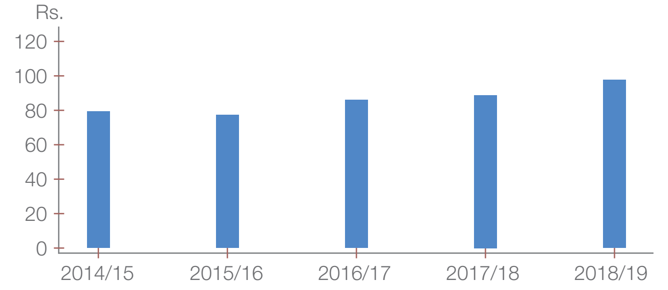
Tabulated below is the quarterly performance of the Group. The revenue was more or less equally distributed throughout the year. The highest gross profit was recorded in the third quarter, whilst the lowest in the second quarter. The highest profit before tax was recorded in the third quarter.

(Rs. m)	Q1	Q2	Q3	Q4	Total
Revenue	2,456	2,166	2,179	2,365	9,166
GP	203	177	350	237	967
Administration expense	(134)	(158)	(148)	(175)	(615)
PBT	23	(21)	379	67	448
PAT	17	(28)	358	41	388
Profit/(loss) attributable to equity holders	14	(30)	354	40	379
Total Assets	7,815	7,311	8,065	8,687	8,687
Total Equity	3,033	3,004	3,362	3,356	3,356
Total Debt	4,783	4,307	4,703	5,331	5,331

Net Asset per Share

Net Assets per share increased to Rs. 98, from Rs. 89, due to better performance compared to last year.

Net Assets per Share



Performance and Market Capitalisation of Shares

Compared to the last financial year, KVPL's share price has increased by Rs. 13/- to Rs. 93/- per share. The highest share price recorded was Rs. 99.9 and lowest share price recorded was Rs. 60.50 in the third quarter of the 2018/19.

Market capitalisation has increased by 16%, to Rs. 3,162 m due to the significant increase in market prices during the year.

Financial Capital

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 skillfully blended teas to satisfy the global consumer. The uncompromised commitment to provide high quality tea is a value that goes beyond the mere product itself. Mabroc's product portfolio comprises world famous blends including 1001 Nights, Yala Nights and Siberian Blend that won the Company international recognition for its expertise in developing unique blends.

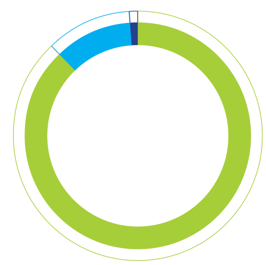
The Company places equal emphasis on the safe an efficient delivery of its products to its overseas importers and distributors, and finally to customers in over 50 countries the worldwide.

MTPL's production facility is certified under FSSC 22000, Rain Forest Alliance Master License Agreement, ISO 22000:2005, HACCP and ISO 9001:2008. The facility also complies with EU standards.

Revenue

Mabroc's revenue increased by 19% to Rs. 5,348 m in the year under consideration, compared to Rs. 4,482 m in the previous year. The major contributor was bulk tea exports to new emerging markets, resulting in a 22% increase during the year. Mabroc has also increased local sales by 63% year on year.

Segmental Turnover 2018/19

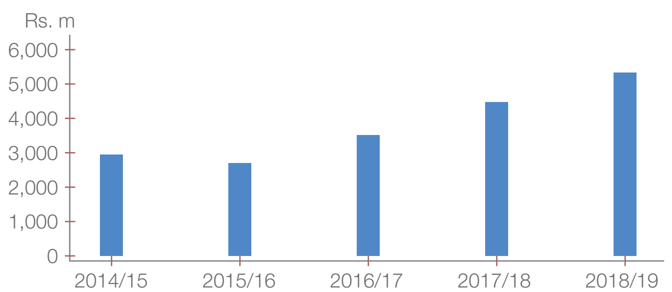


Bulk	88%
Value Added	11%
Other	1%

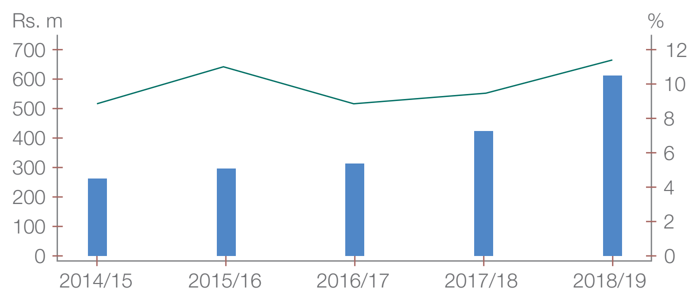
Gross Profit

The Company's gross profit increased by 44%, to Rs. 609 m compared to the last financial year. The gross profit margins decreased to 2%, compared to the previous year's 9%.

Group Turnover



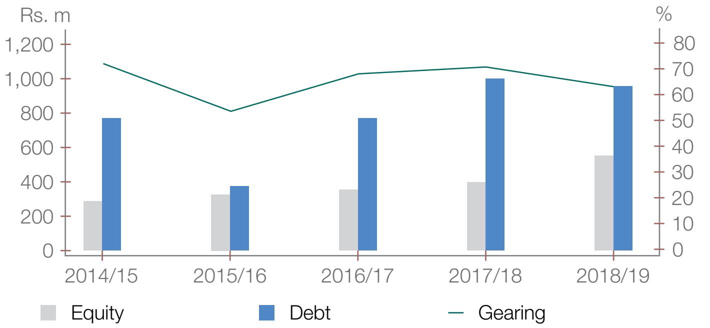
Gross Profit



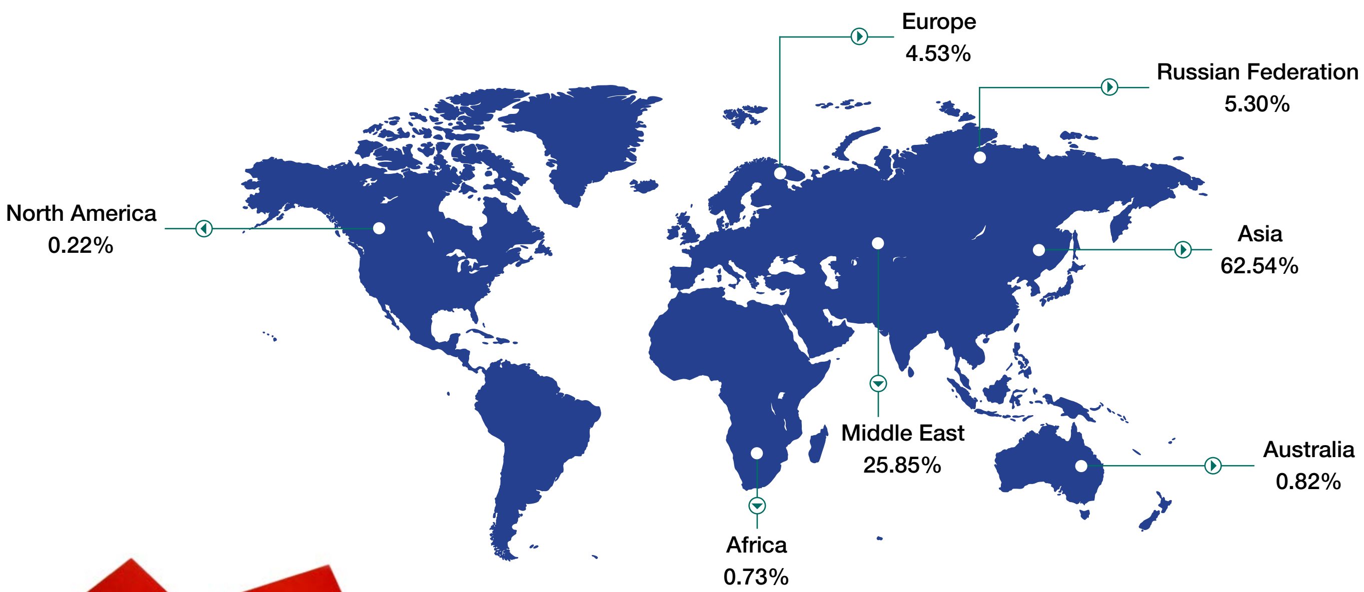
Capital Structure & Gearing

The Company's capital employed at the year-end was Rs. 1,498 m. The contribution from equity and debt was Rs. 546 m, and Rs. 951 m, respectively. The gearing ratio has decreased to 64% from 72% last financial year, due to the decrease in short-term interest bearing borrowings.

Capital Structure & Gearing



Continent	%
North America	0.22%
Europe	4.53%
Africa	0.73%
Asia	62.54%
Russian Federation	5.30%
Middle East	25.85%
Australia	0.82%



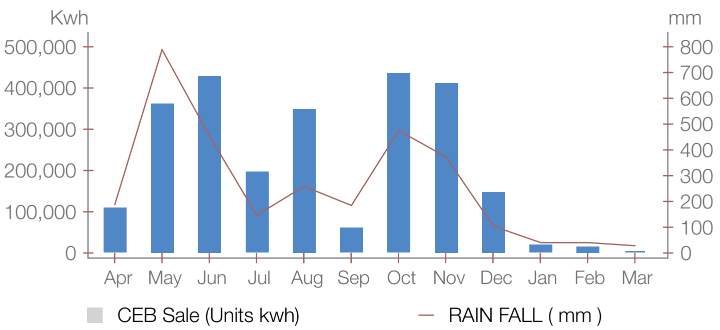
KALUPAHANA POWER COMPANY (PVT) LTD. – (KPC)

The financial year 2018/19 was an excellent year for KPC due to favourable weather conditions that prevailed during the year, and the increase in the unit price of hydropower by a fair margin, due to the tariff change.

Performance

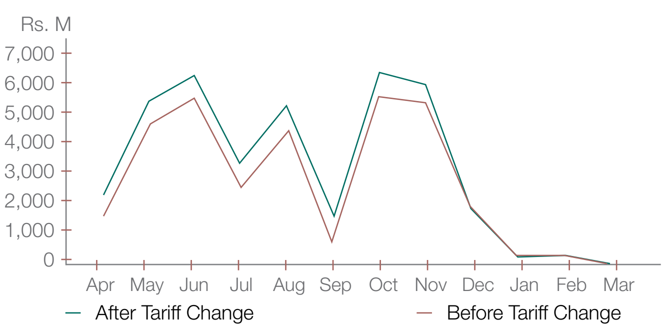
KPC contributed 2,524,652 Kwh to the national grid in hydropower generation during the year. Compared to the last financial year, it was an 8% increase in hydropower units.

Hydro Power Generataion - kwh



Hydropower generation in the first and third quarter was higher than the rest of the year due to favourable weather patterns and hydropower generation in the last quarter dropped as usual due to the less rainfall.

Revenue Increase Due to Tariff Change



Based on the previous tariff system, KPC recorded a revenue of Rs. 34 m for the period. Following the tariff adjustment by the Ceylon Electricity Board in the latter part of the year, the revenue increased by Rs. 5 m, which resulted in a total revenue incline to Rs. 40 m by the end of the year.

This is a 26% growth in revenue year on year. Supported by the upwards movement in top line the profit before tax grew to Rs. 27 m compared to Rs. 17 m recorded last year. KPC's improved financial status had a positive impact on the Group's bottom line.

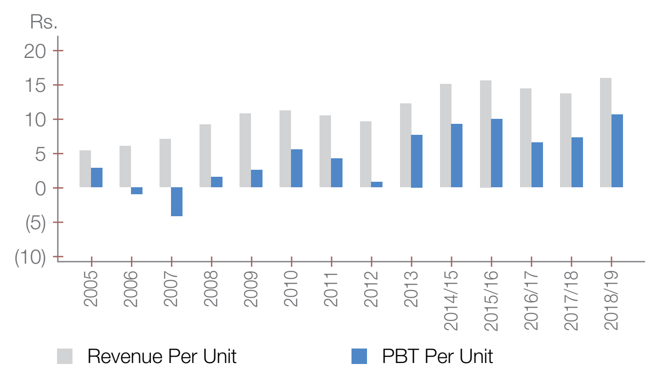
Cash Flow and Liquidity

During the 2018/19 financial year, the cash flow of the company strengthened significantly, surging by over 100% up to Rs. 10 m, from Rs. 2 m in the 2017/18 financial year. Another indicator of the stronger cash flows observed in KPC is that the Company did not resort to debt financing for the year under review.

Creating Value for Shareholders

Based on the superior financial performance displayed during the year, KPC declared a dividend of Rs. 6 per ordinary share. Kelani Valley Plantations PLC is the major shareholder of KPC with an ownership of 60% and Eco Power (Pvt) Ltd. holds the balance 40%. The Earning per Share of KPC has also nearly doubled due to the superior performance recorded during the year.

Revenue/PBT per unit



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 is also a component of the overall sustainability model of the KVPL Group.

Being a small experimental venture, KVIT's outputs are not aggressively marketed and is currently sold only to a limited number of local buyers.

KVIT recorded a turnover of Rs. 288,900, which is a drop of almost 80% compared to the previous financial year. Due to the lower turnover and high production and administration costs, the Company ended the 2018/19 financial year with a loss of Rs. 2.5 m, which in turn, had a negative impact on the Group's bottom line.

Financial Capital

KELANI VALLEY RESORTS (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. Launched to the market in December 2017, the property is managed by Amaya Leisure PLC.

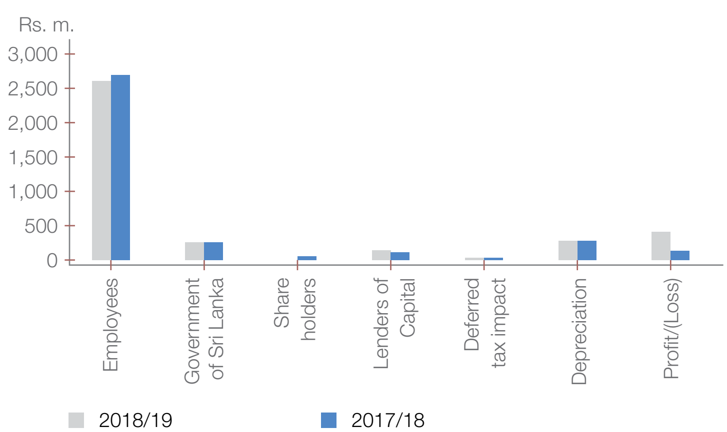
The Oliphant Boutique Bungalow sits at 7,600 feet above sea level in the picturesque Nuwara Eliya region. It is in Shanthipura, a village that holds the distinct honour of being located at the highest elevation in the island. Surrounded by a tea plantation at Oliphant estate, the bungalow offers visitors a truly colonial experience.

The Oliphant Boutique Bungalow has performed well since its commercial launch, reporting revenue of Rs. 23.5 m and a gross profit of Rs. 19.8 m for year ended March 2019. However, after further capital expenditure to improve the hotel, the resort recorded a minor profit of Rs. 0.7 m.

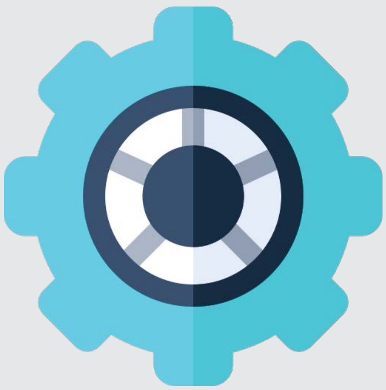
STATEMENT OF VALUE ADDITION AND DISTRIBUTION - 2018/19

For the year ended 31 March,	Group				Company			
	2018/19 Rs. m		2017/18 Rs. m		2018/19 Rs. m		2017/18 Rs. m	
Revenue	9,166		8,642		4,048		4,383	
Other income	159		129		230		181	
Share of profit/(loss) from equity accounted investee	-		(213)		-		-	
Deemed disposal gain on equity accounted investee	205		-		-		-	
	9,530		8,559		4,278		4,564	
Cost of material and services obtained	(5,883)		(5,108)		(1,436)		(1,302)	
Value addition	3,647		3,451		2,842		3,262	
Value created shared with		%		%		%		%
Employees	2,607	71.5%	2,694	78.1%	2,410	84.9%	2,548	78.2%
Government of Sri Lanka	243	6.7%	233	6.8%	82	2.9%	99	3.0%
Shareholders	-	-	34	1.0%	-	-	34	1.0%
Lenders of capital	135	3.7%	101	2.9%	108	3.7%	81	2.4%
Deferred tax impact	1	-	6	0.2%	1	0.04%	(1)	0.03%
Value Retained for expansion & Growth								
Depreciation	274	7.5%	255	7.4%	222	7.8%	210	6.4%
Profit/(loss)	388	10.6%	126	4.7%	19	0.7%	292	9.0%
	3,647	100%	3,451	100%	2,842	100%	3,262	100%

Distribution of Value Addition



MANUFACTURED CAPITAL



VISION

To improve the Company's production facilities, equipment and other manufacturing infrastructure in order to strengthen core competencies needed to produce superior quality output that would enhance the Company's returns, increase the country's export earnings and contribute towards future food security.

STRATEGIC PATHWAY TOWARDS REALISING OUR VISION

OUR AIM HAS ALWAYS BEEN TO MAXIMISE THE EFFICIENT USE OF MANUFACTURING RESOURCES. WITH THIS CLEAR OBJECTIVE IN MIND, OVER THE YEARS OUR EFFORTS TO DEVELOP MANUFACTURED CAPITAL HAVE BEEN FOCUSED ON THE QUALITY OF OUR MANUFACTURING EQUIPMENT AND TECHNOLOGIES. KEY STRATEGIES ADOPTED IN THE PAST INCLUDE:

During the current financial year, we continued to add value to our manufactured capital base by investing in good agricultural practices. This included adhering to strict maintenance routines to maintain machinery and equipment, painting, repairing and renovation of buildings and replacing parts and equipment. We also purchased new machinery and equipment where relevant.

1. INVESTMENTS INTO FARMING EQUIPMENT

- KVPL is now using fertiliser applying machines in estates instead of the traditional manual fertiliser application. These machines are more effective and efficient in applying fertiliser, with a significant reduction of leeching, contributing towards:
  - Reducing fertiliser wastage
  - Ensuring that all plants will get an equal and requisite amount of fertiliser
  - Protecting water bodies from eutrophication due to excess fertiliser washout
  - Provide a substitute for skilled labour
- Investing in drones
  - We are investing in drones for various areal spraying activities in our tea estates

2. IMPROVING OUR MANUFACTURING TECHNOLOGIES

- In the previous financial year, we built new effluent treatment systems at an investment of Rs. 100 m, upgrading the old system at Panawatte rubber factory and the Dunedin skim processing centre
- Variable Frequency Drives (VFD) were installed in nine major tea factories in order to reduce the energy consumed during the tea withering process

3. INVESTING IN MODERN DIGITAL HARDWARE

- Collectors are equipped with 50 Kg digital scales, which connect remotely to a data collection device and suppliers are provided with a smart NFC card, which carries a unique identification code ensuring data safety
- Managers are equipped with laptops to obtain real time data on production activities
- Digital scales have been installed in up country tea estates to prevent mistakes in the weighing process

THE KVPL GROUP MANUFACTURED CAPITAL BASE

Our primary manufactured capitals can be classified as:

Biological assets: Our biological assets are the most valuable asset class of the Company, generating both current streams of income and for future revenue, referring to different types of crops that are cultivated by the Company. These are primarily our traditional Tea and Rubber trees and more recently, we have also expanded into Cinnamon, Agarwood, Timber and Coconut. These asset classes are listed below.

Type of crop	Hectares	Current value Rs.'000
Tea	3,502	1,269,736
Rubber	4,284	2,967,910
Cinnamon	155	141,305
Coconut	93	6,841
Timber	221	170,097
Agarwood	10	10,724

Timber Valuation Method (Biological Assets)

1. Discounting Factor Method (DCF)

The two most important factors affecting the value estimation are:

a) Optimum Rotation

b) The Discounting Factor

The rotation depends on the period of maturity for harvesting, this is usually 25-35 years and discounting for such a long term reduces the value to an insignificant level.

The discounting rate is market based and meaningfully adjusted to recognise the risk associated with the maintenance of the stock, biological transformation considering the silviculture practices, vagaries of weather, species and its genetics and species in relation to location.

The harvested values should equal the return on timber to budgeted interest rates of capital considering the risks pertaining to risk due to legal constraints as aforementioned the discounting rate has to be higher than weighted average Cost of Capital (WACC).

Discounting is more suitable as a management tool to ascertain optimal time for harvesting rather than a reliable method to ascertaining value of mature timber for extraction.

2. Replacement Cost Basis

Rationale is derived of the fact that there are no market derived prices nor values of pre-merchantable timber.

"This is based on principle of substitution. The price that a buyer would pay for the asset being valued would not be more than the cost to construct an equivalent asset"

For recently planted forests cost approach is most applicable where the cost of an equivalent asset may be able to be assessed with reasonable degree of certainty. In the case of young trees buyers and sellers are likely to give more weight to cost of planting and opportunity cost of time required for the plant to grow. Further adjustment for obsolesces must be considered.

KEY ASSUMPTION

1. In the absence of the Forestry Plan standing timber in the stands are valued on the assumption permission for felling is forth coming at the date of valuation.
2. The prices adopted are net of expenditure
3. Discounting Rate is 17 ½%
4. Compounding Rate is 14% in keeping with assumed WACC.
5. Through the replanting is a condition precedent for harvesting, yet the costs are not taken into consideration.
6. Pre commercial stands are valued on cost approach and 15 years is taken as pre-merchantable depending on the growth.
7. Contiguous are of trees with trees of a similar species silviculture and other characteristics.

Inventory: Our stocks of Tea, Rubber, Cinnamon and timber are the main manufactured assets of the Company that represent our earning capacity.

Manufactured Capital

Buildings: These include office buildings, factory buildings, warehouses, estate bungalows and other buildings in our estates comprising children's creches, worker rest areas worker houses and modern housing projects and roads within our boundaries. During the year the Company has spent Rs. 11 m on upgrading/new additions.

Machinery and Agri Equipment:
As a Company we ensure all our 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.

An investment of Rs. 11.5 m was made during the period under review.

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. Furthermore we continued to invest in information technology enhance our IT capabilities.

CHANGES TO MANUFACTURED CAPITAL IN 2018/19

Asset type	2018/19 Rs.'000	2017/18 Rs.'000	% change
Biological assets	3,713,349	3,514,927	6
Inventory	1,121,098	1,317,085	(15)
Buildings	624,767	636,646	(2)
Machinery	318,223	299,001	6
Other equipment including computers	125,458	114,538	10
Vehicles	63,324	56,355	12
Furniture and fittings	25,600	27,313	(6)
Other	5,400	529	921

During the current financial year, we continued to add value to our manufactured capital base by investing in good agricultural practices. This included adhering to a strict maintenance routines to maintain machinery and equipment, painting, repairing and renovation of buildings and replacing parts and equipment. We also purchased new machinery and equipment where relevant.

As at end March 2019, the KVPL Group's buildings were valued at Rs. 624.7 m which is an decrease of 15% year-on-year in book value due to depreciation.

The value of our machinery stock increased by 6% to Rs. 318.2 m due to the addition of the effluent plant in Panawatte Estate.

The stock of other equipment and computers increased by 10% to Rs. 125.4 m due to addition of field equipment, computers and electronic weighing scales system.

The value of our furniture and fittings decreased by 6% to Rs. 25,600 due to disposal during the year (Mabroc major portion).

The value of our inventories of manufactured produce decreased by 15% to Rs. 1,121 m due to clearing of unsold stock during the year.

The value of 'Other' increased by 921% to Rs. 5.4 m due to implementation of water supply schemes and other minor items.

INTELLECTUAL CAPITAL

Vision

We believe that to be successful, it is essential to think beyond the obvious. This is a key differentiator at KVPL. In this contemporary fast paced consumerist culture, leveraging consumer insights, predicting trends, and aligning with consumer wants is the basis for market success. At KVPL, we inculcate innovation and encourage cutting edge concepts. KVPL's culture and operational model supports innovation culture, enabling all employees to participate in the process of shaping our future.

WE INVEST IN RESEARCH AND DEVELOPMENT WHICH SUPPORTS OUR INTELLECTUAL CAPITAL BASE THROUGH NEW PRODUCTS AND NEW TECHNIQUES. ANOTHER ASPECT OF THE KVPL INTELLECTUAL CAPITAL IS THE ORGANISATIONAL KNOWLEDGE THAT IS UNIQUE TO THE GROUP AND HAS BEEN ACCUMULATED THROUGH YEARS OF EXPERIENCE IN AGRICULTURAL PRACTICES, CLIMATIC CONDITIONS AND PRODUCTION OF TEA AND RUBBER. IT IS THIS ORGANISATIONAL KNOWLEDGE THAT WE LEVERAGE TO CREATE VALUE FOR OUR STAKEHOLDERS IN THE FORM OF SUPERIOR QUALITY PRODUCTS.

A core component of KVPL's intellectual capital is the extensive certifications that align the Company with international best practices in agriculture, environmental stewardship and food safety.

Intellectual Capital

Our base of intellectual capital comprises mainly of the KVPL trade mark which is recognised across the local tea industry and international buyers, showcasing a consistently high ranking for tea from our estates. In addition, the trademarks and brands of our subsidiaries, including our latest ventures into tea boutiques and leisure, are also part of our intellectual capital base.

We also invest in research and development which supports our intellectual capital base through new products and new techniques. Another aspect of the KVPL intellectual capital is the organisational knowledge that is unique to the Group and has been accumulated through years of experience in agricultural practices, climatic conditions and production of tea and rubber. It is this organisational knowledge that we leverage to create value for our stakeholders in the form of superior quality products.

MANAGEMENT SYSTEMS

A core component of KVPL's intellectual capital is the extensive certifications that align the Company with international best practices in agriculture, environmental stewardship and food safety. The systems and associated processes and practices instill hands-on practical knowledge to KVPL personnel and adds to the Company's knowledge base.

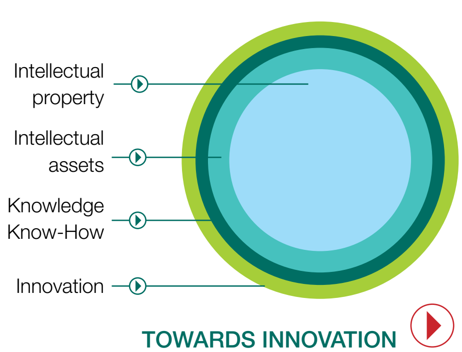
Our comprehensive tea and rubber certification system is listed below.

Food Safety Commitments	ISO 22000:2005	11 Tea Processing Centres are Certified
	HACCP	
	GMP	
Environmental Commitments and Social Commitments	RA	16 Tea Estates are Certified
	ETP	16 Tea Estates are Certified
	UTZ	6 Tea Estates are Certified
	FSC™	10 Rubber Estates are Certified

KVPL ORGANIC RUBBER CERTIFICATIONS

EU & USDA Organic standard for 75 fields

GOLS (Global Organic Latex Standard) for Kiriporuwa and Dewalakande Factories. We plan on getting 10 estates certified under this scheme, covering an extent of 556.55 Ha.



We believe that to be successful, it is essential to think beyond the obvious. This is a key differentiator at KVPL. In this contemporary fast-paced consumerist culture, leveraging consumer insights, predicting trends, and aligning with consumer wants is the basis for market success.

At KVPL, we inculcate innovation and encourage cutting edge concepts. KVPL's culture and operational model supports innovation culture, enabling all employees to participate in the process of shaping our future.

RUBBER

During the year under review, we started promoting our rubber to the Chinese and German markets. Several samples consignments were sent and one trial shipment was sent to China.

KVPL TEA SECTOR INTELLECTUAL CAPITAL DEVELOPMENTS

Our knowledge and skills in tea plantation management and production of orthodox black tea has enabled us to produce consistently high quality of tea during the year under review. We enhanced our tea sector's intellectual capital by developing new products.

NEW PRODUCT DEVELOPMENT

The Golden Bud

During the year, we developed a novel product called Golden Bud, which was marketed successfully in China. The specialty of this tea is its unique flavour which is developed to appeal to the Chinese palate. Our main intention was to find markets for light bright black tea produced in our Udaradella Estate.

THE TEA TRAIN

Following the success of the Ethical Tea Butique at Pedro, a new tea centre was opened at Edinburgh Estate Nanuoya called the Tea Train. The new venture is positioned to capture the inflow of visitors entering the city of Nuwara Eliya. The Tea Train showcases an array of premium single origin teas from a wide range, originating from our own estates, for visitors to sample.

BRAND DEVELOPMENT

Tea Center at Pedro estate

The Pedro Ethical Tea Boutique in Nuwara Eliya adds considerable brand value to KVPL's credentials as a leading tea shop in the country. A range of single origin leafy tea is sold exclusively at Pedro Tea center. The visitor numbers to the Centre have continued to increase from all parts of the world, indicating the international quality standards and unique flavours of our tea.

PLANTATION TOURISM

Oliphant Estate in Nuwara Eliya was renovated into a luxury boutique hotel under the most recent addition to KVPL's portfolio of businesses, Kelani Valley Resorts (KVR). The venture performed extremely well during the year, adding value to the KVPL brand through its international positioning as a high-end leisure product.

HUMAN CAPITAL

Training

During the year, we continued to develop the skills of our human capital base to support our intellectual capital growth. We conducted many training programmes to improve technical knowledge and to educate personnel on modern scientific findings, to add to the KVPL Group's knowledge base.

HAY PLAN – COMPANY'S NEWSLETTER

The Company newsletter is a proactive tool that promotes information and knowledge exchange between interdepartmental teams in their specialised subject areas. The newsletter is continually updated to keep pace with changing dynamics and to inform all our teams about international best practices.

MODERNISING TRADITIONAL SYSTEMS

Several improvements were made to the performance measurement mechanism, mainly to complement the electronic weighing system rolled out during the year. Electronic scales were introduced to improve the fairness and accuracy of the weighing process and make it faster. This new electronic weighing system has become a transparent operation ensuring better control and higher efficiency. With the KVPL Nuwara Eliya estates also transitioning to electronic scales, by the end of the 2018/19 financial year, all up country estates had shifted to the digital weighing platform.

KVPL OUTGROWER MODEL

This pilot scheme redefines tea pluckers as budding entrepreneurs. Every participant checks 2,000 bushes and they are responsible for their block of land and maintenance of their own bushes. They are paid for each kilogram of tea plucked based on a payment formula.

CROP DIVERSIFICATION

- To improve land productivity and move towards a more sustainable growth model for the future, KVPL has invested into research and development on alternative crops, soil and agroclimatic conditions, plant nurseries and agricultural applications on crop diversification. During the year, cinnamon cultivation, which is KVPL's third largest crop, was extended to include the land base of both Kitulgala and Ganapalla Estates
- The Company continued with its research into planting coconut on uneconomical tea lands in the low country estates, as well as coffee and fuel wood. Another successful effort in diversification is the on-going programme of Agarwood, for future commercial returns.

SOLAR POWER

This year, we conducted research on the application of solar power projects as an alternative renewable energy sources. As a pilot experiment, we set up solar power panels in Dewalakande Estate in the low country. In another experimental project, solar-powered water heating systems were installed to reduce grid based energy consumption at factory bungalows.

Several improvements were made to the performance measurement mechanism, mainly to complement the electronic weighing system rolled out during the year. Electronic scales were introduced to improve the fairness and accuracy of the weighing process and make it faster. This new electronic weighing system has become a transparent operation ensuring better control and higher efficiency. With the KVPL Nuwara Eliya estates also transitioning to electronic scales, by the end of the 2018/19 financial year, all up country estates had shifted to the digital weighing platform.

HUMAN CAPITAL

Vision

Our vision is to strengthen human wellbeing in an environment of values, trust, ethics and integrity, where employees remain committed to achieving Company objectives.

OBJECTIVES FOR 2019

- DEVELOP AND IMPLEMENT STANDARD TRAINING MODULES WITH BEST RESOURCE PERSONALITIES
- TO MAINTAIN THE LOWEST ABSENTEEISM RATE WITHIN OUR INDUSTRY
- STRENGTHEN HUMAN WELLBEING INITIATIVES

KEY PERFORMANCE MEASURES OF 2018

Rs. 8.5 m
Training Investment

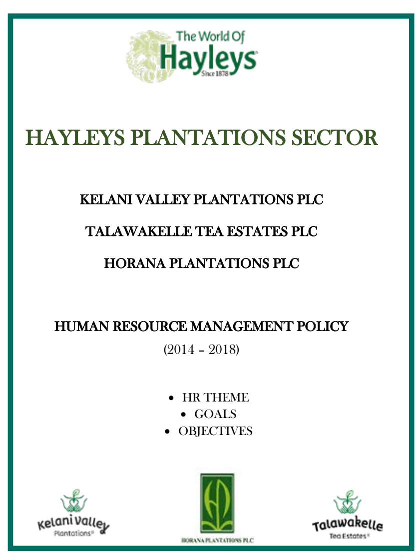
62,690 Hrs
Training Hours

8,866
Training Head Count

HUMAN RESOURCES STRATEGIC PLAN

The Company's core competencies and plantation HRM model had to be re-shaped to develop competitive advantage by going beyond the cultural barriers inherited over 150 years of plantation history. The challenge of improving employee engagement and achieving employee efficiency through development and empowerment, have been critical concerns. But this HR strategy resulted in building progressive employees and work teams, by uplifting the quality of life and work life.

HR Strategic Plan (2014-2018)



The World Of Hayleys Since 1878

HAYLEYS PLANTATIONS SECTOR

KELANI VALLEY PLANTATIONS PLC

TALAWAKELLE TEA ESTATES PLC

HORANA PLANTATIONS PLC

HUMAN RESOURCE MANAGEMENT POLICY

(2014 - 2018)

- HR THEME
- GOALS
- OBJECTIVES

Kelani Valley Plantations HORANA PLANTATIONS PLC Talawakelle Tea Estates

Re-shaping plantation sector HR to get employee engagement in order to develop core competencies and competitive advantage towards enhanced performance through quality of work-life and quality of life

Human Capital

Information on employees and other workers - **GRI** *102-08*

Total Head Count - Group	
Total Employees	9,613
⦿ Permanent Employees	7,486
⦿ Contract/Short-Term	2,127
Executive and Above	153
Non-Executive*	603
Manual Grades	8,857
Total	9,613

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

Category	Male	Female	Total
Executive	83	11	94
Non-Executive	423	154	577
Manual	3,730	5,087	8,817
Total	4,236	5,252	9,488

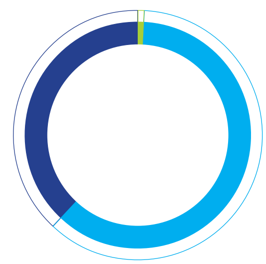
Total number of employees by employment contract (permanent and temporary), by gender.

EMPLOYEES BY GENDER

	Western Province	Central Province	Sabara'wa Province	Total
Management	12	25	29	66
Executive	20	7	1	28
Clerical	8	298	271	577
Manual	0	5,475	3,342	8,817
Total	40	5,805	3,643	9,488

Total number of employees by employment contract (permanent and temporary), by region.

REGION WISE HEAD COUNT



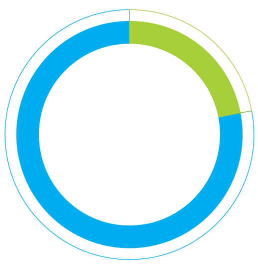
Western Province	1%
Central Province	61%
Sabara'wa Province	38%

Total number of employees by employment type (full-time and part-time), by gender	No
Whether a significant portion of the organisation's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	All our workers are company employees and all organisation's activities are performed by them

Total Head Count - KVPL	
Total Employees	9,488
Permanent Employees	7,367
Contract/Short-Term	2,121
Executive and Above	94
Non-Executive*	577
Manual Grades	8,817
Total	9,488

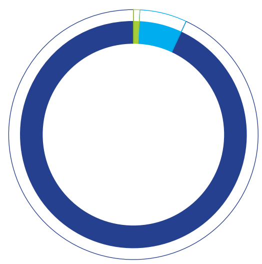
**(Office Supervisory, Production, Supportive and Human Development)*
Total Head Count of KVPL

Permanent and Contract Employees - KVPL



■	Contract	22%
■	Permanent	78%

Executive Non-Executive and Manual Workforce KVPL



■	Executive and Above	1%
■	Non-Executive	6%
■	Manual	93%

KVPL RECRUITMENT POLICY

The Company's recruitment policy is aligned to the Hayleys Group recruitment policy and is aimed at attracting the best talent in order to achieve business growth strategies. The recruitment procedures incorporate industry best practices and maintains transparency at all levels, ensuring unbiased, nondiscriminatory recruitment based on merit.

A specialised component of the KVPL recruitment mechanism in the Plantation Management Trainee Programme, which enables talented young graduates to enter the plantation industry management as trainees and receive best-of its-kind exposure to overall plantation management and administration.

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER GRI *401-01*

Category		Executive	Non-Executive	Manual	Total
Age Group	<30 years	5	15	148	168
	30-50 years	13	64	369	446
	>50 years	2	11	195	208
	Total	20	90	712	822
Gender	Male	19	76	348	443
	Female	1	14	364	379
	Total	20	90	712	822
Region	Hired-Local	17	69	676	762
	Hired-Non Local	3	21	36	60
	Total	20	90	712	822

Total number of new employee hires during the reporting period, by age group, gender and region.

Category		Executive	Non-Executive	Manual	Total
Age Group	<30 years	4	12	121	137
	30-50 years	16	97	466	579
	>50 years	6	17	385	408
	Total	26	126	972	1,124
Gender	Male	21	86	478	585
	Female	5	40	494	539
	Total	26	126	972	1,124
Region	Hired-Local	21	102	817	940
	Hired-Non Local	5	24	155	184
	Total	26	126	972	1,124

Total number of employee turnover during the reporting period, by age group, gender and region.

COMPARISON OF HIRED AND EMPLOYEE TURNOVER

Comparison of Hired and Employee Turnover

■ Employee Hires
■ Employee Turnover

LABOUR RELATIONS MANAGEMENT GRI *407-01*

KVPL is bound by the plantation industry Collective Agreements that are signed following a collective bargaining processes between the plantation industry trade unions and the Management. The latest plantation industry Collective Agreement was signed in 2018 and is valid for a period of two years. The Company stringently observes all aspects of the Collective Agreement including the minimum notice period requirements stipulated below.

Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	1 month
Notice period and provision for conclusion is specified in the agreement	Yes

Human Capital

EMPLOYEE BENEFITS

KVPL employees of all grades enjoy many benefits provided by the Company which invests considerable funding above and beyond legal requirements. We believe these initiatives contribute towards a happier workplace and motivated workforce.

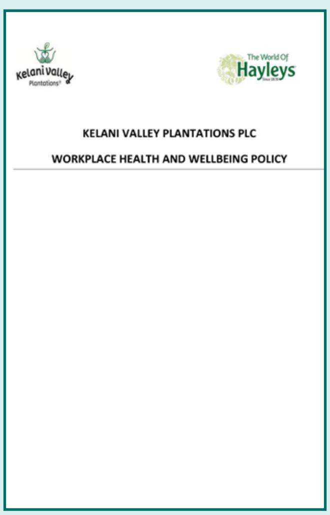
Maternity benefits are provided as stipulated by national labour laws to all female employees.

Employee benefits not available to temporary/part time employees	Maternity benefits
Total number of employees entitled to maternity leave (2018/19)	258
Total number of employees that took maternity leave (2018/19)	162

HEALTH AND WELLBEING OF OUR EMPLOYEES AND PLANTATION COMMUNITY

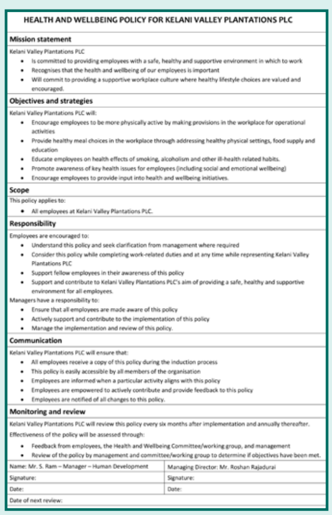
We have developed an occupational health and wellbeing policy based on the strategic plan, under the direct supervision of our Managing Director. Our concern for the health and wellbeing of our employees is not limited to the 9,488 workforce, but extends to the 58,000 plus plantation community. Our vision is to become an ethical and sustainable tea and rubber producer by making occupational health and wellbeing a major component in our drive towards reaching a high performance level.

HEALTH AND WELLBEING POLICY



KELANI VALLEY PLANTATIONS PLC

WORKPLACE HEALTH AND WELLBEING POLICY



HEALTH AND WELLBEING POLICY FOR KELANI VALLEY PLANTATIONS PLC

Mission statement

Kelani Valley Plantations PLC

- Is committed to providing employees with a safe, healthy and supportive environment in which to work
- Recognises that the health and wellbeing of our employees is important
- Will commit to providing a supportive workplace culture where healthy lifestyle choices are valued and encouraged.

Objectives and strategies

Kelani Valley Plantations PLC will:

- Encourage employees to be more physically active by making provisions in the workplace for operational activities
- Provide healthy meal choices in the workplace through addressing healthy physical settings, food supply and education
- Educate employees on health effects of smoking, alcoholism and other ill-health related habits.
- Promote awareness of key health issues for employees (including social and emotional wellbeing)
- Encourage employees to provide input into health and wellbeing initiatives.

Scope

This policy applies to:

- All employees at Kelani Valley Plantations PLC.

Responsibility

Employees are encouraged to:

- Understand this policy and seek clarification from management where required
- Consider this policy while completing work-related duties and at any time while representing Kelani Valley Plantations PLC
- Support fellow employees in their awareness of this policy
- Support and contribute to Kelani Valley Plantations PLC's aim of providing a safe, healthy and supportive environment for all employees.

Managers have a responsibility to:

- Ensure that all employees are made aware of this policy
- Actively support and contribute to the implementation of this policy
- Manage the implementation and review of this policy.

Communication

Kelani Valley Plantations PLC will ensure that:

- All employees receive a copy of this policy during the induction process
- This policy is easily accessible by all members of the organisation
- Employees are informed when a particular activity aligns with this policy
- Employees are empowered to actively contribute and provide feedback to this policy
- Employees are notified of all changes to this policy.

Monitoring and review

Kelani Valley Plantations PLC will review this policy every six months after implementation and annually thereafter.

Effectiveness of the policy will be assessed through:

- Feedback from employees, the Health and Wellbeing Committee/working group, and management
- Review of the policy by management and committee/working group to determine if objectives have been met.

Name: Mr. S. Ram – Manager – Human Development	Managing Director: Mr. Roshan Rajadurai
Signature:	Signature:
Date:	Date:
Date of next review:	

Our concern for the health and wellbeing of our employees is not limited to the 9,488 workforce, but extends to the 58,000 plus plantation community.

We believe that in a simple equation of human capital management, for a thriving business, you need thriving employees. We proved that to create great work place, the employee health, wellbeing and happiness the most important factors. This is the main reason for us to develop a health and wellbeing policy for Kelani Valley Plantations PLC. Our effort have been valued recently, by winning a special award at the Sri Lanka Corporate Health and Wellbeing Awards Ceremony 2019 organised by Japan External Trade Organisation (JETRO).



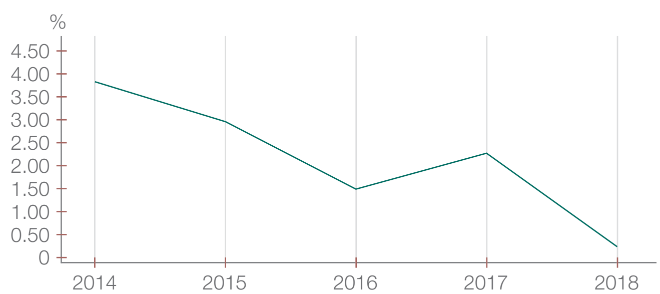

Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities **GRI** *403-2,* **SDG** *8*

	Region			Gender		
	Western Province %	Central Province %	Sabara'wa Province %	Male %	Female %	Company Total %
Type of Injury			No major injuries were recorded			
Injury Rate (IR)	0	0.17	0.26	0.28	0.17	0.2
Occupational Disease Rate (ODR)	0	0.00	0.00	0.00	0.00	0.00
Lost Day Rate (LDR)	0	0.17	0.26	0.28	0.17	0.2
Absenteeism Rate (AR)	0	16.17	13.34	12.01	17.61	14.8
Work-related fatalities	0	0	0	0	0	0
Workers in high-risk situations	NA	NA	NA	NA	NA	NA

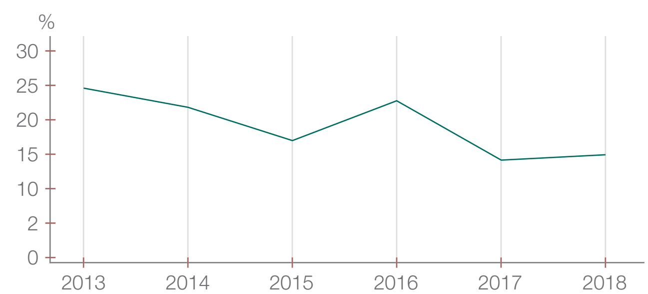
Occipational Health and Safety Record 2018/19

Year on year variations of absentee and lost day rates

Lost Day Rate



Absentee Rate



TRAINING AND DEVELOPMENT

Learning and development is a vital component of our human capital development agenda. The dynamic environment in which the Company operates requires that we proactively anticipate future competencies in order to execute our HR strategy. Therefore, it is essential to harness the potential of our people by training and developing their skills to better manage challenges locally and internationally in order to boost operations. To determine optimum levels of productivity and optimise the use of resources, we now regularly review the competencies of our work-force in an effort to improve the alignment of employee skills with strategic requirements and to build a culture of exceptional performance.

Human Capital

TRAINING PROGRAMMES CONDUCTED DURING 2018

KVPL management, executives, non-executives and even manual employee categories are all exposed to regular training programmes to enhance overall productivity along the value chain. These are listed below.

Management Category

- Praguna Prawardhana Training Programme – Malaysia
- The Senior Corporate Management Leadership Program and The Executive Program on Corporate management conducted by Japan Sri Lanka Technical & Cultural Association (JASTECA) – AOTS
- NIPM Certificate Course in Plantation Accounting & Financial Management
- Training programme on Consultant Development in GHG Assertion
- One day training programme on Rainforest Alliance Accreditation

Executive Category

- Workshop on GRI Standards and IR
- 5S and Kaizen Programme
- Seminar on Legal Aspects of Auditors'/Accountants' Liability in Sri Lanka
- Seminar on Payee and WHT under the New IR Act
- Employers' Symposium 2018 Shaping The Future of Work
- Child Policy Focal Point Training Session

Non-Executive Category

- National Vocational Qualification Training Session

  Training and development plays a key role in maintaining competitiveness in the dynamic plantation business environment. Therefore, our human capital management strategy supports employees to stay up-to-date and enhances human capabilities and skills, to add value to business activities.

  Therefore, KVPL has set another plantation industry benchmark by becoming the first plantation company to introduce the National Vocational Qualification (NVQ) to supervisory staff members working in estates. The NVQ training programme was launched successfully for 58 field level staff members, including 10 assessors, in collaboration with the Tertiary and Vocational Education Commission (TVEC) and Employers' Federation of Ceylon (EFC).
- Principles & Requirements of RA certification and Current Gaps in the Estates
- Good Manufacturing Practices, Food Safety Awareness
- Digital Weighing & Peachtree Accounts Package and Stock Ageing

Manual Category

- Training on community health, nutrition and sexual health
- Occupational health and safety training for sprayers
- Training workshop on leadership
- Women leaders and kanganies training for Best Plucker competition


Japan- AOTS Senior Leadership Management Training Programme Tokyo, Japan


NVQ - National Vocational Qualification Training for Supervisory Staff Members


Technical and soft skills develop training programmes


TRAINING DETAIL REPORT F/Y 2018/19-KVPL

Category	Head Count			P/Hours			P/H Per Person		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive	334	13	**347**	2,947	119	**3,066**	8.8	9.2	**8.8**
Non-Executive	240	132	**372**	1,098	762	**1,860**	4.6	5.8	**5.0**
Manual	2,949	5,198	**8,147**	22,384	35,380	**57,764**	7.6	6.8	**7.1**
Total	3,523	5,343	**8,866**	26,429	36,261	**62,690**	7.5	6.8	**7.1**

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

GRI *404-1,* SDG *4, 5, 8,* UNGC *6*

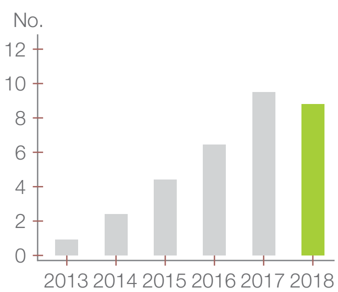
Category	P/H per Person - 2016			P/H per Person - 2017			P/H per Person - 2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive	5.4	4.1	**5.4**	8.9	10.5	**9.0**	8.8	9.2	**8.8**
Non-Executive	2.8	4.3	**3.4**	4.1	4.5	**4.2**	4.6	5.8	**5.0**
Manual	6.6	5.4	**5.8**	7.6	7.2	**7.3**	7.6	6.8	**7.1**
Total	5.5	5.3	**5.4**	7.5	7.2	**7.3**	7.5	6.8	**7.1**

TRAINING HOURS COMPARISON (YEAR VS PERSON HOURS OF TRAINING)

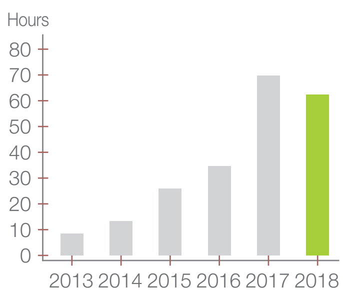
Year	Training Head Count	P/Hours	% Over Previous Year
2015	4,432	26,022	93.86
2016	6,475	34,802	34.05
2017	9,560	69,913	100.88
2018	8,866	62,690	(10.3)

YEAR-ON-YEAR VARIATIONS OF TRAINING HEAD COUNT, PERSON HOURS AND INVESTMENT

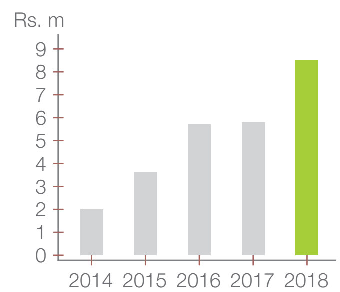
Training Head Count



Training P/Hours



Training Investment



EMPOWERMENT AND GROWTH

KVPL invests in its human resource base by encouraging empowerment growth across all levels of the corporate employment structure to provide avenues for both personal development and upward career mobility. The Company's succession plan and leadership development plan are key components of this philosophy, which enable the Company to identify budding talent and ensure sustainable business continuity, while also facilitating fulfilling career growth for staff.

SUCCESSION PLAN AND LEARDERSHIP DEVELOPMENT PLAN

Planter Trainee → Assistant Manager → Deputy Manager → Manager

→ Estate Level

Director/Chief Executive Officer ← General Manager ← Deputy General Manager

→ Corporate Level

Management Trainee → Executive → Assistant Manager → Manager

Estate Manager	Leading entire estate as a unit of the business
Assistant Estate Manager	Leading divisions of the estate as a unit of the business
Field Officer	Leading a division of the estate as a unit of the business
Supervisor	Leading a group of the manual workforce as a unit of the business

INDIVIDUAL PERFORMANCE EVALUATION SYSTEM

Individual Performance Evaluation System
Kelani Valley Plantations PLC

Management/ Executives	Non-Executives	Manual Workforce
Head Office HRIS Online (BSC based)	**Head Office** (MS Excel based)	**Evaluation through Performance Monitoring Unit** (PMU) Indicators
Estate Management MS Excel format (BSC based)	**Estate** MS Excel based	**Evaluation** Through operational data

GRI *404-03,* **SDG 0***5, 08,* **UNGC 0***6*

Percentage of employees receiving regular performance and career development reviews	100%

EMPLOYEE MOTIVATION

Staff motivation at all levels is vital to add fillip to the Company in its strategic thrust towards achieving its vision of sustainable growth and to sustain competitiveness in an increasingly turbulent business environment. Therefore, KVPL has in place a plethora of initiatives designed to motivate employees and encourage greater heights in efficiency and productivity.

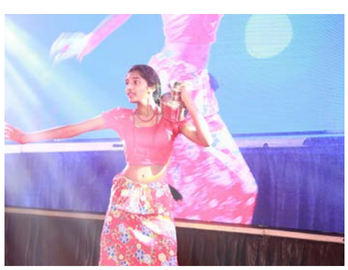
SPECIAL EMPLOYEE EVENTS HELD DURING THE PERIOD

- Annual Staff Recognition Ceremony 2018/19: Celebrating Excellence at Every Level

Award recipients of Up Country and Low Country Regions - Annual Staff Recognition Ceremony 2018/19

The KVPL Staff Recognition Ceremony of 2018/19 is one such motivational driver and is the first-ever dedicated plantation sector employee awards held in Sri Lanka. The awards ceremony reiterates KVPL's commitment to employee empowerment and towards building and sustaining a vibrant performance-based culture. Over the course of the evening, awards were presented to 53 employees, including all five categories of estate staff-Office, Supervisory, Production, Human Development and Supportive. Based on their performance in 2017/18, Gold, Silver and Bronze awards were presented for first, second and third places.

Recognising their above-average contribution, first place winners were awarded an all-expenses paid foreign educational and entertainment tour in what promises to be a hotly-anticipated annual tradition at Hayleys Plantations. We believe the Company's success is dependent on our employees' dedication, the primary reason we celebrate outstanding contributions from any member of our team. We hope this unique initiative would inspire the industry to emulate our HR-centric business model.



Highlights of Annual Staff Recognition Ceremony 2018/19

Human Capital

⊙ Eye Camp held in Pedro Estate
An eye camp was held in Pedro Estate to provide free medical attention for our communities collaborating with a special medical team of UK.

⊙ Estate harvesters' Visit to Head Office
First time in history, selected group of harvesters from Up Country visited KVPL Head Office.

⊙ Best Plucker Competition
Going beyond the National level, KVPL has implemented Best Plucker Competition internally to capture the best harvesters who have toiled and contributed their maximum to achieve company goals.

SPECIAL ACHEIVEMENTS

Global HR Excellence Awards 2018/19 - Winner

Sri Lanka Corporate Health & Productivity Awards 2018 - Special Awards

Sri Lanka National HR Conference Great HR Practices 2018 - Winner

National Business Excellence Awards 2018

SOCIAL AND RELATIONSHIP CAPITAL

Vision

Contribute towards nationwide socio-economic progress by providing a better work-life balance for the plantation workforce and also ensuring a higher quality of life for the resident plantation communities.

MANAGEMENT APPROACH : HOME FOR EVERY PLANTATION WORKER

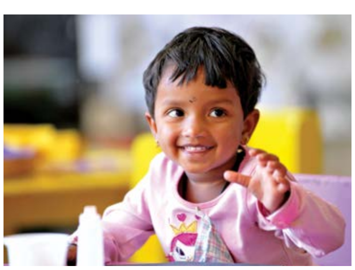
KVPL'S 'HOME FOR EVERY PLANTATION WORKER' PROGRAMME IS THE COMPANY'S HOLISTIC PLATFORM OF ENGAGEMENT WITH MULTIPLE SOCIAL PARTNERS. THE PROGRAMME, THROUGH ITS MANY ACTIVITIES, COVERS THE COMPANY'S WORKFORCE AND THE ENTIRE PLANTATION COMMUNITY, AND THROUGH ITS 360-DEGREE APPROACH, EXTENDS TO OTHER SOCIAL STAKEHOLDERS AS WELL, INCLUDING SUBORDINATE COMMUNITIES, CUSTOMERS AND BUSINESS PARTNERS.

Rs. 142 m

Expenditure on CSR activities

10.5%

Increase of expenditure for CSR activities compared to previous year



Social and Relationship Capital

GRI *102-13* **CAPITAL MANAGEMENT REPORTS**

While KVPL is responsible for the well-being of a collective of 58,000 in the plantation community and 9,488 employees, the Company's social strategy aims to maximise value for all its stakeholders. Therefore, social responsibility parameters adopted aim to:

- Create a more conducive work environment for the plantation workforce with due consideration of their physical and psychological wellbeing
- Develop mutually-beneficial partnerships with the plantation workers, plantation community and external community through continuous engagement and open communication
- Uplift the quality of life of KVPL's plantation workforce and the plantation communities through consistent investments that maximise socio-economic status
- Increase employee motivation and commitment in order to enhance productivity that will serve as a key leverage for growth
- Foster a familial culture unique to KVPL
- Be a good social steward

OUR PARTNERS

KVPL partners with numerous national, international, Government and non-governmental bodies to expedite social welfare and CSR projects for its resident estate communities. These CSR partners include:

- Save the Children Fund
- Plantation Human Development Trust (PHDT)
- Ministry of Plantations, Ministry of Estate Infrastructure Development and other Government institutes
- Schools within the estates and surrounding villages
- Universities
- Divisional secretariats and legal entities
- Government and private sector banks and micro financial service providers
- Trade unions
- e-learning centre
- Sri Lankan Government
- Deutsche Bank
- Save the Children Sri Lanka
- Mahaweli Authority of Sri Lanka
- International Union of Coservation of Nature (IUCN)
- Sri Lanka Red Cross Society
- Notional Institute of Occupational Health and Safty (NIOHS)

TOP MANAGEMENT INVOLVEMENT IN BUILDING SOCIAL CAPITAL

Social welfare is a core component of KVPL's sustainability model and is therefore, supported and monitored at the highest level of Management. The CEO and Managing Director, as well as other senior Management, are directly involved and actively participate in social welfare activities and in raising awareness regarding sustainable lifestyles.

In addition, top Management, including the Managing Director are actively involved in national trade, industry and academic activities, to establish constructive relationships that are mutually beneficial.

These involvements over the year, are described in brief below.

- The Managing Director personally addressed the launch of the KVPL Child Protection Policy
- The Managing Director, CEO and other top Management sit on the steering commit to select the Best Tea Plucker National Competition conducted by the Sri Lanka Tea Board
- The Managing Director delivered a guest address at the Sri Lanka Economic Summit, Colombo that saw the participation of foreign and local delegates
- The Managing Director addressed a gathering of foreign and local experts, industrialists and politicians at the Colombo Tea Convention, on the celebration of 150 years of the Sri Lankan Tea industry
- Senior Management participates actively as executive committee members in various industrial institutions on a platform of sharing knowledge and experiences
- The Managing Director and Head of HR are guest and visiting lecturers at most prestigious public and private sector higher education institutes
- The Director Corporate Affairs sits on the Tea Board which

comes under the aegis of the Ministry of Plantation Industries and Planters Association of Ceylon

- The Head of HR is an Executive Committee member of the Japan Sri Lankan Technical and Cultural Association (JASTECA)
- Senior Management sit at committee meetings of the Plantation Management Monitoring Division (PMMD) under the Ministry of Plantation Industries.

KVPL'S ONGOING SOCIAL WELFARE PROJECTS

Operations with local community engagements:

GRI *413-01*

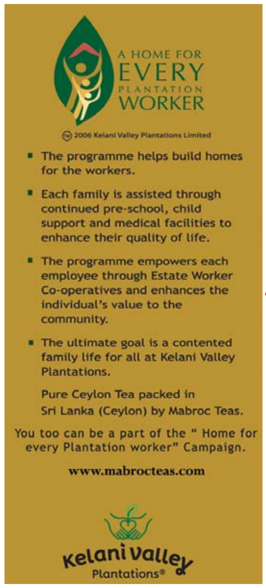
A Home for Every Plantation Worker

A HOME FOR EVERY PLANTATION WORKER

TM 2006 Kelani Valley Plantations Limited

Logo of the 'A Home for Every Plantation Worker' project

KVPL's main CSR project – A Home for Every Plantation Worker was launched in 2006. The project is deployed across all 26 KVPL estates. It is funded by KVPL through an annual budgetary allocation and also Rs. 1.50 from every kilo of single origin leafy tea sold.



Rs. 1.50 per kilo sold

'A Home for Every Plantation Worker' Charity Fund

The project is constructed on the four primary pillars of:

- **Living environment**
- **Health and nutrition**
- **Community capacity building**
- **Empowerment of youth**

GRI *203-1*

Activities Under Living Environment (Units)	2018/19
New housing units built	183
Reroofing	50
Electrification (No. of housing units)	173
Water schemes	7
New toilets (units)	158
Playgrounds	6
Upgraded staff quarters	5
Community centres	1
Factory rest rooms	6
Field rest rooms	8
Child development centres	5
Land extent granted as perches	1,310.10
Access roads (km)	18.35

Activities Under Health & Nutrition	2018/19
Dental clinics	22
Dengue awareness programmes	179
Eye clinics	197
AIDS awareness programme	88
TB awareness programme	69
Oral cancer programmes	155
Cataract removal surgeries	188
No. of spectacles provided to community	531
Logistic support for the patients (km)	9,585

Activities Under Community Capacity Building	2018/19
Street dramas	10
Alchohol prevention programmes	49
No. of individuals who have taken loans	6,422
Household cash management programmes	72
Loan amount (Rs.)	78,509,945
Deposites accepted (Rs.)	26,316,419

Activities Under Youth Empowerment	2018/19
Training for small business management	22
Bridal and beauty care programmes	1
Home gardening programmes	88
English classes	586
Computer classes	23
Vocational training - self-employment	43

CHILD AND MATERNAL WELFARE PROGRAMMES

Support groups have been formed for the benefit of mothers in collaboration with other Government and private donors to enhance child care, pregnancy, health and nutrition among estate communities.

CHILD POLICY

Save the Children.

A Child Policy, in line with the UNGC's fifth principle for the abolition of child labour, has been introduced across KVPL estates, 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 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 labelled "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
- Establishing feeding corners in creches

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:

- Ensuring 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 between 15 to 18 years
- Disciplinary procedures are aligned with international norms

DRINKING WATER PROJECT

A project to provide clean water for drinking, implemented in the Glassaugh and Edinburgh Estates in collaboration with the Berendina foundation, contributes directly towards health and sanitation of estate families and in particular the health of infants and children.

PERSONAL ADVANCEMENT AND CAREER ENHANCEMENT (P.A.C.E) FOR ESTATE RESIDENTS

The PACE project, which is funded by Chrysalis, promotes the empowerment of women estate residents through targeted educational training programmes that cater specifically for the unique challenges faced by estate women in their daily life. The expectation is that the knowledge imparted through the programme would enable women to make informed quality decisions that would cascade to the entire family units. The educational programmes cover the topics of Problem Solving and Decision Making (PSDM), Time and Stress Management (TSM) and Water Sanitation and Hygiene (WASH). We are pleased to report that 209 participants from four estates have successfully completed the training programme, which will contribute towards the overall wellbeing of estate families.

EDUCATIONAL SUPPORT

KVPL makes a significant contributions towards the future advancement of estate communities through a whole range of programmes supporting the education of the next generation of estate youth. We believe better educated communities will be an asset not only to the Company, but to the entire country through greater economic and social contributions. We believe educational opportunities will also contribute towards alleviating the social stigma attached to estate communities and estate work.

KVPL regularly provides scholarships for children of employees to support higher education aspirations. We are proud to report that within the estate community, we now have qualified doctors, engineers, accountants, teachers and other professionals.

The Company has established E-Learning Centres in estates to enhance the IT skills of plantation youth. Exposure to ICTs can open up better employment prospects for the next generation within and without the plantation sector and support the progress of estate communities.

KVPL has also granted estate lands to build schools in some estates, which has made it easier for plantation children to obtain an education. Previously, children had to travel long distances to school, which is both tiring and sometimes dangerous.

Social and Relationship Capital

Chemical Spraying

Training on occupational safety

Crèche upgrading

Dengue awareness programmes

OTHER SOCIAL DEVELOPMENT PROGRAMMES

In addition to the above, KVPL engages in many other social welfare projects through its estate community welfare budget and through CSR partners. These projects are listed below

- KVPL supports the Government's Maganaguma and Divinaguma programmes
- Tree planting
- Crèche upgrading in the Hatton region
- Biodiversity conservation project
- Expertise knowledge on biodiversity
- Bamboo planting
- Human development (medical, housing and infrastructure)
- Watershed management
- Chemical handling
- Training on occupational health and safety
- Dengue awareness programmes
- Free feeding programmes for pregnant and lactating mothers
- Household cash management programmes
- Supporting plantation workers obtain national identity cards
- Alcohol prevention programmes

HIGHLIGHTS OF KVPL SOCIAL WELFARE ACTIVITIES OF 2018/19

183	new houses were constructed
1310.1	perches were granted towards the living environment
158	new toilets were constructed
173	houses gained electrication
8	field rest rooms and **7** factory rest rooms were established
269	health camps were conducted
4744	de-worming programmes were conducted
1075	iron supplementary programmes were conducted
179	dengue awareness programs were conducted
586	English classes were conducted
43	Self-employment programmes were conducted
22	training programmes were conducted for small business management

SOCIAL CAPITAL RISKS AND OPPORTUNITIES

Risk: A significant percentage of youth is without proper employment but prefer non plantation employment.

Opportunities: Emerging tendency of educated youth within the plantation community to seek suitable employment opportunities within staff and management capacities.

RELATIONSHIP CAPITAL

Customer relationship management

Managing customer engagements and building long-term relationships are essential for economic sustainability of the Company. During the year, a number of initiatives were introduced to strengthen customer engagement:

- Displayed major CSR activates on KVPL website to raise awareness about KVPL's social welfare model
- The logo and branding of our flagship social welfare project, A Home for Every Plantation Worker, was displayed in all quality tea products
- We have facilitated end consumer participation in our CSR initiatives by transferring Rs. 1.50 from every kilo of our single origin tea range sold, to the charity fund, which is used to finance social welfare projects.

Shareholder relationship

We are committed to create sustainable value for our shareholders by providing attractive returns on investments.

- Our shareholders are given the best returns under the Company's value per share policy.
- Suppliers have been loyal since the day the Company began operations in 1992.

Significant achievements

KVPL maintained its position as a premier producer of tea in Sri Lanka with an impressive record of social welfare projects to support its ethical corporate image, despite the extremely challenging external environment experienced during the year. Some of the accolades for KVPL's sustainability initiatives are listed below.

- KVPL's CSR strategy - a Home for Every Plantation Worker, was recognised as Sri Lanka's best 7-CSR strategies at JASTECA CSR Awards Ceremony 2019
- Overall Bronze award at the JASTECA Awards 2019, organised by the Japan Sri Lanka Technical & Cultural Association (JASTECA)
- Gold winner at National Social Dialogue & Workplace Cooperation Awards organised by the Ministry of Labour Relations
- Featured in the UNGC Best practice Booklet, 'Globally Positioning Sri Lanka's best CSR Initiative'
- CSR Asia has selected this model as a case study for the development of training material for the UNGC's learning programmes
- The Global Compact Network's Asia-Pacific webpage illustrated the KVPL case study as a model for other corporates
- Selected for a case study by the School of Human Resources & Labour Relations, Michigan State University; the research developed is now in progress
- Research students at PIM Sri Jayewardenepura selected KVPL's CSR strategy as case studies for their Masters and MBA theses.

Overall Bronze award at the JASTECA Awards 2019

ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES GRI 416-1

Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.

Annual injury rate - 0.2%
Annual lost day rate - 0.2%

Incidents of non-compliance concerning the health and safety impacts of products and services **GRI** *416-02*

KVPL observes strict standards and controls on food safety in its production. There were no incidents of non-compliance concerning the health and safety impacts of products and services during the year.

Political contributions

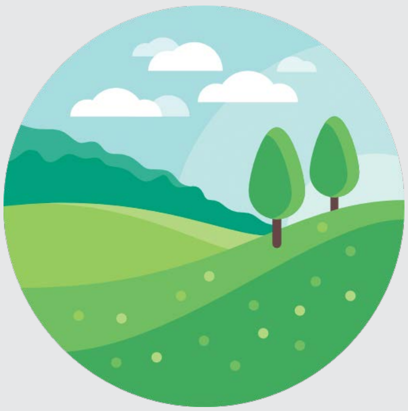
GRI *415-01*

As a policy KVPL does not make any political contributions to any local political party or person and also does not make political contributions to any foreign political party, person or affiliate.

Non-compliance with laws and regulations in the social and economic area **GR***I 419-1*

The KVPL is a highly-compliant organisation and has systems in place to ensure full and timely compliance with all applicable social and economic regulations. We did not face any fines or penalties for non-compliance of any such laws during the year.

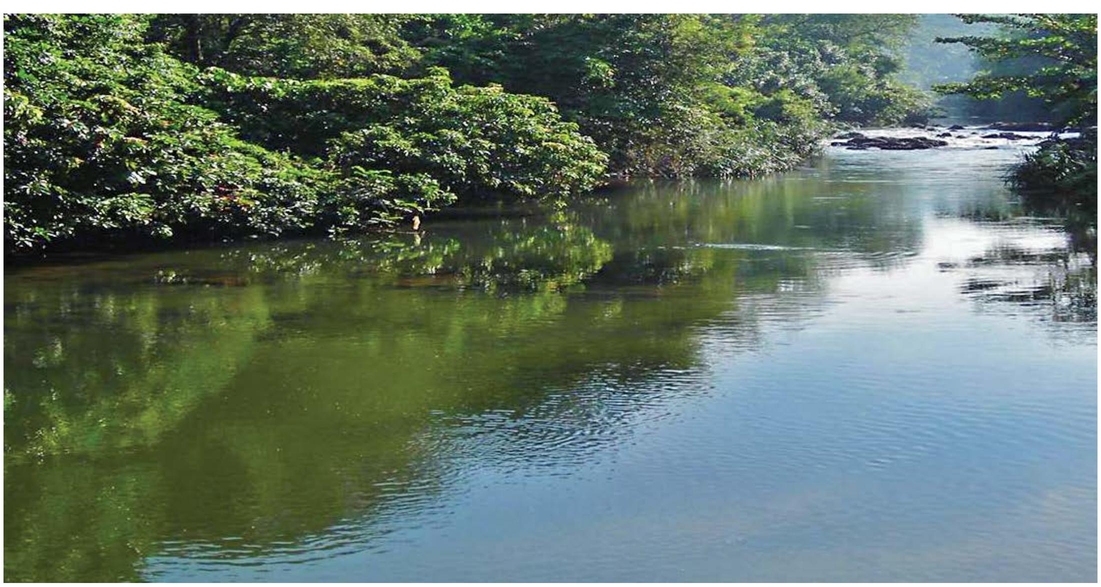
NATURAL CAPITAL



Vision

To be the most environmentally-sensitive tea and rubber producer of the world

KVPL IS COMMITTED TO CONSERVING THE ENVIRONMENT FOR FUTURE GENERATIONS BY ALIGNING ITS PLANTATIONS, IN COMPLIANCE WITH LEGAL AND VOLUNTARY INTERNATIONAL ENVIRONMENTAL MANAGEMENT PRINCIPLES.



KVPL's sustainability programmes are aligned to national environmental laws, regulations, standards and policies, and also international environmental accreditations, such as, the Rainforest Alliance Sustainable Agriculture Certification (RA), Ethical Tea Partnership (ETP) and UTZ certification.

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 our employees whilst creating a framework to continually improve the system

In line with the environmental policy, the Company has developed a comprehensive Environmental Management System (EMS) through which environment strategies and programmes are implemented to focus mainly on the management of materials, energy, water, waste, soil health and habitats.

KVPL's sustainability programmes are aligned to national environmental laws, regulations, standards and policies, and also international environmental accreditations, such as, the Rainforest Alliance Sustainable Agriculture Certification (RA), Ethical Tea Partnership (ETP) and UTZ certification.

STRATEGIC PATHWAY

Goal

- Material Management
- Energy Management
- Water Management
- Waste Management
- Habitat Conservation

Strategy

- Reduce material usage
- Reduce GHG emission by tree planting
- Improve the efficiency and effectiveness of energy usage
- Maintain quality drinking water
- Increase recycling of solid waste
- Maintain soil nutrient and reduce erosion

Approach

- Compliance with company policies
- Compliance with policies of certification bodies
- Compliance with national environmental laws and regulations

CHANGES TO NATURAL CAPITAL

	2018/19	2017/18	% change
Expenditure on environmental responsibility/ conservation projects (Rs.)	57,041,151	106,916,312	(47%)
Energy cost (Rs.)	110,264,814	107,457,617	3%
Water usage (L)	99,464,704	95,037,209	5%
Carbon footprint	5,711	5,248	9%
Generation of hydropower	12,379,870	10,076,266	23%
Water treatment (L)	110,312,659	100,750,540	9%

Expenditure on environmental conservation shows a sharp 47% decline during the current financial year compared to the previous year. However, this is due to the construction of an effluent treatment plant in the previous financial year which resulted in a sharp spike in environmental expenditure for the financial year 2017-18. During the year under review, we maintained our focus on environmental conservation through a range of ongoing initiatives to conserve water and energy usage and investments in water treatment and renewable energy.

For the current financial year, our carbon footprint has increased by 9% as the fuelwood consumption is high and the amount of waste dumped taken into account in this year while it was excluded in last financial year. Although we have experienced a marginal 3% increase in energy costs, renewable energy contribution from hydropower has increased by 23%. Water usage has increased by 5% against the previous financial year. However, we have also increased the volume of water treated by 9%.

Natural Capital

HIGHLIGHTS 2018/2019

5,711T GHG Emission	**12,463,912 kWh** Hydropower generation	**99,464,704 L** Water usage	**110,312,660 L** Water treatment
1.01 kWh/kg Electrical intensity - Tea	**2,905,338 kg** Fertiliser usage	**0** Insecticide use	**114,009 units** Solar power
0.35 kWh/kg Electrical intensity - Rubber	**2,048 Ha** Conservation area	**1,535** Fuelwood planting	**1,550** Native and shade tree planting

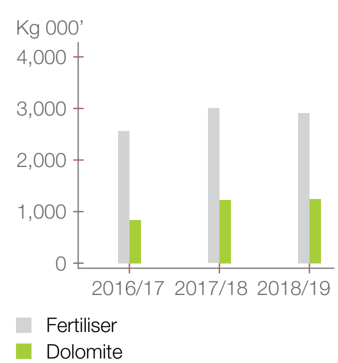
MATERIAL MANAGEMENT

Since 2014, the Company has committed to a 2% year-on-year reduction in the use of agrochemicals, fertiliser and dolomite applied to soil and crop. The renewable components of manufacturing are green leaf, latex and packing materials (paper bags). Non-renewable inputs are fertiliser, dolomite, and agrochemicals in liquid and solid form. KVPL goes beyond the minimum requirements established by the Tea Research Institute and Rubber Research Institute in using agrochemicals and has established our own standards in a bid to align with globally-accepted sustainable agriculture standards. Our renewable and nonrenewable material usage is presented below.

Materials Used by Weight or Volume **GRI** *301-01,* **SDG** *12, 13,* **UNGC** *07, 08*

Type of material	Non-Renewable Material Used			
	Unit	2018/19	2017/18	2016/17
Fertiliser	Kg	2,905,338	3,005,209	2,555,659
Dolomite	Kg	1,241,688	1,223,178	833,079
Agrochemicals (liquid form)	L	5,351	9,527	11,509
Agrochemicals (solid form)	Kg	5,477	1,802	6,601

Fertiliser and Dolomite Used in Soil



Type of material	Renewable Material Used			
	Units	2018/19	2017/18	2016/17
Bought leaf	kg	4,551,815	4,324,607	3,923,676
Estate leaf	kg	17,829,148	19,005,563	16,003,633
Total green leaf	kg	22,380,963	23,330,170	19,927,309
Bought latex	kg	183,317	199,294	232,728
Estate latex	kg	2,710,114	2,736,950	2,777,454
Total latex	kg	2,893,431	2,936,244	3,010,182
Packing materials	Nos.	104,873	71,356	87,441
Firewood	m3/Cubes	81,456	38,614	29,433

Improvements to Material Management

Compost project

In January 2018, KVPL initiated a compost project to increase the use of renewable materials (biodegradable fertiliser) in our estates. The objective is to reduce the use of chemical fertiliser and to increase the carbon percentage in the soil. As at 31 March 2019 we purchased 757 tonnes of compost. Within its short operational period, the initiative has proven to be extremely successful in a sustainability context, providing a high level of non-toxic soil nutrition. Based on the effectiveness of the composting project it was recognised at the Chairman's Awards with a Merit award.

Drone Spraying

In a pioneering initiative, KVPL has successfully piloted a drone spraying programme in up country estates, which reduces wastage and increases efficiency of spraying. The aerial robotic vehicles provide consistent, dependable spraying services at an effective cost. Quality control and reporting of efficiency metrics through GPS tracking, including path flown, plant coverage, and spray utilisation show farmers and senior managers that their plantations are fully covered. The pilot projects clearly demonstrated significant efficiency gain compared to manual backpack-spraying.

ENERGY MANAGEMENT

Reduction of energy consumption **GRI** *302-04,* **SDG** 0*7, 08, 12, 13,* **UNGC** *08, 09*

The tea sector is an energy intensive industry. However, KVPL has initiated a number of mechanisms to reduce energy consumption. This includes harnessing renewable energy from hydropower, solar power and biomass.

KVPL hydropower projects in the estates of Glassaugh, Kalupahana and Batalgalla utilise the available water streams and strong currents in producing Electricity.

Hydropower Generation	2018/19 units (kWh)	2017/18 units (kWh)
Kalupahana	2,524,652	2,330,002
Glassaugh	9,853,816	7,644,754
Batalgalla	85,444	101,520
Total	12,463,912	10,076,276

A solar power project has been implemented at the Dewalakande factory in order to incresed the reneweble energy usage of the Company. The rooftop solar system is an investment of Rs. 21.2 m with the system capacity of 165.1kWp, generating 18,810 kWh per month.

Natural Capital

Biomass boilers have been installed to meet part of the energy requirements of the tea drying and withering processes. Biomass boilers, which use non-viable rubber wood from the Company's own rubber plantations, provide 95% of the total energy requirements of the tea drying and withering process. The Company plants blocks of new fuelwood to obtain a regular supply of fuel wood. In addition, KVPL maintains three plant nurseries for a regular supply of fuelwood plants.

Dewalakande roof top solar project

VFD use in Factories

OTHER ENERGY REDUCTION INITIATIVES

Exploring all avenues of conservation, the Company has a policy of using LED bulbs that consume lower levels of energy compared with conventional bulbs. Investing in energy efficient machinery and equipment including capacity banks and Variable Frequency Drivers (VFD) in factories also helps conserve energy. Recently, 77 VFD units were installed in nine factories in Annfield, Ederapolla, Fordyce, Halgolla, Ingestre, Kelani, Nuwara Eliya, Pedro and Udaradella at an investment of Rs. 11.5 m.

VFD in factories also helps conserve energy. Recently, 77 VFD units were installed in nine factories in Annfield, Ederapolla, Fordyce, Halgolla, Ingestre, Kelani, Nuwara Eliya, Pedro and Udaradella at an investment of Rs. 11.5 m.

ENERGY CONSUMPTION WITHIN THE ORGANISATION **GRI** *302-01,* **SDG** *07,08,12, 13,* **UNGC** *07, 08*

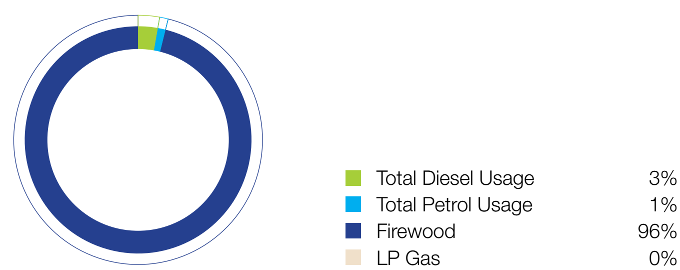
Direct Energy Consumption

Energy Source	Amount (GJ)		
	2018/19	2017/18	2016/17
Total diesel usage	11,791	11,612	15,039
Total petrol usage	1,604	1,592	1,053
Firewood	330,917	156,868	119,572
LP gas	407	398	1,192

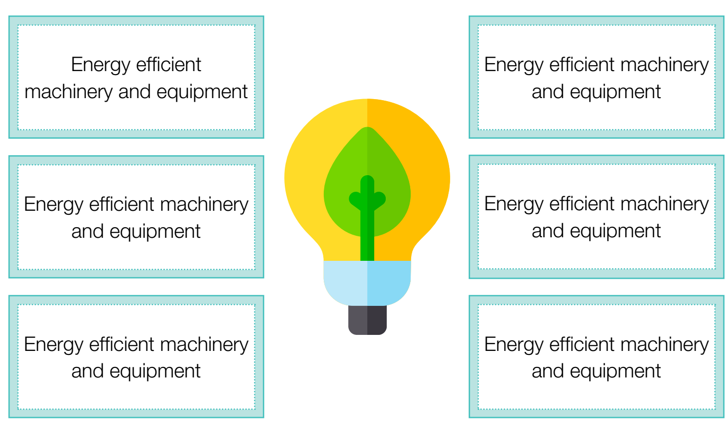
Electricity Consumption

Location	Amount of energy Consumed in 2018/19 GJ	Amount of energy Consumed in 2017/18 GJ	Change in energy use
Factory	17,723	18,589	(866)
Office	150	158	(5)
Bungalow/s	542	515	27
Quarters	1,307	1,498	(191)
Others	323	400	(77)
Total energy consumption from Indirect energy sources (GJ)	20,044	21,160	(1,115)

Energy Source 2018/19



DIRECT AND INDIRECT ENERGY CONSUMPTION MANAGEMENT



WATER MANAGEMENT

As a custodian of large extents of flora and fauna, KVPL understands the importance of protecting essential, life-sustaining watersheds. Therefore, the Company has a formal policy for watershed management, to protect all water sheds and water resources within Company lands. In this regard, 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 estates and waste water generated from processing centers by independent laboratories to assess effectiveness of existing systems and to develop further improvements.

In compliance with RA and UTZ certification, KVPL has mapped all water resources within its estates. The Company invests in regular maintenance work on the water distribution network and has installed waste water treatment plants in rubber processing centres to prevent leakage of waste water and sewage into water bodies. Septic tanks are not installed in flood-prone areas as a precaution and corrective action is taken immediately, if water quality is negatively affected.

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 at Glassaugh and Edinburgh Estates.

Under the projects carred out in coloboration with Save the Children projects, a fence has been erected for a water reservoir at the Nuwara Eliya Estate.

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	99,464,703.75 L
Monthly average rainfall	284.90
No. of wet days	181

SOIL CONSERVATION

KVPL takes all recommended measures to control soil erosion with in its boundary. However, the uprooting process presented some sustainability challenges with regards to soil conservation as the process is outside the Company's control due to the activity being outsourced on contract basis. Therefore, during the current financial year, this activity was also aligned with the KVPL sustainability model by signing a contract with a supplier who takes into account the sustainability aspects of uprooting. An environmental impact assessment will also be conducted with mechanisms to check on progress.

Under FSC requirements, KVPL has implemented soil erosion measuring and mitigation actions including cover crop planting and constructing drains. Further company is expected to improve soil quality by the compost project implemented in the year under review.

BIO DIVERSITY

As a policy, KVPL replants bare lands. The Company has also commissioned an in-depth study on biodiversity within its lands and a high value conservation area assessment which undertaken a comprehensive inventory of all its biological assets. A GPS mapping progamme has mapped out the conservation areas, forest reserves, timber blocks, water ways, and marginal areas that can be planted with native species in addition to the present plantation crops.

In addition the Company plants bamboo and kumbuk plants on river banks and plants trees in identified water catchment areas.

Timber census

A timber census was conducted with the assistance of the Forest Department and the Environmental Authority to identify trees to be thinned out. Before the culling, approval of the NBRO (National Building Research Organisation) was obtained, to ensure that no damage was caused to the soil. Thinning out of trees was avoided in steep hill slopes prone to landslides, adjacent to waterways and biodiversity conservation areas.

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas **GRI** *304-01,* **SDG 0***6, 15,* **UNGC 0***8*

CONSERVATION AREA (HA)

Forest	1,501.61
Marsh land	180.09
Rock area	266.93
Watersheds	83.10
River/water sources & relevant land area	15.95
Total (ha)	2,047.68

EMISSIONS

RS.12 M WAS SPENT ON HABITAT CONSERVATION AND PREVENTION AND ENVIRONMENTAL MANAGEMENT

NATIVE AND SHADE TREES PLANTED- 1,550

In the current year, KVPL recorded the carbon footprint of 25 estates located in Nuwara Eliya, Hatton and Yatiyantota, covering an area of 13,128 hectares, employing 9,488 people. We will continue to measure and manage our carbon footprint to become a net zero GHG emitting entity and to minimise the environmental impact of business operations in accordance with the ISO 14064-1:2006 standard.

GHG EMISSIONS (TCO2E)

Direct (Scope 1) GHG emissions, Energy indirect (Scope 2) GHG emissions, Other indirect (Scope 3) GHG emissions, Reduction of GHG emissions

GRI *305-01, 305-02, 305-03, 305-05,* **SDG 0***3, 12,13 15* **UNGC 0***7,08*

Scope	2018/19 (tCO2e)	2017/18 (tCO2e)	Reduction of GHG emissions (tCO2e)
Direct (Scope 1) GHG emissions	1,966	1,596	369.62
Energy indirect (Scope 2) GHG emissions	3,165	3,286	(121.23)
Other indirect (Scope 3) GHG emissions	581	366	214.78
Total GHG emissions	5,711	5,248	463.16

Scope 1: Consumption of diesel, petrol, LPG, sustainable biomass, fertiliser (dolomite and urea)

Scope 2: Electricity usage from CEB

Scope 3: Electricity transmission and distribution losses, waste disposal, business air travel

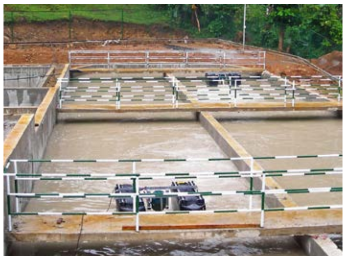
Exclusions: CO2 fire extinguishers, refrigerant, employee commuting, raw material transport, third party transport, compost

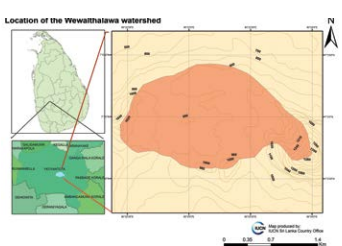
KVPL invest on reforestation, solar power projects and hydropower projects as carbon sinks and to reduce the GHG emission

GHG SAVING FROM HYDRO AND SOLAR POWER GENERATION - 7,149.29 TCO2

EFFLUENTS AND WASTE MANAGEMENT

KVPL's rubber processing factories are equipped with Central Environmental Authority (CEA) approved effluent treatment plants. The Company is also establishing soak pits to filter waste water before releasing it to the environment.





KVPL INTEGRATED WASTE MANAGEMENT MECHANISM

Under this system employees and estate communities are encouraged to practice waste segregation, waste collection and composting techniques for degradable waste. Empty chemical containers used in estates are sent for recycling and training and awareness programmes are conducted to promote eco-friendly practices among employees.

WASTE BY TYPE AND DISPOSAL METHOD

GRI *306-02,* **SDG** 03*, 12,* **UNGC** 08

Type of waste (non hazardous)	Weight Kgs	Disposal method
Bio degradable waste	14,595	Dumping
Non-bio degradable waste		
Glass	818	Onsite storage
Paper	1,557	Recycling
Polythene	1,674	Recycling
Hazardous waste (medical waste)	214	Incineration
e-waste	322	On site storage
Bulbs	425	On site storage
Empty chemical cans	1,347	Recycling

TREE PLANTING INITIATIVE

Compny launched a 1 m tree planting project with Rotary Club Sri Lanka with intention of supporting the Green Sri Lanka project.

CERTIFICATIONS AND COMPLIANCE

KVPL complies with a range of internationally-recognised environmental social standards. These include the RA, UTZ, HACCP, GMP, FSC and ETP.

BIODIVERSITY SRI LANKA

In addition, the Company is an active member of Biodiversity Sri Lanka and has made commitments under the UN Global Compact and UN Sustainable Development Goals.

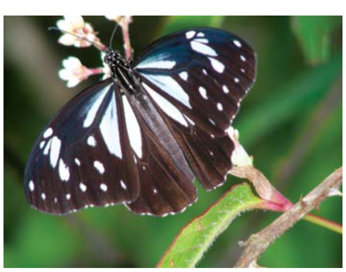
AWARDS AND ACHIEVEMENTS

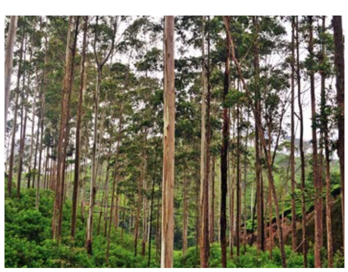
During the year KVPL won a number of awards for environmental initiatives.

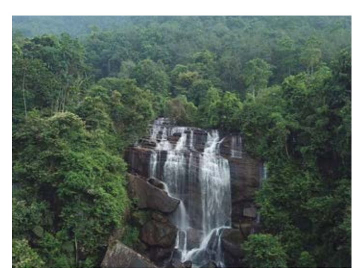
- The Silver Award for Excellence in Environmental Sustainability at the National Business Excellence Awards 2018
- The Merit Award for the Urban Waste Compost project at the Chairman's Awards

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.







KVPL PROVIDES PURIFIED WATER TO ESTATE WORKERS' HOMES

KVPL supported the UNGC-CEO Water Mandate, to contribute towards improving water and sanitation levels and support Child Development Centers at estates in the Hatton region. Under the CEO Water Mandate, the World Bank has pledged support for infrastructure for purified drinking water in two estates and to build essential sanitation facilities covering all the families.

GRI INDEX TABLE

GRI *102-55* **GOVERNANCE AND RISK**

GRI Disclosure	Description	Report Section	Page Number(s)
GRI 102: GENERAL DISCLOSURES			
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102-2	Activities, brands, products, and services	Corporate Profile	08
102-3	Location of headquarters	Corporate Information	257
102-4	Location of operations	Revenue Distribution Local & Global	04
102-5	Ownership and legal form	Corporate Profile & Corporate Information	08, 257
102-6	Markets served	Our Land & Corporate Information	06,257
102-7	Scale of the organisation	Corporate Profile & Financial Capital	08, 65
102-8	Information on employees and other workers	Human capital	88
102-9	Supply chain	Strategy and Focus	51
102-10	Significant changes to the organisation and its supply chain	Strategy and Focus	51
102-11	Precautionary Principle or approach	Corporate Profile	08
102-12	External initiatives	Corporate Profile Intellectual Capital	08, 84
102-13	Membership of associations	Corporate Profile & Social Capital	08,98
102-14	Statement from senior decision-maker	Chairman's Message & Managing Director's Message	30, 33
102-16	Values, principles, standards, and norms of behavior	Corporate Profile Corporate Governance	08,09, 120
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance	120, 124
102-18	Governance structure	Corporate Profile Corporate Governance	120,123
102-19	Delegating authority	Corporate Governance	123
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102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance	140
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102-51	Date of most recent report	Report Profile	03
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102-53	Contact point for questions regarding the report	Report Profile	03
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103-1	Explanations of the material topics and it's boundary	Materiality Assessment	44
103-2	The Management approach and it's components	Materiality Assessment	44
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103-2	The Management approach and it's components	Materiality Assessment	44
103-3	Evaluation of the Management approach	Materiality Assessment	44
305-1	Direct (Scope 1) GHG emissions	Natural Capital	110
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305-3	Other indirect (Scope 3) GHG emissions	Natural Capital	110
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103-1	Explanations of the material topics and it's boundary	Materiality Assessment	44
103-2	The Management approach and it's components	Materiality Assessment	44
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103-3	Evaluation of the Management approach	Materiality Assessment	44
307-1	Non-compliance with environmental laws and regulations	Natural Capital	111
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103-2	The Management approach and it's components	Materiality Assessment	44
103-3	Evaluation of the Management approach	Materiality Assessment	44
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103-2	The Management approach and it's components	Materiality Assessment	44
103-3	Evaluation of the Management approach	Materiality Assessment	44
403-2	Types of injury and rates of injury	Human Capital	91
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103-1	Explanations of the material topics and it's boundary	Materiality Assessment	44
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GRI Disclosure	Description	Report Section	Page Number(s)
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103-2	The Management approach and it's components	Materiality Assessment	44
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407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Human Capital	89
GRI 408: CHILD LABOR			
103-1	Explanations of the material topics and it's boundary	Materiality Assessment	44
103-2	The Management approach and it's components	Materiality Assessment	44
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408-1	Operations and suppliers at significant risk for incidents of child labor	Strategy and Focus	44
GRI 409: FORCED OR COMPULSORY LABOR			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Strategy and Focus	44
GRI 413: LOCAL COMMUNITIES			
103-1	Explanations of the material topics and it's boundary	Materiality Assessment	44
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103-3	Evaluation of the Management approach	Materiality Assessment	44
413-1	Operations with local community engagement, impact assessments, and development programs	Social Capital	99
GRI 415: PUBLIC POLICY			
103-1	Explanations of the material topics and it's boundary	Materiality Assessment	44
103-2	The Management approach and it's components	Materiality Assessment	44
103-3	Evaluation of the Management approach	Materiality Assessment	44
415-1	Political contributions	Social capital	103
GRI 416: CUSTOMER HEALTH AND SAFETY			
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416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Social capital	103
GRI 419: SOCIOECONOMIC COMPLIANCE			
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Section 2.3	Major markets and organisation's role and position Report profile	Report Profile
Section 2.4	Major sites and operations (production places)	Report Profile
Section 2.5	Legal organisation – including ownership, and subsidiary details	Corporate Profile
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Section 5.2	Basis for identification of stakeholder groups	Strategy and Focus
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Section 3.4	Boundaries and limitations	Strategy and Focus
Section 3.2	Reporting scope	Strategy and Focus
Section 3.1	Reporting period	Report Profile
Section 3.1	Reporting period	Report Profile
Section 3.3	Reporting entity	Report Profile
Section 3.2	Reporting scope	Report Profile
Section 3.5	Assurance; scope and basis for the external assurance of the Report	Report Profile
Section 6	Management approach Brief overview of the organisation's management approach to the aspects defined under each category of indicators 1.1 Profit/Economic 1.2 Planet/Environmental 1.3 People/Social	Strategy and Focus

Ngrs Index	Description	Report Section
ECON 1	Direct economic value generated	Financial capital
ECON 2	Coverage of the organisation's defined benefit plan obligations	Statement of Comprehensive Income
ECON 5	Development and impact of infrastructure investment and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement	Financial capital
ENVT 1	Materials used by weight or volume	Natural Capital
ENVT 3	Direct energy consumption by primary energy source	Natural Capital
ENVT 7	Initiatives to reduce indirect energy consumption and reductions achieved	Natural Capital
ENVT 8	Total water withdrawal by source	Natural Capital
ENVT 11	Location and size of land owned, leased or managed in, or adjacent to protected areas or areas of high biodiversity value outside protected areas	Our Land Natural capital
ENVT 13	Total direct and indirect GHG emissions by weight	Natural Capital
ENVT 14	Initiatives to reduce greenhouse gas emissions and reductions achieved	Natural Capital
ENVT 17	Total weight of solid waste by type and disposal method	Natural Capital
ENVT 22	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Natural Capital
SOCL 1	Total workforce by employment type, employment contract, and region	Human Capital
SOCL 2	Total number and rate of employee turnover by age group, gender, and region	Human Capital
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SOCL 7	Average hours of training per year per employee by employee category	Human Capital
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CORPORATE GOVERNANCE

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 behaviour 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 a 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 by The Institute of Chartered Accountants of Sri Lanka and the Listing Rules on Related Party Transactions issued by the Colombo Stock Exchange.

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 may be by any Director or any member of the Corporate Management of KVPL.

A M Pandithage
Chairman

CORPORATE GOVERNANCE

GRI *102-22*

GOVERNANCE AND RISK

Corporate governance is the system, by which an organisation is directed, controlled and managed. The corporate governance 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 values accountability, participation, fairness, transparency, personal and corporate integrity and mutual respect.

The corporate governance framework at Kelani Valley Plantations plays a vital role in order to achieve a sustainable growth. Focusing only on economic efficiency does not ensure sustainable outcome. Therefore we endeavour to ensure ethical business practices while maintaining the trust placed by our stakeholders.

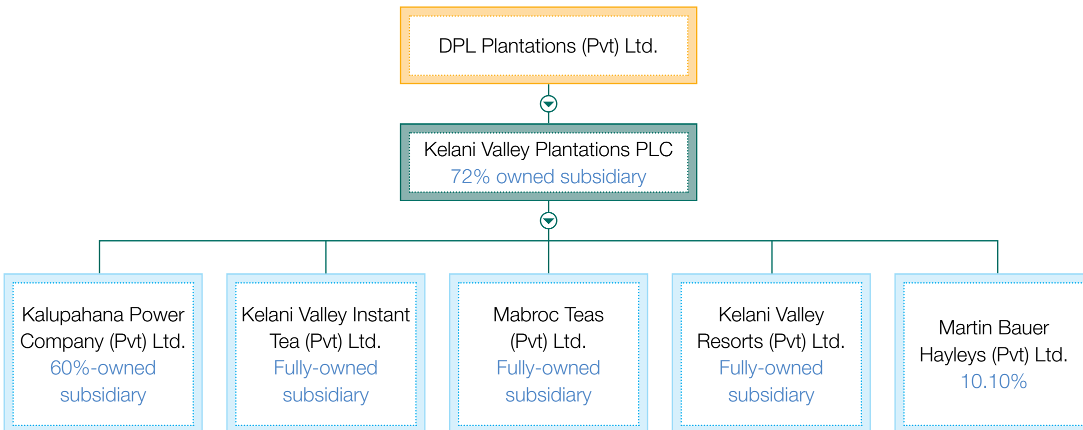
KVPL confirms that it is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules applicable to the businesses of the Company. Further, the Company's practices are in line with the Code of Best Practices on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (ICASL).

OWNERSHIP

Kelani Valley Plantations PLC (KVPL) is a member of the Hayleys 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) 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 global markets. The latest addition, Kelani Valley Resorts (Pvt) Ltd., operates the Oliphant Boutique Bungalow, which is a fully-owned subsidiary of KVPL.

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.

KVPL has diluted its investment to 10.10% in Martin Bauer Hayleys (Pvt) Ltd. [formerly known as Hayleys Global Beverages (Pvt) Ltd.] and consequently its reporting status of 'investment in equity accounted investee' has ceased and recognised Rs. 205 m as a gain on disposal of equity accounted investee.



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 2017, 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.

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 by The Institute of Chartered Accountants of Sri Lanka (ICASL).

Corporate Governance

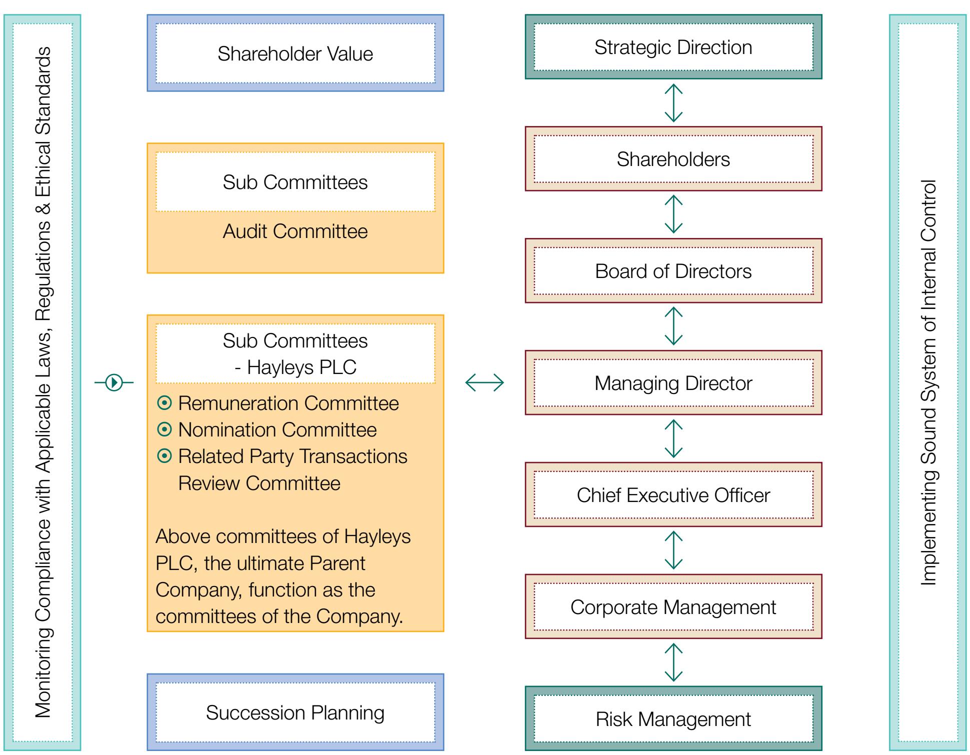
The Names of the Board of Directors and their attendance at meetings

Name of Director	Director Category	09/05/ 2018	30/07/ 2018	Special Board Meeting 16/10/ 2018	30/10/ 2018	21/01/ 2019	Attendance
Mr. A M Pandithage	Ex	X	X	X	X	X	5/5
Dr. Roshan Rajadurai	EX	X	X	X	X	X	5/5
Mr. L N De Silva Wijeyeratne	INEx	X	X	X	X	X	5/5
Mr. F Mohideen	INEx	X	X	Overseas	X	X	4/5
Mr. S C Ganegoda	NEx	X	X	x	Excused	X	4/5
Mr. L T Samarawickrama	NEx	X	X	x	X	X	5/5
Mr. C V Cabraal	INEx	X	X	x	Excused	X	4/5
Mr. A Weerakoon (Appointed w.e.f. 01/12/2018)	Ex	-	-	-	-	X	1/1
Dr. K I M Ranasoma (Resigned w.e.f. 01/07/2018)	NEx	Overseas	-	-	-	-	0/1
Mr. S Siriwardena (Resigned w.e.f.15/11/2018)	Ex	X	X	X	X	-	4/4

Ex: Executive, INEx: Independent Non-Executive, NEx: Non-Executive

CORPORATE GOVERNANCE FRAMEWORK **GRI** *102-20,23,24*

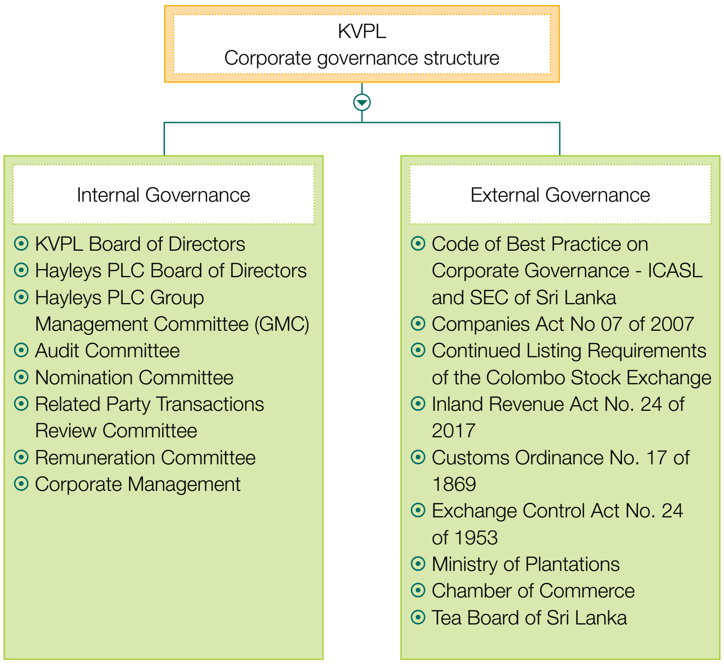
KVPL governance guidelines provide Directors and the Management with a road map of their respective responsibilities. The KVPL governance framework is depicted as follows.



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.

CORPORATE GOVERNANCE STRUCTURE **GRI** *102-18*

The KVPL group governance structure comprises two levels:



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 the organisation's goals.

CORPORATE MANAGEMENT TEAM

Comprising 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.

MONTHLY REVIEW COMMITTEES **GRI** *102-31,34*

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.

Corporate Governance

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 CFOs' Forum of the Hayleys Group enables relevant matters to be debated among the CFOs 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 **GRI** *102-17*

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 jointly by The Securities and Exchange Commission of Sri Lanka and 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. 24 of 2017
- Customs Ordinance
- Exchange Control 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 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 increasingly 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.

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 sixth consecutive year, Messrs. Ernst & Young (EY) 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 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-Blower 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.

Reference to ICASL & 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 with 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.

As at 31 March 2019, the Board consisted of Eight Directors – five 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.

Mr. F Mohideen was appointed as an Independent Director in October 2008 and has completed nine years on the Board. Although, Mr. Mohideen has not met the criteria mentioned in items (g) of Rule 7.10.4 of the CSE Rules to be an Independent Director, to the Board of Directors of the Company is of the opinion that Mr. Mohideen has the capability to conduct himself in an independent and impartial manner on matters deliberated by the Board and that his independence will not be affected by him being a Director for more than nine years.

Accordingly, the composition of the Board as at the end of the financial year and the profiles of the Directors are found on pages 14 and 15 of this report.

Principle A.1 The Board GRI *102-20*
Every public company should be headed by an 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 122 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 seven days prior to the meeting.

Reference to ICASL & 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.

Reference to ICASL & 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 the 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	The Board of Directors recognises the need for continuous training and 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 first appointed to the Board. Training programs 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 where clearly distinguish the power and authority. The Chairman of the Company is also the Chairman of DPL Plantations Limited, DPL 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.

Corporate Governance

Reference to ICASL & 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 into 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 an Executive Director of Hayleys PLC. The Audit Committee Chairman is also a senior Chartered 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	Five out of eight Directors 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 five 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.

Reference to ICASL & SEC Code	Details of Compliance
A.5.3 Independence of Non-Executive Directors COMPLIED	Non-Executive Directors' profiles reflect their calibre 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.
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 Rules 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 resume of all the Directors is available on pages 14 and 15.
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 are not the same person.

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
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.
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 details 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 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 Board meetings by requiring Management to provide comprehensive information including both quantitative and qualitative information for the monthly Board Meetings seven days prior to the Board/Sub-Committee meetings.

Reference to ICASL & SEC Code	Details of Compliance
Principle: A.7 Appointments to the Board GRI *102-24* There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1, A.7.2 Appointment to the Board	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 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	There was one Board appointment made during the financial year. In the event of a new appointment, a brief resume of the Director, nature of his experience and independency is informed to the Colombo Stock Exchange in line with the Listing Rules and disclosed in the Annual Report on pages 150 and 151.
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	The provisions of the Company's Articles require a Director appointed by the Board 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	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.

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
Principle: A.9 Appraisal of Board Performance 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 14 and 15 of this Annual Report. Directors' interests in contracts are given on the page 166 of this report. The numbers of Board meetings attended by the Directors are available on the page 122 of this report. Names of listed companies in Sri Lanka in which the Director concerned serves as a Director is given on pages 14 and 15. Names of the Directors who serve as Chairman or members of Board committees and their attendance are given on page 122.
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 ICASL & SEC Code	Details of Compliance
B. DIRECTORS REMUNERATION	
Principle: B.1 Remuneration Procedure 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	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	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 three Independent/Non-Executive Directors including the 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	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	The 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.

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
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.
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 and 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 have 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.

Reference to ICASL & SEC Code	Details of Compliance
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.
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.

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
C. RELATIONS WITH SHAREHOLDERS - Constructive use of the AGM and conduct of General Meetings **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.
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. 7 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.

Reference to ICASL & SEC Code	Details of Compliance
Principle: C.2 Communication with Shareholders GRI *102-21* 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 it has 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	In terms of the CSE Listing Rules, Annual Reports are issued in CD form. 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.

Corporate Governance

Reference to ICASL & 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 shareholders' 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 in 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 resolution at an Extraordinary General Meeting as required.
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. 7 of 2007.

Reference to ICASL & SEC Code	Details of Compliance
D. ACCOUNTABILITY AND AUDIT – Financial and Business Reporting (The Annual Report) GRI *102-29*	
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.	
D.1.1 D.1.2 Balanced and understandable information to shareholders COMPLIED	The Company has presented balanced and understandable Financial Statements which gives a true and fair view quarterly and annually. In the preparation of the Financial Statements, the Company has complied with the requirements of the Companies Act No. 07 of 2007 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 and 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 170,172 and 194 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 166 to 169 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 166); ⦿ 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 167). ⦿ Equitable treatment to shareholders (refer page 168) ⦿ Compliance with best practices of corporate governance (refer page 168) ⦿ 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 169). ⦿ Going concern of the business (refer page 170 and 155 to 165)

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
D.1.5 Statement of Directors' Responsibility, Statement on Internal Controls and Auditors' Report COMPLIED	The Statement of Directors' Responsibilities for the Financial Statements is given on page 172 and Directors' Statement on Internal Controls are given on page 170. The Auditors' Report is available on page 177.
D.1.6 Management Discussion and 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 Management Discussion (page 28 to 29) 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 Extraordinary General Meeting to notify shareholders the remedial action being taken. However such event has not taken place since the adoption of the new Companies Act No. 07 of 2007.
D.1.8 Related party transactions COMPLIED	The Company adheres to the Code of Best Practices on Related Party Transactions which is issued by the Securities and Exchange Commission of Sri Lanka. The Company Secretary keeps records on related party transactions quarterly.

Reference to ICASL & SEC Code	Details of Compliance
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 the Company's objectives	
D.2.1 Monitoring sound system of internal control COMPLIED	The Directors reviews 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 make 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 on pages 160 to 165.
D.2.3 Internal Audit function COMPLIED	The Company has 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 out internal audits according to the annual plan. The internal audit function is also outsourced to leading audit firms according to the annual audit plan.
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.

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
D.2.5 Content of Statement on Internal Controls COMPLIED	Directors' Statement on Internal Controls is given on page 170.
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 consists 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 and 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.
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. The Annual report contains a compliance report of the Audit Committee on pages 177 to 179.

Reference to ICASL & SEC Code	Details of Compliance
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 favourable treatment" than that accorded to third parties in the normal course of business.	
D.4.1 Related Party Transactions 	The Company adheres to LKAS 24 and transactions entered into with related parties during the year are disclosed in Note 29.1 to the Financial Statements.
D.4.2 Composition of Related Party Transactions Committee 	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 Director of Hayleys PLC
D.4.3 Terms of Reference 	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. The RPT Review Committee Report describing the duties, tasks and attendance of the committee appears on page 175.
Principle: D.5 Code of Business Conduct and Ethics Companies must adopt a Code of Business Conduct and 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 behaviour 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 and Ethics 	The Directors and members of the Senior Management team are bound with a Code of Business Conduct and 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 ICASL & SEC Code	Details of Compliance
D.5.2 Process to identify and 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' shareholdings are given on page 167 of the Annual Report of the 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 the 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 and Ethics in the Statement from the Chairman on Corporate Governance on page 120.

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.

Reference to ICASL & SEC Code	Details of Compliance
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 168 under the Annual Report of the Board of Directors on the affairs of the Company.

Reference to ICASL & SEC Code	Details of Compliance
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 dialogue with institutional investors. Impartiality is maintained on shareholder vote at the AGM based on individual holding and weightage.
Principle E.2. Evaluation of Governance Disclosures When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encourage 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 the Company's 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.

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
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.
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.**	
G.1 Cyber security risk by sending and receiving information COMPLIED	The Company has a sound disaster recovery plan to mitigate the risk associated with IT failures due to both internal and external threats. The 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 antivirus 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.

Reference to ICASL & SEC Code	Details of Compliance
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, the 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.
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	The Hayleys IT Security Policy provides a procedure to identify and manage cyber security risk. Manager – Information Technology adheres to the Group policy to manage and control cyber security risk. Include procedure

Corporate Governance

Reference to ICASL & SEC Code	Details of Compliance
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	The Annual Report contains sufficient and relevant information of ESG to assess how risks and opportunities are recognised, managed, measured and reported on pages 161 to 162. The impact of ESG issues are disclosed in the Risk Management Report on pages 161 to 162.
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 on page 97 to 111.

Reference to ICASL & SEC Code	Details of Compliance
H.1.4.1 Governance COMPLIED	The Company has an established governance structure supporting the Company's ability to create value and manage risk at all times on all pertinent aspects of ESG. The Company has well recognised the key resources deployed in the business and financial and non-financial measures are established. The Company identified risk and taken mitigatory actions for the risks which have an impact on the sustainability of the business and are discussed in the Risk Management Report on pages 160 to 165.
H.1.5.1 Board's 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 on pages 97 to 111.

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 Five out of eight 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 five 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 resume of all the Directors are available on pages 16 and 17
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 Directors' 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 New Director/Chief Executive Officer was appointed 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 three 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

Rule no	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
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
7.10.6 (a)	Composition of Audit Committee	⦿ Shall comprise 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 173 and 174
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

Corporate Governance

Rule no	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual Report
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 173 and 174).
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 Re-view 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, functions as the committee of the Company.
9.2.2	Composition	Two Independent Non-Executive Directors and One Executive Director	Compliant	RPT Review Committee Report Annual Report of the Board of Directors

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

Corporate Governance

Rule no	Subject	Applicable Requirement	Compliance Status	Applicable Section in the Annual 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 review Committee** **d) A declaration by the Board of Directors**	Compliant	RPT Review Committee Report. (page 175) Annual Report of the Board of Directors. (page 166)

RISK MANAGEMENT

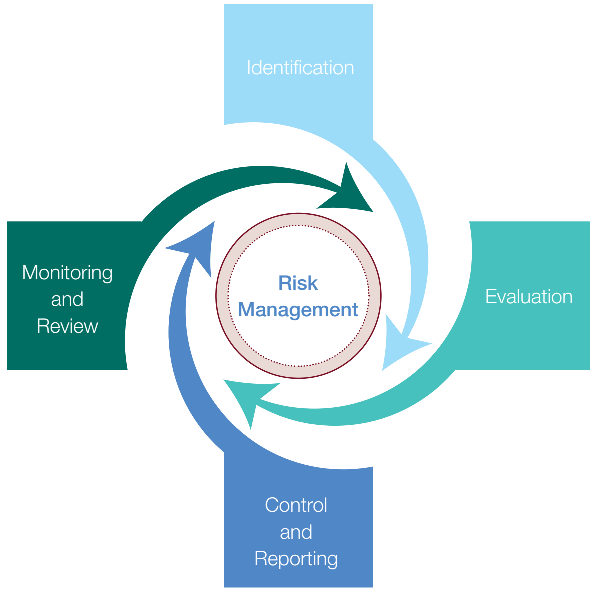
The plantation industry is exposed to high levels of systematic risks influenced by both global and domestic developments. Therefore, KVPL has continually strengthened its Enterprise Risk Management (ERM) process in line with international best practices and has in place a comprehensive enterprise risk management system that extends from the Board of Directors, to each estate of the Company, and to all subsidiaries of the KVPL Group. The overall risk management system is regularly reviewed through internal and external oversight mechanisms described below.

- A separate review team has been established to carry out system reviews in order to ensure the effectiveness and compliance of existing systems and controls. Based on the review findings, necessary feedback will be given to the Head Office, as well as to the estates to take necessary action.
- An independent external risk assessment is conducted by the external auditors who issue a year-end management letter which highlights risks associated with audit findings. Any identified weaknesses in the audit report are immediately rectified to strengthen the risk management system.
- In addition, as a member of the blue chip Hayleys Group, KVPL is subject to strict risk management supervision by the Parent. The Hayleys PLC Audit Division imposes additional oversight through regular involvement in coordinating identification and documentation of controlled risk areas and in improving the effectiveness of the risk management system

RISK MANAGEMENT PROCESS

The range of risks faced by the KVPL Group during the year under review, that have been discussed by the Managing Director in his review, included international geo-politics, market supply and demand risks, pricing risks, risks emanating from changes to national policies, impacts from climate change, labour shortages, and wage negotiations. KVPL's strategy has been risk mitigation rather than avoiding or accepting, by obtaining insurance coverage based on the nature of the business and advice of experts.

The KVPL Group's risk management environment comprise systems and processes to identify, evaluate, control and monitor potential risks.

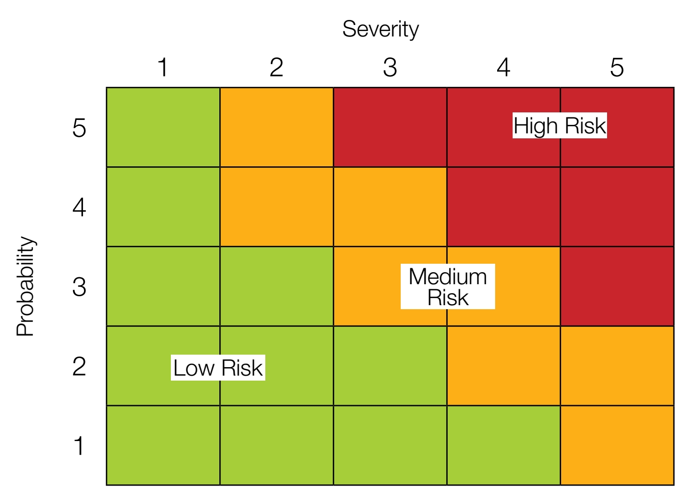


1. Risk Identification

KVPL's risk identification process begins from the estate managers who identify risks within their respective areas. These are presented at the monthly/quarterly meetings for broader analysis to identify possible risks which arise from unique events, as well as more gradual trends.

2. Risk Evaluation

Identified risks are evaluated and ranked as low, medium and high, based on the impact of the risk and the probability.



Probability x Impact = Risk

Risk Management

3. Risk Control and Reporting

The responsibility of developing risk strategies lies with the Managing Director of KVPL and the top Management. The internal control system is utilised to develop the most suitable response strategy whether to accept, reduce and share, or to avoid, the risk, based on the impact and the probability of the identified risk.

- Risk Reporting

  Risk response strategies are presented to the Board of Directors, as well as the Audit Committee, alongside review reports for further analysis. Finalised, approved risk strategies are communicated to the ground level for implementation. At KVPL, there are three components in communication process as,

  - Corporate Level Communication
  - Regional Level Communication
  - Estate Level Communication

- Estate level communication

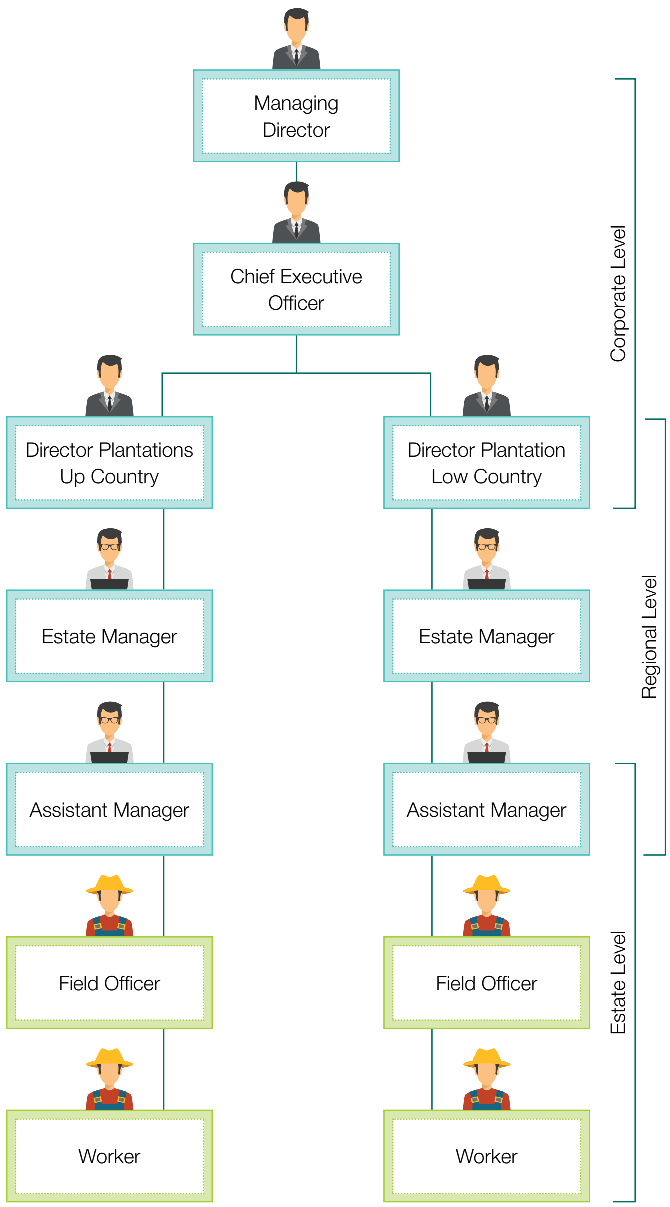
  This is the first step of the communication process.
  Ground level workers and the estate staff raise any issues with the estate manager and the assistant manager regarding their employment, or community, on a special labour day of each week.

- Regional level communication

  This is the middle level of the KVPL communication process. Issues raised by the ground level/ estate level workers, that can't be solved at estate level,are included here and are resolved between the estate manager and the directors of the Company.

- Corporate level communication

  This is the top level of the communication process and is between the Directors, CEO and the Managing Director. They will discuss uncontrollable risks which can't be solved at the ground level of the estates, or at regional level.



4. Risk Monitoring and Review

This final step of the risk management process can be divided into two parts:

- Monitoring:

In this step the Company is expected to evaluate the effectiveness of implemented strategies, such as whether the strategies have brought the expected results by reducing the respective risks within the year. This monitoring process is carried out at different levels of the organisation by different parties.

- Review:

The risk profile is reviewed quarterly and checked to ensure there is no substantial diversion.

RISK PORTFOLIO OF THE KVPL GROUP

KVPL Group has a wide range of risk portfolio as shown by the below graph and it has further increased since KVPL entered the solar power sector in the year under review. Though there are different types of risks, KVPL Management has taken necessary steps to mitigate the risk exposures.

KEY RISK FACED IN 2018/19 **GRI** *201-02*

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

KVPL APPROACHES TOWARDS RISK MANAGEMENT

- Bottom-up approach:

KVPL has adopted the bottom-up approach to risk management where risk information moves upwards from the ground level worker to the top level management and the Board of Directors.

- Hayleys Group's risk management functions:

The Audit Division of the ultimate Parent of the Company (Hayleys PLC) also places more attention on the KVPL risk management process. It coordinates the identification and documentation of control risk areas and tries to enhance the risk management system at regular intervals.

- Internal systems review:

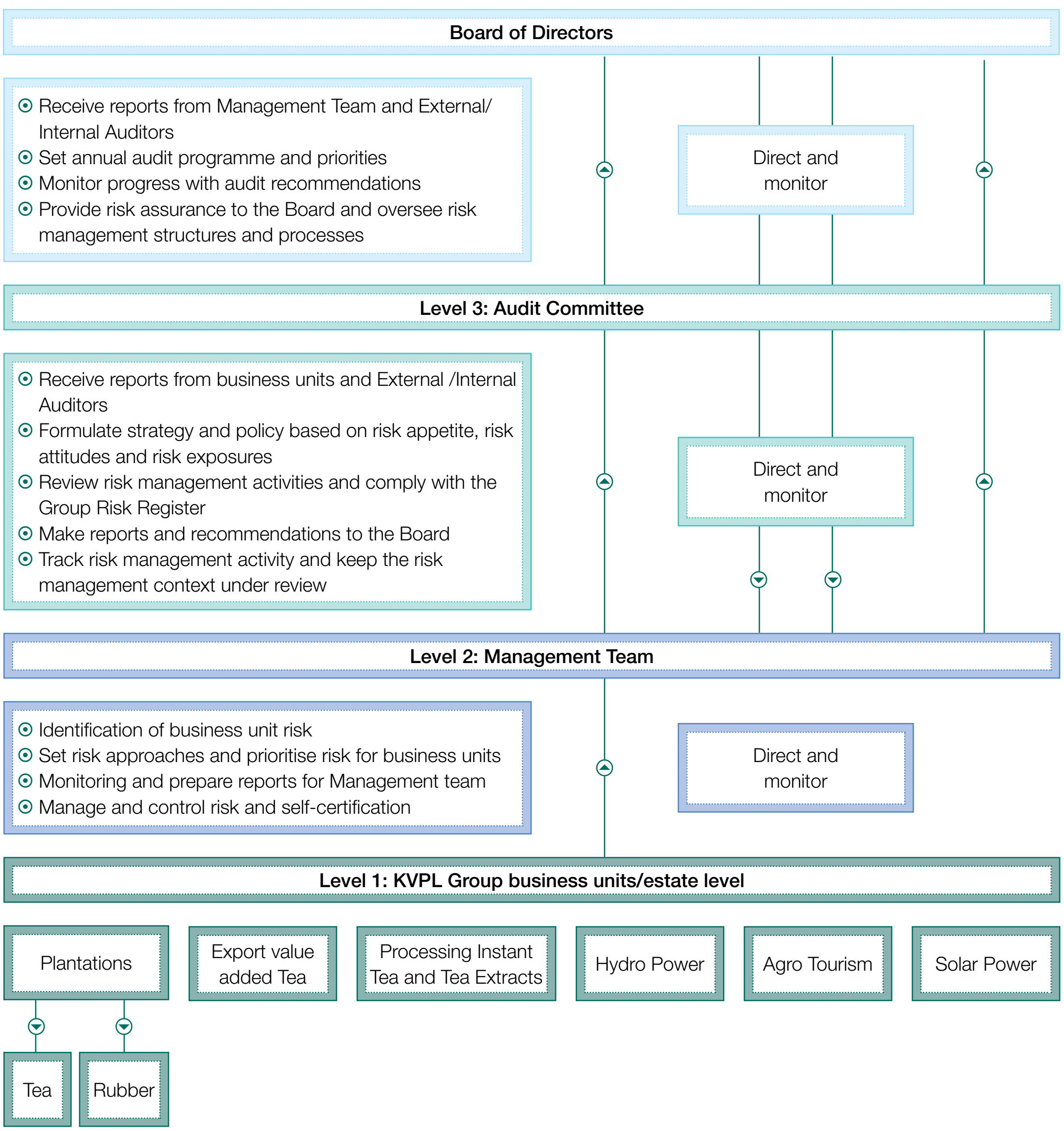
There is a separate review team in the KVPL Group to carry out system reviews in order to ensure the effectiveness and compliance of the existing system and controls. Based on the review findings, necessary feedback will be given to the H/O as well as to the estates to take necessary actions.

Risk Management

- External Auditor's Management Letter:

The year-end Management Letter issued by the External Auditors highlights the risks associated with the audit findings. KVPL use 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 from the stakeholder engagement processes, to identify material aspects and risk indicators. The risks 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 consult operational management. The significant risks are reported to the Corporate Management where risks are analysed, mitigated and implemented to 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 Board of Directors. It has to ensure that the risk management is embedded into all processes and has to review the Group risk profile. Further the Board of Directors will be assisted by the Audit Committee to overlook the responsibility for risk and internal control.

Estate Level Risk Management Process

Estate level risks faced by estate communities and estate workers are divided into two components:

1. Environmental risk – earth slips, floods, cyclones, lightning strikes
2. Housing and other risk – factory fires, factory accidents, customer complaints, fire at worker houses, violence and strikes, field accidents and sudden illness etc.

For these above mentioned risks, the estate risk management process will identify the answers for the following questionable areas,

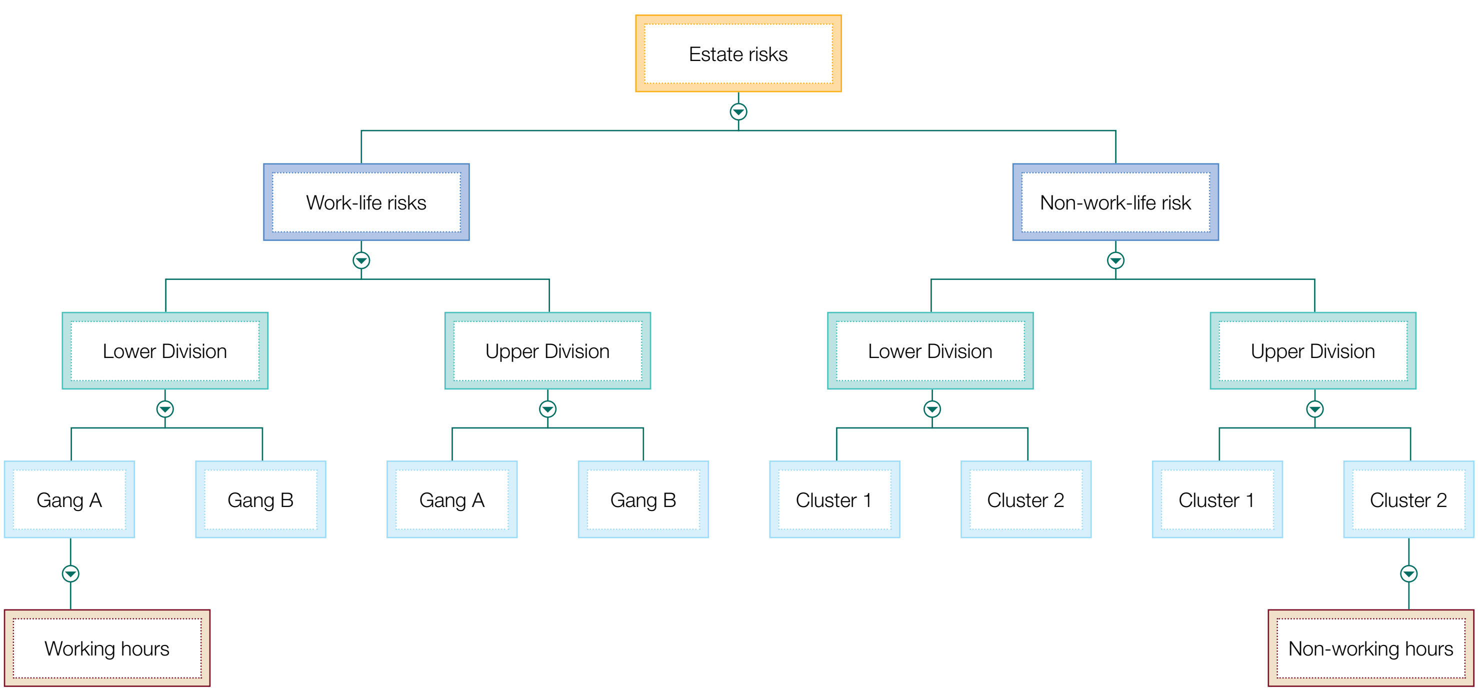
- How the risk could occur
- Who might be harmed
- What is being done already
- Is anything else required to control this risk
- Action by who
- Action by when

Process of Managing Estate Risks

Estate level risks are in two categories:

- Field level risk management: Covers the labour force
- 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 in 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 2018/19 GRI *201-02*

Significant changes in the risk status was observed 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.

Risk Factor	Risk Rating 2018/19	Risk Rating 2017/18	Response
STRATEGIC RISK			
Climate Changes ⊙ Both Tea and Rubber crops fluctuated due to adverse weather conditions, changes 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 an unpredictable area during the current year as well. Our sustainable agricultural practices strengthened emergency response plan and business recovery plan mitigate effects of climatic changes. ⊙ Monitor Tea and Rubber crop variances. ⊙ Successful implementation of the company crisis management plan with periodic review ⊙ 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 and planting of denude areas into forestry ⊙ Burial of weed heaps to retain moisture and composting
Production Risk ⊙ Consistencies in product quality depends on the consistency in quality of raw material (green leaf, latex,etc.) ⊙ Inconsistencies lead to reduced demand, resulting a drop in market price, market share and reputation, and increases the number of quality claims	H	H	Quality of end product (e.g.; made Tea and Rubber) is purely dependent on quality of the raw material. Production risk remained high during the year due to prohibition of weedicides. Following mitigatory measures have been undertaken: ⊙ Regular refresher programmes are conducted to harvesting work force on quality raw material and ways and means of harvesting ⊙ Encouraged the workforce by having plucking competitions ⊙ Revenue share model introduced to mitigate the shortage of workers ⊙ 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 ⊙ Centralising Tea factories according to high NSA ⊙ Developed new areas of diversification into identified high market potential crops and products such as Cinnamon, etc. ⊙ Exploring into new non-traditional markets (China)

Risk Factor	Risk Rating 2018/19	Risk Rating 2017/18	Response
Political Risk • Political intervention in wage negotiations and major industrial relations inhibit the resolution of issues on the basis of economic viability alone • Instability and volatility in the political environment.	H	M	• Political risks remained a high-level risk during the year. Management initiatives to improve labour productivity were not supported as expected and unplanned work stoppages aggravated the situation. However, we continue to make representations to key members of Government and the bureaucracy to negotiate Collective Agreements with major plantation trade unions, in which wages and parameters of the operation are agreed • Plantation Management has good rapport with the workers to mitigate the unrest within the plantation • Productivity incentive completely taken away from the basic wage which should have long-term repercussions. This could be mitigated to an extent by introduction of the revenue share model.
Value Chain Risk • Fluctuations in global supply and demand, close substitutes and competition from other major low cost producers (India, China, Kenya, Vietnam and Indonesia) affect the demand and determines the price(s) of KVPL products. • Imposing of heavy restrictions on MRL levels by major buyers • Unavailability of chemicals due to restrictions imposed	H	H	• Obtaining accreditations for black tea factories on international food hygienic standards and accreditations of tea estates for good agricultural practices • Membership in the UNGC which positions KVPL as a socially responsible plantation company • The Company reduced the crop intakes and concentrated on high quality end product to reach the high end markets. • KVPL concentrated on product quality rather than being a low cost producer • Completely stopping certain chemicals and increasing the frequency of chemical tests on produce. • Integrated weed management system

Risk Management

Risk Factor	Risk Rating 2018/19	Risk Rating 2017/18	Response
Social Environmental Risk ⊙ The younger generation is searching for advance employment brands ⊙ Unfavourable social stigma by various media institutes	M	M	⊙ We maintain a good rapport with workers and trade unions and arrange regular social and cultural events, youth events, to develop relationships with the new generation. ⊙ Providing uniforms, change of designations, providing awareness highlighting the benefits of working in the plantation industry, such as medical, housing and other income sources This will enhance the relationship with the younger generation and workers to attract them to work in the plantation sector
FINANCIAL RISK			
Foreign Exchange Risk ⊙ Our subsidiary Mabroc is mainly focused on foreign markets and adverse fluctuations of foreign exchange rates affects pricing policy and results of these companies	M	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 effectiveness of actions taken
Interest Rate Risk ⊙ Changes in national fiscal and monetory 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	M	M	⊙ KVPL Group's credibility, reputation strength and financial dependability help ensure ready access to funds at attractive rates. ⊙ Fluctuation of local currency interest rates are minimised by having foreign currency borrowings linked to LIBOR
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	L	Although this is a low risk area, mitigatory measures are followed. ⊙ 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 days ⊙ Customers of Mabroc Teas (Pvt) Ltd. are given credit through a proper evaluation and all open account customers are subjected to credit insurance by SLECIC ⊙ Further, production and delivery of RTD is done only on settlement of outstanding balances ⊙ Government leases and other finances are closely monitored and settled without delay.

Risk Factor	Risk Rating 2018/19	Risk Rating 2017/18	Response
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
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**	Low production due to erratic weather and low commodity prices during the year for tea and Rubber resulted for negative cash flow ⊙ Efficient cash management such as close monitoring of expenditure, maintaining effective budgetary control system and building up of reserves are key to minimise liquidity risks ⊙ We monitor cash flows of each estates on weekly basis (expenses are prioritise and expenditure curtailed to the earnings of the estates especially in less crop and lower NSA seasons) and expenses are controlled through the annual budget.
Accounting and Reporting ⊙ Possibility of misstatement of financial position or profitability and non-compliance with accounting standards and other regulatory requirements	**L**	**L**	⊙ KVPL Board consists of senior qualified accountants ⊙ The KVPL Group consists of four chartered accountants and skilled staff with relevant qualifications ⊙ We consult experts in the field when required and regular training on areas such as changes in standards, laws and compliance is given to the staff
OPERATIONAL RISK			
Human Capital Risk ⊙ Retention and development of existing talent ⊙ Recruitment of skilled employees	**H**	**L**	⊙ Reward and Recognition system introduced to staff and estate manual worker category based on the annual evaluation 'Annual Employee Recognition Ceremony"' Benefit Procedure including training and development is partly depend on performance monitored by the online performance management system ⊙ **LONG TERM**: Sector level plantation management training programme to be strengthened and the second batch is already successfully in progress. Applications for the third batch are in progress ⊙ Introduction of a more transparent system to screen and select skilled employees in staff and manual worker categories ⊙ Through HRD Division, an initiative culture has been developed at estate level to increase the interest of plantation youth in order to attract them into the workforce

Risk Management

Risk Factor	Risk Rating 2018/19	Risk Rating 2017/18	Response
Wage Structure ⊙ Increase in wage rates has a substantial 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 ⊙ Outsourcing non-value-adding activities ⊙ Motivating and empowering employees ⊙ Negotiating with trade unions and stake holders for a wage structure that is in line with productivity (wage negotiation is done collectively with the Employers' Federation of Ceylon and the plantation industry)
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 the global and local standards such as quality assurance policies, food safety standards, ISO standards, etc.
Business Disruption ⊙ Natural disasters, human involved activities (human errors, accidents, etc.) may cause business/ operational disruptions	L	L	⊙ Obtained regular third party certification on health and safety and implemented disaster management policies
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, smartphones, etc.) for online transmission of daily information to estate managers ⊙ Closely monitor internet and email usage

Risk Factor	Risk Rating 2018/19	Risk Rating 2017/18	Response
Technological Risk • Not keeping pace with technological developments could lead to obsolescence.	L	L	• Mechanisation of estate functions up to the highest possible extent • Investing in research and development activities whenever necessary • Investing in hardware resources • Maintain cost 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 Head 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, 2019.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best reporting practices.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal 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 16 of this Report. The Chairman's Message (pages 30 to 32) Management Discussion and Analysis (pages 40 to 111) Sustainability Report (pages 80 to 111) and Financial Capital (pages 64 to 78) 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. (Formerly known as Hayleys Global Beverages (Pvt) Ltd.)

During the period under review, Martin Bauer Group (Incorporated in Germany) invested in Hayleys Global Beverages (Pvt) Ltd. on 1 November 2018 as a strategic partner by acquiring a 51% stake of the Company and renamed the Company as the Martin Bauer Hayleys (Pvt) Ltd. As a result, Kelani Valley Plantations PLC's (KVPL) shareholding percentage in Martin Bauer Hayleys (Pvt) Ltd. has diluted to 10.1%. Martin Bauer Hayleys (Pvt) Ltd. allotted 386,894,452 shares on 31 October 2018, of which 39,091,550 shares were allocated to Kelani Valley Plantations PLC amounting to Rs. 390,092,000 and present value of investment was determined on fair value basis. Note 15.2 and 15.3 to the Financial Statements comprise the information relating to investments and movement of investments in equity accounted investee.

There were no material changes in the nature of business of the Company and the Group other than mentioned above.

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 on pages 171 to 247.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 177 to 179.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 188 to 204.

GROUP REVENUE

The Group revenue during the year was Rs. 9,166,117,930/- (2017/18 - Rs. 8,642,220,492/- and an analysis is given in Note 6.1 to the Financial Statements.

The Group revenue from tea increased by Rs. 576,714,466/- (2017/18 – increased by Rs. 1,637,088,337/-) and rubber decreased by Rs. 73,201,705/- (2017/18 – increased by Rs. 118, 555,914/-) during the year, respectively.

RESULTS AND DIVIDENDS

No dividend has been proposed for the year 2018/19 (2017/18 – first and final dividend of Rs.1 per share was paid on 4 July 2018.)

The Group profit before taxation amounted to Rs.447,767,102 /- (2017/18- Rs. 202,486,507/-). After deducting Rs. 59,854,341/- (2017/18 - Rs. 42,064,914/-) for taxation, the profit for the year was Rs. 387,912,762 /- (2017/18 – profit of Rs. 160,421,593/-).

The Group profit attributable to owners of the parent which was deducted for non-controlling interest of Rs. 9,150,201/- (2017/18- Rs. 5,231,697/-) for the year was Rs. 378,762,560/- (2017/18 – profit of Rs. 155,189,897/-).

The Profit available for appropriation, inclusive of
Rs. 977,740,165/- (2017/18- Rs. 880,914,240/-) of brought forward retained profit amounted to
Rs. 1,282,886/- (2017/18- Rs. 977,740,165/-)

PROPERTY, PLANT & EQUIPMENT

The capital expenditure of the Group during the period amounted to Rs. 436,344,531/- (2017/18 - Rs. 473,086,184/-) whilst that of the Company was Rs. 396,417,764/- (2017/18 – Rs.387,573,783/-) which includes replanting expenditure of Rs. 304,968,078/- (2017/18 - Rs. 314,304,491/-) on tea, rubber and cinnamon.

Information relating to movement of Property, Plant & Equipment is given in Notes 13, 14 and 15 to the Financial Statements.

STATED CAPITAL AND RESERVES

In compliance with the Companies Act No. 07 of 2007, 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 34,000,000 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 Shareholder's 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, 2019 amounted to Rs. 2,982,543,516 /- (2017/18 - Rs. 2,677,740,165/-) comprising the general reserve of Rs. 1,700,000,000/- (2017/18 - Rs. 1,700,000,000/-) and the carried forward profit of Rs. 1,282,542,866 /- (2017/18 - Rs. 977,740,165/-).

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 Agricultural Profits for the year of assessment 2018/19.

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 No. 07 of 2007, 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 No. 07 of 2007. Note 32 to the Financial Statements dealing with Related Party Disclosures includes details of their interests in transactions.

RELATED PARTY TRANSACTIONS

The Board of Directors has given the following statement in respect of the related party transactions.

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 comprises two Independent Non-Executive Directors and one Executive Director of Hayleys PLC and the name of the members, their attendants at the meetings are given on page 175 under the Related Party Transaction Committee Report.

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.

Details of Directors shareholding as per the rules of the CSE is as below.

	As at 31.03.19 No. of shares	As at 31.03.18 No. of shares
Dr. R Rajadurai, Managing Director	91	91

None of the other Directors held shares of the Company as at 31 March 2019.

There were no share transactions by the Directors during the year in terms of Section 200 of the Companies Act in respect of the subsidiaries.

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC, has obtained a Directors' and Officers' liability insurance from Orient Insurance Ltd., providing worldwide cover to indemnify all past, present and future Directors and Officers (D&O) of the Group.

The limit on liability of the cover is USD 5 m per annum.

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, 2019, is Rs. 23,234,030/- and Rs. 11,551,250/- 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, 2019, is Rs. 1,864,500/-, 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.

Annual Report of the Board of Directors on the Affairs of the Company

CORPORATE DONATIONS

No donations were made during the year (2017/18 - 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 pages 12 and 15.

EXECUTIVE DIRECTORS

A M Pandithage
Dr. Roshan Rajadurai
A Weerakoon

NON-EXECUTIVE DIRECTORS

S C Ganegoda
L T Samarawickrama

INDEPENDENT NON-EXECUTIVE DIRECTORS

F Mohideen
C V Cabraal
L N De S Wijeyeratne.

Mr. A Weerakoon has been appointed by the Board with effect from 01 December 2018 as a director and in terms of Article No.28(2) of the Articles of Association of the Company Shareholders will be requested to re-elect him at the Annual General Meeting.

In terms of Article No.30(1) of the Articles of Association of the Company, Messrs. C V Cabraal and L N De S Wijeyeratne retire by rotation and being eligible offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. F Mohideen, who is 72 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

Mr. Sarath Siriwardana who served as the Director of the Company retired with effect from 15 November 2018.

Directors of the Company and subsidiaries are given on page 16

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the Colombo Stock Exchange. 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 on pages 120 to 154.

AUDITORS

The Auditors, Messrs Ernst & Young, were paid Rs. 5,738,442/- (2017/18 - Rs. 5,493,418/-) and Rs. 4,949,542/- (2017/18 - Rs. 4,819,448/-) by the Group and the Company respectively as Audit fees for the financial year ended 31 March 2019.

In addition, the Group paid Rs. 570,049/- (2017/18 - Rs. 644,159/-) to Messrs Ernst & Young for the year whilst the Company incurred Rs. 321,859/- (2017/18 – Rs. 316,837) 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 are deemed re-appointed, in term of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company.

A resolution proposing the directors be authorised to determine their remuneration will be submitted 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 on pages 24 and 251 respectively.

SHAREHOLDERS

It is the Group/Company policy to endeavour to ensure equitable treatment to its shareholders. The 20 major shareholders' names, comparative number of shares held and the percentage held as at 31 March 2019 are given on pages 250 and 251 of this report. Public shareholding percentage and total number of public shareholders is shown on page 250

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 9,625 (2017/18 – 9,893) of which 9,588 (2017/18 – 9,722) 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 172.

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 24

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 on pages 80 to 111.

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 at the registered office of the Company at No. 400, Deans Road, Colombo 10, Sri Lanka on Tuesday 25th June 2019 at 10.00 a.m. The Notice of the Annual General Meeting appears on page 258.

For and on behalf of the Board,

A. M. Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

07 May 2019

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

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 is 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 2017/18 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 confirms 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

07 May 2019

FINANCIAL REPORTS

FINANCIAL CALENDAR

Financial Calendar	2018/19	2017/18
01st Quarter	30 July 18	31 July 17
02nd Quarter	30 October 18	30 October 17
03rd Quarter	21 January 19	26 January 18
Annual Report	07 May 19	09 May 18
Annual General Meeting	25 June 19	22 June 18

Date of Authorisation for Issue	Financial Year	Annual General Meetings
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
09 February 2010	2009	31 March 2010
19 February 2009	2008	31 March 2009
22 February 2008	2007	28 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1),) & 153 of the Companies Act No. 7 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 & 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, Companies Act No 07 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 External Auditors, Messrs. Ernst & Young deemed re- appointed in terms of Section 158 of the Companies Act 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 pages 177 to 179 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

07 May 2019

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 and over thirty-six years of experience in Finance and General Management.

Brief profiles of each member are given on pages 14 and 15 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 judgments on matters that come within the Committee's purview.

The Company Secretary 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 General Manager 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 Listing Rules of Corporate Governance under Colombo Stock Exchange and '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	09/05/2018	30/07/2018	30/10/2018	21/01/2019	Total
Mr. L N De S Wijeyeratne (Chairman)	√	√	√	√	4/4
Mr. F Mohideen	√	√	√	√	4/4
Mr. C V Cabraal	√	√	x	√	3/4

ROLE OF THE AUDIT COMMITTEE

The Committee has a write terms of reference, which clearly defined oversight role and responsibility of the Audit Committee, is described in the Corporate Governance Report on page 142.

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 were reviewed. Internal Audits are outsourced wherever necessary, to leading audit firms in line with an 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 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.

Audit Committee Report

Appointment of External Auditors
The Audit Committee has recommended to the Board of Directors that Messers Ernst & Young; continued as Auditors for the financial year ending March 31, 2020.

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 recommendations 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 and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

L N De S Wijeyeratne
Chairman

Audit Committee

07 May 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the Following members.

Dr. H. Cabral, PC** – Chairman
Mr. M.Y.A. Perera**
Mr. S. C. Ganegoda *

*** Independent Non-Executive*
* *Executive*

ATTENDANCE

Committee met – 04 times in the Financial Year 2018/2019

Meetings held on 16 May 2018, 6 August 2018, 08 November 2018 and 06 February 2019.

	Meetings
Dr. H. Cabral	4/4
Mr. M.Y.A. Perera	4/4
Mr. S. C. Ganegoda	2/4

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 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 transfers 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 re-viewed the related party transactions and their compliances of Kelani Valley Plantations PLC and communicated the same to the Board.

The Committee in its re-view process recognised the adequate 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

15 May 2019

MANAGING DIRECTOR'S, CHIEF EXECUTIVE OFFICER'S AND GENERAL MANAGER - FINANCE RESPONSIBILITY STATEMENT

The Financial Statements of Kelani Valley Plantations PLC and the Consolidated Financial Statements of the Group as at 31 March, 2019 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Charted Accounts of Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- 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 judgment 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, Charted Accountants, the Independent External Auditors. Their report is given on pages 177 to 179 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
General Manager - Finance

07 May 2019

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITOR'S 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, 2019, and 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, 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 of the Group is significant (Rs. 1,110 Mn) in the context of the total liabilities of the Group. Valuation of the Group's Retirement Benefit Obligation involves a complex calculation; the calculation requires the use of significant assumptions such as rate of increase in salary & discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Accordingly, actuarial valuation of retirement benefit obligation is considered to be a key audit matter.	We evaluated the assumptions made in relation to the actuarial valuation of the retirement benefit obligation. In particular: • We assessed the assumption for salary increases against the Group's historic trend and expected future outlook. • 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 adequacy of the related disclosures given in Note 25 in the financial statements.

Independent Auditors' Report

EY
Building a better working world

Key audit matter	How our audit addressed the key audit matter
Bearer Biological Assets	
During the financial year Group capitalised an amount of Rs. 305 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 301 Mn. Due to the magnitude of the amounts involved and the significance of the management judgments required; in assessing if the indicators of impairment present and determining the points at which transfers to matured plantations should be made, we considered this area as a key audit matter for our audit.	Our audit procedures to address this area of focus included (amongst others) the following: • We assessed the processes and controls in place to ensure proper capitalisation of the expenses incurred relating to immature plantations; timely transfer of matured plants to respective matured plantation categories and to triggers of impairment (if any) are on a time basis. • We validated the significant amounts capitalised (including capitalised labour, and other acceptable costs) by examining related invoices, capital expenditure authorisations and other corroborative evidences. • We inspected the ageing profile of the immature biological assets as of the reporting date as well as at the points of transfers out to ensure appropriate and timely transfers are made to respective matured plantation. We evaluated 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 2019 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.

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

Ernst & Young
Chartered Accountants

07 May 2019

Colombo

STATEMENT OF PROFIT OR LOSS

		Group		Company	
For the year ended 31 March,		2018/19	2017/18	2018/19	2017/18
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	6.1	9,166,118	8,642,220	4,048,459	4,382,866
Cost of sales		(8,199,034)	(7,550,537)	(3,739,924)	(3,739,560)
Gross profit	6.2	967,084	1,091,683	308,535	643,306
Gain on change in fair value of biological assets	14.2.1	31,979	11,332	31,979	11,332
Other income	7	122,413	114,374	193,305	166,678
Administrative expenses		(615,422)	(556,078)	(342,442)	(331,179)
Distribution expenses		(54,151)	(81,774)	-	-
Results from operating activities		451,903	579,537	191,377	490,137
Finance income	8.1	5,763	3,693	4,465	3,158
Finance expenses	8.2	(138,656)	(96,671)	(100,048)	(73,967)
Interest paid to Government on finance lease	8.3	(75,896)	(71,080)	(75,896)	(71,080)
Net finance cost	8	(208,789)	(164,058)	(171,479)	(141,889)
Share of loss from equity accounted investee	15.2	-	(212,992)	-	-
Deemed disposal gain on disposal of equity accounted investee	15.2	204,653	-	-	-
Profit before tax	9	447,767	202,487	19,898	348,248
Tax expense	10.1	(59,854)	(42,065)	(1,153)	(22,068)
Profit for the year		387,913	160,422	18,745	326,180
Attributable to:					
Equity holders of the Parent		378,763	155,190	18,745	326,180
Non-controlling interest		9,150	5,232	-	-
Profit for the year		387,913	160,422	18,745	326,180
Earnings per Share					
Basic earnings per share (Rs.)	11.1 (A)	11.14	4.56	0.55	9.59
Diluted earnings per share (Rs.)	11.1 (B)	11.14	4.56	0.55	9.59
Dividend per Share (Rs.)	11.2	-	-	-	1.00

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 188 to 247 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March,	Notes	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Profit for the year		387,913	160,422	18,745	326,180
Other Comprehensive Income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of equity accounted investee	15.2	-	(1,031)	-	-
Fair value gain on FVTOCI financial assets	15.3	89,347	-	-	-
Actuarial loss on retirement benefit obligations	25	(150,402)	(67,043)	(147,988)	(64,560)
Income tax effect	10.2	21,056	9,673	20,718	9,038
Other comprehensive income for the year, net of tax		(39,999)	(58,401)	(127,270)	(55,522)
Total comprehensive income for the year, net of tax		347,914	102,021	(108,525)	270,658
Attributable to:					
Equity holders of the Parent		338,804	96,826	(108,525)	270,658
Non-controlling interest		9,110	5,195	-	-
Total comprehensive income for the year		347,914	102,021	(108,525)	270,658

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 188 to 247 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Notes	As at 31.03.2019 Rs. '000	As at 31.03.2018 Rs. '000	As at 31.03.2019 Rs. '000	As at 31.03.2018 Rs. '000
ASSETS					
Non-current assets					
Lease hold property, plant & equipment	12	331,527	354,506	331,527	354,506
Freehold property, plant & equipment	13	1,386,546	1,402,119	997,053	999,094
Improvements to leasehold property	14.1	3,713,349	3,514,927	3,713,349	3,514,927
Biological assets - consumable	14.2	176,767	151,920	176,767	151,920
Investments in subsidiaries	15.1	-	-	359,881	309,881
Investments in equity accounted investee	15.2	-	-	-	294,000
Financial assets	15.3	390,920	-	390,920	-
Amounts advanced towards investments in subsidiaries	29.3	-	-	-	50,000
Intangible assets	16	35,718	33,436	-	-
Total non-current assets		6,034,828	5,456,908	5,969,497	5,674,328
Current assets					
Produce on bearer biological assets	17.1	16,498	9,366	16,498	9,366
Inventories	17.2	1,121,098	1,317,085	531,646	500,907
Amounts due from subsidiaries	29	-	-	23,255	17,790
Amounts due from other related companies	29	80,033	34,314	76,697	31,079
Amounts due from equity accounted investee	30	-	14,404	-	14,404
Trade and other receivables	18	1,335,375	831,378	350,814	252,521
Income tax recoverable	28.1	670	643	-	-
Short-term deposits	20.1	34,834	34,806	34,620	34,620
Cash and cash equivalents	20.2	63,318	87,467	21,367	28,422
Total current assets		2,651,826	2,329,463	1,054,897	889,109
Total assets		8,686,654	7,786,371	7,024,394	6,563,437
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	340,000	340,000	340,000	340,000
Revenue reserves		2,982,544	2,677,740	2,639,215	2,781,740
Total equity attributable to equity holders of the company		3,322,544	3,017,740	2,979,215	3,121,740
Non-controlling interest		33,380	31,470	-	-
Total equity		3,355,924	3,049,210	2,979,215	3,121,740
Non-current liabilities					
Interest-bearing borrowings	22.1	162,924	299,132	149,182	274,845
Amounts due to other related companies	29.2	28,392	43,041	28,392	43,041
Deferred income	23	596,351	577,874	595,652	577,148
Deferred tax liability	24.1	405,363	427,497	372,201	391,766
Retirement benefit obligations	25	1,109,974	916,919	1,077,667	886,008
Liability to make lease payment	26	437,712	439,902	437,712	439,902
Total non-current liabilities		2,740,716	2,704,365	2,660,806	2,612,710

	Notes	Group As at 31.03.2019 Rs. '000	Group As at 31.03.2018 Rs. '000	Company As at 31.03.2019 Rs. '000	Company As at 31.03.2018 Rs. '000
Current liabilities					
Trade and other payables	27	630,095	642,230	401,943	433,043
Liability to make lease payment within one year	26	2,190	1,939	2,190	1,939
Amounts due to subsidiaries	29	-	-	17,278	13,161
Amounts due to other related companies	29	70,353	37,115	57,398	29,653
Amounts due to equity accounted investee	30	-	94	-	-
Income tax payable	28.2	44,206	26,141	-	-
Interest-bearing borrowings payable within one year	22.1	148,223	146,923	134,481	134,780
Short-term interest bearing borrowings	22.2	1,019,864	958,527	96,000	-
Bank overdraft	20.3	675,083	219,827	675,083	216,411
Total current liabilities		2,590,014	2,032,796	1,384,373	828,987
Total liabilities		5,330,730	4,737,161	4,045,179	3,441,697
Total equity and liabilities		8,686,654	7,786,371	7,024,394	6,563,437
Net assets per share (Rs.)		97.72	88.76	87.62	91.82

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Vidura Weerabahu
General Manager - 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

07 May 2019

Notes to the Financial Statements from pages 188 to 247 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the Parent								
		Revenue reserves							
	Stated capital Rs. '000	General 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
Balance as at 1 April, 2017	340,000	1,700,000	-	83,213	15,349	782,352	2,920,914	33,475	2,954,389
Profit/(loss) for the year	-	-	-	17,315	(5,983)	143,857	155,190	5,232	160,422
Other comprehensive income	-	-	-	-	-	(58,364)	(58,364)	(37)	(58,401)
Dividends	-	-	-	-	-	-	-	(7,200)	(7,200)
Balance as at 31 March, 2018	340,000	1,700,000	-	100,528	9,366	867,845	3,017,740	31,470	3,049,210
Profit for the year	-	-	-	24,847	7,132	346,784	378,763	9,150	387,913
Other comprehensive income	-	-	89,347	-	-	(129,306)	(39,959)	(40)	(39,999)
Dividends	-	-	-	-	-	(34,000)	(34,000)	(7,200)	(41,200)
Balance as at 31 March, 2019	340,000	1,700,000	89,347	125,375	16,498	1,051,323	3,322,544	33,380	3,355,924

Company

	Stated capital Rs. '000	Revenue reserves: General reserve Rs. '000	Revenue reserves: Timber reserve Rs. '000	Revenue reserves: Bearer biological produce Rs. '000	Revenue reserves: Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 1 April, 2017	340,000	1,700,000	83,213	15,349	712,520	2,851,082
Profit/(loss) for the year	-	-	17,315	(5,983)	314,848	326,180
Other comprehensive income	-	-	-	-	(55,522)	(55,522)
Balance as at 31 March, 2018	340,000	1,700,000	100,528	9,366	971,846	3,121,740
Profit/(loss) for the year	-	-	24,847	7,132	(13,234)	18,745
Other comprehensive income	-	-	-	-	(127,270)	(127,270)
Dividends	-	-	-	-	(34,000)	(34,000)
Balance as at 31 March, 2019	340,000	1,700,000	125,375	16,498	797,342	2,979,215

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 pages 188 to 247 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March,	Notes	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Cash flows from operating activities					
Profit before tax		447,767	202,487	19,898	348,248
Adjustments for;					
Interest on Government finance lease	8.3	75,896	71,080	75,896	71,080
Finance expenses	8.2	127,121	95,087	100,048	73,967
Finance income	8.1	(5,438)	(3,359)	(4,140)	(2,824)
Profit on disposal of property, plant & equipment	7	(6,931)	(4,482)	(5,535)	(4,960)
Net gains on fair value of biological assets		(31,979)	(8,422)	(31,979)	(8,422)
Dividend income	7	-	-	(78,097)	(57,136)
Depreciation		251,944	231,893	200,037	186,740
Lease amortisation		22,979	23,691	22,979	23,691
Amortisation of intangible assets	16	383	128	-	-
Provision for retirement benefit obligations		171,561	156,689	165,467	150,940
Amortisation of capital grants	23	(18,150)	(17,860)	(18,123)	(17,834)
Share of gain from equity accounted investee	15.1	(204,653)	212,992	-	-
Provision/(reversal) for obsolete inventories		3,381	(276)	(28)	3,348
Unrealized exchange (gain)/loss		(14,348)	521	(325)	(334)
Provision/(reversal) for doubtful debts		9	70	(53)	(68)
Operating profit before working capital changes		819,542	960,239	446,045	766,436
(Increase)/decrease in inventories		192,606	(496,131)	(30,711)	(74,418)
(Increase)/decrease in trade and other receivables		(504,006)	80,202	(29,432)	(8,056)
(Increase)/decrease in amounts due from related companies		(45,719)	(25,866)	(51,084)	(41,418)
Increase/(decrease) in trade and other payables		(27,592)	180,680	(10,594)	64,963
Increase/(decrease) in amount due to related companies		32,740	5,050	31,365	1,406
Increase/(decrease) in equity accounted investee		14,310	(3,778)	14,404	(3,873)
Cash generated from operating activities		481,881	700,396	369,993	705,040
Interest paid on Government finance lease	8.3	(75,896)	(71,080)	(75,896)	(71,080)
Interest paid		(127,121)	(95,087)	(100,048)	(73,967)
Taxes paid		(27,442)	(50,076)	(21,141)	(21,836)
Retirement benefit obligations paid	25	(128,907)	(123,374)	(121,797)	(121,407)
Net cash flow from operating activities		122,515	360,779	51,112	416,750
Cash flows from investing activities					
Field development expenditure	14.1	(304,968)	(314,304)	(304,968)	(314,304)
Interest received	8.1	5,438	3,359	4,140	2,824
Dividends received		-	-	9,288	57,136
Acquisition of property, plant & equipment		(131,376)	(158,782)	(91,450)	(73,269)
Proceeds from disposal of property, plant & equipment		8,480	9,035	6,168	5,173
Investments in equity accounted investee		(96,920)	-	(96,920)	-
Amounts advanced towards investments in subsidiaries	29.3	-	-	-	(50,000)
Acquisition of intangible assets	16	(2,665)	-	-	-
Net cash used in investing activities		(522,011)	(460,692)	(473,742)	(372,440)
Net cash Inflow/(outflow) before financing activities		(399,496)	(99,913)	(422,631)	44,310

As at 31 March	Notes	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Cash flows from financing activities					
Dividend paid		(41,200)	(7,200)	(34,000)	-
Capital settlement of net liability to lessor		(1,939)	(1,715)	(1,939)	(1,715)
Short-term loans obtained during the year		4,092,212	3,911,075	96,000	-
Short-term loans repaid during the year		(4,014,871)	(3,713,279)	-	-
Long-term loans obtained during the year	22	-	86,269	-	86,269
Long-term loans repaid during the year	22	(138,780)	(117,159)	(125,958)	(105,355)
Long-term loans obtained from group company	29.2	-	20,000	-	20,000
Long-term loans repaid to group company		(14,151)	(12,772)	(14,151)	(12,772)
Grants received	23	36,627	60,046	36,627	60,046
Net cash used in financing activities		(82,102)	225,265	(43,421)	46,473
Net increase/(decrease) in cash and cash equivalents		(481,598)	125,352	(466,052)	90,783
Net foreign exchange difference		2,221	5,759	325	334
Cash and cash equivalents at the beginning of the period		(97,554)	(228,665)	(153,369)	(244,487)
Cash and cash equivalents at the end of the period (Note A)		(576,931)	(97,554)	(619,096)	(153,369)
Note A:					
Analysis of cash and cash equivalents					
Cash and bank balances	20.2	63,318	87,467	21,367	28,422
Short-term deposits	20.1	34,834	34,806	34,620	34,620
		98,152	122,273	55,987	63,042
Bank overdraft	20.3	(675,083)	(219,827)	(675,083)	(216,411)
Cash and cash equivalents		(576,931)	(97,554)	(619,096)	(153,369)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 188 to 247 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Kelani Valley Plantations PLC was incorporated on 18th 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, 2019 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 Principal Activities and nature of the operations

During the year, the principal activities of the Company were the producing and processing of Tea and Rubber.

Principal activities of other companies in the Group are as follows.

Company	Nature of the business/Principal 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 2019, were authorized for issue in accordance with a resolution of the Board of Directors on 07 May 2019.

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 PREPERATION

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 accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 01 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SLFRS 15, Revenue from Contracts with Customers and SLFRS 9, Financial Instruments that require restatement of previous financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group.

2.3.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11, Construction Contracts, LKAS 18, Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's financial statements. The revised policies as per SLFRS 15 are indicated in the Note No. 3.19.1.

2.3.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 01 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted SLFRS 9 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 9 does not have a material impact on the Group's financial statements, except for following classification changes occurred.

Classification and Measurement

Except for trade receivables, under SLFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under SLFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business models was made as of the date of initial application, 01 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 01 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classification and measurement of the Group's debt financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, (These financial assets were classified as loans and receivables under LKAS 39 in the previous financial statements).

No any other classification changes were identified due to the adoption of SLFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under LKAS 39.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

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 2019. 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 losses 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 Other Comprehensive Income (OCI) 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 losses 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.

3.2.2 Equity Accounted Investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the equity accounted investee. When there has been a change recognised directly in the equity of the equity accounted investee, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The consolidated financial statements include the Group's share of profit net of tax and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

The financial statements of the equity accounted investees are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the equity accounted investee and its carrying value and recognises the amount in the share of profit of an equity accounted investee, in the statement of profit or loss.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. In the company level, investments in subsidiaries and associates are recognise at cost.

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

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
- 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 OCI 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 OCI.

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 OCI or statement of profit or loss are also recognised in OCI 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.

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 and 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 Leased Assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all

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the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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 de-recognised 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 into mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, 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 includes 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 DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14.

The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate 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
Economic useful life	Estimated based on the normal life span of each species by factoring the 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 saleable condition
Planting cost	Estimated costs for the further development of immature areas are deducted

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 income statement 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 finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. 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:

	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)

	No. of Years	Rate (%)
Mature Plantations - Tea	33 1/3	3.00
- Rubber	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 to Use of Land	53	1.89
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	20	5.00

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 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.

3.7.10.1 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.

3.8 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 OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI 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 amortized 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 (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 OCI (debt instruments)

The Group measures debt instruments at fair value through OCI 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 OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortiszed cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

(c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI 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 OCI. Equity instruments designated at fair value through OCI 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 OCI.

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 OCI, 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 recognised 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 amortized 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.

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 cancelled 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 realize 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 saleable 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 CGU's 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 OCI. For such properties, the impairment is recognised in OCI 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 25.

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.

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 are 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 are 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 ("the 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 amortized 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/(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 OCI 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.

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

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Unused tax losses as of 31 March 2019 are given in Note 10B.

As per the Inland Revenue Act no 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the company is predominantly engaged in agricultural business.

4.2 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 25.

4.3 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.

Judgment is also required in relation to bearer biological assets in assessing immature plantations for indicators of impairment and determining the point at which transferrers to mature plantations are to be made.

4.4 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. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- **SLFRS 16 –Leases**

SLFRS 16 sets out the principals for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "Low Value" assets and short-term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

6 REVENUE

6.1 Industry Segment Revenue

	Group		Company	
For the year ended 31 March,	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Tea	8,410,500	7,801,479	3,062,028	3,317,964
Rubber	969,499	1,042,701	969,499	1,042,701
Others	80,291	59,906	16,932	22,201
Less: Intra-group sales	(294,172)	(261,866)	-	-
	9,166,118	8,642,220	4,048,459	4,382,866

6.2 Industry Segment Results (Gross profit)

Tea	839,118	882,252	231,519	460,384
Rubber	73,403	176,090	73,403	176,090
Others	54,563	33,341	3,613	6,832
	967,084	1,091,683	308,535	643,306

7 OTHER INCOME

	Group		Company	
For the year ended 31 March,	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Profit on disposal of property, plant & equipment	6,931	4,482	5,535	4,960
Lease/rent income	15,511	3,100	15,511	3,100
Dividend income	-	-	78,097	57,136
Hydro power income/solar income	8,781	3,619	10,792	5,230
Tea centre income	17,212	11,244	11,395	8,793
Amortisation of Government grants	18,150	17,860	18,123	17,834
Revenue grants	1,257	-	1,257	-
Sale of trees	18,399	49,168	18,399	49,168
Sundry income	36,172	24,901	34,196	20,457
	122,413	114,374	193,305	166,678

There are no unfulfilled conditions or contingencies attached to the grants.

8 NET FINANCE COST

8.1 Finance Income

	Group		Company	
For the year ended 31 March,	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Interest income	5,438	3,359	4,140	2,223
Interest income on corporate guarantee	-	-	-	601
Foreign exchange gain	325	334	325	334
	5,763	3,693	4,465	3,158

8 NET FINANCE COST *Contd.*

8.2 Finance Expenses

For the year ended 31 March,	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Interest on term loans	(67,415)	(45,732)	(40,814)	(44,011)
Interest on overdraft and short-term loans	(59,706)	(49,355)	(59,234)	(29,956)
Foreign exchange loss	(11,535)	(1,584)	-	-
	(138,656)	(96,671)	(100,047)	(73,967)
8.3 Interest paid to Government on finance lease	(75,896)	(71,080)	(75,896)	(71,080)
	(75,896)	(71,080)	(75,896)	(71,080)
Net finance cost	(208,789)	(164,058)	(171,478)	(141,889)

9 PROFIT BEFORE TAXATION

Profit before tax is stated after charging all expenses including the following:

For the year ended 31 March,	Notes	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Directors' emoluments		25,099	37,082	13,416	11,726
Auditor's remuneration					
- Audit services		5,738	5,493	4,950	4,819
- Non-audit services		570	644	322	317
Depreciation and Lease Amortisation					
- Leasehold right to bare land	12.1	9,808	9,808	9,808	9,808
- Immovable leased assets	12.2	13,171	13,883	13,171	13,883
- Amortisation of intangible assets	16	383	128	-	-
- Tangible property, plant & equipment	13	145,399	134,311	93,491	89,158
- Bearer biological assets	14	106,546	97,581	106,546	97,581
Staff Costs					
- Defined contribution plan costs (EPF, CPPS, ESPS & ETF)		366,442	365,665	352,715	352,559
- Defined benefit plan cost (Retirement benefit obligations)	25	171,561	156,690	165,467	150,940
- Salaries and wages and other staff costs		2,134,757	2,166,497	2,008,625	2,038,749
- Staff training & development cost		4,285	5,392	3,693	5,392
Legal fees		10,866	4,657	8,811	3,611
Provision/(reversal) for bad & doubtful debts		9	70	(53)	(68)
Provision/(reversal) for obsolete inventories		3,381	(276)	(28)	3,348

10 TAX EXPENSE

10.1 Statement of Profit or Loss

			Group		Company	
For the year ended 31 March,			2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
(I) Current Tax Expense						
Income tax on current year profit	- Company	10. A	-	(22,988)	-	(22,988)
	- Subsidiaries	10. A	(48,219)	(33,407)	-	-
			(48,219)	(56,395)	-	(22,988)
(II) Deferred Tax Expense						
Origination and reversal of temporary difference of	- Company		(1,153)	920	(1,153)	920
	- Subsidiaries		2,231	19,569	-	-
		24	1,078	20,489	(1,153)	920
With holding tax on dividend income			(12,713)	(6,159)	-	-
Tax expense reported in the Statement of Profit or Loss			(59,854)	(42,065)	(1,153)	(22,068)

10.2 Statement of Other Comprehensive Income

Net loss on actuarial valuation on defined benefit plans,	- Company		20,718	9,038	20,718	9,038
	- Subsidiary		338	635	-	-
Tax charge directly to other comprehensive income		24	21,056	9,673	20,718	9,038

KPC is liable to income tax, during the year of assessment 2018/19 at the rate of 14% in terms of Inland Revenue Act, No. 24 of 2017.

KVIT is liable to income tax, during the year of assessment 2018/19 at the rate of 28% in terms of Inland Revenue Act, No. 24 of 2017.

The business profit of Mabroc Teas (Pvt) Ltd. has been taxed at the rate of 14% in terms of Inland Revenue Act, No. 24 of 2017.

Notes to the Financial Statements

10 TAX EXPENSE *Contd.*

(A) Reconciliation of Accounting Profit to Income Tax Expense

	Group		Company	
For the year ended 31 March,	2018/19	2017/18	2018/19	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	447,767	202,487	19,898	348,248
Effective tax rate	14%	25%	14%	28%
Tax effect on profit before tax	62,687	51,608	2,786	97,509
Tax effect on deductible expenses for tax purposes	(83,152)	(154,287)	(76,975)	(153,962)
Tax effect on non deductible expenses for tax purposes	70,772	173,605	87,256	111,927
Tax effect on total statutory income	50,307	70,926	13,067	55,474
Tax effect on ammortisation of Government grant exempt from tax	(2,713)	(4,545)	(2,713)	(4,994)
Tax effect on interest income	666	950	580	884
Tax effect on tax exempt income	(41)	(92)	(10,934)	(15,998)
Tax effect on tax exempt loss	-	423	-	-
Tax effect on utilisation of tax losses	-	(11,267)	-	(12,378)
Income tax on current year profit	48,219	56,395	-	22,988
(Over)/under provision in respect of previous years	-	-	-	-
Income tax charge for the year	48,219	56,395	-	22,988

(B) Tax Losses

	Group		Company	
	2018/19	2017/18	2018/19	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	(667,507)	(717,129)	(654,595)	(705,393)
Adjustment for tax loss during the year	(175,817)	7,078	(175,817)	6,591
	(843,324)	(710,051)	(830,412)	(698,802)
Tax loss for the year	(180,583)	(1,663)	(178,881)	-
Loss set-off during the year	180,583	44,207	178,881	44,207
	-	42,544	-	44,207
As at 31 March	(843,324)	(667,507)	(830,412)	(654,595)

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,	2018/19	2017/18	2018/19	2017/18
Amount used as the Numerator				
Profit attributable to ordinary shareholders (Rs. '000)	378,763	155,190	18,745	326,180
Amount used as the Denominator				
Weighted average number of ordinary shares ('000)	34,000	34,000	34,000	34,000
Basic earnings per share (Rs.)	11.14	4.56	0.55	9.59

(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 oustanding at any time during the financial year.

11.2 Dividend per Share

	Company	
For the year ended 31 March,	2018/19	2017/18
Proposed dividend for 2018/19 Rs. Nil/- per share (2017/18- Rs. 1/- per share) (Rs. '000)	-	34,000
Number of ordinary shares ('000)	34,000	34,000
Dividend per share (Rs.)	-	1.00

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT

		Group/Company	
As at 31 March,		2018/19	2017/18
	Notes	Rs. '000	Rs. '000
Right-to-use of land	12.1	255,003	264,811
Immovable leased bearer biological assets	12.2.1	76,154	89,210
Immovable leased assets (other than right-to-use of land and bearer biological assets)	12.2.2	370	485
		331,527	354,506

12.1 Right-to-use of land

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

Notes to the Financial Statements

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT *Contd.*

This right-to-use of land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use of land. However, an adjustment to the "Right-To-Use of Land" could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the Statement of Financial Position as at 18 June 1992 and amortisation of the right to use of land up to 31 March 2019 are as follows,

	Group/Company	
As at 31 March	2018/19	2017/18
	Rs. '000	Rs. '000
Capitalised Value (re-assessed in 2010)	333,603	333,603
	333,603	333,603
Amortisation		
As at 1 April	68,792	58,984
Amortisation for the year	9,808	9,808
As at 31 March	78,600	68,792
Carrying amount	255,003	264,811

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. (Previouly known as Hayleys Global Beverages (Pvt) Ltd).

12.2 Immovable Leased Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board decided at its meeting on 8 March, 1995, that these assets be restated at their book values as they appear in the books of the JEDB/ SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 18 June, 1992 and amortisation of immovable leased assets to 31 March 2019 are as follows,

12.2.1. Immovable Leased Bearer Biological Assets

	Mature Plantations		Group / Company	
	Tea	Rubber		
As at 31 March,			2018/19	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised Value (18 June, 1992)	213,541	178,145	391,686	391,686
Amortisation				
As at 1 April	161,119	141,357	302,476	289,419
Amortisation for the year	7,118	5,938	13,056	13,057
As at 31 March	168,237	147,295	315,532	302,476
Carrying amount	45,304	30,850	76,154	89,210

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.

12.2.2. Immovable Leased assets (other than right-to-use land and bearer biological assets)

				Group / Company	
As at 31 March,				2018/19	2017/18
	Land development	Buildings	Machinery		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised Value					
(18 June, 1992)	3,455	84,600	23,094	111,149	111,149
Amortisation					
As at 1 April	2,970	84,600	23,094	110,664	109,837
Amortisation for the year	115	-	-	115	827
As at 31 March	3,085	84,600	23,094	110,779	110,664
Carrying amount	370	-	-	370	485

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

(A) Group

As at 31 March,										2018/19	2017/18
	Buildings	Plant & machinery	Hydro power plant	Motor vehicles	Furniture & fittings	Equipment	Computers	Tea bagging machines	Others	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost											
As at 1 April	859,017	712,940	133,017	319,264	47,406	215,311	36,350	245,079	54,164	2,622,548	2,409,454
Additions during the year	10,960	74,943	-	34,172	3,034	23,865	464	-	7,146	154,584	225,952
Disposals	-	(2,920)	-	(19,635)	(1,386)	(3,772)	-	-	(1,703)	(29,416)	(12,858)
As at 31 March	869,977	784,963	133,017	333,801	49,054	235,404	36,814	245,079	59,607	2,747,716	2,622,548
Depreciation											
As at 1 April	222,371	413,939	54,103	262,911	20,093	106,271	30,852	103,858	53,635	1,268,033	1,142,027
Charge for the year	22,839	54,560	4,434	27,201	4,253	11,621	1,759	16,322	2,275	145,264	134,311
Disposals	-	(1,759)	-	(19,635)	(892)	(3,742)	-	-	(1,703)	(27,731)	(8,305)
As at 31 March	245,210	466,740	58,537	270,477	23,454	114,150	32,611	120,180	54,207	1,385,566	1,268,033
Net book value	624,767	318,223	74,480	63,324	25,600	121,254	4,203	124,899	5,400	1,362,150	1,354,515
Work-in-Progress (a)										24,396	47,604
Carrying amount										1,386,546	1,402,119

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT *Contd.*

(a) Work-in-Progress

	Group				Company			
	Balance as at 31.03.2018 Rs. '000	Additions for the year Rs. '000	Transfer Rs. '000	Balance as at 31.03.2019 Rs. '000	Balance as at 31.03.2018 Rs. '000	Additions for the year Rs. '000	Transfer Rs. '000	Balance as at 31.03.2019 Rs. '000
	47,604	4,285	(21,607)	30,282	37,582	3,785	(21,607)	19,760
	47,604	4,285	(21,607)	30,282	37,582	3,785	(21,607)	19,760

(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	2018/19 Total Rs. '000	2017/18 Total Rs. '000
Cost									
As at 1 April	799,388	650,100	300,089	13,375	117,929	35,064	40,455	1,956,400	1,810,165
Additions during the year	10,960	65,750	18,900	9	11,201	429	2,023	109,272	150,112
Disposals	-	-	(19,376)	-	-	-	-	(19,376)	(3,877)
As at 31 March	810,348	715,850	299,613	13,384	129,130	35,493	42,478	2,046,296	1,956,400
Depreciation									
As at 1 April	216,750	353,674	252,335	10,759	102,212	30,745	28,413	994,888	909,394
Charge for the year	21,422	38,600	23,405	399	6,657	1,553	1,455	93,491	89,158
Disposals	-	-	(19,376)	-	-	-	-	(19,376)	(3,664)
As at 31 March	238,172	392,274	256,364	11,158	108,869	32,298	29,868	1,069,003	994,888
Net book value	572,176	323,576	43,249	2,226	20,261	3,194	12,610	977,293	961,512
Work-in-Progress								19,760	37,582
Carrying amount								997,053	999,094

(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 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Computers	29,760	28,314	29,760	28,314
Equipment	126,673	119,637	96,055	92,759
Furniture & fittings	11,051	11,001	9,499	9,299
Motor vehicles	189,705	158,690	189,034	157,762
Mature plantations	72,727	51,833	72,727	51,833
Plant & machinery	139,486	78,835	139,486	67,442
Intangible assets	2,693	-	-	-
Others	39,611	28,721	12,938	11,147
	611,706	477,031	549,499	418,556

(C) Unexpired lease periods of land:

Kelani Valley Plantations PLC	26 years
Kalupahana Power Company (Pvt) Ltd.	26 years

14 BIOLOGICAL ASSETS

14.1 Improvements to Leasehold Property (Bearer Biological Assets)

	Immature Plantations				Mature Plantations				Group /Company	
	Tea	Rubber	Other	Total	Tea	Rubber	Other	Total	2018/19	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost										
As at 1 April	287,941	1,394,114	64,226	1,746,281	972,446	1,573,796	19,931	2,566,173	4,312,454	3,998,150
Additions during the year	9,349	215,710	79,908	304,968	-	-	-	-	304,968	314,304
Transfers (from)/to	(30,431)	(247,794)	(12,472)	(290,697)	30,431	247,794	12,472	290,697	-	-
As at 31 March	266,859	1,362,030	131,662	1,760,552	1,002,877	1,821,590	32,403	2,856,870	4,617,422	4,312,454
Depreciation										
As at 1 April	-	-	-	-	275,835	521,692	-	797,527	797,527	699,946
Charge for the year	-	-	-	-	29,712	75,837	997	106,546	106,546	97,581
As at 31 March	-	-	-	-	305,547	597,529	997	904,073	904,073	797,527
Carrying amount	256,411	1,362,030	131,662	1,760,552	697,330	1,224,061	31,406	1,952,798	3,713,349	3,514,927

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 has decided to measure the bearer biological assets at cost using LKAS 16 – Property, Plant & Equipment.

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalised during the year under Immature Plantations (2017/18 - Nil).

The addition of Rs.305 m (2017/18 - Rs. 314 m) shown above includes the following costs among other costs incurred during the year in respect of Uprooting and Planting of Tea and Rubber.

14 BIOLOGICAL ASSETS *Contd.*

As at 31 March,		Group / Company			
		2018/19		2017/18	
		Extent - ha	Rs. '000	Extent - ha	Rs. '000
Uprooting	Tea	-	-	-	-
	Rubber	76	7,404	105	6,169
Planting	Tea	-	-	-	-
	Rubber	89	45,573	181	84,823
		165	52,977	286	90,992

14.2 Biological Assets (Consumable)

As at 31 March,			Group / Company	
			2018/19	2017/18
	Immature Rs. '000	Mature Rs. '000	Rs. '000	Rs. '000
As at 1 April	6,669	145,251	151,920	137,515
Gain of change in fair value less cost to sell	-	24,847	24,847	17,315
Decrease due to harvest	-	-	-	(2,910)
As at 31 March	6,669	170,098	176,767	151,920

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. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of matured managed trees were ascertained in accordance with SLFRS 30. The valuation was carried by Prathap Chartered Valuation & Consultancy (Pvt) Ltd., using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

14.2.1 Change in Fair Value of Biological Assets

As at 31 March	Group / Company	
	2018/19 Rs. '000	2017/18 Rs. '000
Change in fair value of consumable biological assets (Note 14.2)	24,847	17,315
Change in fair value of produce on bearer biological assets (Note 17.1)	7,132	(5,983)
	31,979	11,332

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.) 2018/19	2017/18	Relationship of Unobservable inputs to fair value
Consumable managed biological assets	DCF	Discounting rate	17.5%	17.5%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs.450/- to Rs.9,000/-	Rs.450/- to Rs.9,000/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1. It is assume that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Plan.
2. The price adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are 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.
5. Contiguous area of trees with trees a similar specie silviculture and other characteristics.

The valuations, as presented in the external valuation models based on net present values, take into account the 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 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 long term price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

14.2.2.1 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 a increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Company Managed Timber	Rs. '000 -10%	Rs. '000 +10%
As at 31 March, 2019	(17,010)	17,010
As at 31 March, 2018	(13,878)	13,878

14 BIOLOGICAL ASSETS *Contd.*

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber show that a increas 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 -1.5%	Rs. '000 +1.5%
As at 31 March, 2019	6,169	(6,509)
As at 31 March, 2018	8,914	(6,465)

No biological assets have been pledged as securities for the year ended 31 March 2019 (2017/18 - nil).
There are no capital expenditure commitments for biological assets as at the reporting date.

15 INVESTMENTS IN SUBSIDIARIES / EQUITY ACCOUNTED INVESTEE

15.1 Unquoted Investments

	% Holding		No of Shares		Company Rs. '000	
As at 31 March,	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
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
Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000	260,000	260,000
Kelani Valley Resorts (Pvt) Ltd.	100	100	4,999,999	1	50,000	0.01
Carrying amount					359,881	309,881

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 Resort (Pvt) Ltd.	Provide services in the hospitality industry	100

15.2 Investments in Equity Accounted Investee

Hayleys Global Beverages (Pvt) Ltd.

On 01 November 2018, Martin Bauer Group of Germany joined Hayleys Global Beverages (Pvt) Ltd as a strategic partner by investing in a 51% stake of the Company. This additional investment resulted in diluting the Kelani Valley Plantations PLC's shareholding percentage in Hayleys Global Beverages (now known as Martin Bauer Hayleys (Pvt) Ltd) to 10.1% and therefore, it has ceased to be accounted as an equity accounted investment and recognised as a financial asset under SLFRS 9. Accordingly, Company considered this investment as a Fair Value Through Profit or Loss Financial Asset and any gain / (loss) would recognised directly to the Statement of Profit or Loss. The Group has opted to classify this as a Fair Value Through Other Comprehensive Income Financial Asset and any gain / (loss) would recognised directly to the Statement of Other Comprehensive Income.

Group	No of Shares	2018 Rs. '000	2017/18 Rs. '000
As at 31 March,	29,400,000	-	214,023
Additional investment	9,691,550	96,920	-
	39,091,550	96,920	214,023
Loss for the year		-	(212,992)
Other comprehensive income		-	(1,031)
Total share of loss		-	(214,023)
Carrying amount as at 01 November, 2018		96,920	-
Derecognition and classified as FVTOCI financial asset on loss of significant influence		(301,573)	-
Deemed disposal gain on equity accounted investee		204,653	-

Company	2018 Rs. '000	2017/18 Rs. '000
As at 31 March,	294,000	294,000
Additional investment	96,920	-
Carrying amount as at 01 November, 2018	390,320	294,000
Derecognition and classified as FVTPL financial asset on loss of significant influence	(390,320)	-
As at 31 March, 2019	-	294,000

Notes to the Financial Statements

15 INVESTMENTS IN SUBSIDIARIES / EQUITY ACCOUNTED INVESTEE *Contd.*

15.3 Financial Assets

Martin Bauer Hayleys (Pvt) Ltd.

Group - Fair Value Through Other Comprehensive Income Financial Asset	Group	
	2018/19	2017/18
	Rs. '000	Rs. '000
As at 01 November, 2018	301,573	-
Gain on FVTOCI financial asset	89,347	-
As at 31 March, 2019	390,920	-

Company - Fair Value Through Profit or Loss Financial Asset	Company	
	2018/19	2018/19
	Rs. '000	Rs. '000
As at 01 November, 2018	390,920	-
Loss on initial recognition as FVTPL financial asset	(89,347)	-
As at 01 November, 2018	301,573	-
Gain on FVTPL financial asset after initial recognition	89,347	-
As at 31 March, 2019	390,920	-

	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Fair Value of a share	10.00	-

15.3.1 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs 2018/19
Financial Asset			
Investment in shares of Martin Bauer Hayleys (Pvt) Ltd.	DCF	Discounting rate	17%
		Growth rate	5%
		Exchange rate USD	LKR 175/-
		General Inflation	10%

Key assumptions used in valuation

(1) The discounting rate is 17% per annum.
(2) Annual revenue growth rate 5% per annum.
(3) Estimated USD exchange rate is LKR 175/-.
(4) The general inflation rate at 10% per annum.

15.3.2 Sensitivity Analysis

Discount Rate	Rs. '000 -1%	Rs. '000 +1%
2018/19	66,991	(47,132)
2017/18	-	-

Growth Rate	Rs. '000 -1%	Rs. '000 +1%
2018/19	(4,610)	8,366
2017/18	-	-

16 INTANGIBLE ASSETS

Cost			Group	
	Goodwill Rs.'000	Software Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000
As at 1 April	33,310	2,934	36,244	36,244
Addition during the year	-	2,665	2,665	-
As at 31 March	33,310	5,599	38,909	36,244
Ammortisation and impairment				
As at 1 April	-	2,808	2,808	2,680
Amortisation for the year	-	383	383	128
As at 31 March	-	3,191	3,191	2,808
Carrying Amount	33,310	2,407	35,718	33,436

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.

16 INTANGIBLE ASSETS *Contd.*

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 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	
As at 31 March,	2018/19 Rs. '000	2017/18 Rs. '000
Balance as at 1 April	9,366	15,349
Change in fair value less cost to sell	7,132	(5,983)
	16,498	9,366

Level 2 inputs were used when arriving above figures.

17.2 Inventories

	Group		Company	
As at 31 March,	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Input materials	78,220	76,128	77,839	75,561
Nurseries	15,863	22,281	15,863	22,281
Harvested crop	438,167	406,280	438,165	406,100
Bulk tea & raw materials	586,510	814,302	-	-
Finished goods	12,887	7,546	929	224
Spares and consumables	11,239	8,955	10,717	8,636
	1,142,886	1,335,492	543,513	512,802
Provision for obsolete inventories	(21,788)	(18,407)	(11,867)	(11,895)
	1,121,098	1,317,085	531,646	500,907

The carrying amount of inventories pledged as securities for bank facilities obtained amounted to Rs. 94 m (2017/18 - Rs. 105 m) and Rs. 344 m (2017/18 - Rs. 919 m) by the Company & the Group respectively.

18 TRADE AND OTHER RECEIVABLES

As at 31 March,	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Trade receivables	1,126,517	666,000	116,829	125,197
Lease rent paid in advance	19,864	18,358	19,864	18,358
Employee advances and receivables	66,668	48,455	66,227	48,081
Advance company tax recoverable	2,760	2,760	2,760	2,760
ESC recoverable	60,569	36,846	39,806	18,666
WHT recoverable	2,471	2,121	2,432	2,117
Other current assets	57,506	57,809	103,610	38,109
	1,336,355	832,349	351,528	253,288
Provision for impairment in trade and other receivables	(980)	(971)	(714)	(767)
	1,335,375	831,378	350,814	252,521

18.1 Movement in the Provision for Trade and Other Receivables

	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
As at 1 April	(971)	(901)	(767)	(835)
Reversal/(charge) for the year	(9)	(70)	2,196	68
As at 31 March	(980)	(971)	1,429	(767)

18.2 The aging analysis of trade receivables is as follows;

		Neither Past due nor impaired				
Balance as at 31 March 2019	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	116,829	103,963	12,867	-	-	-
Group	1,126,517	1,111,568	12,888	-	-	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.119 m (2017/18 - Rs. 125 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 2019 are disclosed below.

The funds borrowed by the Company and the Group are given in Note 22 and 30.

	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 2018	446,055	1,011,298	409,625	52,770
Net Cash flows from financing activities	(138,780)	63,190	(125,958)	(14,151)
Non Cash Changes				
Foreign exchange difference	3,877	(16,005)	-	-
Balance as at 31 March 2019	311,152	1,058,483	283,667	38,619

20 CASH AND CASH EQUIVALENTS

20.1 Short-term deposits

	Group		Company	
As at 31 March,	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Short-term fixed deposits	34,834	34,806	34,620	34,620
	34,834	34,806	34,620	34,620

20.2 Favourable balances

Cash in hand	1,224	1,056	590	416
Cash at bank	62,094	86,411	20,777	28,006
	63,318	87,467	21,367	28,422

20.3 Unfavourable balances

Bank overdraft	(675,083)	(219,827)	(675,083)	(216,411)
	(675,083)	(219,827)	(675,083)	(216,411)

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.

The securities pledged have been disclosed in Note 31 to the financial statements.

21 STATED CAPITAL

As at 31 March,	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Issued & fully paid-ordinary shares 34,000,000 (2017/18 - 34,000,000) and 01 golden share	340,000	340,000	340,000	340,000
	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.

22 INTEREST-BEARING BORROWINGS

22.1 Long-term interest bearing borrowings

Group

	HSBC Rs. '000	Sri Lanka Tea Board Rs. '000	DFCC Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2018/19 Total Rs. '000	2017/18 Total Rs. '000
As at 1 April	36,430	80,980	82,440	62,065	184,140	446,055	476,158
Obtained during the year	-	-	-	-	-	-	86,269
Repayments during the year	(8,946)	(36,325)	(27,480)	(13,501)	(48,656)	(134,908)	(116,372)
As at 31 March	27,484	44,655	54,960	48,564	135,484	311,147	446,055
Payable within one year (Transferred to current liabilities)	(13,742)	(36,423)	(27,480)	(16,876)	(53,702)	(148,223)	(146,923)
Payable after one year	13,742	8,232	27,480	31,688	81,782	162,924	299,132

Analysis of long-term borrowings by year of repayment

	HSBC Rs. '000	Sri Lanka Tea Board Rs. '000	DFCC Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2018/19 Total Rs. '000	2017/18 Total Rs. '000
Repayable within one year from year-end	13,742	36,423	27,480	16,876	53,702	148,223	146,923
Repayable between 2 and 5 years from year-end	13,742	8,232	27,480	31,688	81,782	162,924	299,132
Repayable later than 5 years from year-end	-	-	-	-	-	-	-
	27,484	44,655	54,960	48,564	135,484	311,147	446,055

Notes to the Financial Statements

22 INTEREST-BEARING BORROWINGS *Contd.*

Company	Sri Lanka Tea Board Rs. '000	DFCC Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2018/19 Total Rs. '000	2017/18 Total Rs. '000
As at 1 April	80,980	82,440	62,065	184,140	409,625	428,711
Obtained during the year	-	-	-	-	-	86,269
Repayments during the year	(36,325)	(27,480)	(13,501)	(48,656)	(125,952)	(105,355)
As at 31 March	44,655	54,960	48,564	135,484	283,663	409,625
Payable within one year	(36,423)	(27,480)	(16,876)	(53,702)	(134,481)	(134,780)
(Transferred to current liabilities)						
Payable after one year	8,232	27,480	31,688	81,782	149,182	274,845

Analysis of long-term borrowings by year of repayment

Repayable within one year from year-end	36,423	27,480	16,876	53,702	134,481	134,780
Repayable between 2 and 5 years from year-end	8,232	27,480	31,688	81,782	149,182	274,845
Repayable later than 5 years from year-end	-	-	-	-	-	-
	44,655	54,960	48,564	135,484	283,663	409,625

Lender

As at 31 March,	Loan outstanding 2018/19 Rs. '000	2017/18 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
22.1.1 DFCC Bank					
Company					
Term loan 2	54,960	82,440	First two years AWPLR - 0.5% After tow years +5.5%	2,290,033/-	60 monthly installments commenced on 14.03.2016
DFCC Total	54,960	82,440			

22.1.2 Amana Bank

As at 31 March,	Loan outstanding 2018/19 Rs. '000	2017/18 Rs. '000	Rate of interest per annum	Installments and Terms of Repayments
Term Loan				
Disbursement 1	19,382	29,756	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 14.12.2015
Disbursement 2	45,981	66,119	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 19.03.2017
Disbursement 3	31,291	40,596	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 21.01.2017
Disbursement 4	38,830	47,669	SLIBOR + 3.25%	60 monthly installments commenced on 17.11.2017
Amana Bank - Total	135,484	184,140		

22.1.3 National Development Bank

As at 31 March,	Loan outstanding 2018/19 Rs. '000	2017/18 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 1	22,689	35,065	First two years AWPLR-0.05% After two years AWPLR + 1.5%	1,031,333/-	60 monthly installments commenced on 11.02.2016
Term loan 2	20,916	21,825	6.30%	303,125/-	72 monthly installments commenced on 19.01.2019
Term loan 3	4,959	5,175	6.30%	71,875/-	72 monthly installments commenced on 19.01.2019
NDB-Total	48,564	62,065			

22.1.4 Sri Lanka Tea Board

As at 31 March,	Loan outstanding 2018/19 Rs. '000	2017/18 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 1	22,222	38,889	Six month AWPLR + 1%	1,388,889/-	48 monthly installments commenced on 17.08.2017
Term loan 2	22,433	42,091	5%	1,646,374/-	48 monthly installments commenced on 26.07.2017
Sri Lanka Tea board - Total	44,655	80,980			
Company - Total	283,663	409,625			

22.1.5 Subsidiary - Mabroc Teas (Pvt) Ltd.

Lender As at 31 March,	Currency	Loan outstanding 2018/19 Rs. '000	2017/18 Rs. '000	Rate of interest per annum	Installments and terms of repayments
Hongkong & Shanghai Banking Corporation Ltd					
Term Loan	USD	27,484	36,430	Three month LIBOR + 3%	16 quarterly installment of USD 21,250/- commenced on 08.06.2017
Mabroc Teas (Pvt) Ltd - Total		27,484	36,430		
Group-Total		311,147	446,055		

Notes to the Financial Statements

22 INTEREST-BEARING BORROWINGS *Contd.*

22.2 Short-term Interest Bearing Borrowings

Company

As at 31 March,		2018/19	2017/18
Lender	Currency	Rs. '000	Rs. '000
NDB Bank	LKR	46,000	-
Hatton National Bank	LKR	50,000	-
Total		96,000	-

Subsidiary - Mabroc Teas (Pvt) Ltd

As at 31 March,		2018/19	2017/18
Lender	Currency	Rs. '000	Rs. '000
Hongkong & Shanghai Banking Corporation Ltd.	USD	916,196	771,807
Sampath Bank PLC	LKR	7,668	-
CITI Bank N.A.	USD	-	186,720
Total		923,864	958,527
Group - Total		1,019,864	958,527

The securities pledged for these facilities have been disclosed in Note 31 to the Financial Statements.

23 DEFERRED INCOME

Grants and Subsidies

	Group		Company	
As at 31 March,	2018/19	2017/18	2018/19	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital Grants				
As at 1 April	786,553	726,507	785,586	725,540
Grants received during the year	36,627	60,046	36,627	60,046
As at 31 March	823,180	786,553	822,213	785,586
Amortisation				
As at 1 April	208,679	190,819	208,438	190,604
Amortisation for the year	18,150	17,860	18,123	17,834
As at 31 March	226,829	208,679	226,561	208,438
Carrying amount	596,351	577,874	595,652	577,148

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 leasedhold Property, Plant & Equipment. Corresponding grant component is reflected under deferred grants and subsidies and amortised over the useful life span of the asset.

24 DEFERRED TAX LIABILITY / (ASSETS)

24.1 Statement of Financial Position

Group	2018/19 Temporary difference Rs. '000	2018/19 Tax effect Rs. '000	2017/18 Temporary difference Rs. '000	2017/18 Tax effect Rs. '000
As at 1 April	3,053,547	427,497	2,871,856	457,659
Amount originating during the year	(158,098)	(22,134)	181,691	(30,162)
As at 31 March	2,895,449	405,363	3,053,547	427,497
Deferred Tax Liability				
Temporary difference of Property, Plant and Equipment (including mature and immature plantation)	4,700,574	658,081	4,495,141	630,920
Temporary difference of biological asset	193,265	27,057	161,286	22,580
As at 31 March	4,893,839	685,138	4,656,427	653,500
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(1,109,975)	(155,396)	(916,919)	(128,369)
Temporary difference of provision for bad debts	(980)	(137)	(971)	(136)
Temporary difference of impairment for inventories	(21,788)	(3,050)	(18,407)	(2,577)
Carried forward tax losses	(830,786)	(116,310)	(666,583)	(94,921)
Government grants	(34,861)	(4,881)	-	-
As at 31 March	(1,998,390)	(279,775)	(1,602,880)	(226,003)
Net deferred tax liability as at 31 March	2,895,449	405,363	3,053,547	427,497

Company	2018/19 Temporary difference Rs. '000	2018/19 Tax effect Rs. '000	2017/18 Temporary difference Rs. '000	2017/18 Tax effect Rs. '000
As at 1 April	2,798,333	391,766	2,604,885	401,724
Amount originating during the year	(139,758)	(19,565)	193,448	(9,958)
As at 31 March	2,658,575	372,201	2,798,333	391,766
Deferred Tax Liability				
Temporary difference of Property, Plant and Equipment (including mature and immature plantation)	4,420,831	618,917	4,190,312	586,642
Temporary difference of biological asset	193,265	27,057	161,286	22,580
As at 31 March	4,614,096	645,974	4,351,598	609,222
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(1,077,667)	(150,873)	(886,008)	(124,041)
Temporary difference of provision for bad debts	(714)	(100)	(767)	(107)
Temporary difference of impairment for inventories	(11,867)	(1,661)	(11,895)	(1,665)
Carried forward tax losses	(830,412)	(116,258)	(654,595)	(91,643)
Government grants	(34,861)	(4,881)	-	-
As at 31 March	(1,955,521)	(273,773)	(1,553,265)	(217,456)
Net deferred tax liability as at 31 March	2,658,575	372,201	2,798,333	391,766

24.2 Statement of Profit or Loss

	Group		Company	
	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
As at 1 April	427,497	457,659	391,766	401,724
Tax charge recognised in profit or loss	(1,078)	(20,489)	1,153	(920)
Tax charge/ (reversal) recognised in other comprehensive income	(21,056)	(9,673)	(20,718)	(9,038)
As at 31 March	405,363	427,497	372,201	391,766

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March, 2019 is 14% (2017/18 - 14%) for the company.

25 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Movement in the Retirement Benefit Obligations				
As at 1 April	916,918	816,560	886,009	791,915
Current service cost	77,697	66,104	74,699	63,195
Interest cost	93,864	90,586	90,768	87,745
Changed to Profit or Loss	171,561	156,690	165,467	150,940
Actuarial loss due to changes in financial assumptions	-	43,022	-	43,022
Actuarial loss due to changes in experience	150,402	24,021	147,988	21,538
Changed to Statement of Other Comprehensive Income	150,402	67,043	147,988	64,560
				-
Benefit paid by the plan	(128,907)	(123,374)	(121,797)	(121,407)
As at 31 March	1,109,974	916,918	1,077,667	886,009

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 valuer as at 31 March 2019 the actuarial present value of promised retirement benefits amounted to Rs. 1,077,667,193/- (2017/18 - Rs. 886,008,628/-). If the company 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. 1,185,397,217/- (2017/18 - Rs. 930,428,985/-). Hence, there is a contingent liability of Rs.107,730,024/- (2017/18 - Rs. 44,420,357/-), which would crystallise only if the company ceases to be a going concern.

The following payments are the expected contributions to the defined benefit plan obligations in future years.

	Group		Company	
	2018/19	2017/18	2018/19	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Within the next 12 months	234,090	148,722	226,754	137,214
Between 2 to 5 years	380,778	572,642	369,913	563,876
Beyond 5 years	495,106	195,555	481,000	184,919
	1,109,974	916,919	1,077,667	886,009

The weighted average duration of the defined benefit plan obligation as at the end of the reporting period for Staff is 5.24 years and Workers is 5.98 years. The present Value of retirement benefit obligations is carried on annual basis.

The key assumptions used by Messers. Acturial & Management Consultants (Pvt) Ltd. include the following,

	2018/19	2017/18
(i) Rate of interest	11%	11%
(ii) Rate of salary increase		
Workers	20% (every two years)	20% (every two years)
Staff	10% (per annum)	10% (per annum)
(iii) Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Executive and Head office staff	55 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:

Company

A one percentage point change in the discount rate.	+1%	-1%
As at 31 March, 2019	(44,440)	71,861
As at 31 March, 2018	(46,881)	52,407

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March, 2019	41,040	(18,524)
As at 31 March, 2018	30,398	(28,817)

Notes to the Financial Statements

26 LIABILITY TO MAKE LEASE PAYMENT

	Group / Company	
	2018/19 Rs. '000	2017/18 Rs. '000
Gross Liability		
As at 1 April	1,662,575	1,721,953
Repayment during the year	(59,378)	(59,378)
As at 31 March	1,603,197	1,662,575
Finance cost allocated to future periods	(1,163,295)	(1,220,734)
Net liability	439,902	441,841
Payable within one year		
Gross liability	59,378	59,378
Finance cost allocated to future periods	(57,188)	(57,439)
Net liability transferred to current liabilities	2,190	1,939
Payable within two to five years		
Gross liability	237,511	237,511
Finance cost allocated to future periods	(225,507)	(226,888)
Net liability	12,004	10,623
Payable after five years		
Gross liability	1,306,309	1,365,687
Finance cost allocated to future periods	(880,600)	(936,407)
Net liability	425,709	429,280
Net liability payable after one year	437,712	439,902

According to the re-asessment, the base rental payable per year has increased from Rs.19,598,000/- to Rs.59,377,972/-.

The Statement of Recommended Practice (SoRP) for Right-to-use Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has reassessed the liability up to financial year 2013 and not reassessed after that as this was not mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13%, liability would be as follows,

	Rs.'000
Gross liability	3,894,968
Finance charge	(2,575,310)
Net liability	1,319,658

27 TRADE AND OTHER PAYABLES

As at 31 March,	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
Trade payables	127,121	171,773	19,368	12,352
Staff payables	200,566	222,167	197,362	220,335
Unclaimed dividends	12,331	11,818	12,331	11,818
Other payables and accruals	290,077	236,472	172,882	188,538
	630,095	642,230	401,943	433,043

28 INCOME TAX

28.1 Income Tax Receivable

	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
As at 1 April	643	1,412	-	-
Transferred from income tax payable	-	81	-	-
Payment made during the year	134	-	-	-
Transfer to income tax payable	(107)	(850)	-	-
As at 31 March	670	643	-	-

28.2 Income Tax Payable

	Group 2018/19 Rs. '000	Group 2017/18 Rs. '000	Company 2018/19 Rs. '000	Company 2017/18 Rs. '000
As at 1 April	26,142	12,126	-	348
Transferred from income tax receivable	(107)	(850)	-	-
Subsidiaries/Parent taxation on current year's profit	48,219	56,395	-	22,988
(Over)/under provision in respect of previous years	-	-	-	-
Cash paid during the year	(6,301)	(1,613)	-	-
ESC, WHT, ACT set-off against income tax	(23,747)	(39,998)	-	(23,336)
Transferred to income tax receivable	-	81	-	-
As at 31 March	44,206	26,141	-	-

Notes to the Financial Statements

29 RELATED COMPANY BALANCES

29.1 Other related companies

	Group			
As at 31 March,	2018/19		2017/18	
	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
Ultimate parent company				
Hayleys PLC	115	53,475	58	1,622
Intermediary ultimate parent				
Dipped Products PLC	25,905	-	4,282	-
Dipped Products PLC - loans	-	10,227	-	9,729
Parent compny				
DPL Plantations (Pvt) Ltd.	-	1,104	-	1,104
Other Related Companies				
Martin Bauer Hayleys (Pvt) Ltd.	14,299	122	-	-
DPL Premier Gloves (Pvt) Ltd.	34,236	-	25,335	-
Hayleys Agriculture Holdings Ltd.	109	24	100	325
Hayleys Agro Fertilizers (Pvt) Ltd.	21	1,609	107	11,929
Uni Dil Packaging Solution (Pvt) Ltd.	-	2,421	-	1,578
Uni Dil Packaging (Pvt) Ltd.	-	136	-	66
Talawakelle Tea Estates PLC	44	214	258	476
Horana Plantations PLC	2,305	-	1,462	-
Hayleys Leisure Holding (Pvt) Ltd.	-	-	13	-
Hayleys Consumer Products Ltd.	507	-	385	-
Amaya Leisure PLC	-	-	1	-
Culture Club Resorts (Pvt) Ltd.	152	-	152	-
Haycarb Ltd.	-	-	9	-
Hunas Falls Hotels PLC	59	-	-	-
The Kingsbury PLC	305	43	556	-
Hayleys Industrial Solutions (Pvt) Ltd.	-	-	58	-
Logiventure (Pvt) Ltd.	-	-	-	2,792
MIT Cargo (Pvt) Ltd.	-	50	-	67
Sun Tan Beach Resorts Ltd.	101	-	71	-
Puritas (Pvt) Ltd.	-	-	-	3,684
Expelogix (Pvt) Ltd.	-	-	-	429
Logistics International Ltd.	-	-	85	-
Singer (Sri Lanka) PLC	809	78	318	-
Singer Finance (Lanka) PLC	234	-	74	-
Hayleys Business Solutions International (Pvt) Ltd.	-	47	7	44
Fentons Ltd.	358	-	40	-
Chas P Hayleys & Co Ltd.	97	-	146	-
Unisyst Engineering PLC	28	-	14	-
Kandyan Resorts (Pvt) Ltd.	214	-	159	2,305
NYK Line Lanka (Pvt) Ltd.	-	-	35	-
Logistics International Ltd.	24	-	213	-

As at 31 March,	Group 2018/19 Receivable Rs. '000	Group 2018/19 Payable Rs. '000	Group 2017/18 Receivable Rs. '000	Group 2017/18 Payable Rs. '000
Alumex PLC	49	-	292	-
Advantis Ltd.	-	-	84	-
Hayleys Travels & Tours (Pvt) Ltd.	-	27	-	663
Agility Logistics (Pvt) Ltd.	-	38	-	9
Mountain Hawk Express (Pvt) Ltd.	-	180	-	181
Langdale Resort & Spa (Pvt) Ltd.	5	-	-	112
Hayleys Aventura (Pvt) Ltd.	13	-	-	-
Advantis Project & Engineering (Pvt) Ltd.	8	454	-	-
HJS Condiments Ltd.	36	-	-	-
Advantis Freight (Pvt) Ltd.	-	104	-	-
Total	80,033	70,353	34,314	37,115

	Company 2018/19 Receivable Rs. '000	Company 2018/19 Payable Rs. '000	Company 2017/18 Receivable Rs. '000	Company 2017/18 Payable Rs. '000
Subsidiaries				
Kalupahana Power Co. (Pvt) Ltd.	324	-	150	-
Kelani Valley Instant Tea (Pvt) Ltd.	-	12,464	-	12,461
Mabroc Teas (Pvt) Ltd.	-	4,814	-	700
Kelani Valley Resorts (Pvt) Ltd.	22,931	-	17,640	-
	23,255	17,278	17,790	13,161
Ultimate parent company				
Hayleys PLC	-	41,671	-	802
Intermediary ultimate parent				
Dipped Products PLC	25,905	-	4,282	-
Dipped Products PLC - loans	-	10,227	-	9,729
Parent company				
DPL Plantations (Pvt) Ltd.	-	1,104	-	1,104

Notes to the Financial Statements

29 RELATED COMPANY BALANCES *Contd.*

	Company			
	2018/19		2017/18	
	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
DPL Premier Gloves (Pvt) Ltd.	34,236	-	25,335	-
Martin Bauer Hayleys (Pvt) Ltd	14,251	-	-	-
Hayleys Agriculture Holdings Ltd.	-	-	-	325
Hayleys Agro Fertilizers (Pvt) Ltd.	-	1,609	-	11,889
Uni Dil Packaging Solution (Pvt) Ltd	-	2,421	-	1,578
Uni Dil Packaging (Pvt) Ltd	-	136	-	66
Talawakelle Tea Estates PLC.	-	214	-	476
Puritas (Pvt) Ltd	-	-	-	3,684
Horana Plantations PLC	2,305	-	1,462	-
Advantis Project & Engineeering (Pvt) Ltd	-	16	-	-
Total	76,697	57,398	31,079	29,653

The carrying amount of receivables pledged as securities for bank facilities obtained amounts to Rs.55 m (2017/18 - Rs.31 m).

29.2 Other Related Companies - Loan Payable

Dipped Products PLC

	Group		Company	
	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
As at 1 April	52,770	45,542	52,770	45,542
Obtained during the year	-	20,000	-	20,000
Repayments during the year	(14,151)	(12,772)	(14,151)	(12,772)
As at 31 March	38,619	52,770	38,619	52,770
Payable within one year (Transferred to current liabilities)	(10,227)	(9,729)	(10,227)	(9,729)
Payable after one year	28,392	43,041	28,392	43,041

Dipped Products PLC granted a loan at the rate of five percent (5%) per annum which shall be repayable in five (5) years.

29.3 Amounts Advanced Towards Investments in Subsidiaries - Non Current

	Company	
As at 31 March,	2018/19 Rs. '000	2017/18 Rs. '000
Kelani Valley Resorts (Pvt) Ltd.	-	50,000
	-	50,000

30 AMOUNT DUE TO/FROM EQUITY ACCOUNTED INVESTEES

	Group			
	2018/19		2017/18	
As at 31 March,	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
Hayleys Global Bevarages (Pvt) Ltd	-	-	14,404	94
Total	-	-	14,404	94

	Company			
	2018/19		2017/18	
As at 31 March,	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
Hayleys Global Bevarages (Pvt) Ltd	-	-	14,404	-
Total	-	-	14,404	-

31 ASSETS PLEDGED AS SECURITY

Following assets have been pledged as security for liabilities:

Company

	2018/19		
Nature of liability	Facility (Rs. m)	Outstanding (Rs. m)	Security
Overdraft			
Bank of Ceylon	75.0	60.4	Concurrent mortgage over stock in trade and debtors.
Hatton National Bank PLC	50.0	14.9	Promissory Note.
Sampath Bank PLC	30.0	Nil	Concurrent mortgage over stock in trade and debtors.
Term Loan			
DFCC Bank PLC	137.4	55.0	Primary mortgage over the leasehold rights of Halgolla, We Oya,Polatagama and Ederapola estates and a letter of undertaking from DPL Plantations (Pvt) Ltd., was given to subordinate management fee and dividends in a default situation of term loans.
National Development Bank PLC	88.9	48.6	Primary mortgage over the leasehold rights, Buildings,Plant & Machinery of Pedro,Mahagastota & Panawatte estates
Sri Lanka Tea Board	109.3	44.7	Trade receivables from Tea brokers

31 ASSETS PLEDGED AS SECURITY *Contd.*

Subsidiary

Mabroc Teas (Pvt) Ltd.

Nature of liability	2018/19 Facility (Rs. m)	2018/19 Outstanding (Rs. m)	Security
Overdraft			
CITI Bank N.A.	70.0	Nil	Letter of comfort issued by Hayleys PLC
National Development Bank PLC	10.0	Nil	Primary mortgage of Rs.50 m over stock in trade
Hatton National Bank PLC	75.0	7.6	Promissory Note
Hongkong & Shanghai Banking Corporation Ltd.	15.0	Nil	Facilities Agreement Form (FAF)
Sampath Bank PLC	10.0	Nil	Hypothecation bond over stock and book debts

Short-term borrowings (Foreign currency loans)	Facility (USD m)	Outstanding (Rs. m)	Security
CITI Bank N.A.	1.2	73.9	Letter of comfort issued by Hayleys PLC
Hatton National Bank PLC	2.0	Nil	Promissory Note
Sampath Bank PLC	1.9	Nil	Hypothecation bond totaling Rs.200 m over stocks and book debts
National Development Bank PLC	1.2	Nil	Primary mortgage of Rs.50 m over stocks in trade
Union Bank of Colombo PLC	0.3	Nil	Letter of hypothecation of USD 500,000/-
Hongkong & Shanghai Banking Corporation Ltd.	5.0	842.2	Facilities Agreement Form (FAF)

32 RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at arm's length and 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 2018/19 Rs. '000	Amount (paid)/received 2017/18 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	(39,826)	(53,035)

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	2018/19 Rs. '000	2017/18 Rs. '000
Directors' emoluments	13,416	11,726

(C) Transactions with Subsidiaries

Company	Relationship	Nature of Transaction	Amount (Paid)/Received 2018/19 Rs. '000	2017/18 Rs. '000
For the year ended 31 March				
(i) Kalupahana Power Co. (Pvt) Ltd.	Subsidiary	Share of revenue	1,540	1,611
		Reimbursement of expenses	260	49
(ii) Kelani Valley Instant Tea (Pvt) Ltd.	Subsidiary	Sale of BMF	22	137
		Manufacturing charges	22	378
(iii) Mabroc Teas (Pvt) Ltd.	Subsidiary	Sales of tea	294,172	261,729
		Purchase of tea	(37,294)	(11,935)
(iv) Kelani Valley Resorts (Pvt) Ltd.	Subsidiary	Investment in shares	-	(50,000)
		Reimbursement of expenses	(5,291)	1,213

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.

(D) Transactions with other related Companies

Company	Relationship	Nature of Transaction	Amount (Paid)/Received 2018/19 Rs. '000	2017/18 Rs. '000
For the year ended 31 March				
(i) Dipped Products PLC	Intermediary ultimate parent	Sale of latex	63,497	221,369
		Purchase of skim crepe	(13,808)	(6,561)
		Cost of facilities and related services rendered	(921)	(29)
		Loan installment & interest	(17,846)	(16,656)
(ii) Hanwella Rubber Products Ltd.	Affiliate	Purchase of skim crepe	(9,663)	(4,663)
(iii) Grossart (Pvt) Ltd. (Amalgamate with Dipped Product PLC on 17.01.18)	Affiliate	Sale of latex	-	17,145
(iv) DPL Premier Gloves (Pvt) Ltd.	Affiliate	Sale of latex	141,103	119,201
		Chemical cost for latex	-	(2,447)
(v) DPL Thailand (Pvt) Ltd.	Affiliate	Sale of latex	-	242,438
(vi) Hayleys Industrial Solutions (Pvt) Ltd.	Affiliate	Repair of generator	-	(42)
(vii) Hayleys Agro Fertilisers (Pvt) Ltd.	Affiliate	Purchase of fertilizers	(60,166)	(132,399)
(viii) Hayleys Agriculture Holdings Ltd.	Affiliate	Purchase of chemicals	(6,275)	(4,627)
(ix) Hayleys Lifesciences (Pvt) Ltd.	Affiliate	Purchase of consumer products	(38)	(8)
(x) Hayleys Tours (Pvt) Ltd.	Affiliate	Traveling Expenses	-	(212)

Notes to the Financial Statements

32 RELATED PARTY DISCLOSURES *Contd.*

Company For the year ended 31 March		Relationship	Nature of Transaction		Amount (paid)/received 2018/19 Rs. '000	2017/18 Rs. '000
(xi)	MIT Cargo (Pvt) Ltd.	Affiliate	Handling, clearing and courier charges		(642)	(363)
(xii)	Puritas (Pvt) Ltd.	Affiliate	Maintenance & construction of effluent treatment plants		(8,048)	(34,050)
(xiii)	Logiventures (Pvt) Ltd.	Affiliate	Purchase of security seals		(151)	(43)
(xiv)	Rileys (Pvt) Ltd.	Affiliate	Sale of rubber products		2,057	1,635
(xv)	Hayleys Consumer Products Ltd.	Affiliate	Purchase of consumer products		-	(51)
(xvi)	Talawakelle Tea Estates PLC	Affiliate	Share of office maintenance cost			
				Receipt	404	5,642
				Payment	(4,147)	(1,591)
			Purchase of fixed asset		-	(1,900)
			Green leaf supplies	Receipt	-	346
(xvii)	Hayleys Business Solutions International (Pvt) Ltd.	Affiliate	Payment of executive payroll processing		(519)	(557)
(xviii)	Hayleys Travels (Pvt) Ltd.	Affiliate	Cost of air tickets and related charges		(2,361)	(2,954)
(xix)	Haycolour (Pvt) Ltd.	Affiliate	Purchase of colours		(2)	(13)
(xx)	The Kingsbury PLC	Affiliate	Services rendered for AGM		(116)	(105)
			Cost of providing refreshments		(871)	-
(xxi)	Logiwiz Ltd.	Affiliate	Storage & handling charges		(768)	(848)
(xxii)	Fentons Ltd.	Affiliate	Repairing digital telephone instrument		(5)	-
(xxiii)	Hayleys Aventura (Pvt) Ltd.	Affiliate	Purchase of hampers and phones		-	(306)
			Cost of generator service chargers		(508)	-
			Purchase of machinery		(10,718)	-
(xxiv)	Horana Plantations PLC	Affiliate	Reimbursement of expenses		(1,162)	2,302
(xxv)	Uni Dil Packaging Solution Ltd.	Affiliate	Purchase of packing materials		(3,642)	(5,884)
(xxvi)	Uni Dil Packaging (Pvt) Ltd.	Affiliate	Purchase of packing materials		(756)	(1,043)
(xxvii)	Agro Technica Ltd.	Affiliate	Purchase of chemicals		-	(137)
(xxviii)	Energy Net (Pvt) Ltd.	Affiliate	Purchase solar PV		(14,600)	(6,386)
			Purchase of central UPS		(211)	-
(xxix)	Hayleys Electronics Lighting (Pvt) Ltd.	Affiliate	Purchase of LED light		(15)	-
(xxx)	Hayleys Power Ltd.	Affiliate	Purchase of services rendered		(670)	-
(xxxi)	Singer Digital Media (Pvt) Ltd.	Affiliate	Purchase of computer and mobile accessories		(578)	-
(xxxii)	Toyo Cusion Lanka (Pvt) Ltd.	Affiliate	Sale of latex		34,549	-

Non - Recurrent Transactions

(E) Transactions with equity accounted investee

Company	Relationship	Nature of transaction	Amount (Paid)/received 2018/19 Rs. '000	2017/18 Rs. '000
(i) Hayleys Global Beverages (Pvt) Ltd.	Equity accounted investee	Investment in shares	(96,920)	-
		Reimbursement of expenses	34,791	63,500

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. (previously known as Hayleys Global Beverages (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 29 to the Financial Statements

33 CONTINGENT LIABILITIES

No known contingent liabilities exist as at the date of financial position other than the matter disclosed in Note 25 to the Financial Statements.

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 2019/20 amounts to Rs. 376,867,324/-(2018/19 Rs. 453,156,113/-).

35 EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

No circumstances have arisen since the reporting date which require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

36 SEGMENTAL ANALYSIS

Group	Tea		Rubber	
	2018/19 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000
Segmental assets				
Non-current assets	2,338,578	2,422,554	2,878,985	2,695,084
Current assets	2,171,186	1,900,842	121,942	123,417
Total assets	4,509,764	4,323,396	3,000,927	2,818,501
Segmental liabilities				
Non-current liabilities	1,230,778	1,107,036	453,281	415,777
Current liabilities	1,531,284	1,471,565	87,694	77,205
Total liabilities	2,762,062	2,578,601	540,975	492,982
Non-interest bearing liabilities				
Deferred taxation	-	-	-	-
Retirement benefit obligation	909,013	752,689	200,336	163,821
Trade & other payables	469,978	467,774	87,695	77,205
Total depreciation	137,743	127,068	103,686	96,729
Lease amortisation	11,140	11,485	11,839	12,206
Capital expenditure	74,387	56,619	257,987	307,878
Company				
Segmental assets				
Non-current assets	2,086,221	2,718,475	2,878,985	2,695,084
Current assets	501,856	454,710	121,942	123,417
Total assets	2,588,077	3,173,185	3,000,927	2,818,501
Segmental liabilities				
Non-current liabilities	1,161,890	1,026,836	453,281	415,777
Current liabilities	254,512	262,196	87,694	77,205
Total liabilities	1,416,402	1,289,032	540,975	492,982
Non-interest bearing liabilities				
Deferred taxation	-	-	-	-
Retirement benefit obligations	877,331	722,187	200,336	163,821
Trade & other payables	254,512	262,196	87,694	77,205
Total depreciation	95,551	89,139	103,686	96,729
Lease amortisation	11,140	11,485	11,839	12,206
Capital expenditure	37,222	40,545	257,987	307,878

Information in respect of geographical segments was considered not significant enough to be disclosed as explained under segment reporting in accounting policies.

Others		Unallocated		Total	
2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
290,906	218,773	526,359	120,497	6,034,828	5,456,908
37,560	13,072	321,139	292,132	2,651,826	2,329,463
328,467	231,845	847,498	412,629	8,686,654	7,786,371
11,290	11,719	1,045,366	1,169,833	2,740,716	2,704,365
38,360	7,678	932,676	476,348	2,590,014	2,032,796
49,650	19,397	1,978,042	1,646,181	5,330,730	4,737,161
-	-	405,363	427,497	405,363	427,497
626	409	-	-	1,109,975	916,919
12,756	3,685	59,666	93,566	630,095	642,230
10,380	8,096	-	-	251,809	231,893
-	-	-	-	22,979	23,691
53,275	88,350	50,696	20,239	436,345	473,086
151,356	90,270	852,935	120,499	5,969,497	5,624,328
619	1,031	430,481	359,951	1,054,898	939,109
151,974	91,301	1,283,417	480,450	7,024,395	6,563,437
269	269	1,045,366	1,169,828	2,660,806	2,612,710
66	66	1,042,102	489,520	1,384,373	828,987
335	335	2,087,468	1,659,348	4,045,179	3,441,697
-	-	372,201	391,766	372,201	391,766
-	-	-	-	1,077,667	886,008
66	66	59,666	93,572	401,938	433,043
746	746	-	-	200,037	186,740
-	-	-	-	22,979	23,691
50,514	18,912	50,695	20,239	396,418	387,574

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables 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, 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 Group's 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 counterparty 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.

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 incurred 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. 1,335 m (2017/18 – Rs.831 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 counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore, mitigate financial loss through potential counterparty's failure

The Group held short term investments of Rs. 35 m as at 31 March 2019 (2017/18 – Rs. 35 m) which represents the maximum credit exposure on these assets.

On 01 November 2018, Martin Bauer Group of Germany joined Hayleys Global Beverage (Pvt) Ltd. as a strategic partner by investing in a 51% stake of the Company. Resulting from this investment, Kelani Valley Plantations PLC 's share holding percentage in Hayleys Global Beverages (now known as Martin Bauer Hayleys (Pvt) Ltd.) stands at 10.1% and therefore, it has ceased to be accounted as an equity accounted investment.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 63 m as at 31 March 2019 (2017/18 – Rs. 87 m) which represents its maximum credit exposure on these assets.

- Sampath Bank PLC – A+ (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 – AA- (lka)
- National Development Bank PLC – A+(lka)
- Seylan Bank Ltd - 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.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *Contd.*

The table below summarises the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31 March 2019	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	675,083	369,773	798,315	162,928	-	2,006,099
Trade & other payables	214,620	415,474	-	-	-	630,064
	889,703	785,247	798,315	162,928	-	2,636,193
Company						
Interest bearing loans & borrowing	675,083	129,620	100,861	149,186	-	1,054,750
Trade & other payables	209,694	192,244	-	-	-	401,938
	884.777	321,864	100,861	149,186	-	1,456,688

As at 31 March 2018	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	299,705	276,363	749,210	299,131	-	1,624,409
Trade & other payables	468,906	172,674	18	-	638	642,236
	768,611	449,037	749,228	299,131	638	2,266,645
Company						
Interest bearing loans & borrowing	216,411	33,696	101,084	274,845	-	626,036
Trade & other payables	431,384	1,637	18	-	-	433,039
	647,795	35,333	101,102	274,845	-	1,059,075

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.

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. 311 m (2017/18 – Rs. 446 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		
2018/19	+1%	3,112
	-1%	(3,112)
2017/18	+1%	4,461
	-1%	(4,461)
Company		
2018/19	+1%	2,837
	-1%	(2,837)
2017/18	+1%	4,096
	-1%	(4,096)

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 forward contracts.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *Contd.*

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD 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		
2018/19		
USD	5%	(9,020)
CNY	5%	10,604
USD	-5%	9,020
CNY	-5%	(10,604)
2017/18		
USD	5%	(21,793)
AUD	5%	(1)
USD	-5%	21,793
AUD	-5%	1

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.

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	
	2018/19 Rs.'000	2017/18 Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000
i Interest bearing borrowings				
Current portion of long-term interest bearing borrowings	148,223	146,923	134,481	134,780
Payable within 2 and 5 years	162,924	299,132	149,182	274,845
Payable later than 5 years from year-end	-	-	-	-
ii Liability to make lease payment				
Current portion of liability to make lease payment	2,190	1,939	2,190	1,939
Payable within 2 and 5 years	12,004	10,622	12,004	10,622
Payable later than 5 years from year-end	425,709	429,280	425,709	429,280
iii Short-term Interest bearing borrowings	1,019,864	958,527	96,000	-
iv Bank overdraft	675,083	219,827	675,083	216,411
Total debts	2,446,997	2,066,250	1,494,649	1,067,877
Equity	3,322,544	3,017,740	2,979,215	3,121,740
Equity & debts	5,768,541	5,083,990	4,473,864	4,189,617
Gearing ratio	42%	41%	33%	25%

TEN YEAR SUMMARY

ANNEXURE

Period Ended	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
Trading Results				
Revenue	9,166,118	8,642,220	6,852,262	6,068,746
Gross profit	967,084	1,091,683	617,739	464,702
Profit before tax	447,767	202,487	12,474	(30,520)
Profit after tax	387,913	160,422	(15,349)	(42,191)
Balance Sheet				
Funds Employed				
Stated capital	340,000	340,000	340,000	340,000
Revenue reserves	2,982,544	2,677,740	2,580,914	2,292,660
Total equity attributable to equity holders of the company	3,322,544	3,017,740	2,920,914	2,632,660
Non Controlling interest	33,380	31,470	33,475	33,087
Liability to make lease payment	437,712	439,902	441,841	443,557
Amounts due to other related companies	28,392	43,041	36,286	22,500
Interest Bearing Borrowings	162,924	299,132	368,375	323,916
Bank Overdraft	675,083	219,827	274,302	95,081
	4,660,035	4,051,112	4,075,193	3,550,801
Assets Employed				
Non current assets	6,034,828	5,456,908	5,443,706	5,219,898
Current assets	2,651,826	2,329,463	1,813,705	1,306,824
Current liabilities	(1,914,931)	(1,812,969)	(1,372,311)	(909,299)
Retirement benefit obligations	(1,109,974)	(916,919)	(816,560)	(1,153,244)
Deferred tax liability	(405,363)	(427,497)	(457,659)	(390,615)
Deferred income	(596,351)	(577,874)	(535,688)	(522,763)
Capital employed	4,660,035	4,051,112	4,075,193	3,550,801
Key Indicators				
Gross profit margin %	10.6	12.6	9.0	7.7
Current ratio (times)	1.02	1.15	1.10	1.30
Turnover to capital employed (times)	2.0	2.1	1.7	1.7
Return on shareholders' fund %	11.4	5.1	(0.6)	(1.1)
Earning per share (Rs.)	11.14	4.56	(0.55)	(0.82)
Net assets per share (Rs.)	97.72	88.76	85.91	77.43
Dividend per share (Rs.)	-	1.00	-	-
Dividend payout ratio %	-	22	-	-
Price earnings (Times)	8.35	17.53	-	-
Market value (Rs.)	93.00	80.00	82.00	65.00

ANNEXURE

2014/15 31-Mar (15 Months) Rs. '000	2013 31-Dec (12 Months) Rs. '000	2012 31-Dec (12 Months) Rs. '000	2011 31-Dec (12 Months) Rs. '000	2010 31-Dec (12 Months) Rs. '000	2009 31-Dec (12 Months) Rs. '000
8,647,349	6,790,012	6,518,253	6,033,498	3,883,637	2,860,004
739,302	885,720	1,156,106	905,883	595,955	134,964
102,407	465,485	680,956	545,947	355,690	(27,783)
52,495	391,693	560,732	461,363	326,152	(40,565)
340,000	340,000	340,000	340,000	340,000	340,000
2,358,424	2,435,888	2,228,473	1,813,716	1,492,786	1,216,593
2,698,424	2,775,888	2,568,473	2,153,716	1,832,786	1,556,593
158,739	22,322	16,667	17,162	14,642	22,324
445,075	395,060	427,914	428,976	429,869	362,854
432,145	98,327	97,588	136,825	226,414	379,978
51,190	16,297	1,865	4,772	13,158	473
3,785,573	3,307,894	3,112,507	2,741,451	2,516,869	2,322,222
5,203,870	4,408,806	4,019,663	3,738,736	3,463,306	3,132,622
1,793,293	1,938,316	2,054,898	1,758,879	1,411,867	954,630
(1,217,120)	(1,153,489)	(1,146,763)	(1,088,079)	(847,986)	(468,207)
(1,122,870)	(1,046,403)	(1,025,142)	(980,001)	(871,408)	(732,912)
(393,243)	(363,132)	(301,387)	(211,247)	(158,032)	(120,836)
(478,357)	(476,204)	(488,762)	(476,837)	(480,878)	(443,075)
3,785,573	3,307,894	3,112,507	2,741,451	2,516,869	2,322,222
8.5	13.0	17.7	15.0	15.3	4.7
1.41	1.66	1.79	1.61	1.64	2.04
2.3	2.1	2.1	2.2	1.5	1.2
2.2	13.8	21.8	21.3	17.5	(2.7)
1.77	11.30	16.51	13.49	9.43	(1.25)
79.37	81.64	76.03	63.85	54.34	46.44
1.00	3.5	6.0	5.0	4.0	1.0
56	31	36	37	42	-
40.58	6.93	4.85	6.7	17.0	-
71.90	78.30	80.00	90.00	159.90	53.00

INVESTOR INFORMATION

ANNEXURE

1. STOCK EXCHANGE LISTING

The ordinary shares of Kelani Valley Plantations PLC are listed with the Colombo Stock Exchange. The audited Company and Consolidated Statements of Comprehensive Income for the year ended 31 March 2019 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 from the date of Statement of Financial Position.

2. ORDINARY SHAREHOLDERS AS AT 31 MARCH 2019

Number of shareholders - 13,954

	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	13,832	1,716,981	5.0500	6	2,815	0.0100	13,838	1,719,796	5.0600
1,001 - 10,000	95	279,951	0.8200	1	2,500	0.0100	96	282,451	0.8300
10,001 - 100,000	21	715,158	2.1000	3	111,219	0.3300	24	826,377	2.4300
100,001 - 1,000,000	3	1,047,308	3.0800	2	457,322	1.350	5	1,504,630	4.4300
Over 1,000,000	3	29,666,746	87.2500	-	-	0.000	3	29,666,746	87.2500
	13,954	33,426,144	98.3000	12	573,856	1.6999	13,966	34,000,000	100.000

	Residents			Non-Residents			Total		
No. of Shares held Shareholders	No. of Shares	No. of %	No. of Shareholders	No. of Shares	No. of %	No. of Shareholders	Shares	%	
Individuals	13,900	2,523,250	7.420	10	482,637	1.4300	13,910	3,005,887	8.8500
Institutions	54	30,902,894	90.880	2	91,219	0.2683	56	30,994,113	91.1500
	13,954	33,426,144	98.3000	12	573,856	1.6999	13,966	34,000,000	100.000

3. MARKET VALUE

The market value of Kelani Valley Plantations PLC ordinary shares :

	2018/19	2017/18
Highest - Rs.	99.90 (31 December 2018)	100.00 (09 February 2018)
Lowest - Rs.	60.50 (26 November 2018)	62.10 (29 March 2018)
Period end - Rs.	93.00	80.00

4. DIVIDEND PAYMENT

No interim or final dividend is to be declared at the Annual General Meeting . (2017/18 - Rs.1/-)

5. SHARE TRADING

	2018/19	2017/18
Number of transactions	199	664
Number of shares traded	12,775	153,445
Value of shares traded (Rs.)	1,018,200.60	13,411,606.60

6. FIRST TWENTY SHAREHOLDERS AS AT 31 MARCH, 2019

	Name of Shareholder	No. of Shares as at 31.03.2019	%	No. of Shares as at 31.03.2018	%
1	DPL Plantations (Private) Limited	24,626,900	72.43	24,626,900	72.43
2	People's Leasing & Finance Plc /Mr. L.P. Hapangama	2,834,763	8.34	2,832,336	8.33
	Mr. L.P. Hapangama	400	0.00	400	0
3	Bank of Ceylon A/c Ceybank Unit Trust	2,205,083	6.49	2,200,790	6.47
4	Bank of Ceylon A/c Ceybank Century Growth Fund	526,104	1.55	525,784	1.55
5	M H L Holdings (Private) Limited	408,204	1.20	408,204	1.20
6	Mr. T.T.T. Al-Nakib	307,322	0.90	307,322	0.90
7	Mr. H.A.A.H. Algharabally	150,000	0.44	150,000	0.44
8	Dr. D. Jayanntha	113,000	0.33	113,000	0.33
9	Mr. Z.G. Carimjee	73,867	0.22	73,867	0.22
10	Mr. M.I. Abdul Hameed	70,600	0.21	70,600	0.21
11	Gampaha District Co-Operative Rural Bank Union Ltd	66,300	0.20	66,300	0.20
12	Cargo Boat Development Company PLC	58,800	0.17	58,800	0.17
13	Mr. M.M. Udeshi & H.M. Udeshi	51,032	0.15	51,032	0.15
14	Mrs. R.S.L. De Mel	50,000	0.15	50,000	0.15
15	Mr. K.C. Viganarajah	46,501	0.14	46,500	0.14
16	Harnam Holdings SDN BHD	46,219	0.14	46,219	0.14
17	SSBT-Deutsche Bank AG Singapore A/C 01	45,000	0.13	45,000	0.13
18	Mrs. Z.M. Adamally	36,933	0.11	36,933	0.11
19	People's Leasing & Finance PLC/Dr. H.S.D. Soysa & G. Soysa	21,013	0.06	20,780	0.06
20	Miss .F.A. Adamally	20,000	0.06	20,000	0.06
21	Mr. G.A. Wickremesinghe	20,000	0.06	20,000	0.06
22	Dr. M.E.R. Harrison	20,000	0.06	20,000	0.06
23	Miss. Z.A. Adamaly	20,000	0.06	20,000	0.06
Total		31,818,041	93.58	31,810,767	93.56

7. The percentage of ordinary shares held by the public was 27.57% (2017/18 - 27.57%) of the issued share capital as at 31 March 2019.
   - There were no non-voting shares as at 31 March 2019
   - Total number of Shareholders representing the Public Holding is 13,964.
   - Float Adjusted market capitalisation 871,763,400
   - The company complies with option 5 of the listing rules 7.13.1 (a) - Less than Rs. 2.5 Bn.
   - Float Adjusted market capitalisation witch requires 20 % minimum public holding.

ENVIRONMENTAL CALCULATIONS

ANNEXURE

ENERGY CONVERSION FACTORS

Fuel	Factor measure	Conversion factor	Per unit energy (GJ)
Electricity		1 kWh	3.6 MJ
Diesel	Energy per Litre		Diesel (l) x e x f
	Density - Diesel	0.84 kgs/liter (e)	
	Energy	44.3 MJ/kg (f)	
	Energy	Diesel (l) x e x f	
Petrol	Energy per Litre		Petrol (l) x c x d
	Density - Petrol	0.75 kgs/liter (C)	
	Energy	43 MJ/kg (d)	
	Energy	Petrol (l) x c x d	
Fuel wood	Energy per m3		Firewood m3 x a x b
	Density - Firewood	325 Kg/m3 (a)	
	Energy	12.5 MJ/kg (b)	
	Energy	Firewood m3 x a x b	
LPG	Energy per kg		LPG(kg) x g
	Density - LPG	No need	
	Energy	47.3 MJ/kg (g)	
	Energy	LPG(kg) x g	

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 activity
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.

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.

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

ICASL
Abbreviation for The Institute of Chartered Accountants of Sri Lanka

CBSL
Abbreviation for Central Bank of Sri Lanka

CEA
Abbreviation for Central Environment Authority

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

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

CSR
Abbreviation for Corporate Social Responsibility

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
Financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

Dividends
Distribution of profits to holders of equity investments.

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

Dividend 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

ANNEXURE

EBIT
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

Enterprise Value-EV
Market capitalisation plus MV 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
Is any contract that evidences a residual interest in the assets of a 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.

ERP
Enterprise Resources Planning.

ETP-Ethical Tea Partnership
An initiative in ethical sourcing approved by UK based tea packing companies to work in partnership with producers to demonstrate that ethical conditions exist within the tea industry.

EVA
Economic Value Addition
The return earned beyond the cost of capital.(Weighted Average Cost of Capita into Capital Invested minus Net Operating Profit)

EU
European Union

Fair Value
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).

FVTOCI
Abbreviation for Fair Value Through Other Comprehensive Income.

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".

FSC™
Forest Stewardship Council

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).

Interest Cover
Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards.

JEDB
Janatha Estates Development Board

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 ot otherwise) of that entity.

LIBOR
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

Mkg
Million Kilograms

MT
Metric Ton

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 .

Other 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

Segments
Constituent business units grouped in terms of similarity of operations and location

SIC
Standing Interpretations Committee

SLFRS / LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards

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).

Total Borrowing
Total borrowing consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with resources.

UITF
Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka.

Value Addition
The quantum of wealth generated by the activities of the group measured as the difference between turnover and the cost of materials and services bought in.

Working Capital
Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities

CAPEX
Capital Expenditure

CSE
Colombo Stock Exchange

RPT
Related Party Transactions

EIR
Effective Interest Rate

Glossary

NON-FINANCIAL TERMS

AGM
Annual General Meeting

BMF
Broken Mixed Fanning

COP
The cost of productions. This generally refers to the cost of producing per kilo of produce (Tea /Rubber)

CQC-QMS-Ceylon tea Quality Certification-Quality Management System
A legal declaration by the tea commissioner to a registered tea manufacture in modern quality management systems that the building, equipment and manner of operation of the tea factory are of excellent standard to manufacture made tea of good quality.

Crop
The total produce harvested over a given period of time (usually during a financial year).

CRTA
Colombo Rubber Traders' Association

ESG
Environment, Social & Government

Extent In Bearing
The extent of land form which crop is being harvested

Field
A unit extent of land. Estates are divided into fields in order to facilitate management.

FLO- Fair trade Labeling Organization International
A leading standard setting and certification organization for labeling fair trade established in 1997 in Germany

GMP
Good Manufacturing Practice

GSA
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.

GRI
Global Reporting Initiatives

Immature Plantation
The extent of plantation that is under-development and is not being harvested.

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

Infilling
A method of filed development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested

ISO
International Standards Organization

ISO 22000
International standard for food safety management system (FSMS) released by ISO in September 2005.

IUCN
International Union for Conservation of Nature.

KVAL.N0000
CSE stock code for the company

Mature Plantation
The extent of plantation from which crop is being harvested.

NGRS
National Green Reporting System

NIPM
National Institute of Plantation Management

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting brokerage fees, etc.

PACE
Personal Advancement and Career Enhancement

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.

Seeding tea
Tea grown from a seed.

SLSPC
Sri Lanka Plantations Corporation

TASL
Tea Association of Sri Lanka.

TRI
Tea Research Institution

Turnover Per Employee
Consolidated turnover of the company for the year divided by the number of employees

UTZ
Means 'good" in Mayan Language Quiche. UTZ certified is a sustainability program. It trains farmers how to produce sustainably improving their quality of life, environment and products. UTZ certified is working towards making tea sector sustainable.

VP tea
Vegetatively propagated tea.ie. Tea grown from a cutting of a branch of tea plant

Yield (YPH)
The average crop per unit extent of land over a given period of time (usually kgs. Per hectare per year)

5S
A Japanese management technique on the organization of the work place.
5S stands for Seiri (Sorting), Seiton (organizing), Seiso (cleaning), Seiketsu (standardisation), Shitsuke (Sustenance).

CORPORATE INFORMATION

GRI *102 -01, 03, 05,06*

ANNEXURE

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

PRINCIPAL 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 (Appointed w.e.f.01/12/2018)
S Siriwardana - Chief Executive Officer (Retired w.e.f. 15/11/2018)
F Mohideen
S C Ganegoda
L T Samarawickrama
Dr. K I M Ranasoma (Resigned w.e.f. 01/07/2018)
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
NDB 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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Seventh Annual General Meeting of Kelani Valley Plantations PLC, will be held at the Registered office of the Company, No. 400, Deans Road, Colombo 10, Sri Lanka, on Tuesday 25th June 2019 at 10.00 a.m. and the business to be brought before the meeting will be:

AGENDA

1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2019, with the Report of the Auditors thereon.

2) To re-elect Mr. A. Weerakoon who has been appointed by the Board, since the last Annual General Meeting, a Director.

3) To re-elect Mr. C. V. Cabraal who retires by rotation at the Annual General Meeting , a Director.

4) To re-elect Mr. L. N. De Silva Wijeyeratne who retires by rotation at the Annual General Meeting , a Director.

5) To re-appoint Mr. F. Mohideen who retires having attained the age of Seventy Two years and the company having received special notice of the undernoted ordinary resolution in compliance with section 211 of the companies Act No.7 of 2007 in relation to his re-Appointment.

ORDINARY RESOLUTION

6) That Mr. F. Mohideen retiring Director, who has attained the age of seventy Two years be and is hereby re-appointed a Director in terms Section 211 of the Companies Act No 7 of 2007 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 contributions to Charities for the financial year 2019/2020.

8) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2019/2020.

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

Note:
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 with Hayleys Group Services (Pvt) Ltd, Secretaries, No. 400, Deans Road, Colombo 10, Sri Lanka, by 10.00 am on 23rd June 2019.

By Order of the Board

KELANI VALLEY PLANTATIONS PLC

Hayleys Group Services (Private) Limited
Secretaries

Colombo
27th May 2019

FORM OF PROXY

ANNEXURE

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 Twenty Seventh Annual General Meeting of the Company to be held on 25th June 2019 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 2019 together with the Report of the Auditors thereon.		
2.	To re-elect Mr. A. Weerakoon, who has been appointed by the Board, since the last Annual General Meeting, a Director.		
3.	To re-elect Mr. C. V. Cabraal who retires by rotation at the Annual General Meeting a Director		
4.	To re-elect Mr. L. N. De Silva Wijeyeratne, who retires by rotation at the Annual General Meeting a Director		
5.	To re-appoint Mr. F. Mohideen, who retires having attained the age of Seventy Two years, a Director by passing the Ordinary Resolution set out in the Notice.		
6.	To authorise the Directors to determine contributions to Charities for the financial year 2019/2020.		
7.	To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2019/2020.		

(***) 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 ....2019.

Witnesses:

Signature: .... Name: ....

....
Signature of Shareholder

NIC No.: .... Address: ....

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.

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, not less than 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.

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www.optimadesigns.lk