ANNUAL REPORT 2019/20

Kelani Valley Plantations PLC

CONTENTS

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.

REPORT PROFILE

REPORT PROFILE

We, Kelani Valley Plantations PLC (KVPL), are pleased to present our Annual Report which sets out the performance for the financial year ended 31 March 2020.

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.

This report contain financial position, results for the year, the report of the Board of Directors and other statutory requirements.

- Chairman's Message
- Managing Director's Message
- Board of Directors
- Corporate Governance
- Risk Management
- Annual Report of Board of Directors
- Responsibility Statements and Reports of Committees.

POLICY ON ASSURANCE

Messrs. Ernst & Young, Chartered Accountants has issued an independent report on Financial Statements.

Reporting Standards/Guideline/Frameworks

- 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; and
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.
- Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THIS REPORT

The Board believes that this 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 performance of the Company.

The Board unanimously approved the 2019/20 Annual Report on 09 June 2020, for release to shareholders.

Managing Director – On behalf of Board of Directors
Date: 09 June 2020.

INQUIRIES AND FEEDBACK.

We will be pleased to answer any questions and clarifications on this report, the contact point at KVPL is:
postmaster@kvpl.com

OUR LAND

2019/20	Extent					No. of Factories	Elevation (ft)	Crop	
Estate								Kgs'000	Kgs'000
	Tea	Rubber	Other crop	Other	Total			Tea	Rubber
Pedro	544	-	-	125	668	1	6,237	516	-
Nuwara Eliya	189	-	-	58	247	1	5,999	300	-
Glassaugh	162	-	-	66	228	1	5,074	251	-
Uda Radella	157	-	-	68	225	1	5,328	179	-
Edinburgh	132	-	-	47	179	1	5,075	156	-
Oliphant	193	-	-	171	364	1	6,440	154	-
Ingestre	525	-	-	305	830	2	4,723	489	-
Fordyce	231	-	-	172	403	1	4,599	266	-
Annfield	222	-	-	153	375	1	4,297	312	-
Tillyrie	163	-	-	171	334	1	4,264	139	-
Invery	124	-	-	182	306	1	4,310	193	-
Robgill	181	-	-	119	300	1	4,500	182	-
Battalgalla	141	-	-	120	261	1	4,300	159	-
Halgolle	246	-	4	946	1,196	1	3,478	274	-
Ederapolla	19	411	23	214	667	1	338	14	295
Kitulgala	37	-	93	452	582	-	1,003	45	-
Kalupahana	54	158	3	297	512	-	1,500	61	104
Kelani	27	187	20	115	349	1	300	32	134
Dewalakande	-	526	4	187	717	2	502	-	318
Panawatte	11	676	5	338	1,030	1	1,000	9	447
Urumiwella	3	426	14	279	722	1	800	6	229
Kiriporuwa	23	348	31	185	587	2	805	22	246
Lavant	-	342	31	196	569	1	800	-	244
Ganapalla	-	293	57	140	490	-	1,000	-	185
We Oya/ Polatagama	24	708	32	223	987	-	1,000	11	507
Total	3,408	4,075	317	5,328	13,128	24		3,769	2,710

CORPORATE PROFILE

Kelani Valley Plantations PLC (KVPL) was incorporated as a regional plantation Company on 18 June 1992 and listed on the main board of the Colombo Stock Exchange in 1996. It is a 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 covering 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 Certification. Additionally, being a member of 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 to black tea manufacturing Glassaugh factory produces green tea, while KVPL's Nuwara Eliya factory specialises in the production of Ready to Drink (RTD) tea. KVPL's two Tea Centres, the Pedro Estate Ethical Tea Boutique in Nuwara Eliya as well as the 'Tea Train' at Edinburgh Estate in Nanu oya add considerable brand value to KVPL's credentials as a leading tea manufacturer in the country.

The rubber plantations have been endorsed by Forest Stewardship Council (FSC) Certification and Organic Rubber Certifications (USDA/NOP and EU) while products of sole crepe, centrifuge latex and crepe rubber are certified with FSC chain of Custody Certification and Global Organic Latex Standard (GOLS) Certification.

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 selected 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 1 MW hydro power. The recent addition to this area of business was a solar power 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 9,200 strong team, led by a closely-knit management collective.

CHAIRMAN'S MESSAGE

Dear Shareholder,

It is my pleasure to present the annual report and audited accounts of Kelani Valley Plantations PLC (KVPL) for the financial year 2019/20. Against the backdrop of an unexpectedly turbulent year, I am pleased to report that KVPL has maintained its sustainable business model, while containing financial losses to a minimum and recording a comparatively strong performance compared to the industry benchmarks.

The year commenced on a disruptive note with the Easter Sunday attacks in April 2019 and the plantation sector continued to experience unfavourable market conditions with poor international prices for both tea and rubber. This is on top of the latest, highly unfavourable, wage revision that came into effect in February 2019, which not only significantly increased the cost of production of plantation companies but also negated previously established productivity linked wage. The industry outlook worsened in the fourth quarter with the unforeseeable emergence of the COVID-19 pandemic, which almost halted import-export activities significantly in the last quarter of the year, and effectively stopped production activities of plantations due to the imposition of curfew in the country to contain the contagion. These severe impediments left the entire plantation sector in a dismal situation by the end of the financial year.

With a near total freeze on international trade due to national scale lockdowns, global economic growth fell to 2.9% in 2019, from 3.6% in 2018, as reported by the World Economic Outlook (WEO) in April 2020. Sri Lanka's economic growth rate followed suit, by slowing to 2.3% from 3.3% in 2018, as noted by the Central Bank Annual Report 2019.

FINANCIAL PERFORMANCE

Against the above gloomy backdrop, your Company recorded a consolidated loss of Rs. 87 m for the financial year 2019/20, compared to the (122%) year-on-year growth in profitability in 2018/19, at Rs 387.9 m.

However, our future oriented investments and emphasis on rationalising our operations, have ensured that KVPL has continued to remain a top performer in the national plantation sector. According to data published by the Colombo Stock Exchange, KVPL rank No. 1 for rubber, and No. 3 for tea, in terms of gross profit per hectare. At tea auctions, once again, KVPL has retained its No. 2 ranking, behind sister company Talawakelle Tea Estates, but has gained on its previous year's position by reducing the average price gap between the two companies. These are indeed highly encouraging rankings and demonstrate the effectiveness of our business strategy and its execution at ground level. I urge our shareholders to refer the Managing Director's Message for a more detailed explanation on the finances, market conditions and sectoral performance of the Company.

STRATEGIC PROGRESS

KVPL has made steady progress in its diversification strategy, which has been instrumental in mitigating financial losses during the current year. Older, less profitable rubber lands have been repurposed for cinnamon and coconut cultivation. The business diversification strategy has enhanced value added revenues and have contributed considerably towards cushioning traditional commodity losses.

KVPL's revenue share model, where plots of tea are managed by resident estate families under the agricultural supervision of the Company, was further extended during the year. The revenue sharing approach is gaining popularity among estate communities, as it gives a sense of ownership and has the potential to generate relatively higher incomes. I believe this is the way forward to ensure the future sustainability of Sri Lanka's plantation sector.

CSR AND COMMUNITY WELFARE

Despite the external turmoil, KVPL has continued to honour its social obligations as a responsible and ethical corporate citizen.

Employee welfare and satisfaction is a core concept of the KVPL ethical business model and the Company did not reduce its employee investments during the year. In fact, keeping its employees in the forefront, KVPL conducted a highly successful 'Best Plucker Award', to honour its tea estate workers and encourage a productivity culture.

The first of its kind event was a major plantation sector occasion attracting media headlines and reinforcing KVPL's image as a progressive employer.

'Under the Save the Children Fund's, 'Mother-and-Child-Friendly Tea Estates' concept and it's projects, KVPL has emphasised 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 improve water and sanitation levels and support Child Development Centres in estates. Under the CEO Water Mandate, the World Bank has pledged support for infrastructure for purified drinking water and to build essential sanitation facilities. The estates also benefit from the 'PACE Programme for Women', conducted by CHRYSALIS, an NGO partnering KVPL.

AWARDS

KVPL has continued to shine as one of the best corporate entities in the country by being acknowledged with the Gold Award for 'Overall Excellence' at the 'National Business Excellence Awards 2019', accompanied by a host of Gold and Silver subordinate awards, including for 'Excellence in Corporate Governance', 'Corporate Social Responsibility' and 'Performance Management'. KVPL was crowned the winner once again, at the 'South Asian Business Excellence Awards 2019'.

The KVPL Annual Report 2018/19 won Gold (joint winner with Talawakelle Tea Estates PLC), at the Chartered Accountants Annual Report Awards - 2019 (Plantation Companies) and was the Corporate Governance Disclosures– Agriculture Sector, joint winner at the Best Presented Annual Report Awards and SAARC Anniversary Awards 2019.

Retaining its tea crown, at the 'Total Excellence in Tea Production' Awards 2019, KVPL was named the Winner and Second Runner Up for the Nuwara Eliya region, and as the Winner in the Dimbulla region.

CHAIRMAN'S MESSAGE

Reflecting the exceptional human resource management standards of the Company, KVPL won numerous accolades during the year and became the first plantation company to win a Silver Award under the Extra-Large Category for Extraordinary Efforts Made to 'Employee Health & Well-Being' at the Sri Lanka Corporate Health and Productivity Awards 2020, which is organised by The Chamber of Young Lankan Entrepreneurs (COYLE) and the Japan External Trade Organisation (JETRO). In addition, the Hayleys Plantations Sector, including KVPL, was adjudged the winner at the Global HR Excellence Awards' 'Best HR Organisation to Work For' in 2019. At the National Social Dialogue and Work Place Cooperation Awards 2019, KVPL won Gold in the 'Plantation Sector Large Scale Category' and bronze in the 'Plantation Sector Medium Scale Category', and Gold and Silver Awards in the Plantation Sector Small Scale Category. In the Service Sector Small scale category, KVPL once more won the gold. At the 'National HR Excellence' Awards' Great HR Practices 2019, the Hayleys Plantations Sector, including KVPL, was the Overall Winner.

DIRECTORATE

In closing, I extend my appreciations to Mr. L. T. Samarawickrama who retired from the KVPL Board in 1 June 2019 after serving ten years in the board. I wish him all success in his future endeavours.

FUTURE PLANS

Looking towards 2020 and beyond, the Central Bank Annual Report 2019 notes that the COVID-19 pandemic raging through the world has caused the worst downturn since the Great Depression of the 1930s. The major advanced economies are expected to experience economic contractions during 2020. China & India, being other key trading partners of Sri Lanka are also expected to experience a notable slowdown. The World Trade Organisation (WTO) forecasts that global merchandise trade can decline by as much as 32% in 2020. While the poor economic performance of key trading partners will directly impact Sri Lanka's export earnings due to weakened demand, the imposition of various measures domestically and abroad to dampen the spread of the virus and the short-term economic impact of the outbreak can cause supply chain disruptions, thereby impacting the country's current and future export capacity.

Meanwhile, Sri Lanka's already struggling plantations sector is further threatened by mounting pressure for yet another unplanned wage increase, in the wake of General Elections in 2020. Given the vulnerability of Tea & Rubber plantation industry to volatile international prices and challenging price competition. We urge the authorities implement policies to ensure the sustainability of the plantation sector.

APPRECIATIONS

The guidance and insights of the Board were invaluable and I appreciate their contributions, while also recognising the hard work by the management and employees. I take this opportunity also to thank our shareholders, investors, business partners and all other stakeholders for their continued support. I am confident we are well prepared to face the challenge time and return to positive gains in the new financial year.

A M Pandithage
Chairman

09 June 2020

MANAGING DIRECTOR'S MESSAGE

The 2019/20 financial year placed extreme stress on the plantation sector with extreme weather, another wage increase which again put up production costs, further deterioration of both tea and rubber prices and a global pandemic that effectively halted domestic manufacture and export of plantation crops. However, KVPL has prevailed against the odds, sustained by a strategic vision and a sustainable business model; to continue building a solid foundation for future growth. I am confident we will make a rapid recovery when the country and world gradually return to normalcy.

FINANCIAL PERFORMANCE

Within the external milieu that prevailed in 2019/20, KVPL experienced a slight decline in revenue from Rs. 4.05 b in 2018/19 to Rs. 4.01 b, which caused the after tax profit to dive from Rs. 18.74 m to a loss of Rs. 300 m. At Group level, our subsidiaries stepped in, to shield against the losses from the plantation sector, by contributing significant revenues.

At Group level, revenue declined to Rs. 8.91 b from Rs. 9.16 b in 2018/19, with our subsidiary Mabroc contributing Rs. 4.98 b to revenue, while Kalupahana Power added another Rs. 38.2 m to the consolidated revenue. However, KVPL's losses for the year caused the Group bottom line to plummet to an after tax net loss of Rs. 87.01 m from the profit of Rs. 387.9 m in the previous year, despite Mabroc reporting a profit of Rs. 299.4 m and Kalupahana accounting for another Rs. 21 m in profits.

Kelani Valley Resorts (Pvt) Ltd, the operators of the Oliphant Boutique Bungalow managed by Amaya Leisure PLC, achieved a fairly good year despite the instability caused by the Easter Sunday fallout but was handicapped by the COVID-19 outbreak. On the positive side, the Resort managed to breakeven during the year.

Although external demand conditions remained poor throughout the year, KVPL has maintained its investment plan with capital expenditure totaling to Rs. 263.4 m at Company level during the year, which increased to Rs 1.08 b at Group level. These future oriented investments are primarily towards plant and machinery and equipment, to sustain uninterrupted, high quality outputs and to support infrastructure such as buildings, vehicles and computer equipment.

It is also noteworthy that Hayleys did not impose salary cuts during the COVID-19 shutdowns and with the exception of the Group Level corporate management, all our employees benefited from their full salaries.

THE TEA SECTOR

The downward trend in Sri Lanka's tea production that was observed since 2017, continued in 2019, primarily due to domestic factors. Tea production in 2019 declined by 1.3% to 300.1 m kgs, owing to labour issues during wage negotiations in the sector, dry weather conditions that prevailed in the first half of the year, as well as heavy rains in the fourth quarter. Accordingly, high grown tea production reported a decline of 3.0% to 63.1 m kgs, while the medium grown tea output increased marginally by 0.1% to 47.2 m kgs. Low grown teas, which account for around 62% of the total output, declined by 1.0% in 2019 to 189.9 m kgs. The average yield in the smallholder sector was generally higher than that in the large plantation sector.

Despite the reduction in output, the quantity of tea traded at the Colombo Tea auction as well as the amount exported, increased in 2019. However, the average export price (FOB) of tea decreased by 9.1% to US$ 4.6 per kgs in 2019, compared to US$ 5.1 per kgs recorded in 2018. Meanwhile, the annual average price at the Colombo Tea Auction (CTA) declined by 6.0% to Rs. 546.67 per kg from Rs. 581.58 per kg reported in 2018. The highest year-on-year decrease in tea prices at the CTA was observed for high grown tea (10.9%), followed by medium grown tea (10.0%) and low grown tea (3.6%).

KVPL'S TEA SECTOR PERFORMANCE

The total tea outputs from KVPL decreased by 3% to 4.7 m kgs in 2019/20 from the previous year with a yield of 1,130 kgs per hectare. With auction prices averaging at Rs. 589.35 per kg, total tea revenue came to Rs. 3,005 m, which accounted for 74.8% of total revenue for the year. Due to the stringent quality focus throughout the year, KVPL maintained its GSA ranking at No 2.

KVPL's Smart Agriculture Plan made progress with all estate managers being provided with networked tablet computers while more areas of the value chain were shifted to digital platforms. The digitisation of the weighing process was fully operational across all estates and plans to connect bank accounts of plucking personnel to the process has also progressed. However, plans to deploy drones to support plantation activities could not be executed, as the use of drones was banned following the Easter Sunday bombings.

Stringent agricultural compliances were observed across the operational vertical supported by an investment of Rs. 7.1 m on land development. Regular replanting and maintenance, new clearings, machinery maintenance and timely plucking, were conducted on time to ensure the quality of the end product. Intensive planting of ground cover in sub optimal landscapes were done, in addition to the terracing and draining to protect the soil.

Sustainable agricultural practices, such as using slow-releasing nitrogen fertiliser and adding compost made out of urban waste incorporated with rock phosphate, were continued. The Company complies with ISO 22000:2005 for food safety management in all 12 tea processing centres and also accommodates Rainforest Alliance, Organic Rubber Certification, FSC and the Ethical Tea Partnership certification for ethical social and environmental practices. KVPL has also invested in a number of globally recognised accreditations that ensure 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).

Emphasis was placed on product quality and productivity improvements, to optimise the business process. A key productivity improvement component is human resource development, which continued unabated during the year. Corporate and estate management were exposed to specialised training to equip them for emerging challenges through the AOTS-Japan training programme, organised by the Association for Overseas Technical Corporation and Sustainable Partnership (AOTS)-Japan. This highly specialised management and leadership development training programme was customised for employees from Hayleys plantations. 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.

MANAGING DIRECTOR'S MESSAGE

The revenue-share model has continued to gain confidence among estate communities contributing towards productivity gains and cost benefits for the Company.

RUBBER SECTOR

Sri Lanka's rubber production, which has been on a decline fell further by 9.5% to 74.8 m kgs in 2019, reporting the lowest annual output in history, with a significant drop in the production of sheet rubber, which accounts for about a 50% share of total rubber production. Sheet rubber production declined by 9.5% to 37.4 m kgs from 41.3 m kgs in 2018. Crepe rubber production also recorded a marginal decline of 0.5% to 14.4 m kgs. Production of other categories of rubber, which accounts for around 30% of total rubber production, declined by 14.3% to 22.9 m kgs, in comparison to the previous year's production of 26.8 m kgs.

Lower output in the rubber sector during 2019 in turn, reduced export volumes. Both international and domestic demand for natural rubber were low under the slowing down of global economic activities and relatively low petroleum prices. Accordingly, natural rubber exports from Sri Lanka declined by 7.0% to 13.0 m kgs in 2019 in comparison to the previous year. Domestic consumption of rubber in the industrial sector, which decreased over the last few years, further declined by 16.8% to 113 m kgs due to the subdued performance of the rubber related domestic manufacturing sector.

KVPL'S RUBBER SECTOR PERFORMANCE

With rubber prices averaging at Rs. 320.27 per kg and rubber yields at 950 kgs per hectare, the total revenue from rubber declined to Rs. 988.9 m. Nevertheless, rubber revenue represented nearly a quarter (24.6%) of total revenue of the Company for the year. Therefore, KVPL's ranking according to data published by the Colombo Stock Exchange, as highest gross profit earner per hectare for rubber, demonstrates that our investments to develop the sector, including introducing innovations such as rain guards that facilitates rubber tapping even during wet weather, have had a positive financial impact.

In the current year, KVPL made an investment of Rs. 149 m on land development for rubber, while maintaining higher than traditional replanting rates, which has made available nearly 40% in replanted young rubber trees. These trees will be ready for tapping over the next few years, securing rubber production. Certification of Organic Rubber created opportunity for niche market segment.

Keeping in line with the company's policy of sustainable agriculture, we have obtained Organic Rubber certification (EU & USDA/NOP) for 675 hectares of KVPL's Rubber fields. Two processing centres have obtained Global Organic Latex Standard (GOLS) certification and we are now capable of manufacturing GOLS certified Centrifuged Latex, Sole Crepe and Latex Crepe.

KVPL'S DIVERSIFIED CROP PERFORMANCE

Overall, exports of Sri Lankan cinnamon and other minor crops, such as pepper, cardamom and coffee, declined in 2019. KVPL has been developing its diversified crop portfolio for the past few years as a strategy to mitigate commodity price risks by repurposing underperforming rubber lands in the low country. During the current year, the Company invested Rs. 71.6 m on land development for cinnamon and coconut cultivation. By the end of the current financial year, the total cinnamon cultivation came to 160 hectares and agarwood plantations and coconut stood at 158 hectares.

OUTLOOK FOR THE NEW FINANCIAL YEAR

The outlook for the new financial year is not an encouraging one, given that the country is heading for another election, which has traditionally had a disruptive effect on the plantation sector. Already, there is a growing demand for another wage increase for plantation workers, well before the latest February 2019 wage agreement reaches its year term in 2021. As the labour represent in the cost of production is already between 60%-70% of total costs, another wage increase, under the present uncertain global situation, is not possible at all, particularly as both tea and rubber prices have been weak and producers have no control whatsoever over international prices. While a slight upward movement in tea prices was noted in the immediate post COVID-19 auctions; with competitor countries also reopening auctions, the price increase may not be sustained. The industry's best hope is that the Government would market the Ceylon Tea brand aggressively in international markets in the COVID-19 recovery period, as black tea is seen as conducive to the prevention of the virus. With rubber, we cannot expect prices to improve in a low oil-price environment. Therefore, our plan is to grow the value-added export market, which will generate higher revenues and will also provide more stable prices than the commodity market.

Within this scenario, in the new financial year plantation companies will have no choice but to tighten their belts even more, to ensure a return to profitability. KVPL will maintain its strategic direction with human resource development high on its agenda to equip the company with the correct skills to compete in the market. Therefore, the training and development calendar will be strengthened, as will the focus on core operations, to enable a more efficient and streamlined business model.

The outlook is better for our subsidiaries. We believe Mabroc will continue to perform well, or even better in the new financial year. While Kalupahana, our hydropower company is dependent on the weather, we anticipate a stable performance. However, Kelani Valley Resorts may not see growth in the immediate post Covid environment of social distancing and fear of travel.

KVPL will continue to maintain unwavering attention on quality and productivity and over the long term, we will maintain our strategy of diversification, value addition and modernisation.

APPRECIATIONS

I would like to express my appreciations to our Chairman and my fellow Directors for their guidance and support during this difficult year. I also acknowledge the contributions by the management and all employees for their conscientious and dedicated service. Our buyers, brokers, suppliers and our shareholders are our key stakeholders and I thank them for their continued support as we enter a challenging year.

Dr. Roshan Rajadurai
Managing Director

09 June 2020

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 Ships' Agents.

Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; honored with lifetime achievement award at Seatrade –Sri Lanka Ports, Trade and Logistics; Lifetime 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 a 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 and 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.

BOARD OF DIRECTORS

S. C. GANEGODA
Non-Executive Director

Director of Kelani Valley Plantations PLC since September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Held several Senior Management Positions in large private sector entities in Sri Lanka as well as overseas. Has responsibility for the Strategic Business Development Unit of the Hayleys PLC. He serves on the Board of Hayleys PLC, Unisyst Engineering PLC, Alumex PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantation 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. He was the Former Group Finance Director of Richard Pieris PLC and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Ltd.

Mr. Wijeyeratne is a Former Member of the Quality Assurance Board and the Institute of Chartered Accountants of Sri Lanka and the Sri Lanka Accounting Standards Monitoring Board. He is presently an Independent Director and Audit Committee Chairman of several Listed Entities.

CORPORATE MANAGEMENT PROFILE

BOARD OF DIRECTORS

Kelani Valley Plantations PLC

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

Directors:
A. M. Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A. Weerakoon - Chief Executive Officer
F. Mohideen
S. C. Ganegoda
L. T. Samarawickrama (Resigned w.e.f. 1 June 2019)
C. V. Cabraal
L. N. De S. Wijeyeratne

DPL Plantations (Pvt) Ltd.

Plantation Management, Managing Agent Incorporated in 1992 in Sri Lanka
Stated capital – Rs. 550 m

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

Kalupahana Power Company (Pvt) Ltd.

Generates Hydro Power Incorporated in 2003 in Sri Lanka
Stated capital – Rs. 30 m, Group interest – 60%

Directors:
Dr. Roshan Rajadurai
A. Weerakoon
M. F. M. Ismail
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. Roshan Rajadurai

Mabroc Teas (Pvt) Ltd.

Exports Bulk and 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
R. S. Samarasinghe
S. C. Ganegoda

Kelani Valley Resorts (Pvt) Ltd.

Operates Boutique Bungalow Incorporated in 2017 in Sri Lanka
Stated capital – Rs. 50 m, Group interest – 100%

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

CORPORATE MANAGEMENT PROFILE

MANAGEMENT TEAM

Kelani Valley Plantations PLC

Board of Directors:
A. M. Pandithage - *Chairman*
Dr. Roshan Rajadurai - *Managing Director*
A. Weerakoon - *Chief Executive Officer*

Operational Directors:
Y. U. S. Premathilake - *Plantations (Rubber)*
R. N. A. Bandaranayake - *Plantations (Tea)*
H. K. C. De J. Seneviratne - *Regional Administration*

General Managers:
R. D. G. Fernando - *Rubber Marketing & Administration*
R. M. V. W. Weerabahu - *Finance*
A. T. Gamage - *Human Resources & Corporate Sustainability*

Regional General Managers:
K. W. S. F. Fernando - *Kiriporuwa*
A. P. Senanayake - *Nuwara Eliya Region*

Deputy General Managers:
D. I. Gallearachchi - *Invery*
D. E. P. K. Welikala - *Panawatte*

Senior Managers:
W. P. S. B. Abeywardena - *Dewalakande*
P. K. A. H. Thilakaratna - *We-Oya*
R. L. Obeysekara - *Kelani*
R. D. D. C. Samarasinghe - *Ederapola*
K. Murugadas - *Marketing*
W. L. P. S. Wijesinghe - *Information Technology*
K. A. R. Alles - *Corporate Affairs*

Group Managers:
A. M. C. B. Attanayake - *Annfield*
R. C. V. V. Ramanathan - *Fordyce*
T P G I Guruge - *Ingestre*

Managers:
N. D. Amaratunga - *Marketing*
R. M. R. Y. B. Ratnayake - *Monitoring*
D. D. C. Senevirathne - *Accounts*

Estate Managers:
Up Country (Nuwara Eliya & Hatton Group)
Y. A. Hettiarachchi - *Nuwara Eliya*
R. C. Gnanasekeram - *Tillyrie*
M. G. Jayamantri* - *Pedro*
K. T. Benthota** - *Udaradella*
T. Karthik*** - *Battalgalla*
H. D. Nayanajith - *Robgill*
D. Augustin*** - *Glassaugh*
C. M. K. Wijayawardane*** - *Oliphant*

Low Country (Tea & Rubber Group)
E. A. G. C. Athauda ** - *Lavant*
D. J. C. S. Chandrasekera - *Ganepalla*
R. M. U. S. Jayasundara - *Urumiwella*
A. Gannoruwa - *Halgolla*
M. K. D. Priyantha - *Kitulgala*
K. K. A. I. Perera ** - *Kalupahana*
W. A. K. Chandana - *Centrifuge factory*

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

Mabroc Teas (Pvt) Ltd

Directors:
N. R. Ranatunga - *Managing Director*
R. S. Samarasinghe - *Deputy Managing Director*
R. M. Hanwella - *Operations*

General Managers:
S. C. Hikkaduwage - *Finance*
U. A. De Silva Kulasiri - *International Trade*
T. M. L. J. Peris - *International Marketing*

Managers:
K. Wilagoda - *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 planning & efficiency management*

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 behavior and a sound ethical culture. Our corporate governance framework consists of strong business principles, sound policies and procedures, underpinned by an efficient monitoring mechanism, where The Board of Directors stands as the apex governing body.

The Board consists of 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 strengthen the roles and responsibilities of the Board of Directors of the Group, ensure transparency and accountability and reinforce our commitment to provide sustainable returns for the benefit of all internal and external stakeholders, despite all odds. Our Code of Conduct and Business Governance offers direction for all the employees across the organisation, where we continually stress on the values of good governance, honesty, integrity and fairness.

This section of the Annual Report seeks to demonstrate KVPL's governance framework in action and its correlation to the regulatory framework applicable to our business. Accordingly, our business principles reflect the standards set out to ensure that we operate lawfully and comply with all mandatory requirements including the Companies Act, No. 07 of 2007 and the updated Code of Best Practice on Corporate Governance, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the listing rules on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We hope that this brief message will be of value to you in assessing how the regulatory requirements and best practices are being put into action across KVPL.

I assure you that we make every effort to continuously improve our corporate governance practices by complying with the relevant regulatory and governance framework to achieve ethical and stewardship obligations, while supporting the creation of long-term sustainable stakeholder value.

As required in the above Code, I together with the Board of Directors hereby confirm that, we are not aware of any material violations of the provisions of the Code of Business Conduct and Ethics as the case maybe by any Director or any member of the Corporate Management of KVPL.

A. M. Pandithage
Chairman

CORPORATE GOVERNANCE

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 the economic efficiency does not ensure sustainable outcome. Therefore we endeavor ethical business practices while maintaining the trust placed by our stakeholders.

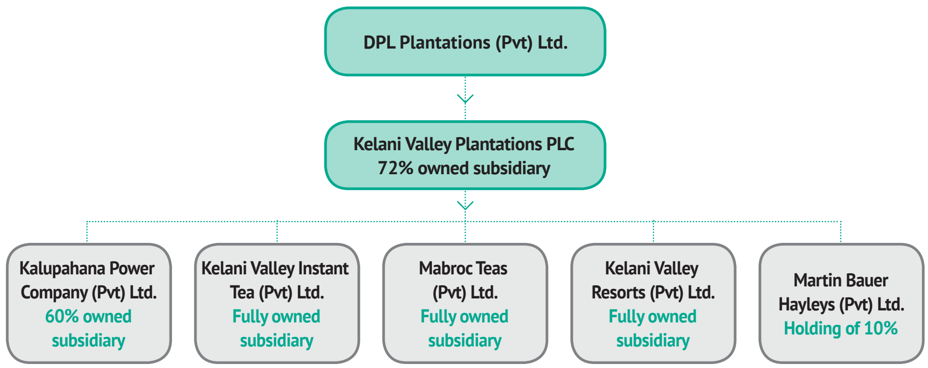
KVPL confirms that it is fully compliant with all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules applicable to the businesses of the Company. Further,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

"Corporate Governance should be done more through principles than rules"

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), Kelani Valley Resorts (Pvt) Ltd. and Kelani Valley Instant Tea (Pvt) Ltd. (KVIT) are fully owned subsidiaries of KVPL. Mabroc Teas (Pvt) Ltd is one of Sri Lanka`s leading tea exporters supplying a wide range of teas to the global markets. Kelani Valley Resorts (Pvt) Ltd. operates the Oliphant Boutique Bungalow.

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. 10% of Martin Bauer Hayleys (Private) Limited (formerly known as " Hayleys Global Beverages (Pvt) Ltd.") is owned by KVPL.



These guidelines, which are updated periodically, outline matters that require Board and Committee approval, advice or review. The Company adopts the Code of Best Practice on Corporate Governance 2013, jointly issued by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (Code) which has been recommended for adoption by listed companies by the Colombo Stock Exchange. In addition to the listing rules, the Code is used as a guideline to determine operational structures and processes that exemplify good governance practices across the business.

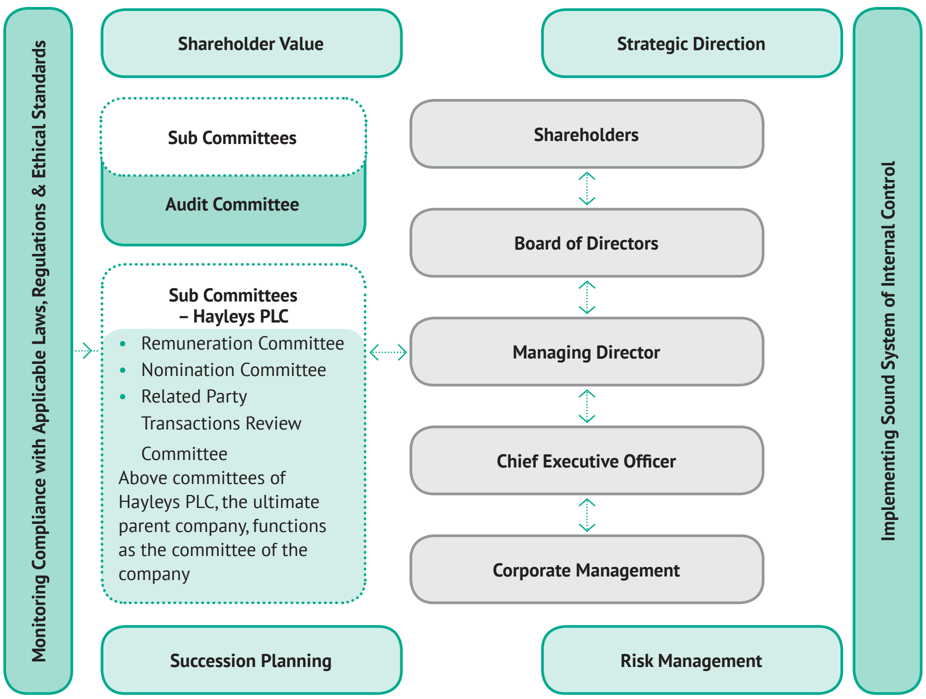
The Names of the Board of Directors and their attendance at meetings

Name of Director	Director Category	07/05/2019	01/08/2019	30/10/2019	03/02/2020	Attendance
A. M. Pandithage - Chairman	Ex	√	√	√	√	4/4
W. G. R. Rajadurai (Managing Director)	Ex	√	√	√	√	4/4
A. Weerakoon	Ex	√	√	√	√	4/4
Faiz Mohideen	INEx	√	√	√	√	4/4
S. C. Ganegoda	NEx	√	√	√	√	4/4
L. T. Samarawickrama (Resigned w.e.f. 01 June 2019)	NEx	√	X	X	X	1/4
C. V. Cabraal	INEx	√	√	√	√	4/4
L. N. de S. Wijeyeratne	INEx	√	√	√	√	4/4

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

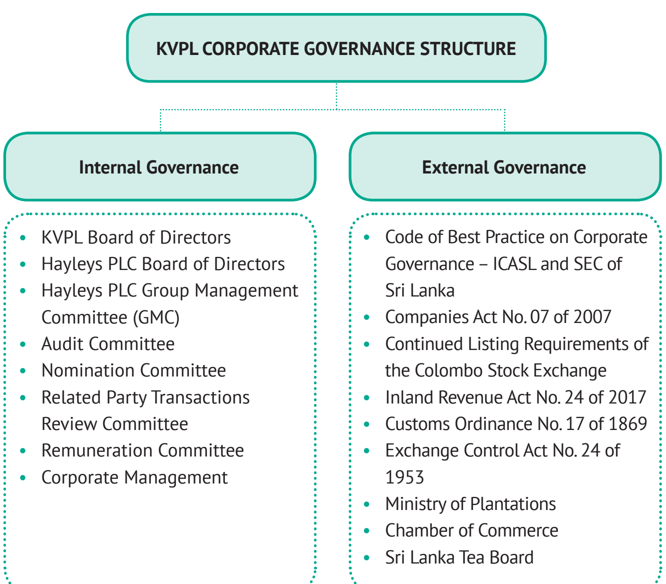
COPORATE GOVERNANCE FRAMEWORK

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



COPORATE GOVERNANCE STRUCTURE

KVPL Group governance structure comprises two levels;



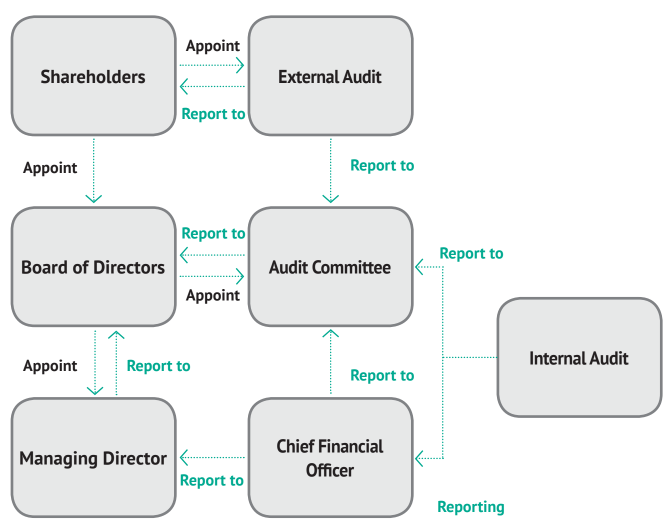
INTERNAL GOVERNANCE STRUCTURE

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

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 GOVERNANCE

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

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

Meeting of Finance, Corporate Communications and HR clusters of the Hayleys Group bring together representatives from different sectors of the Group to communicate relevant matters, areas of special interests and concerns, and share best practices. KVPL's Managing Director is a member of the Hayleys Group Management Committee (GMC) and expected to participate in all monthly review meetings. A monthly meeting chaired by the Chairman of the Hayleys PLC brings together all GMC members from different sectors within the Hayleys Group. This provides a platform for the group to review sector performance, formulate policy, communicate sector relevant matters, areas of special interests and concerns and share best practices.

The Chief Financial Officer of the Company reports to the Hayleys Group CFO on a quarterly basis on any significant risks or concerns affecting the business activities of KVPL and the financials pertaining to the same. This reporting process may be more frequent if warranted. Further, The CFO's forum of the Hayleys Group enables relevant matters to be debated among the 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

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
- Sri Lanka Tea Board
- Chamber of Commerce
- Ministry of Plantations

Internal Audit and Control

The Board jointly with the Management is responsible for the company's internal control and its effectiveness. Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. The Internal Audit and Control function is a comprehensive mechanism that covers all financial, operational and compliance controls, and risk management systems. However it is important to note that any system can expected to provide only reasonable, but not absolute assurance that errors and irregularities are detected and prevented within a reasonable time.

Information Technology (IT) Governance

KVPL's investment in IT covers resources operated and managed centrally and those resources deployed on the various estates where accounts are prepared using a computerised accounting package. The company's IT resources therefore comprises of these computerised accounting packages, utility software and networking facilities used at Head Office, including Internet and relevant devices are used to interconnect Head Office with estates.

IT Value and Alignment
In recent years, KVPL has come to leverage on more and more on IT to improve processes across the business. However, investment in IT projects and systems are made after considering their suitability for the related projects. Furthermore, aspects such as cost savings, the provision of timely information and the balance between cost and benefits are also considered when decisions are taken.

With productivity improvement being identified as a key growth driver for KVPL, the company set up a Performance Monitoring Unit at the Head Office, to monitor the performance of the estates through an online system that delivers critical information in real time.

In additions, introduced digital weighing system for all Tea plantations replacing manual weighing improving the accuracy and timely information through a secured IT system.

Further, SAP- S4/HANA accounting package was implemented from February 2020 to Head office replacing years old XA -400 Accounting package to be in line with the Hayleys group common platform.

IT Risk Management
Risks associated with IT are assessed in the process of KVPL's Risk Management mechanism. The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of antivirus and firewall software, are some of the safeguards currently in place to minimise IT related risks.

External audit
For the seventh consecutive year, Messrs. Ernst & Young (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
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-blowing policy enables staff to raise concerns of suspected wrongdoing without fear of reprisal or retribution. The policy allows employees to directly raise concerns with the Company Secretary or a designated officer. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Board Audit Committee.

Reference to ICASL & SEC Code	Details of Compliance
SECTION 1: THE COMPANY **A. DIRECTORS**	
Principle: A.1 The Board **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. During the year under review, The Board consisted of seven Directors – four Non-Executive Directors and three Executive Directors including the Chairman. The Board considered that the preset composition and expertise is sufficient to meet the needs of the Group. The Non-Executive Directors contribute with their knowledge and experience collectively gained from experience in serving a variety of public and private organisations. Accordingly, the composition of the Board as at the end of the financial year is illustrated as follows: The profiles of the Directors are found on pages 9 and 10 of this report.	
Principle A.1 The Board Every public company should be headed by and effective Board, Which should direct, lead and control the Company.	

CORPORATE GOVERNANCE

<table>
<tr><th>Reference to ICASL & SEC Code</th><th>Details of Compliance</th></tr>
<tr><td>A.1.1
Board meetings

COMPLIED</td><td>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 14 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.</td></tr>
<tr><td>A.1.2
Responsibilities of the Board

COMPLIED</td><td>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</td></tr>
</table>

Reference to ICASL & SEC Code	Details of Compliance
A.1.3 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.
A.1.4 Access to the advice and services of the Company Secretary COMPLIED	The services and advice of the Company Secretary are available to all the Directors. The Company Secretary ensures that Board procedures and all applicable rules and regulation are complied with. The removal of the secretary is a matter for the Board as a whole. Obtained a directors and officers' liability insurance, providing worldwide cover to indemnify all Directors and Officers.
A.1.5 Independent judgment of the Directors COMPLIED	Non-Executive Directors are independent from the Management and free from any business and other relations. None of the other Directors are related to each other. This enables all the members of the Board to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.
A.1.6 Dedication of adequate time and effort of the Directors COMPLIED	The Board of Directors dedicates adequate time and effort to ensure that their duties and responsibilities towards Company and Board are discharged. Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.8 Training for new and existing Directors COMPLIED	The Board of Directors recognises the need for continuous training 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 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 Chairman's role COMPLIED	The Chairman's role involves: • Approving the agenda for each meeting prepared in consultation with the CEO, directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. • Ensuring that all directors are aware of their duties and responsibilities. • All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company. • All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda. • Maintaining the balance of power between Executive and Non-Executive Directors. • The view of Directors on issues under consideration are ascertained. • The Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders.
Principle: A.4 Financial Acumen The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	
A.4.1 Financial acumen. COMPLIED	The Board includes two senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Executive Director of Hayleys PLC .The Audit Committee Chairman is also a senior Charted Accountant. Other members of the Board are adequately experienced in handling matters of finance by serving in different organisations. Hence the Board is with sufficient financial acumen and knowledge to offer guidance on matters of finance.
Principle: A.5 Board Balance It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.	
A.5.1 Non-Executive Directors COMPLIED	Four out of Seven Directors on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one-third of the total number of Directors) satisfy the requirements laid down in the Listing Rules of the Colombo Stock Exchange.
A.5.2 Independence of Non-Executive Directors COMPLIED	Three of four Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. The Board of Directors of the Company has determined that Mr. F. Mohideen nevertheless be independent as the objectively of his role is not compromised by him being on the Board for nine years.
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.

Reference to ICASL & SEC Code	Details of Compliance
A.5.4 Annual declaration of independence – of Non-Executive Directors COMPLIED	Each Non-Executive Director submits annual declarations on his independence or non-independence in a prescribed format.
A.5.5 Board determination of independence of Non-Executive Directors and disclosure in Annual Report COMPLIED	The Board considers the declaration of independence submitted by each Non- Executive Director with the basis for determination laid down by the Listing Rule of the CSE and the Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Brief resume of all the Directors is available on pages 9 and 10.
A.5.6 Appointment of alternate Director NOT APPLICABLE	There were no appointments of alternative Directors during the year.
A.5.7, A.5.8 Requirement to appoint Senior Independent Director NOT APPLICABLE	This is not applicable as the Chairman and the Managing Director is not the same person.
A.5.9 Chairman's meetings with Non-Executive Directors COMPLIED	The Chairman holds meetings with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time where necessary.
A.5.10 Record in the Board minutes of Concerns not unanimously resolved COMPLIED	All Board/Committee matters of the Company are accordingly Minute with sufficient detail to enable a proper assessment to be made of the deliberations and any discussions taken at the meeting. All discussions during the year were unanimously agreed.
Principle: A.6 Supply of information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
A.6.1 Timely and appropriate information to the Board COMPLIED	Management provides the Board with appropriate and timely information. When information volunteered by management is inadequate Directors could make further inquiries. Chairman ensures that all Directors are properly briefed on issues arising at meetings.

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Reference to ICASL & SEC Code	Details of Compliance
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.
Principle: A.7 Appointments to the Board 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 COMPLIED	As per the recommendation made by the Nomination Committee of Hayleys PLC, the ultimate Parent Company, the Board as a whole approves on the appointment of Directors. The Nomination Committee annually assess Board composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.
A.7.3 Appointment of a new Director COMPLIED	There were no Board appointments made during the financial year. In the event of new appointments, a brief resume of the Director, nature of his experience and the independency is informed to the Colombo Stock Exchange in line with the listing Rules and disclosed in the Annual Report on Pages 34 and 35.
Principle: A.8 Re-election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1, A.8.2 Re-election of Directors COMPLIED	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.
A.8.3 Resignation COMPLIED	In the event of a resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board of his reasons for resignation.
Principle: A.9 Appraisal of Board Performance 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 9 and 10 of this annual report. Director's interests in contracts are given on the page 43 of this report. The numbers of Board meetings attended by the Directors are available on the page 14 of this report. Names of listed companies in Sri Lanka in which the director concerned serves as a director is given on pages 9 and 10. Names of the directors serve as chairman or members of Board committees and their attendance are given on page 14.

Reference to ICASL & SEC Code	Details of Compliance
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 Evaluating 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.
B. DIRECTORS REMUNERATION	
Principle: B.1 Remuneration procedure Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	
B.1.1 Remuneration Committee COMPLIED	The Remuneration Committee of Hayleys PLC, the ultimate parent company, is responsible in assisting the Board in recommending the remuneration payable for the Executive Directors and Corporate management. The Board makes the final determination after considering such recommendations. No Director is involved in deciding his own remuneration.
B.1.2, B.1.3 Composition of the Remuneration Committee COMPLIED	The Remuneration Committee of Hayleys PLC, which is the ultimate parent of the Company, acts as the Remuneration Committee of KVPL. The Remuneration Committee comprises of three Independent/Non-executive Directors including chairman and a Non-executive director of Hayleys PLC. Dr. H. Cabral, PC – Chairman (IND/NED) Mr. K. D. D. Perera (NED) Mr. M. Y. A Perera (IND/NED) Mr. M. H. Jamaldeen (IND/NED) (IND – Independent , NED- Non-executive Director)
B.1.4 Remuneration of the Non- Executive Directors COMPLIED	The Board as a whole decides the remuneration of the Non-Executive Directors in line with the market rates and within the limit set in the Articles of Association of the Company.
B.1.5 Consultation of the Chairman and access to professional advice COMPLIED	The Remuneration Committee consults the Chairman about its proposals regarding the remuneration of other Executive Directors. Both internal and external professional advice has been taken during the year under review.
Principle: B.2 The level and make up of remuneration Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	
B.2.1, B.2.2 Levels of remuneration for Executive Directors COMPLIED	Remuneration package is designed to attract, retain and motivate the Directors needed to run the Company successfully but avoid paying more than necessary for this purpose. The Remuneration Committee takes into account market practices. Their remuneration comprises a fixed salary component, which include perquisites and allowances to promote the long-term success of the Company.

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Reference to ICASL & SEC Code	Details of Compliance
B.2.3 Positioning company remuneration levels relative to other companies COMPLIED	The Remuneration Committee structured 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 has been determined by the Remuneration Committee to ensure that the earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies.
B.2.6 Share option Schemes NOT APPLICABLE	Presently the Group does not have an Executive Share Option scheme.
B.2.7 Designing performance related remuneration COMPLIED	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.8, B.2.9 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.

Reference to ICASL & SEC Code	Details of Compliance
Principle: B.3 Disclosure of the Remuneration The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	
B.3.1 Disclosure of the remuneration COMPLIED	The names of the Directors of the Remuneration Committee are given under section B.1.2 above. The remuneration policy is to attract and retain a highly-qualified and experienced work force, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution, bearing in mind the business' performance and shareholder return. The total of Directors' Remuneration is reported in note 9 to the Financial Statements.
C. RELATIONS WITH SHAREHOLDERS - CONSTRUCTIVE USE OF THE AGM AND CONDUCT OF GENERAL MEETINGS **Principle: C.1 Boards should use the AGM to communicate with shareholder and should encourage their participation.**	
C.1.1 Notice of the AGM COMPLIED	A copy of the Annual Report including Financial Statements is posted on the corporate website as well as CSE website. The Notice of meeting and form of proxy are sent to shareholders 15 working days prior to date of AGM as requested by statute, in order to provide the opportunity to all the shareholders to attend the AGM.
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.

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Reference to ICASL & SEC Code	Details of Compliance
Principle: C.2 Communication with shareholders The Board should implement effective communication with shareholders.	
C.2.1 Channel to reach all shareholders of the company COMPLIED	The modes of communication between the Company and the shareholders are the Annual Reports, Quarterly Financial Statements, and Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual/Extraordinary General Meetings. Shareholders may bring up concerns they have with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the company website as soon as 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	Taking into consideration the current regulations/restrictions are prevailing in the country due to the pandemic. The Annual Report and Financial Statement of the Company are available in the corporate website as well as Colombo Stock Exchange website. Printed copies of the Annual Report are provided to all shareholders on request. 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.
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.

Reference to ICASL & SEC Code	Details of Compliance
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 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 Extra Ordinary 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.
D. ACCOUNTABILITY AND AUDIT – FINANCIAL AND BUSINESS REPORTING (THE ANNUAL REPORT)	
Principle: D.1 The Board should present a balanced and an understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	
D.1.1, D.1.2 Balance 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 and requirement of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner as required.
D.1.3 CEO's and CFO's approval on Financial Statements prior to Board approval COMPLIED	The Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board. Directors statement on Internal Controls and Responsibilities of Board of Directors are given on pages 45 and 46 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 42 to 44 of this Annual Report which contain the following: • Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka (refer page 42). • 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 43). • Equitable treatment to shareholders (refer page 44). • Compliance with best practices of corporate governance (refer page 44). • 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 44). • Going concern of the business (refer page 44).

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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 Director's Responsibilities for the Financial Statements is given on page 46 and Directors Statement on Internal Controls are given on page 45. The Auditors' Report is available on page 53.
D.1.6 Management Discussion & Analysis COMPLIED	A comprehensive coverage of key initiatives undertaken during the year, business model, industry structure and development, opportunities and threats, risk management, internal controls and their adequacy, governance, stakeholder relationship, social and environment protection activities, financial performance, Investment in physical and intellectual capital, human resource/industrial relations, sector performances, achievements and prospects for the future. Awards won and certifications received are available in the Management Discussion on page 5 of this report.
D.1.7 Summon an EGM to notify serious loss of capital COMPLIED	In the event the net assets of the Company fall below 50% of its Stated Capital, the Directors will forthwith summon an Extra Ordinary General Meeting to notify shareholders the remedial action being taken. However such event has not taken place since the adoption of the 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.
Principle: D.2 Risk Management and Internal Control The Board is responsible for determining the nature and extent of the principle 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, affected 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 makes necessary recommendations to the Board.
D.2.2 Review of the process and effectiveness of risk management COMPLIED	The details of those risk affecting the Company and mitigation actions are explained on pages 37 to 41.
D.2.3 Internal audit function COMPLIED	Company is having an internal audit function at Head Office and Sub Office. Audits are conducted in accordance with the program 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.

Reference to ICASL & SEC Code	Details of Compliance
D.2.4 Review the internal controls and risk management by the Audit Committee COMPLIED	The Board has delegated to the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to report it to the Board.
D.2.5 Content of Statement Internal Controls COMPLIED	Directors' Statement on Internal Controls is given on page 45.
Principle: D.3 Audit Committee 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 53 and 55.

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Reference to ICASL & SEC Code	Details of Compliance
Principle: D.4 Related Party Transactions Review Committee The Board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties in the normal course of business.	
D.4.1 Related Party Transactions COMPLIED	Company is adhering to LKAS 24 and transactions entered into with related parties during the year are disclosed in note 30 to the Financial Statements.
D.4.2 Composition of Related Party Transactions Committee COMPLIED	The Related Party Transactions (RPT) Review Committee of Hayleys PLC acts as the Company's RPT Review committee and consists of: Dr. H. Cabral – (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 COMPLIED	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. The RPT Review Committee Report describing the duties, task and attendance of the committee is appear on page 49.
Principle: D.5 Code of Business Conduct & 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 behavior be promptly reported to those charged with governance. The Company must disclose waivers of the Code of Directors, if any.	
D.5.1 Disclosure on presence of Code of Business Conduct and Ethics COMPLIED	The Directors and members of the Senior Management team are bound with a Code of Business Conduct & Ethics which is developed by the Hayleys 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 result in disciplinary actions
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' Share Holdings are given on page 43 of the Annual Report of Board of Directors on the affairs of the Company.

Reference to ICASL & SEC Code	Details of Compliance
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 13.
Principle: D.6 Corporate Governance Disclosures Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	
D.6.1 Disclosure of adherence to Corporate Governance COMPLIED	The extent to which the Company adheres to established principles and practices of good corporate governance are disclosed on page 44 under the Annual Report of the Board of Directors on the affairs of the Company.
SECTION 2: SHAREHOLDERS **E. INSTITUTIONAL INVESTORS**	
Principle: E.1 Shareholder Voting Institutional shareholder have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	
E.1.1 Dialogue with shareholders COMPLIED	All shareholders are invited to attend the Annual General Meeting and they are encouraged to make comments/ suggestions. The Company seeks dialogues with institutional investors. Impartiality is maintained on shareholder vote at the AGM based on individual holding and weightage.
Principle E.2. Evaluation of Governance Disclosures When evaluating the Companies' 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.

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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.
PRINCIPLE: G. INTERNET OF THINGS AND CYBER SECURITY	
G.1 The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cyber security risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive data. Such access could be authorised or unauthorised.	
G.1 Cyber security risk of 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 screen malicious content are some of the safeguards currently in place to minimise IT-related risks.
Principle G.2 The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security risk management policy which should be approved by the Board.	
G.2 Appointment of Chief Information Security Officer (CISO) COMPLIED	Hayleys Group IT Department performs the role of the Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to implement and manage cyber- security risk.
Principle G.3 The Board should allocate regular and adequate time on the Board meeting agenda for discussions about cyber-risk management.	
G.3 Allocation of adequate board time to discuss cyber- risk management COMPLIED	The Board reviews business risk quarterly including IT and cyber- security risk.

Reference to ICASL & SEC Code	Details of Compliance
Principle G.4 The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance. **The Scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.**	
G.4 Review and assurance of effectiveness of the cyber security risk management COMPLIED	Independent reviews are carried out to ensure cyber security and secured management information system.
Principle G.5 The Board should disclose in the Annual Report, the process to identify and manage cyber-security risks.	
G.5 Disclosure of the process to identify and manage cyber security risk COMPLIED	Hayleys IT Security Policy provides a procedure to identify and manage cyber security risk. Manager – Information Technology adheres to the Group policy to manage and control cyber security risk. Include procedure.
PRINCIPLE: H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG) **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 38 and 39. The impact of ESG issues are disclosed in Risk Management Report on pages 38 and 39.
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 has identified risks 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 37 to 41.

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Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance A.5.1 Four out of seven Directors on the Board are Non-Executive Directors.
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	Corporate Governance A.5.2 Three of four 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 9 and 10.
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met	Compliant	Corporate Governance A.5.5 All the Independent Non-Executive Directors meet the criteria specified in the Listing Rules of the CSE.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Compliant	Corporate Governance A.5.5.
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Compliant	Corporate Governance A.7.3 There were no new appointments of new Directors during the financial year.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Remuneration Committee of Hayleys PLC, the ultimate Parent Company, acts as the Remuneration Committee of KVPL.
7.10.5 (a) G4-52	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, a majority of whom will be independent	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Comprise 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.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; • Names of Directors comprising the Remuneration Committee • Statement of Remuneration Policy • Aggregated remuneration paid to Executive and Non-Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Corporate Governance D.3.1, D.3.2 The Audit Committee was Established in 2008.

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.6 (a)	Composition of Audit Committee	• Shall comprise 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 47 and 48
7.10.6 (b)	Audit Committee Functions	Functions shall include: • Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards. • Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. • Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. • Assessment of the independence and performance of the External Auditors make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditors.	Compliant	Corporate Governance D.3.3.
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	The Audit Committee Report (Pages 47 and 48).
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.

CORPORATE GOVERNANCE

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
9.2	Related Party Transactions Review Committee functions	• To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. • Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. • Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. • To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. • To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. • Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties. • To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. • To review the economic and commercial substance of both recurrent/non recurrent related party transactions. • To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.	Compliant	RPT Review Committee Report
9.2.4	Related Party Transactions Review Committee-Meetings	Shall meet once a calendar quarter.	Compliant	RPT Review Committee Report. Annual Report of the Board of Directors.
9.3.2	Related Party Transactions Review Committee-Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets, whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/income as per the latest audited accounts. c) Report by the Related Party Transactions re-view Committee. d) A declaration by the Board of Directors.	Compliant	RPT Review Committee Report. (Page No. 49) Annual Report of the Board of Directors. (Page No. 42)

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.

GROUP RISK MANAGEMENT IN 2019/20

Climate change, production risk, political risk , value chain, human capital and possible changes to the wage structure remained high risk areas during the financial year 2019/20.

Risk Factor	Risk Rating		Response
	2019/20	2018/19	
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. • Implementation of rain guards for rubber trees to increase no. of tapping dates. • 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 programs are conducted to harvesting work force and field supervisors 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, 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 new non-traditional markets.

RISK MANAGEMENT

Risk Factor	Risk Rating		Response
	2019/20	2018/19	
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	H	• 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.
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.

Risk Factor	Risk Rating		Response
	2019/20	2018/19	
Interest Rate Risk • Changes in national fiscal and monetary 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	M	• 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. • Government leases and other finances are closely monitored and settled.
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 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 three 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.

RISK MANAGEMENT

Risk Factor	Risk Rating		Response
	2019/20	2018/19	
OPERATIONAL RISK			
Human Capital Risk • Retention and development of existing talent • Recruitment of skilled employees	H	H	• 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 program strengthened KVPL has set another plantation industry benchmark by becoming the first plantation company to introduce the National Vocational Qualification (NVQ) in collaboration with the Tertiary and Vocational Education Commission (TVEC) and Employers Federation of Ceylon (EFC) to supervisory staff members working in estates. • 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.
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.

Risk Factor	Risk Rating		Response
	2019/20	2018/19	
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. • Obtain insurance policies covering all risk from reputed insurance companies.
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 for online transmission of daily information to estate managers. • Closely monitor internet and email usage.
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 close relationship with research institutes and universities for new technology.
COMPLIANCE AND OTHER RISKS			
Regulatory Risk (legal, tax, etc.) • Compliance with laws and other statutory obligations and risk arising from litigation and law suits against the Company may lead to loss of reputation and penalties being imposed	L	L	• Statutory obligations are regularly reviewed by the Head of Finance and reported to the Audit Committee. • Group has its own legal and tax consultants.

Risk Rating
H-High **M**-Medium **L**-Low

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, 2020.

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

PRINCIPLE ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principle activities of the Company are producing and processing of tea and rubber. Details of activities of other companies in the Group are given on page 11 of this Report. The Chairman's and Managing Director's Messages (pages 5 to 8) 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.

There were no material changes in the nature of business of the Company and the Group during the financial year.

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group are given on pages 51 to 111.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 53 to 55.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 63 to 77.

GROUP REVENUE

The Group revenue during the year was Rs. 8,909,173,526/- (2018/19 - Rs. 9,166,117,930/-) and an analysis is given in Note 6.1 to the Financial Statements.

The Group revenue from tea decreased by Rs. 281,864,649/- (2018/19 – increased by Rs. 576,714,466/-) and rubber increased by Rs.19,443,774/- (2018/19– decreased by Rs. 73,201,705/-) during the year, respectively.

RESULTS AND DIVIDENDS

No dividend has been proposed for the year 2019/20 (2018/19 – NIL)

The Group loss before taxation amounted to Rs. 22,771,580/- (2018/19- profit of Rs. 447,767,102 /-) After deducting Rs. 64,247,153/- (2018/19 - Rs. 59,854,341/-) for taxation, the loss for the year was Rs. 87,018,573/- (2018/19 – profit of Rs. 387,912,762/-).

The Group loss attributable to owners of the parent which was deducted for non-controlling interest of Rs. 8,419,850/- (2018/19- Rs. 9,150,201/-) for the year was Rs. 95,438,583/- (2018/19 – profit of 378,762,560/-).

The Profit available for appropriation, inclusive of Rs. 1,467,442,027/- (2018/19-Rs. 977,739,000/-) of brought forward retained profit amounted to Rs. 1,397,191,772/- (2018/19- Rs. 1,282,542,866/-).

PROPERTY, PLANT & EQUIPMENT

The capital expenditure of the Group during the period amounted to Rs. 1,083,189,668/- (2018/19 - Rs. 436,344,531/-) whilst that of the Company was Rs. 263,498,279/- (2018/19 – Rs. 396,417,764/-) which includes replanting expenditure of Rs. 235,926,599/- (2018/19 - Rs. 304,968,078/-) on tea, rubber, cinnamon and coconut.

Information relating to movement of Property, Plant & Equipment is given in Notes 12, 13 and 14 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 Shareholders' rights are given.
- The Golden Shareholder, or his nominee, has the right to examine the books and accounts of the Company.
- The Company is required to submit a detailed quarterly report to the Golden Shareholder.
- The Golden Shareholder can request the Board of Directors of the Company for a meeting.

RESERVES

The total reserves of the Group as at 31 March, 2020 amounted to Rs. 3,097,191,772/- (2018/19 - 2,982,542,866/-) comprising the general reserve of Rs. 1,700,000,000/- (2018/19 - Rs. 1,700,000,000/-) and the carried forward profit of Rs. 1,397,191,772/- (2018/19 - Rs. 1,282,542,866/-).

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 and other income for the year of assessment 2019/20.

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 re-viewed by the Related Party Transactions Review Committee of Hayleys 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. The Committee comprises the following members.

Dr. H. Cabral, PC – Chairman	(Independent Non-Executive)
Mr. M. Y. A. Perera	(Independent Non-Executive of Hayleys PLC)
Mr. S. C. Ganegoda	(Executive Director of Hayleys PLC and Non-Executive Director of the Company)

ATTENDANCE

The Committee met–four times in the Financial Year 2019/20

Meetings were held on 15 May 2019, 5 August 2019, 5 November 2019 and 10 February 2020.

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

The related party transaction review committee report is shown on page 49.

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.

Dr. W. G. R. Rajadurai, Managing Director purchased 100 shares (191 shares as at 31-03-2020) of the Company during the financial year other than that there were no share transactions by the Directors during the year in terms of Section 200 of the Companies Act .
None of the other Directors held shares of the company as at 31 March 2020.

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' & Officers' Liability insurance from a reputed Insurance Company in Sri Lanka, providing worldwide cover to indemnify all past, present and future Directors and officers of the Group.

PAYMENT OF REMUNERATION TO DIRECTORS

Executive Directors' remuneration is determined within an established framework. The total remuneration of the Executive Directors of the Group and the Company for the year ended 31 March, 2020, is Rs. 20,562,780/- and Rs. 8,880,000/- 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, 2020, is Rs. 1,633,500/-, determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of this remuneration is fair to the Company.

CORPORATE DONATIONS

No donations were made during the year (2018/19 - 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 9 and 10.

Executive Directors
Mr. A. M. Pandithage
Dr. W. G. R. Rajadurai
Mr. A. Weerakoon

Non-Executive Directors
Mr. S. C. Ganegoda

Independent Non-Executive Directors
Mr. F. Mohideen
Mr. C. V. Cabraal
Mr. L. N. De S. Wijeyeratne

Mr. L. T. Samarawickrama resigned from the Board with effect from 1 June 2019.

In terms of Article No.30(1) of the Articles of Association of the Company, Messrs. A. M. Pandithage and S. C. Ganegoda 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 73 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

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. L. N. De Silva Wijeyeratne, who is 70 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007

Directors of the Company and subsidiaries are given on page 11.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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 13 to 36.

AUDITORS

The Auditors, Messrs Ernst & Young, were paid Rs. 5,985,980/- (2018/19 – Rs.5,738,442/- /-) and Rs. 5,197,080/- (2018/19 - Rs. 4,949,542/-) by the group and the Company respectively as Audit fees for the Financial year ended 31 March 2020.

In addition, the Group paid Rs. 399,905/- (2018/19 - Rs. 570,049/-) to Messrs Ernst & Young for the year whilst the Company incurred Rs. 151,716/- (2018/19– Rs. 321,859) 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 56, 59, 112 and 113.

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, 2020 are given on page 113 of this report. Public shareholding percentage and total number of public shareholders is shown on page 112.

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.

The number of persons employed by the Group at financial year-end was 9,210 (2018/19 – 9,625) of which 9,067 (2018/19 – 9,588) 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 46.

ENVIRONMENTAL PROTECTION

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 23 July 2020 at 10 .00 a.m. The Notice of the Annual General Meeting appears on page 118.

For and on behalf of the Board,

A M Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

09 June 2020

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The following statement fulfills the requirement to publish the Directors' Statement on Internal Control as per the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors 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 2018/19 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

09 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1),) and 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 53 to 55 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

09 June 2020

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 35 years of experience in finance and general management.

Brief profiles of each member are given on pages 9 and 10 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.

Hayleys Group Services (Pvt) Ltd - Company Secretaries acts as the secretary to the audit committee. The Chairman and Chief Executive, Group Chief Finance Officer of Hayleys PLC and Head – Hayleys Group Management Audit and 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 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 four times during the year. The attendance of the members at these meetings is as follows:

Independent Non-Executive Director	07/05/2019	01/08/2019	31/10/2019	03/02/2020	Total
Mr. L. N. de S. Wijeyeratne (Chairman)	√	√	√	√	4/4
Mr. F. Mohideen	√	√	√	√	4/4
Mr. C. V. Cabraal	√	√	√	√	4/4

ROLE OF THE AUDIT COMMITTEE

The committee has a write terms of reference, which clearly defined oversight role and responsibility of the Audit committee, is described in the Corporate Governance Report on page 13.

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 and 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 continue as Auditors for the financial year ending March 31, 2021.

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.

SRI LANKA ACCOUNTING STANDARDS

The committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors.

The committee will 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

09 June 2020

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 2019/20

Meetings held on 15 May 2019, 5 August 2019, 5 November 2019 and 10 February 2020

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

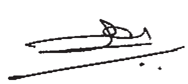
THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties 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.

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

09 June 2020

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, 2020 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered 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 Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are constantly applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee and our External Auditors.

We have taken measures in installing systems of internal control and accounting records, to safe guard assets and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurance that the established policies and procedures have been consistently followed was provided through periodic audits conducted by Hayleys Group Internal Auditors (MA & SRD) and our own staff. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets quarterly and additionally if required with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by Messrs, Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is given on pages 53 to 55 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

09 June 2020

Financial Information

FINANCIAL CALENDAR

Financial Calendar	2019/20	2018/19
01st Quarter	**01 August 19**	**30 July 18**
02nd Quarter	**31 October 19**	**30 October 18**
03rd Quarter	**03 February 20**	**21 January 19**
Annual Report	**09 June 20**	**07 May 19**
Annual General Meeting	**23 July 20**	**25 June 19**

Date of Authorisation for Issue	Financial Year	Annual General Meetings
09 May 2018	**2017/18**	**22 June 2018**
16 May 2017	**2016/17**	**22 June 2017**
11 May 2016	**2015/16**	**16 June 2016**
08 May 2015	**2014/15**	**29 June 2015**
13 February 2014	**2013**	**28 March 2014**
20 February 2013	**2012**	**28 March 2013**
14 February 2012	**2011**	**29 March 2012**
09 February 2011	**2010**	**31 March 2011**
09 February 2010	**2009**	**31 March 2010**
19 February 2009	**2008**	**31 March 2009**

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KELANI VALLEY PLANTATIONS PLC

Report on the Financial Statements

OPINION

We have audited the financial statements of Kelani Valley Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2020, and statement of profit or loss, 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, 2020, 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. 1,152 Mn) in the context of the total liabilities of the Group (20% of total liabilities). 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. • 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. • Evaluated and understood the possible impact on gratuity on wage negotiations. We evaluated the adequacy of the related disclosures given in Note 26 in the financial statements

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Bearer Biological Assets	
As at 31 March 2020, 41% of the total assets of the Group consisted of bearer biological assets amounting to Rs. 3,829 Mn which comprised with Rs. 1,476Mn Immature and Rs. 2,353Mn mature plantations. During the financial year Group capitalised an amount of Rs. 236 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 521 Mn. Management's identification of capitalizable portion of the cost incurred relating to immature plantations, identification of the point at which transfer out to mature plantation to be made and the assessment of if the indicators of impairment are present, are significant in arriving at the value of such plantations. Due to the above factors and the magnitude of the amounts involved, we considered this area as a key audit matter.	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 triggers of impairment (if any) are on a timely basis. • We validated the significant amounts capitalised (including capitalised labor 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 2020 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.

Building a better working world

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.

09 June 2020
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March,	Notes	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Revenue	6.1	8,909,174	9,166,118	4,012,910	4,048,459
Cost of sales		(8,064,217)	(8,199,034)	(3,943,084)	(3,739,924)
Gross profit	6.2	844,957	967,084	69,826	308,535
Gain on change in fair value of biological assets	14.2.1	11,359	31,979	11,359	31,979
Other income	7	95,998	122,413	205,812	193,305
Administrative expenses		(678,266)	(615,422)	(360,375)	(342,442)
Distribution expenses		(49,130)	(54,151)	-	-
Results from operating activities		224,918	451,903	(73,378)	191,377
Finance income	8.1	35,005	5,763	7,298	4,465
Finance expenses	8.2	(203,396)	(138,656)	(140,923)	(100,048)
Interest paid to Government on lease	8.3	(79,299)	(75,896)	(79,299)	(75,896)
Net finance cost	8	(247,690)	(208,789)	(212,924)	(171,479)
Deemed disposal gain on equity accounted investee		-	204,653	-	-
Profit/(loss) before tax	9	(22,772)	447,767	(286,302)	19,898
Tax expense	10.1	(64,247)	(59,854)	(13,737)	(1,153)
Profit/(loss) for the year		(87,019)	387,913	(300,039)	18,745
Attributable to:					
Equity holders of the Parent		(95,439)	378,763	(300,039)	18,745
Non-controlling interest		8,420	9,150	-	-
Profit/(loss) for the year		(87,019)	387,913	(300,039)	18,745
Earnings per Share					
Basic earnings per share (Rs.)	11.1 (A)	(2.81)	11.14	(8.82)	0.55
Diluted earnings per share (Rs.)	11.1 (B)	(2.81)	11.14	(8.82)	0.55
Dividend per Share (Rs.)	11.2	-	-	-	-

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 63 to 111 form an integral part of these Financial Statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Notes	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Profit/(loss) for the year		(87,019)	387,913	(300,039)	18,745
Other Comprehensive Income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Fair Value Gain on FVTOCI Financial Assets	15.2	-	89,347	-	-
Actuarial gain/(loss) on retirement benefit obligations	26	29,384	(150,402)	30,461	(147,988)
Income tax effect	10.2	(4,114)	21,056	(4,264)	20,718
Other comprehensive income for the year, net of tax		25,270	(39,999)	26,197	(127,270)
Total comprehensive income for the year, net of tax		(61,749)	347,914	(273,842)	(108,525)
Attributable to:					
Equity holders of the Parent		(70,251)	338,804	(273,842)	(108,525)
Non-controlling interest		8,502	9,110	-	-
Total comprehensive income for the year		(61,749)	347,914	(273,842)	(108,525)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 63 to 111 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Notes	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000
ASSETS					
Non-current assets					
Right-of-use Assets	12	640,895	331,527	640,895	331,527
Freehold property, plant & equipment	13	2,090,554	1,386,546	935,019	997,053
Improvements to leasehold property	14.1	3,829,473	3,713,349	3,829,473	3,713,349
Biological assets - consumable	14.2	199,003	176,767	199,003	176,767
Investments in subsidiaries	15	-	-	353,066	359,881
Other non-current financial assets	15.2	390,920	390,920	390,920	390,920
Intangible assets	16	35,161	35,718	-	-
Total non-current assets		7,186,006	6,034,828	6,348,376	5,969,497
Current assets					
Produce on bearer biological assets	17.1	5,621	16,498	5,621	16,498
Inventories	17.2	1,056,294	1,121,098	448,065	531,646
Amounts due from subsidiaries	30.1	-	-	22,738	23,255
Amounts due from other related companies	30.1	42,327	80,033	34,509	76,697
Trade and other receivables	18	785,902	1,335,375	384,962	350,814
Income tax recoverable	29.1	622	670	-	-
Short-term deposits	20.1	41,726	34,834	41,513	34,620
Cash and cash equivalents	20.2	253,162	63,318	23,235	21,367
Total current assets		2,185,654	2,651,826	960,643	1,054,897
Total assets		9,371,660	8,686,654	7,309,019	7,024,394
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	340,000	340,000	340,000	340,000
Revenue reserves		3,097,193	2,982,544	2,550,272	2,639,215
Total equity attributable to equity holders of the company		3,437,193	3,322,544	2,890,272	2,979,215
Non-controlling interest		41,882	33,380	-	-
Total equity		3,479,075	3,355,924	2,890,272	2,979,215
Non-current liabilities					
Interest-bearing borrowings	22.1	270,817	162,924	45,817	149,182
Other financial liabilities	23	200,411	-	-	-
Amounts due to other related companies	30.2	13,086	28,392	13,086	28,392
Deferred income	24	616,630	596,351	615,957	595,652
Deferred tax liability	25.1	415,361	405,363	387,376	372,201
Retirement benefit obligations	26	1,152,014	1,109,974	1,114,932	1,077,667
Lease liability	27.2	587,014	437,712	587,014	437,712
Total non-current liabilities		3,255,333	2,740,716	2,764,182	2,660,806

	Notes	Group		Company	
		As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000
Current liabilities					
Trade and other payables	28	**575,877**	630,095	**367,981**	401,943
Lease liability	27.2	**10,023**	2,190	**10,023**	2,190
Amounts due to subsidiaries	30.1	**-**	-	**14,868**	17,278
Amounts due to other related companies	30.1	**130,512**	70,353	**120,065**	57,398
Income tax payable	29.2	**41,114**	44,206	**-**	-
Interest-bearing borrowings payable within one year	22.1	**186,233**	148,223	**111,233**	134,481
Other financial liabilities	23	**150,000**	-	**-**	-
Short-term interest bearing borrowings	22.2	**908,564**	1,019,864	**413,794**	96,000
Bank overdraft	20.3	**634,929**	675,083	**616,601**	675,083
Total current liabilities		**2,637,252**	2,590,014	**1,654,565**	1,384,373
Total liabilities		**5,892,585**	5,330,730	**4,418,747**	4,045,179
Total equity and liabilities		**9,371,660**	8,686,654	**7,309,019**	7,024,394
Net assets per share (Rs.)		**101.09**	97.72	**85.01**	87.62

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Vidura Weerabahu
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

09 June 2020

Notes to the Financial Statements from pages 63 to 111 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March,

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, 2018	340,000	1,700,000	-	100,528	9,366	867,845	3,017,740	31,470	3,049,210
Profit/(loss) 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
Effect of adoption SLFRS 16, as at 1 April, 2019	-	-	-	-	-	184,899	184,899	-	184,899
Balance as at 1 April, 2019	340,000	1,700,000	89,347	125,375	16,498	1,236,222	3,507,443	33,380	3,540,823
Profit/(loss) for the year	-	-	-	22,236	(10,877)	(106,798)	(95,438)	8,420	(87,019)
Other comprehensive income	-	-	-	-	-	25,188	25,188	82	25,270
Balance as at 31 March, 2020	340,000	1,700,000	89,347	147,611	5,621	1,154,613	3,437,193	41,882	3,479,075

Company		Revenue reserves				
	Stated capital Rs.'000	General reserve Rs.'000	Timber reserve Rs.'000	Bearer biological produce Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
Balance as at 1 April, 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
Effect of adoption SLFRS 16, as at 1 April 2019	-	-	-	-	184,899	184,899
Balance as at 1 April, 2019	340,000	1,700,000	125,375	16,498	982,241	3,164,114
Profit/(loss) for the year	-	-	22,236	(10,877)	(311,398)	(300,039)
Other comprehensive income	-	-	-	-	26,197	26,197
Balance as at 31 March, 2020	340,000	1,700,000	147,611	5,621	697,040	2,890,272

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 in estates.
The bearer biological produce relates to change in fair value of harvestable produce growing in bearer biological assets.

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 63 to 111 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 March	Notes	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Cash flows from operating activities					
Profit before tax		(22,772)	447,767	(286,302)	19,898
Adjustments for;					
Interest on Government lease	8.3	79,299	75,896	79,299	75,896
Finance expenses	8.2	203,396	138,656	140,923	100,048
Finance income	8.1	(35,005)	(5,763)	(7,298)	(4,465)
Profit on disposal of property, plant & equipment	7	482	(6,931)	-	(5,535)
Net gains on fair value of biological assets		(11,359)	(31,979)	(11,359)	(31,979)
Dividend income	7	-	-	(111,780)	(78,097)
Depreciation		260,019	251,809	209,408	200,037
Lease amortisation		41,541	22,979	41,541	22,979
Amortisation of intangible assets	16	557	383	-	-
Provision for retirement benefit obligations		196,586	171,561	189,847	165,467
Amortisation of capital grants	24	(17,817)	(18,150)	(17,791)	(18,123)
Provision for falling value of investments	15.1	-	-	6,815	-
Share of gain from equity accounted investee		-	(204,653)	-	-
Provision/(reversal) for obsolete inventories		2,551	3,381	(857)	(28)
Provision/(reversal) for doubtful debts		5,663	9	680	(53)
Operating profit before working capital changes		703,141	844,965	233,126	446,045
(Increase)/decrease in inventories		62,254	192,606	84,437	(30,711)
(Increase)/decrease in trade and other receivables		543,807	(504,006)	76,955	(29,432)
(Increase)/decrease in amounts due from related companies		37,707	(45,719)	42,706	(51,084)
Increase/(decrease) in trade and other payables		(35,017)	(27,586)	(15,507)	(10,590)
Increase/(decrease) in amounts due to related companies		59,635	32,740	59,732	31,365
Increase/(decrease) in equity accounted investee		-	14,310	-	14,404
Cash generated from operating activities		1,371,530	507,310	481,449	369,997
Interest paid on Government lease	8.3	(79,299)	(75,896)	(79,299)	(75,896)
Interest paid		(171,534)	(127,446)	(140,923)	(100,373)
Taxes paid		(80,616)	(27,442)	(21,281)	(21,141)
Retirement benefit obligations paid	26	(125,163)	(128,907)	(122,121)	(121,797)
Net cash flow from operating activities		914,918	147,619	117,825	50,790
Cash flows from investing activities					
Field development expenditure	14.1	(235,927)	(304,968)	(235,927)	(304,968)
Interest received	8.1	6,627	5,763	4,502	4,465
Dividends received		-	-	-	9,288
Acquisition of property, plant & equipment		(500,300)	(131,376)	(27,572)	(91,450)
Proceeds from disposal of property, plant & equipment		2,567	8,615	-	6,168
Investments in equity accounted investee		-	(96,920)	-	(96,920)
Acquisition of intangible assets		-	(2,665)	-	-
Net cash used in investing activities		(727,033)	(521,551)	(258,997)	(473,417)
Net cash Inflow/(outflow) before financing activities		187,884	(373,932)	(141,172)	(422,627)

STATEMENT OF CASH FLOWS

As at 31 March	Notes	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Cash flows from financing activities					
Dividend paid		-	(41,200)	-	(34,000)
Capital settlement of net liability to lessor		(8,874)	(1,939)	(8,874)	(1,939)
Exchange gain/(loss)		(36)	(11,210)	2,796	325
Short-term loans obtained during the year		3,308,201	4,092,212	367,794	96,000
Short-term loans repaid during the year		(3,419,500)	(4,030,875)	(50,000)	-
Long-term loans obtained during the year	22.1	300,000	-	-	-
Long-term loans repaid during the year	22.1	(154,097)	(134,908)	(126,613)	(125,962)
Long-term loans repaid to group company		(14,783)	(14,151)	(14,783)	(14,151)
Grants received	24	38,095	36,627	38,095	36,627
Net cash used in financing activities		49,006	(105,443)	208,415	(43,100)
Net increase/(decrease) in cash and cash equivalents		236,890	(479,377)	67,243	(465,727)
Cash and cash equivalents at the beginning of the period		(576,931)	(97,554)	(619,096)	(153,369)
Cash and cash equivalents at the end of the period (Note A)		(340,041)	(576,931)	(551,853)	(619,096)
Note A: Analysis of cash and cash equivalents					
Cash and bank balances	20.2	253,162	63,318	23,235	21,367
Short-term deposits	20.1	41,726	34,834	41,513	34,620
		294,888	98,152	64,748	55,987
Bank overdraft	20.3	(634,929)	(675,083)	(616,601)	(675,083)
Cash and cash equivalents		(340,041)	(576,931)	(551,853)	(619,096)

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 63 to 111 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Kelani Valley Plantations PLC was incorporated on 18 June, 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No 400, Deans Road, Colombo 10, and Plantations are situated in 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, 2020 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 31 March.

1.1 Principle Activities and nature of the operations

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

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

Company	Nature of the Business/Principle Place of Business
Kalupahana Power Company (Pvt) Ltd	Generating Hydropower
	Kalupahana Estate, Bulathkohupitiya
Kelani Valley Instant Tea (Pvt) Ltd	Manufacture of Ready-To-Drink Tea Powder
	Nuwara Eliya Estate, Labukelle
Mabroc Teas (Pvt) Ltd	Export of Bulk and Retail Packed Tea
	No.57/3 New Hunupitiya Road, Kiribathgoda
Kelani Valley Resorts (Pvt) Ltd	Provide Services in the Hospitality Industry
	Oliphant Estate, Nuwara Eliya

1.2 Holding Company

The Company is a subsidiary of DPL Plantations (Pvt) Ltd., which is a wholly-owned subsidiary of Dipped Products PLC (DPL) whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorisation for issue

The Financial Statements of Kelani Valley Plantations PLC for the period ended 31 March 2020, were authorised for issue in accordance with a resolution of the Board of Directors on 09 June 2020.

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 (CASL), 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 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied SLFRS 16, Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group.

2.3.1 SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of financial position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 01 April 2019. The Group elected to use the transitional practical expedient to not to reassess whether a contract is, or contains, a lease at 01 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is low value (low-value asset).

As per the JEDB/SLSPC lease agreement which entered with the Government in 1992, Lease rentals were payable on Right-of-Use Asset -Land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to Right-of-Use Asset – Land.

The Group has accounted Right-of-Use Land and Right-of-Use Building under SLFRS 16. The accounting policy for the Right of Use Assets and Lease liabilities is included in detail in the Note 3.7.5 Leases (3.7.5.1 Right-of-Use Assets and 3.7.5.2 Lease Liabilities).

2.3.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its Financial Statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities (Refer Note 4.1).

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.

Impact on COVID-19 and Going Concern Assessment

In March 2020, the World Health Organisation declared the novel coronavirus (COVID-19) outbreak as a pandemic. There have been mandates from Government Authorities requiring forced closures of various schools, businesses and other facilities and organisations. As a result, during the latter part of March 2020, there was a restriction on operations of the Company. However, after Government has declared the Plantation Sector as an essential service, normal operations were continued.

Financing and Liquidity

Since April 2020, the impact on cash flow considerably improved with the startup of Online Tea Auctions from 6 April and with the increased in price and demand resulted from the recognition of Black Tea as a healthy beverage. Further, the Group also applied for the relief loan package introduced by the Central Bank, if granted to meet short-term cash deficits and meet financial commitments.

Impact on Assets & Impairments

The Company got back to its normal operations when the Plantation Sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. The measures the company has taken to mitigate the impact of COVID-19 on crop intake, revenue from the month of April 2020 is successful and therefore no requirement to impair of Biological Assets, Debtors and Other Assets of the Group.

Impact on Internal Operations & Business Continuity

Since plantations are mainly based in districts which are not severely affected by the COVID-19 and also due to the Government policies on agricultural industry as an essential service, it allowed us soon to operate normally while implementing strict health care & safety measures. However, the operations at Head office level got disrupted due to the strict enforcement of curfew in Colombo but operational work continued under the concept of work from home.

The company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees in Tea Centers, Factories and Fields to control the outbreak of Corona Virus. The Company will continue its policy of Human Resource Development to meet the future challenges that will arise in skills and competency levels.

In this context, ensuring health and safety of our employees is of paramount important and we have facilitated work from home for head office employees, sanitisation and other safety measures have been implemented at all our estates and manufacturing facilities. Several welfare measures such as providing dry rations, cash advances to maintain livelihood of our estate employees during this period were undertaken.

Company's responses on the impact of COVID-19 on the future operations and the financial condition of the company.

The Company is quite optimistic about the tea prices and the demand for Black Tea as it has been recognised as a healthy beverage. We assume Sri Lanka will be able to reach the market in a better way due to the disruption of production facilities in other countries affected by COVID-19.
Further company is confident in carrying the business and its operations as normal under the health and safety measures recommended by the Government Authorities.

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2020. Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or Loss and each component of 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 loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Company level investments in subsidiaries are recognised at cost.

3.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Current Vs 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 principle market for the asset or liability; or,
- In the absence of a principle market, in the most advantageous market for the asset or liability.

The principle 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. 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.

The amount so capitalised and the capitalisation rates are disclosed in Notes to the Financial Statements.

3.7.4 Owned Assets

The cost of property, plant & equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long terms construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit 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 Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.7.5.1 Right of Use Assets

The Group recognises right of use assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.7.5.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.7.6 De-recognition

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is 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 in to 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 crops 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 Assets

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Market Approach by an independent professional valuer. Accordingly, the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. The timber trees which have not reached to the harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor. All other assumptions and sensitivity analysis are given in Note 14.2

The main variables in Market Approach concerns

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition. Here, the valuer has considered timber prices published by State Timber Corporation as the sector benchmark as the appropriate basis for determining the fair value of the subject timber trees.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company
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 Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under 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:

Asset Category	No. of Years	Rate (%)
Buildings & Roads	40	2.50
Plant & Machinery	20	5.00
Plant & Machinery-Effluent Treatment Plant	10	10.00
Electronic Machinery	10	10.00
Hydro Power Plant	30	3.33
Motor Vehicles-Utility	10	10.00
Motor Vehicles-Supervisory	5	20.00
Equipment	4	25.00
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00
Computer Accessories	4	25.00
Tea Bagging Machines	15	6.67
Intangible Assets	5	20.00

Mature Plantations (Replanting and New Planting)

Mature Plantations	No. of Years	Rate (%)
- Tea	33 1/3	3.00
- Rubber	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 reassessed 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:

Category	No. of Years	Rate (%)
Right-of-Use Asset-Land	53	1.89
Right-of-Use Asset -Building	5	20.00
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 assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets 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 benefits. 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 amortised 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 amortised 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 amortised cost (debt instruments)

The Group measures financial assets at amortised 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in Profit or Loss when the asset is de-recognised, modified or impaired.

Financial Assets at amortised 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.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle 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 amortised 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 principle 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 amortised cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are de-recognised as well as through the Effective Interest Rate method (EIR) amortisation 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 realise the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 37.

3.9 Harvestable Agricultural Produce Growing on Bearer Biological Assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognised in Profit or Loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas,

- Tea – Bought leaf rate less cost of harvesting & transport
- Rubber – Latex price (92.5% of current RSS1 Price) less cost of tapping & transport

3.10 Inventories

(a) Finished Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to 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 CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to 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 26.

3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

3.16 Events Occurring after the Reporting Date

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.17 Earnings per Share

The Group presents Basic and Diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing

NOTES TO THE FINANCIAL STATEMENTS

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 principle 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 amortised cost is calculated by using the effective interest method and is recognised as other income.

3.19.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the Profit or Loss for the year.

3.19.2.1 Finance 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 utilised.

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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

According to the Notice to the tax payers issued in February 2020 by the Department of Inland Revenue under the implementation of proposed changes of the Inland Revenue Act No 24 of 2017, the gains or profits derived by any person from the sale of produce of an under taking for agro farming of such person without subjecting such produce to any process of production or manufacture, is exempt with effect from 1 April 2019

The management of the company is of the view that the 68% of its profits is from Agro Farming and therefore, opted to utilise the above exemption.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. As per the Inland Revenue Act no 24 of 2017 , 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 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 26.

4.3 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 14.

4.4 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

4.5 Leases - Estimating the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating)

4.6 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

5.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material are not expected to have a significant impact on the Group's Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUE

6.1 Industry Segment Revenue

For the year ended 31 March,	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Tea	**7,993,353**	8,410,500	**3,005,329**	3,062,028
Rubber	**988,943**	969,499	**988,943**	969,499
Others	**85,767**	80,291	**18,638**	16,932
Less: Intra-group sales	**(158,889)**	(294,172)	**-**	-
	8,909,174	9,166,118	**4,012,910**	4,048,459

6.2 Industry Segment Results (Gross profit)

	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Tea	**771,633**	839,118	**50,178**	231,519
Rubber	**17,036**	73,403	**17,036**	73,403
Others	**56,288**	54,563	**2,612**	3,613
	844,957	967,084	**69,826**	308,535

7 OTHER INCOME

For the year ended 31 March,	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Profit / (Loss) on disposal of property, plant & equipment	**(482)**	6,931	**-**	5,535
Lease / rent income	**19,852**	15,511	**19,852**	15,511
Dividend income	**-**	-	**111,780**	78,097
Hydro power income / Solar income	**6,015**	8,781	**8,108**	10,792
Tea centre income	**7,652**	17,212	**7,652**	11,395
Amortisation of Government grants	**17,817**	18,150	**17,791**	18,123
Revenue grants	**1,740**	1,257	**1,740**	1,257
Sale of timber	**20,945**	18,399	**20,945**	18,399
Sundry income	**22,459**	36,172	**17,944**	34,196
	95,998	122,413	**205,812**	193,305

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

8 NET FINANCE COST

8.1 Finance Income

For the year ended 31 March,	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Interest income	**6,627**	5,438	**4,502**	4,140
Foreign exchange gain	**28,378**	325	**2,796**	325
	35,005	5,763	**7,298**	4,465

8.2 Finance Expenses

	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Interest on term loans	**(38,467)**	(67,415)	**(30,585)**	(40,814)
Interest on overdraft and short-term loans	**(130,735)**	(59,706)	**(105,402)**	(59,234)
Foreign exchange loss	**(28,414)**	(11,535)	**-**	-
Interest expense on corporate guarantee	**(844)**	-	**-**	-
Interest paid on lease	**(4,936)**	-	**(4,936)**	-
	(203,396)	(138,656)	**(140,923)**	(100,048)
8.3 Interest paid to Government on lease	**(79,299)**	(75,896)	**(79,299)**	(75,896)
	(79,299)	(75,896)	**(79,299)**	(75,896)
Net finance cost	**(247,690)**	(208,789)	**(212,924)**	(171,479)

9 PROFIT BEFORE TAXATION

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

For the year ended 31 March,	Notes	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Directors' emoluments		22,196	25,099	10,514	13,416
Auditor's remuneration					
- Audit services		5,986	5,738	5,197	4,950
- Non-audit services		400	570	152	322
Depreciation and Lease Amortisation					
- Right-of-use asset-Land	12.1	21,785	9,808	21,785	9,808
- Right-of-use asset-Building	12.1	7,898	-	7,898	-
- Right-of-use asset-Immovable assets	12.2	11,857	13,171	11,857	13,171
- Amortisation of intangible assets	16	557	383	-	-
- Tangible property, plant & equipment	13	140,216	145,399	89,605	93,491
- Bearer biological assets	14	119,804	106,546	119,804	106,546
Staff Costs					
- Defined contribution plan costs (EPF, CPPS, ESPS & ETF)		398,313	366,442	384,586	352,715
- Defined benefit plan cost (Retirement benefit obligations)	26	196,587	171,561	189,847	165,467
- Salaries and wages and other staff costs		2,078,824	2,134,757	1,953,337	2,008,625
- Staff training & development costs		3,322	4,285	2,729	3,693
Legal fees		10,978	10,866	8,923	8,811
Provision/(reversal) for bad & doubtful debts		5,663	9	680	(53)
Provision/(reversal) for obsolete inventories		2,551	3,381	(857)	(28)

10 TAX EXPENSE

10.1 Statement of Profit or Loss

For the year ended 31 March,			Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
(I) Current Tax Expense						
Income tax on current year profit	- Subsidiaries	10. A	(57,017)	(48,219)	-	-
			(57,017)	(48,219)	-	-
(Under)/over provision in respect of previous years			1,480	-	-	-
Irrecoverable economic service charge written-off			(2,826)	-	(2,826)	-
			(58,363)	(48,219)	(2,826)	-
(II) Deferred Tax Expense						
Origination and reversal of temporary difference of	- Company		(10,911)	(1,153)	(10,911)	(1,153)
	- Subsidiaries		5,027	2,231	-	-
		25	(5,884)	1,078	(10,911)	(1,153)
Tax on dividend income			-	(12,713)	-	-
Tax expense reported in the Statement of Profit or Loss			(64,247)	(59,854)	(13,737)	(1,153)

10.2 Statement of Other Comprehensive Income

			Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Net actuarial (gain)/loss on defined benefit plans	- Company		(4,264)	20,718	(4,264)	20,718
	- Subsidiary		150	338	-	-
Tax charge directly to other comprehensive income		25	(4,114)	21,056	(4,264)	20,718

KPC is liable to income tax, during the year of assessment 2019/20 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 2019/20 at the rate of 28% in terms of Inland Revenue Act, No. 24 of 2017.
The qualified export profit earned by Mabroc Teas (Pvt) Ltd. has been taxed at the rate of 14% in terms of Inland Revenue Act, No. 24 of 2017.
KVR is liable to income tax, during the year of assessment 2019/20 at the rate of 14% in terms of Inland Revenue Act, No. 24 of 2017.

(A) Reconciliation of Accounting Profit to Income Tax Expense

	Group		Company	
For the year ended 31 March,	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Profit before tax	(22,772)	447,767	(286,302)	19,898
Tax rate	14%	14%	14%	14%
Tax effect on profit before tax	(3,188)	62,687	(40,082)	2,786
Tax effect on deductible expenses for tax purposes	(21,305)	(83,152)	(16,280)	(76,975)
Tax effect on non deductible expenses for tax purposes	83,533	70,772	74,115	87,256
Tax effect on total statutory income	59,040	50,307	17,753	13,067
Tax effect on amortisation of Government grant exempt from tax	(2,734)	(2,713)	(2,734)	(2,713)
Tax effect on interest income	735	666	630	580
Tax effect on tax exempt income	(24)	(41)	(15,649)	(10,934)
Income tax on current year profit	57,017	48,219	-	-
(Over)/under provision in respect of previous years	(1,480)	-	-	-
Irrecoverable economic service charge written-off	2,826	-	-	-
Income tax charge for the year	58,363	48,219	-	-

(B) Tax Losses

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
As at 1 April	(843,324)	(667,507)	(830,412)	(654,595)
Adjustment for tax loss during the year	(102,042)	(175,817)	(102,042)	(175,817)
	(945,366)	(843,324)	(932,454)	(830,412)
Tax loss for the year	(440,016)	(180,583)	(440,016)	(178,881)
Loss set-off during the year	116,283	180,583	116,283	178,881
	(323,733)	-	(323,733)	-
As at 31 March	(1,269,099)	(843,324)	(1,256,187)	(830,412)

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,	2019/20	2018/19	2019/20	2018/19
Amount used as the Numerator				
Profit attributable to ordinary shareholders (Rs.'000)	(95,439)	378,763	(300,039)	18,745
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.)	(2.81)	11.14	(8.82)	0.55

(B) Diluted Earnings per Share

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive shares outstanding at any time during the financial year.

11.2 Dividend per Share

	Company	
For the year ended 31 March,	2019/20	2018/19
Proposed dividend for 2019/20 Rs. Nil/- per share (2018/19- Rs. Nil/- per share) (Rs.'000)	-	-
Number of ordinary shares ('000)	34,000	34,000
Dividend per share (Rs.)	-	-

12 RIGHT-OF-USE ASSETS

		Group/Company	
As at 31 March,		2019/20	2018/19
	Notes	Rs.'000	Rs.'000
Right-of-use of Land	12.1.A	544,636	255,003
Right-of-use of Building	12.1.B	31,592	-
Right-of-use assets-Immovable bearer biological assets	12.2.1	64,413	76,154
Right-of-use assets - Immovable assets (other than right-to-use of land and bearer biological assets)	12.2.2	254	370
		640,895	331,527

12.1.A Right-of-use of-land

"Right-of-use asset-land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 was applicable with effect from 01 January 2019 and therefore, above Right-of-use asset-land has accounted in accordance with such standard with effect from 01 April 2019. "Right-of-use asset-land" have been executed for all estates for a period of 53 years.

"This Right-of-use asset-land" is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the Right-of-use asset-land could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 1 April 2019 has been reassessed under the provisions of SLFRS 16 and both Right-of-use asset-land and Lease Liability has been enhanced.

The Company has adopted SLFRS 16 using the modified retrospective method from 1 April 2019, without restating comparative information. Instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in this standard. The effect of adoption of SLFRS 16 to the retained earnings as at 1 April 2019 is given in the Note 27 to the Financial Statements.

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The effect to the Statement of Financial Position and amortisation of the Right-to-use of Land up to 31 March 2020 are as follows:

	Group/Company	
As at 31 March,	2019/20 Rs.'000	2018/19 Rs.'000
Capitalised Value		
As at 1 April	333,603	333,603
Transferred in Due to Initial Application of SLFRS 16	(78,600)	-
Transition adjustment due to initial application of SLFRS 16	311,418	-
As at 31 March	566,421	333,603
Amortisation		
As at 1 April	78,600	68,792
Transferred Due to Initial Application of SLFRS 16	(78,600)	-
Amortisation for the year	21,785	9,808
As at 31 March	21,785	78,600
Carrying amount	544,636	255,003

The unexpired period of the lease as at the Statement of Financial Position date is 25 years.

The Company has sub leased an extent of 1.0127 hectares in Ingestre estate and 2.2247 hectares in Blinkbonnie estate to Martin Bauer Hayleys (Pvt) Ltd. It was treated as an Operating Lease in the Financial Statements in terms of LKAS 17-Leases.

12.1.B Right-of-use asset-Building

Kelani Valley Plantations PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent) and which was previously accounted as an operating lease under LKAS 17. Since, the SLFRS 16 supersedes LKAS 17 Leases. The Company adopted SLFRS 16 using the modified retrospective method of adoption to above lease arrangement. The effect to the Statement of Financial Position and depreciation of building to 31 March 2020 are as follows:

	Group/Company
	2019/20 Rs.'000
As at 1 April	-
Effect of adoption SLFRS 16, as at 1 April 2019	39,490
Additions	-
As at 31 March	39,490
Depreciation	
As at 1 April	-
Depreciation charge for the year	7,898
As at 31 March	7,898
Carrying amount	31,592
Total Carrying Amount of Right-of-use asset-land & Building	576,228

12.2 Right-of-use asset-Immovable assets

At the time of privatisation of plantation estates, all immovable assets in these estates have been taken into the books of the Company retroactive to 22 June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 1 January 2019 and therefore, these assets have accounted in accordance with such standard with effect from 1 April 2019.

12.2.1 Right-of-use asset-Immovable Bearer Biological Assets

			Group/Company	
	Mature Plantations			
As at 31 March,	Tea	Rubber	2019/20	2018/19
	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	168,237	147,295	**315,532**	302,476
Amortisation for the year	6,423	5,318	**11,741**	13,056
As at 31 March	174,660	152,613	**327,273**	315,532
Carrying amount	38,881	25,532	**64,413**	76,154

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 Right-of-use asset-Immovable assets (other than Right-of-use asset land, Building and bearer biological assets)

				Group/Company	
As at 31 March,				2019/20	2018/19
	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	3,085	84,600	23,094	**110,779**	110,664
Amortisation for the year	116	-	-	**116**	115
As at 31 March	3,201	84,600	23,094	**110,895**	110,779
Carrying amount	254	-	-	**254**	370

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

(A) Group

As at 31 March,										2019/20	2018/19
	Land Rs.'000	Buildings Rs.'000	Plant & machinery Rs.'000	Hydro power plant Rs.'000	Motor vehicles Rs.'000	Furniture & fittings Rs.'000	Equipment Rs.'000	Computers Rs.'000	Others Rs.'000	Total Rs.'000	Total Rs.'000
Cost											
As at 1 April	-	855,783	1,080,214	133,017	334,117	131,949	133,652	36,506	42,478	**2,747,716**	2,622,548
Additions during the year	479,285	317,811	21,033	-	18,717	10,600	9,407	1,750	-	**858,603**	154,584
Disposals	-	-	(1,845)	-	-	(3,938)	-	-	-	**(5,783)**	(29,416)
As at 31 March	479,285	1,173,594	1,099,402	133,017	352,834	138,611	143,059	38,256	42,478	**3,600,536**	2,747,716
Depreciation											
As at 1 April	-	243,515	560,609	58,537	270,291	80,019	110,106	32,611	29,868	**1,385,556**	1,268,033
Charge for the year	-	26,074	64,242	4,434	22,549	10,090	9,602	1,761	1,464	**140,216**	145,264
Disposals	-	-	(893)	-	-	(1,841)	-	-	-	**(2,734)**	(27,731)
As at 31 March	-	269,589	623,958	62,971	292,840	88,268	119,708	34,372	31,332	**1,523,038**	1,385,566
Net book value	479,285	904,005	475,444	70,046	59,994	50,343	23,351	3,884	11,146	**2,077,498**	1,362,150
Work-in-Progress (a)										**13,056**	24,396
Carrying amount										**2,090,554**	1,386,546

(a) Work-in-Progress

	Group				Company			
	Balance as at 01.04.2019 Rs.'000	Additions for the year Rs.'000	Transfer/ Disposals Rs.'000	Balance as at 31.03.2020 Rs.'000	Balance as at 01.04.2019 Rs.'000	Additions for the year Rs.'000	Transfer/ Disposals Rs.'000	Balance as at 31.03.2020 Rs.'000
	24,396	28,472	(39,812)	**13,056**	19,760	27,572	(38,360)	**8,972**
	24,396	28,472	(39,812)	**13,056**	19,760	27,572	(38,360)	**8,972**

(B) Company

As at 31 March,								2019/20	2018/19
	Buildings Rs.'000	Plant & machinery Rs.'000	Motor vehicles Rs.'000	Furniture & fittings Rs.'000	Equipment Rs.'000	Computers Rs.'000	Others Rs.'000	Total Rs.'000	Total Rs.'000
Cost									
As at 1 April	810,348	715,850	299,613	13,384	129,130	35,493	42,478	**2,046,296**	1,956,400
Additions during the year	6,163	15,561	6,500	-	8,386	1,750	-	**38,360**	109,272
Disposals	-	-	-	-	-	-	-	**-**	(19,376)
As at 31 March	816,511	731,411	306,113	13,384	137,516	37,243	42,478	**2,084,656**	2,046,296
Depreciation									
As at 1 April	238,172	392,274	256,364	11,158	108,869	32,298	29,868	**1,069,003**	994,888
Charge for the year	22,002	39,238	16,240	387	8,721	1,553	1,464	**89,605**	93,491
Disposals	-	-	-	-	-	-	-	**-**	(19,376)
As at 31 March	260,174	431,512	272,603	11,546	117,590	33,852	31,332	**1,158,609**	1,069,003
Net book value	556,337	299,899	33,510	1,838	19,926	3,391	11,146	**926,047**	977,293
Work-in-Progress								**8,972**	19,760
Carrying amount								**935,019**	997,053

(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,

	Group		Company	
As at 31 March,	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Computers	**29,768**	29,760	**29,768**	29,760
Equipments	**115,365**	126,673	**100,286**	96,055
Furniture & fittings	**41,457**	11,051	**9,544**	9,499
Motor vehicles	**239,383**	189,705	**237,751**	189,034
Mature plantations	**93,086**	72,727	**93,086**	72,727
Plant & machinery	**205,607**	139,486	**181,806**	139,486
Intangible assets	**2,693**	2,693	**-**	-
Others	**14,015**	39,611	**14,015**	12,938
	741,374	611,707	**666,256**	549,499

(C) Unexpired lease periods of land:

Kelani Valley Plantations PLC	25 years
Kalupahana Power Company (Pvt) Ltd.	25 years

14 BIOLOGICAL ASSETS

14.1 Improvements to Leasehold Property (Bearer Biological Assets)

	Immature Plantations				Mature Plantations				Group/Company	
	Tea Rs.'000	Rubber Rs.'000	Other Rs.'000	Total Rs.'000	Tea Rs.'000	Rubber Rs.'000	Other Rs.'000	Total Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Cost										
As at 1 April	266,859	1,362,031	131,662	1,760,552	1,002,877	1,821,590	32,403	2,856,870	**4,617,422**	4,312,454
Additions during the year	12,462	140,820	82,645	235,927	-	-	-	-	**235,927**	304,968
Transfers (from)/to	(67,087)	(437,880)	(15,975)	(520,942)	67,087	437,880	15,975	520,942	**-**	-
As at 31 March	212,234	1,064,971	198,332	1,475,536	1,069,964	2,259,470	48,378	3,377,812	**4,853,349**	4,617,422
Depreciation										
As at 1 April	-	-	-	-	305,547	597,529	997	904,072	**904,072**	797,527
Charge for the year	-	-	-	-	30,933	87,248	1,622	119,804	**119,804**	106,546
As at 31 March	-	-	-	-	336,480	684,777	2,619	1,023,876	**1,023,876**	904,073
Carrying amount	212,234	1,064,971	198,332	1,475,536	733,485	1,574,692	45,759	2,353,936	**3,829,473**	3,713,349

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.
The Company policy is capitalised borrowings cost on specific borrowing only. However, borrowing costs were not capitalised during the year under Immature Plantations (2018/19 - Nil).

The addition of Rs.236 m (2018/19 - Rs. 305 m) shown above includes the following costs among other costs incurred during the year in respect of Uprooting and Planting of Tea and Rubber.

As at 31 March,	Group/Company			
	2019/20		2018/19	
	Extent - ha	Rs.'000	Extent - ha	Rs.'000
Uprooting-Rubber	37	7,366	76	7,404
Planting-Rubber	56	35,127	89	45,573
	93	42,493	165	52,977

14.2 Biological Assets (Consumable)

As at 31 March,	Group/Company			
			2019/20	2018/19
	Immature Rs.'000	Mature Rs.'000	Rs.'000	Rs.'000
As at 1 April	6,669	170,098	176,767	151,920
Gain of change in fair value less cost to sell	-	22,236	22,236	24,847
Transfers (from)/to	(6,669)	6,669	-	-
As at 31 March	-	199,003	199,003	176,767

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried out by KPMG Sri Lanka, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

14.2.1 Change in Fair Value of Biological Assets

As at 31 March,	Group/Company 2019/20 Rs.'000	Group/Company 2018/19 Rs.'000
Change in fair value of consumable biological assets (Note 14.2)	22,236	24,847
Change in fair value of produce on bearer biological assets (Note 17.1)	(10,877)	7,132
	11,359	31,979

14.2.2 Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Non Financial Asset	Valuation technique 2019/20	Valuation technique 2018/19	Unobservable inputs	Range of unobservable inputs (Probability weighted average) 2019/20	Range of unobservable inputs (Probability weighted average) 2018/19	Relationship of Unobservable Inputs to Fair Value
Consumable managed biological assets	Market Approach	DCF	Discounting Rate	15%	17%	The higher the discount rate, the lesser the fair value
			Optimum rotation (Maturity)	20-25 Years	25-35 Years	Lower the rotation period, the higher the fair value
			Volume at rotation	23 - 95 Cu.ft	25-85 Cu.ft	The higher the price per Cu. ft., the higher the fair value
			Price (per Cu.ft)	Rs. 50/- to Rs. 3,000/-	Rs. 450/- to Rs. 3,000/-	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 Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor, i.e. 15.0%.
2. The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost 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.

The valuations, as presented in the external valuation models based on market values, take into account the possible market conditions and long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the active market prices and other variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that active market price projections are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations are as follows,

14.2.3 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that 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, 2020	(19,233)	19,233
As at 31 March, 2019	(17,010)	17,010

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are less sensitive to changes of the discount rate applied because majority of the timber trees have reached their maturity by the time of valuation. Simulations made for timber show that a increase or decrease by 1.5% of the estimated future discount rate has the following effect on the net present value of biological assets:

Company	Rs. '000 -1.5%	Rs. '000 +1.5%
As at 31 March, 2020	1,114	(1,053)
As at 31 March, 2019	6,169	(6,509)

No biological assets have been pledged as securities for the year ended 31 March 2020 (2018/19 - Nil).
There are no capital expenditure commitments for biological assets as at the reporting date.

15 INVESTMENTS IN SUBSIDIARIES

15.1 Unquoted Investments

	% Holding		No. of Shares		Company Rs.'000	
As at 31 March,	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Kalupahana Power Company (Pvt) Ltd.	60	60	1,800,000	1,800,000	18,000	18,000
Kelani Valley Instant Tea (Pvt) Ltd.	100	100	3,000,000	3,000,000	31,881	31,881
Provision for Impairment - KVIT	-	-	-	-	(6,815)	-
Mabroc Teas (Pvt) Ltd.	100	100	9,000,000	9,000,000	260,000	260,000
Kelani Valley Resorts (Pvt) Ltd.	100	100	5,000,000	4,999,999	50,000	50,000
Carrying amount					353,066	359,881

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Subsidiaries	Principle Activity	% Equity Interest
Kalupahana Power Company (Pvt) Ltd.	Generates hydro power	60
Kelani Valley Instant Tea (Pvt) Ltd.	Manufactures instant tea	100
Mabroc Teas (Pvt) Ltd.	Exports of bulk & retail packed tea	100
Kelani Valley Resorts (Pvt) Ltd.	Provide services in the hospitality industry	100

15.2 Financial Asset

Martin Bauer Hayleys (Pvt) Ltd.

Group - Fair Value Through Other Comprehensive Financial Asset

	Group		
	No. of Shares	2019/20 Rs.'000	2018/19 Rs.'000
As at 01 November 2018		-	301,573
Gain/(loss) on FVTOCI financial asset		-	89,347
As at 31 March 2019	39,091,550	390,920	390,920
Gain/(loss) on FVTOCI financial asset	-	-	-
As at 31 March 2020	-	390,920	390,920

Company - Fair Value Through Profit or Loss Financial Asset

	Company		
	No. of Shares	2019/20 Rs.'000	2018/19 Rs.'000
As at 01 November 2018		-	301,573
Gain/(loss) on FVTPL financial asset		-	89,347
As at 31 March 2019	39,091,550	390,920	390,920
Gain/(loss) on FVTPL financial asset		-	-
As at 31 March 2020	39,091,550	390,920	390,920

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.
Fair Value of a share	10.00	10.00

15.2.1 Information about Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs	
			2019/20	2018/19
Financial Asset (Investment in shares of Martin Bauer Hayleys (Pvt) Ltd)	DCF	Discounting Rate	15%	17%
		Growth Rate	5%	5%
		Exchange rate USD	LKR. 180/-	LKR. 175/-
		General inflation	10	10

Key assumptions used in valuation

1. The discounting rate is 15% p.a
2. Estimated USD exchange rate is LKR 180/-.
3. The general inflation rate at 10% p.a
4. Annual revenue growth rate 5% p.a

15.2.2 Sensitivity Analysis - Based on Discounting Rate

Discount Rate	Rs. '000 -1%	Rs. '000 +1%
2019/20	**42,746**	**(33,113)**
2018/19	41,579	(34,616)

Growth Rate	Rs. '000 -1%	Rs. '000 +1%
2019/20	**(22,612)**	**29,938**
2018/19	(23,381)	28,077

16 INTANGIBLE ASSETS

			Group	
Cost	**Goodwill Rs. '000**	**Software Rs. '000**	**2019/20 Rs. '000**	**2018/19 Rs. '000**
As at 1 April	33,310	5,599	**38,909**	36,244
Addition during the year	-	-	**-**	2,665
As at 31 March	33,310	5,599	**38,909**	38,909
Amortisation and impairment				
As at 1 April	-	3,191	**3,191**	2,808
Amortisation for the year	-	557	**557**	383
As at 31 March	-	3,748	**3,748**	3,191
Carrying Amount	33,310	1,851	**35,161**	35,718

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.

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

As at 31 March	Group/Company 2019/20 Rs.'000	Group/Company 2018/19 Rs.'000
Balance as at 1 April	**16,498**	9,366
Change in fair value less cost to sell	**(10,877)**	7,132
	5,621	16,498

Level 2 inputs were used when arriving above figures.

17.2 Inventories

As at 31 March	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Input materials	**71,943**	78,220	**71,564**	77,839
Nurseries	**9,281**	15,863	**9,281**	15,863
Harvested crop	**367,831**	438,167	**367,829**	438,165
Bulk tea & raw materials	**610,874**	586,510	**-**	-
Finished goods	**10,195**	12,887	**624**	929
Spares and consumables	**10,508**	11,239	**9,778**	10,717
	1,080,632	1,142,886	**459,076**	543,513
Provision for obsolete inventories	**(24,338)**	(21,788)	**(11,011)**	(11,867)
	1,056,294	1,121,098	**448,065**	531,646

The carrying amount of inventories pledged as securities for bank facilities obtained amounted to Rs. 81 m (2018/19 - Rs. 94 m) and Rs. 451 m (2018/19 - Rs. 344 m) by the Company & the Group respectively .

18 TRADE AND OTHER RECEIVABLES

As at 31 March,	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Trade receivables	**455,187**	1,126,517	**26,659**	116,829
Lease rent paid in advance	**20,727**	19,864	**20,727**	19,864
Employee advances and receivables	**67,386**	66,668	**66,957**	66,227
Advance company tax recoverable	**2,760**	2,760	**2,760**	2,760
ESC recoverable	**79,788**	60,569	**58,262**	39,806
WHT recoverable	**3,436**	2,471	**3,409**	2,432
Other current assets	**163,261**	57,505	**207,582**	103,610
	792,545	1,336,355	**386,356**	351,528
Provision for impairment in trade and other receivables	**(6,643)**	(980)	**(1,394)**	(714)
	785,902	1,335,375	**384,962**	350,814

18.1 Movement in the provision for trade and other receivables

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
As at 1 April	**(980)**	(971)	**(714)**	(767)
Reversal/(charge) for the year	**(5,663)**	(9)	**(680)**	53
As at 31 March	**(6,643)**	(980)	**(1,394)**	(714)

18.2 The aging analysis of trade receivables is as follows;

Balance as at 31 March 2020	Total Rs. '000	Neither Past due nor impaired 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	**26,659**	**13,793**	**12,867**	**-**	**-**	**-**
Group	**455,187**	**440,237**	**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.27 m (2018/19 - Rs. 119 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 2020 are disclosed below.

The funds borrowed by the Company and the Group are given in Note 22 and 30.2

	Group		Company	
	Interest-Bearing Borrowings Rs. 000	Other Borrowings Rs. 000	Interest-Bearing Borrowings Rs. 000	Other Borrowings Rs. 000
Balance as at 01 April 2019	311,147	1,048,256	283,663	28,392
Net Cash flows from Financing activities	145,903	(126,082)	(126,613)	(14,783)
Balance as at 31 March 2020	457,050	922,173	157,050	13,609

20 CASH AND CASH EQUIVALENTS

	Group		Company	
As at 31 March,	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
20.1 Short-term deposits				
Short-term fixed deposits	**41,726**	34,834	**41,513**	34,620
	41,726	34,834	**41,513**	34,620
20.2 Favourable balances				
Cash in hand	**1,090**	1,224	**56**	590
Cash at bank	**252,072**	62,094	**23,179**	20,777
	253,162	63,318	**23,235**	21,367
20.3 Unfavourable balances				
Bank overdraft	**(634,929)**	(675,083)	**(616,601)**	(675,083)
	(634,929)	(675,083)	**(616,601)**	(675,083)

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group. Interest income is earned at the prevalent interest rates at the respective short-term deposit rates.

The securities pledged have been disclosed in Note 31 to the financial statements.

21 STATED CAPITAL

As at 31 March,	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Issued & fully paid-ordinary shares 34,000,000 (2018/19 - 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

	Sampath Bank Rs.'000	HSBC Rs.'000	Sri Lanka Tea Board Rs.'000	DFCC Rs.'000	NDB Rs.'000	Amana Bank Rs.'000	2019/20 Total Rs.'000	2018/19 Total Rs.'000
As at 1 April	-	27,484	44,655	54,960	48,564	135,484	**311,147**	446,055
Obtained during the year	300,000	-	-	-	-	-	**300,000**	-
Repayments during the year	-	(27,484)	(34,180)	(27,480)	(16,876)	(48,077)	**(154,097)**	(134,908)
As at 31 March	300,000	-	10,475	27,480	31,688	87,407	**457,050**	311,147
Payable within one year	(75,000)	-	(10,475)	(27,480)	(14,814)	(58,464)	**(186,233)**	(148,223)
(Transferred to current liabilities)								
Payable after one year	225,000	-	-	-	16,874	28,943	**270,817**	162,924
Analysis of long-term borrowings by year of repayment								
Repayable within one year from year-end	75,000	-	10,475	27,480	14,814	58,464	**186,233**	148,223
Repayable between 2 and 5 years from year-end	225,000	-	-	-	16,874	28,943	**270,817**	162,924
	300,000	-	10,475	27,480	31,688	87,407	**457,050**	311,147

Company

	Sri Lanka Tea Board Rs.'000	DFCC Rs.'000	NDB Rs.'000	Amana Bank Rs.'000	2019/20 Total Rs.'000	2018/19 Total Rs.'000
As at 1 April	44,655	54,960	48,564	135,484	**283,663**	409,625
Repayments during the year	(34,180)	(27,480)	(16,876)	(48,077)	**(126,613)**	(125,962)
As at 31 March	10,475	27,480	31,688	87,407	**157,050**	283,663
Payable within one year	(10,475)	(27,480)	(14,814)	(58,464)	**(111,233)**	(134,481)
(Transferred to current liabilities)						
Payable after one year	-	-	16,874	28,943	**45,817**	149,182
Analysis of long-term borrowings by year of repayment						
Repayable within one year from year-end	10,475	27,480	14,814	58,464	**111,233**	134,481
Repayable between 2 and 5 years from year-end	-	-	16,874	28,943	**45,817**	149,182
	10,475	27,480	31,688	87,407	**157,050**	283,663

Long-term interest bearing borrowings - Lender Analysis

Company

As at 31 March,	Loan outstanding 2019/20 Rs.'000	2018/19 Rs.'000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
22.1.1 DFCC Bank					
Term loan 2	27,480	54,960	AWPLR + 5.5% After two years	2,290,033/-	60 monthly installments commenced on 14.03.2016
DFCC Total	27,480	54,960			

22.1.2 Amana Bank

As at 31 March,	Loan outstanding 2019/20 Rs.'000	2018/19 Rs.'000	Rate of interest per annum	Installments and terms of repayments
Disbursement 1	9,149	19,382	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 14.12.2015
Disbursement 2	25,942	45,981	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 19.03.2017
Disbursement 3	22,023	31,291	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 21.01.2017
Disbursement 4	30,293	38,830	SLIBOR + 3.25%	60 monthly installments commenced on 17.11.2017
Amana Bank - Total	87,407	135,484		

22.1.3 National Development Bank

As at 31 March,	Loan outstanding 2019/20 Rs.'000	2018/19 Rs.'000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 1	10,314	22,689	AWPLR + 1.5% After two years	1,031,333/-	60 monthly installments commenced on 11.02.2016
Term loan 2	17,278	20,916	6.30%	303,125/-	72 monthly installments commenced on 19.01.2019
Term loan 3	4,097	4,959	6.30%	71,875/-	72 monthly installments commenced on 19.01.2019
NDB-Total	31,689	48,564			

22.1.4 Sri Lanka Tea Board

As at 31 March,	Loan outstanding 2019/20 Rs.'000	2018/19 Rs.'000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 1	6,944	22,222	Six month AWPLR + 1%	1,388,889/-	48 monthly installments commenced on 17.08.2017
Term loan 2	3,530	22,433	5%	1,646,374/-	48 monthly installments commenced on 26.07.2017
Sri Lanka Tea Board - Total	10,474	44,655			
Company - Total	157,050	283,663			

22.1.5 Subsidiary - Mabroc Teas (Pvt) Ltd.

As at 31 March,	Currency	Loan outstanding 2019/20 Rs.'000	2018/19 Rs.'000	Rate of interest per annum	Installments and terms of repayments
Hongkong & Shanghai Banking Corporation Ltd					
Term Loan	USD	-	27,484	Three month LIBOR + 3%	16 quarterly installment of USD 21,250/- commenced on 08.06.2017
Sampath Bank		300,000	-	AWPLR + 1%	48 monthly installments commenced on 30.04.2020
Mabroc Teas (Pvt) Ltd - Total		300,000	27,484		
Group-Total		457,050	311,148		

22.2 Short-term interest bearing borrowings

Company

As at 31 March, Lender	Currency	2019/20 Rs.'000	2018/19 Rs.'000
National Development Bank	LKR	345,000	46,000
Hatton National Bank	LKR	-	50,000
Amana Bank	LKR	46,000	-
Sri Lanka Tea Board	LKR	22,794	-
Total		413,794	96,000

Subsidiary - Mabroc Teas (Pvt) Ltd

As at 31 March, Lender	Currency	2019/20 Rs.'000	2018/19 Rs.'000
Hongkong & Shanghai Banking Corporation Ltd.	USD	326,645	916,196
Hongkong & Shanghai Banking Corporation Ltd.	CNY	132,042	-
Hatton National Bank	LKR	-	7,668
Citi Bank N. A.	USD	36,083	-
Total		494,770	923,864
Group-Total		908,564	1,019,864

The securities pledged for these facilities have been disclosed in Note 31 to the Financial Statements.

23 OTHER FINANCIAL LIABILITY

Group As at 31 March,	2019/20 Repayable Within One Year Rs.'000	Repayable After One Year Rs.'000	Total Rs.'000	Rate of interest per annum	Installments and terms of repayments Due date	Amount
Long-Term Financial liability	-	200,411	200,411	10.50%	75m on 30 June 2020 and 75m 30 January 2021	
Short-Term Financial liability	150,000	-	150,000	-	150m on 30 January 2022 and 100m on 30 January 2022	
	150,000	200,411	350,411			

Mabroc Teas (Pvt) Ltd. has purchased company premises from MHL Holding (Pvt) Ltd. with future Payment of 400m. The Company has discounted long-term portion of future payment at the rate of 10.50%.

24 DEFERRED INCOME

Grants and Subsidies

As at 31 March,	Group 2019/20 Rs.'000	Group 2018/19 Rs.'000	Company 2019/20 Rs.'000	Company 2018/19 Rs.'000
Capital Grants				
As at 1 April	823,180	786,553	822,213	785,586
Grants received during the year	38,096	36,627	38,096	36,627
As at 31 March	861,276	823,180	860,309	822,213
Amortisation				
As at 1 April	226,829	208,679	226,561	208,438
Amortisation for the year	17,817	18,150	17,791	18,123
As at 31 March	244,646	226,829	244,352	226,561
Carrying amount	616,630	596,351	615,957	595,652

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.

25 DEFERRED TAX LIABILITY / (ASSETS)

25.1 Statement of Financial Position

As at 31 March,	Group 2019/20 Temporary difference Rs.'000	Group 2019/20 Tax effect Rs.'000	Group 2018/19 Temporary difference Rs.'000	Group 2018/19 Tax effect Rs.'000
As at 1 April	2,895,449	405,363	3,053,547	427,497
Amount originating during the year	71,406	9,998	(158,098)	(22,134)
As at 31 March	2,966,855	415,361	2,895,449	405,363
Deferred Tax Liability				
Temporary difference of Right-of-use asset	576,227	80,672	-	-
Temporary difference of Property, Plant and Equipment (including mature and immature plantation)	4,794,386	671,215	4,700,574	658,081
Temporary difference of biological assets	204,624	28,647	193,265	27,057
As at 31 March	5,575,237	780,534	4,893,839	685,138
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(1,152,014)	(161,282)	(1,109,975)	(155,396)
Temporary difference of lease liability	(597,037)	(83,585)	-	-
Temporary difference of grant received	-	-	(34,861)	(4,881)
Temporary difference of provision for bad debts	(4,581)	(641)	(980)	(137)
Temporary difference of impairment for inventories	(24,338)	(3,407)	(21,788)	(3,050)
Tax losses	(830,412)	(116,258)	(830,786)	(116,310)
As at 31 March	(2,608,382)	(365,173)	(1,998,390)	(279,775)
Net deferred tax liability as at 31 March	2,966,855	415,361	2,895,449	405,363

As at 31 March,	Company			
	2019/20		2018/19	
	Temporary difference Rs.'000	Tax effect Rs.'000	Temporary difference Rs.'000	Tax effect Rs.'000
As at 1 April	**2,658,575**	**372,201**	2,798,333	391,766
Amount originating during the year	**108,396**	**15,175**	(139,758)	(19,565)
As at 31 March	**2,766,971**	**387,376**	2,658,575	372,201
Deferred Tax Liability				
Temporary difference of Right-of-use asset	**576,227**	**80,672**	-	-
Temporary difference of Property, Plant and Equipment (including mature and immature plantation)	**4,540,905**	**635,727**	4,420,832	618,917
Temporary difference of biological assets	**204,624**	**28,647**	193,265	27,057
As at 31 March	**5,321,756**	**745,046**	4,614,097	645,974
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	**(1,114,932)**	**(156,090)**	(1,077,667)	(150,873)
Temporary difference of lease liability	**(597,037)**	**(83,585)**	-	-
Temporary difference of grant received	**-**	**-**	(34,861)	(4,881)
Temporary difference of provision for bad debts	**(1,394)**	**(195)**	(714)	(100)
Temporary difference of impairment for inventories	**(11,011)**	**(1,542)**	(11,867)	(1,661)
Tax losses	**(830,412)**	**(116,258)**	(830,412)	(116,258)
As at 31 March	**(2,554,785)**	**(357,670)**	(1,955,521)	(273,773)
Net deferred tax liability as at 31 March	**2,766,971**	**387,376**	2,658,575	372,201

25.2 Statement of Profit or Loss

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
As at 1 April	**405,363**	427,497	**372,201**	391,766
Tax charge recognised in profit or loss	**5,884**	(1,078)	**10,911**	1,153
Tax charge/ (reversal) recognised in other comprehensive income	**4,114**	(21,056)	**4,264**	(20,718)
As at 31 March	**415,361**	405,363	**387,376**	372,201

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March, 2020 is 14% (2018/19 - 14%) for the company.

26 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Movement in the Retirement Benefit Obligations				
As at 1 April	**1,109,974**	916,918	**1,077,667**	886,009
Current service cost	**80,850**	77,697	**77,497**	74,699
Interest cost	**115,737**	93,864	**112,350**	90,768
Charged to profit or loss	**196,587**	171,561	**189,847**	165,467
Actuarial (gain) / loss due to changes in financial assumptions	**(2,406)**	-	**(2,406)**	-
Actuarial (gain) / loss due to changes in experience	**(26,978)**	150,402	**(28,055)**	147,988
Charged to statement of other comprehensive income	**(29,384)**	150,402	**(30,461)**	147,988
Benefit paid by the plan	**(125,163)**	(128,907)	**(122,121)**	(121,797)
As at 31 March	**1,152,014**	1,109,974	**1,114,932**	1,077,667

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 2020 the actuarial present value of promised retirement benefits amounted to Rs. 1,152,013,625/- (2018/19 - Rs. 1,109,973,540/-). If the Group had provided for gratuity on the basis of 14 days wage & half month's salary for each completed year of service, the liability would have been Rs. 1,240,398,853/- (2018/19 - Rs. 1,218,797,885/-).

The following payments are expected from defined benefit plan obligations in future years.

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Within the next 12 months	**264,064**	234,090	**256,123**	226,754
Between 2 to 5 years	**381,509**	380,778	**368,416**	369,913
Between 5 to 10 years	**273,751**	271,896	**262,531**	263,121
More than 10 years	**232,690**	223,210	**227,862**	217,879
	1,152,014	1,109,974	**1,114,932**	1,077,667

The weighted average duration of the defined benefit plan obligation as at the end of the reporting period for Staff is 5.19 years and workers is 6 years .The Present Value of retirement benefit obligations is carried on annual basis.

The key assumptions used by Messers. Actuarial & Management Consultants (Pvt) Ltd. include the following,

	2019/20	2018/19
(i) Rate of interest	**10%**	11%
(ii) Rate of salary increase		
Workers	**18% (every two years)**	20% (every two years)
Staff	**9% (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:

Group

A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2020	**(62,864)**	**60,704**
As at 31 March 2019	(46,019)	73,614

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March 2020	**34,270**	**(41,285)**
As at 31 March 2019	42,937	(20,260)

Company

A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2020	**(61,036)**	**58,676**
As at 31 March 2019	(44,440)	71,861

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March 2020	**32,075**	**(39,274)**
As at 31 March 2019	41,040	(18,524)

27 LEASE LIABILITY

		Group/Company	
	Note	2019/20 Rs.'000	2018/19 Rs.'000
Lease liability on Right-of-Use asset- Land	27.1	**563,702**	439,902
Lease liability on Right-of-Use asset- Building	27.2	**33,335**	-
		597,037	439,902

27.1 Lease liability on Right-of-Use asset- Land

	Group/Company	
	2019/20 Rs.'000	2018/19 Rs.'000
Balance at the beginning of the year	**439,902**	441,841
Transition adjustment due to initial application of SLFRS 16	**126,518**	-
Accretion of Interest	**79,299**	57,439
Repayment during the year	**(82,017)**	(59,378)
Balance as at end of the year	**563,702**	439,902

The effect of adoption SLFRS 16 - Leases as at 01 April 2019

	Group/Company		
	Lease Liability Rs.'000	Right of Use Assets - Land Rs.'000	Retained Earnings Rs.'000
Balance as at 01 April 2019 (before initial application of SLFRS 16)	439,902	255,003	797,342
Transition adjustment due to initial application of SLFRS 16	126,518	311,418	184,899
Adjusted balance as at 01 April 2019 (at the initial application of SLFRS 16 Leases)	566,421	566,421	982,241

27.1.1 Maturity analysis of lease liability as follows,

	Group/Company	
	2019/20	**2018/19**
	Rs.'000	**Rs.'000**
Payable within one year		
Gross liability	**82,018**	59,378
Finance cost allocated to future periods	**(78,919)**	(57,188)
Net liability transferred to current liabilities	**3,099**	2,190
Payable within two to five years		
Gross liability	**328,071**	237,511
Finance cost allocated to future periods	**(310,683)**	(225,507)
Net liability	**17,388**	12,004
Payable after five years		
Gross liability	**1,640,354**	1,306,309
Finance cost allocated to future periods	**(1,097,140)**	(880,600)
Net liability	**543,214**	425,709
Net liability payable after one year	**560,602**	437,712

The base rental payable per year Rs.82,017,712/-.

The lease liability as at 1 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-Use of Land" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2020 as follows:

	Group/Company
	Rs.'000
Gross liability	2,050,443
Finance charge	(1,486,741)
Net liability	563,702

27.2 Lease liability on Right-of-Use Asset- Building

	Group/Company
	2019/20
	Rs.'000
As at 31 March 2019	**-**
Initial Recognition of Lease Liability as per SLFRS 16	**39,490**
As at 01 April 2019	**39,490**
Additions	**-**
Accretion of Interest	**4,936**
Payments during the year	**(11,091)**
Balance as at 31 March 2020	**33,335**
Current Liability	**6,924**
Non Current Liability	**26,411**
Total Lease Liability as at 31 March 2020	**33,335**
Lease Liability	
Current Liability	**10,023**
Non-Current Liability	**587,014**
Total Lease Liability as at 31 March 2020	**597,037**

28 TRADE AND OTHER PAYABLES

	Group		Company	
As at 31 March,	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Trade payables	**54,458**	127,121	**13,061**	19,368
Staff payables	**166,967**	200,566	**166,967**	197,362
Unclaimed dividends	**12,489**	12,331	**12,489**	12,331
Other payables and accruals	**341,963**	290,077	**175,464**	172,882
	575,877	630,095	**367,981**	401,943

29 INCOME TAX

29.1 Income Tax Receivable

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
As at 1 April	**670**	643	**-**	-
Transferred from income tax payable	**-**	-	**-**	-
Payment made during the year	**(48)**	134	**-**	-
Transfer to income tax payable	**-**	(107)	**-**	-
As at 31 March	**622**	670	**-**	-

29.2 Income Tax Payable

	Group		Company	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
As at 1 April	**44,203**	26,142	**-**	-
Transferred from income tax receivable	**-**	(107)	**-**	-
Subsidiaries/Parent taxation on current year's profit	**57,017**	48,219	**-**	-
(Over)/under provision in respect of previous years	**(1,480)**	-	**-**	-
Cash Paid during the year	**(31,323)**	(6,301)	**-**	-
ESC,WHT,ACT set-off against income tax	**(27,303)**	(23,747)	**-**	-
Transferred to income tax receivable	**-**	-	**-**	-
As at 31 March	**41,114**	44,206	**-**	-

30 RELATED COMPANY BALANCES

30.1 Other related companies

	Group			
As at 31 March,	2019/20		2018/19	
	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Ultimate Parent Company				
Hayleys PLC	-	110,685	115	53,475
Intermediary Ultimate Parent				
Dipped Products PLC	4,150	2,095	25,905	-
Dipped Products PLC - loans	-	10,750	-	10,227
Parent Company				
DPL Plantations (Pvt) Ltd.	-	1,104	-	1,104
Other Related Companies				
DPL Premier Gloves (Pvt) Ltd.	2,668	-	34,236	-
Martin Bauer Hayleys (Pvt) Ltd	13,982	177	14,299	122
Hanwella Rubber Products Ltd.	5,831	1,521	-	-
Hayleys Agriculture Holdings Ltd.	44	23	109	24
Hayleys Agro Fertilizers (Pvt) Ltd.	-	-	21	1,609
Uni Dil Packaging Solution (Pvt) Ltd.	-	-	-	2,421
Uni Dil Packaging (Pvt) Ltd.	-	-	-	136
Talawakelle Tea Estates PLC.	3,285	2,407	44	214
Horana Plantations PLC.	2,876	-	2,305	-
Hayleys Consumer Products Ltd.	195	17	507	-
Amaya Leisure PLC.	4,448	-	-	-
Culture Club Resorts (Pvt) Ltd.	241	-	152	-
Hunas Falls Hotels PLC.	-	-	59	-
The Kingsbury PLC.	708	-	305	43
MIT Cargo (Pvt) Ltd.	-	-	-	50
Hayleys Advantis Ltd.	15	-	-	-
Kandy Resorts (Pvt) Ltd.	52	-	-	-
Sun Tan Beach Resorts Ltd.	136	-	101	-
Logistics International Ltd.	65	-	24	-
Singer (Sri Lanka) PLC.	406	77	809	78
Singer Finance (Lanka) PLC.	159	-	234	-
Hayleys Business Solutions International (Pvt) Ltd.	-	123	-	47
Fentons Ltd.	393	-	358	-
Chas P Hayleys & Co Ltd.	92	-	97	-
Alufab PLC	22	-	-	-
Unisyst Engineering PLC	-	-	28	-
Kandyan Resorts (Pvt) Ltd.	192	-	214	-
Alumex PLC	17	-	49	-
Hayleys Travels (Pvt) Ltd.	383	-	-	-
S & T Interiors (Pvt) Ltd.	60	-	-	-
Toyo Cushion Lanka (Pvt) Ltd.	710	-	-	-
Eco Power Co (Pvt) Ltd.	1,023	999	-	-
Hayleys Travels & Tours (Pvt) Ltd	-	-	-	27
Agility Logistics (Pvt) Ltd.	-	-	-	38
Mountain Hawk Express (Pvt) Ltd.	-	-	-	180
Aventura (Pvt) Ltd.	6	10	13	-
Advantis Project & Engineering (Pvt) Ltd.	-	519	8	454
HJS Condiments Ltd.	30	-	36	-
Advantis Freight (Pvt) Ltd.	-	5	-	104
Hayleys Fabric PLC.	114	-	-	-
CMA CGM Lanka (Pvt) Ltd.	24	-	-	-
Langdale Resort & Spa (Pvt) Ltd.	-	-	5	-
Total	42,327	130,512	80,033	70,353

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,	Company			
	2019/20		2018/19	
	Receivable Rs.'000	Payable Rs.'000	Receivable Rs.'000	Payable Rs.'000
Subsidiaries				
Kalupahana Power Co (Pvt) Ltd.	1,585	-	324	-
Kelani Valley Instant Tea (Pvt) Ltd.	-	12,339	-	12,464
Mabroc Teas (Pvt) Ltd.	-	2,529	-	4,814
Kelani Valley Resorts (Pvt) Ltd.	21,153	-	22,931	-
	22,738	14,868	23,255	17,278
Ultimate Parent Company				
Hayleys PLC	-	102,202	-	41,671
Intermediary Ultimate Parent				
Dipped Products PLC	4,150	2,095	25,905	-
Dipped Products PLC - loans	-	10,750	-	10,227
Parent Company				
DPL Plantations (Pvt) Ltd.	-	1,104	-	1,104
Other Related Companies				
DPL Premier Gloves (Pvt) Ltd.	2,668	-	34,236	-
Martin Bauer Hayleys (Pvt) Ltd.	13,982	-	14,251	-
Hanwella Rubber Products Ltd.	5,831	1,521	-	-
Hayleys Agro Fertilizers (Pvt) Ltd.	-	-	-	1,609
Uni Dil Packaging Solution (Pvt) Ltd.	-	-	-	2,421
Advantis Freight (Pvt) Ltd.	-	2	-	136
Talawakelle Tea Estates PLC	3,269	2,391	-	214
Toyo Cushion Lanka (Pvt) Ltd.	710	-	-	-
Eco Power Co (Pvt) Ltd.	1,023	-	-	-
Advantis Project & Engineering (Pvt) Ltd.	-	-	-	16
Horana Plantations PLC	2,876	-	2,305	-
Total	34,509	120,065	76,697	57,398

30.2 Other Related Companies - Loan Payable

Dipped Products PLC

	Group/Company	
	2019/20 Rs.'000	2018/19 Rs.'000
As at 1 April	38,619	52,770
Obtained during the year	-	-
Repayments during the year	(14,783)	(14,151)
As at 31 March	23,836	38,619
Payable within one year		
(Transferred to current liabilities)	(10,750)	(10,227)
Payable after one year	13,086	28,392

Dipped Products PLC granted a loan at the rate of 10% per annum which shall be repayable in 5 years.

31 ASSETS PLEDGED AS SECURITY

Following assets have been pledged as security for liabilities:

Company

Nature of liability	2019/20 Facility (Rs. m)	2019/20 Outstanding (Rs. m)	Security
Overdraft			
Bank of Ceylon	100.0	60.4	Concurrent mortgage over stock in trade and debtors.
Hatton National Bank PLC	74.5	14.9	Promissory Note.
Sampath Bank PLC	30.0	Nil	Concurrent mortgage over stock in trade and debtors.
Term Loan			
DFCC Bank PLC	93.4	27.5	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	31.7	Primary mortgage over the leasehold rights, Buildings, Plant & Machinery of Pedro, Mahagastota & Panawatte estates.
Sri Lanka Tea Board	109.3	10.5	Trade receivables from Tea brokers.

Subsidiary

Mabroc Teas (Pvt) Ltd.

Nature of liability	2019/20 Facility (Rs. m)	2019/20 Outstanding (Rs. m)	Security
Overdraft			
Sampath Bank PLC	10.0	Nil	Hypothecation bond over stock and book debts

Short-term borrowings (Foreign currency loans)	2019/20 Facility (USD m)	2019/20 Outstanding (Rs. m)	Security
Hatton National Bank PLC	2.0	Nil	Confirmed order and irrevocable export LC
Sampath Bank PLC	1.2	Nil	Hypothecation bond totaling Rs.200 m over stocks and book debts

Long-term borrowings	2019/20 Facility (Rs. m)	2019/20 Outstanding (Rs. m)	Security
Sampath Bank PLC	300.0	300.0	Negative pledge over fixed assets held at No. 427, 427/A and 431, New Hunupitiya Road, Eriyawetiya, Kiribathgoda

NOTES TO THE FINANCIAL STATEMENTS

32 RELATED PARTY DISCLOSURES

Transactions with related parties were carried out at market price. Details of significant related party disclosures are as follows;

Recurrent Transactions

Company	Relationship	Nature of Transaction	Amount (paid)/received	
For the year ended 31 March,			2019/20	2018/19
			Rs.'000	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	(38,580)	(39,826)

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	2019/20	2018/19
	Rs.'000	Rs.'000
Directors' emoluments	10,514	13,416

(C) Transactions with Subsidiaries

Company	Relationship	Nature of Transaction	Amount (paid)/received	
For the year ended 31 March,			2019/20	2018/19
			Rs.'000	Rs.'000
(i) Kalupahana Power Co. (Pvt) Ltd.	Subsidiary	Share of revenue	697	1,540
		Reimbursement of expenses	(1)	260
(ii) Kelani Valley Instant Tea (Pvt) Ltd.	Subsidiary	Sale of BMF	-	22
		Manufacturing charges	0.4	22
(iii) Mabroc Teas (Pvt) Ltd.	Subsidiary	Sales of tea	191,158	294,172
		Purchase of tea	(13,211)	(37,394)
(iv) Kelani Valley Resorts (Pvt) Ltd.	Subsidiary	Reimbursement of expenses	(2,302)	(5,291)

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 2019/20 Rs.'000	2018/19 Rs.'000
	For the year ended 31 March				
(i)	Dipped Products PLC	Intermediary parent	Sale of latex	53,320	63,497
			Purchase of skim crepe	(414)	(13,808)
			Cost of facilities and related services rendered	(901)	(921)
			Loan installment & interest	(17,949)	(17,846)
(ii)	Hanwella Rubber Products Ltd.	Affiliate	Purchase of skim crepe	(8,792)	(9,663)
(iii)	DPL Premier Gloves (Pvt) Ltd.	Affiliate	Sale of latex	22,536	141,103
(iv)	Hayleys Agro Fertilisers (Pvt) Ltd.	Affiliate	Purchase of fertilizers	(23,224)	(60,166)
(v)	Hayleys Agriculture Holdings Ltd.	Affiliate	Purchase of chemicals	(1,536)	(6,275)
(vi)	Hayleys Lifesciences (Pvt) Ltd.	Affiliate	Purchase of consumer products	-	(38)
(vii)	Hayleys Tours (Pvt) Ltd.	Affiliate	Traveling expenses	(40)	-
(viii)	MIT Cargo (Pvt) Ltd.	Affiliate	Handling, clearing and courier charges	(993)	(642)
(ix)	Puritas (Pvt) Ltd.	Affiliate	Maintenance & construction of effluent	(1,557)	(8,048)
(x)	Logiventures (Pvt) Ltd.	Affiliate	Purchase of security seals	-	(151)
(xi)	Rileys (Pvt) Ltd.	Affiliate	Sale of rubber products	1,852	2,057
(xii)	Hayleys Consumer Products Ltd.	Affiliate	Purchase of consumer products	(11)	-
(xiii)	Talawakelle Tea Estates PLC	Affiliate	Share of office maintenance cost - Receipt	145	404
			- Payment	(2,876)	(4,147)
			Payment of Expenses	(58)	-
(xiv)	Hayleys Business Solutions International (Pvt) Ltd.	Affiliate	Payment of executive payroll processing	(503)	(519)
(xv)	Hayleys Travels (Pvt) Ltd	Affiliate	Cost of air tickets and related charges	(1,256)	(2,361)
(xvi)	Haycolour (Pvt) Ltd.	Affiliate	Purchase of colours	(1)	(2)
(xvii)	The Kingsbury PLC	Affiliate	Services rendered for AGM	(145)	(871)
			Cost of providing refreshments	-	(116)
(xviii)	Logiwiz Ltd.	Affiliate	Storage & handling charges	(611)	(768)
(xix)	Fentons Ltd.	Affiliate	Repairing digital telephone instruments	-	(5)
(xx)	Hayleys Aventura (Pvt) Ltd.	Affiliate	Cost of printing cards	(12)	(508)
			Purchase of machinery	(1,383)	(10,718)
(xxi)	Horana Plantations PLC	Affiliate	Reimbursement of expenses	-	(1,162)
			Purchase of services rendered	(80)	-
(xxii)	Uni Dil Packaging Solution Ltd.	Affiliate	Purchase of packing materials	(14,682)	(3,642)
(xxiii)	Uni Dil Packaging (Pvt) Ltd.	Affiliate	Purchase of packing materials	(1,083)	(756)
(xxiv)	Energy Net (Pvt) Ltd.	Affiliate	Purchase solar PV	-	(14,600)
			Purchase of central UPS	(59)	(211)
(xxv)	Hayleys Electronics Lighting (Pvt) Ltd.	Affiliate	Purchase of LED light	-	(15)
(xxvi)	Hayleys Power Ltd.	Affiliate	Purchase of services rendered	-	(670)
(xxvii)	Singer Digital Media (Pvt) Ltd.	Affiliate	Purchase of computer and mobile accessories	(325)	(578)
(xxviii)	Toyo Cushion Lanka (Pvt) Ltd.	Affiliate	Sale of latex	14,057	34,549
(xxix)	Singer Sri Lanka PLC	Affiliate	Purchase of electronic items	(278)	-
(xxx)	Advantis Pro and Eng. Pvt Ltd	Affiliate	Purchase of plastic seals	(133)	-
(xxxi)	Haymat Ltd.	Affiliate	Purchase of items for bungalow maintenance	(146)	-
(xxxii)	Royal Ceramic Lanka PLC	Affiliate	Purchase of equipments	(792)	-

Non - Recurrent Transactions
(E) Transactions with FVTOCI

Company	Relationship	Nature of Transaction	Amount (paid)/received	
For the year ended 31 March			2019/20	2018/19
			Rs.'000	Rs.'000
(i) Martin Bauer Hayleys (Pvt) Ltd.	Affiliate	Investment in shares	-	(96,920)
		Reimbursement of expenses	31,387	34,791

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 30 to the Financial Statements.

33 CONTINGENT LIABILITIES
There are no known contingent liabilities exist as at the Statement of Financial Position Date.

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 2020/21 amounts to Rs. 299,973,935/-(2019/20 Rs. 376,867,324/-).

35 EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

COVID-19 Pandemic
The government has identified the plantation sector as an essential service and encouraged the stakeholders to continue their operations during the period of lockdown. The company continued its operations in the estates during the curfew days. Since the lockdown, the Colombo Tea Auctions have gone online and have seen an upward trend both in demand and price. This trend still continues and augurs well for the industry.

In order to meet the challenges created by the COVID -19 Pandemic, Kelani Valley Plantations PLC has taken recommended measures to mitigate the effect of the COVID -19 virus on its day to day business operations by the guidelines issued by the Government and Health Authorities and has been continuing its strategic business continuity plans.

36 SEGMENTAL ANALYSIS

Group	Tea		Rubber		Others		Unallocated		Total	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
Segmental assets										
Non-current assets	2,691,712	2,338,578	3,177,781	2,878,985	335,066	290,906	981,447	526,359	7,186,006	6,034,828
Current assets	1,702,366	2,171,186	122,694	121,942	62,860	37,560	297,734	321,138	2,185,654	2,651,826
Total assets	4,394,078	4,509,764	3,300,475	3,000,927	397,926	328,466	1,279,181	847,496	9,371,660	8,686,654
Segmental liabilities										
Non-current liabilities	1,508,247	1,230,778	720,168	453,281	10,293	11,291	1,016,625	1,045,366	3,255,333	2,740,716
Current liabilities	1,147,411	1,531,284	147,533	87,694	14,631	38,360	1,327,677	932,676	2,637,252	2,590,014
Total liabilities	2,655,658	2,762,062	867,701	540,975	24,924	49,651	2,344,302	1,978,042	5,892,585	5,330,730
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	415,360	405,363	415,360	405,363
Retirement benefit obligation	915,221	909,013	236,297	200,336	496	625	-	-	1,152,014	1,109,974
Trade & other payables	374,620	469,978	147,533	87,694	12,625	12,756	41,093	59,667	575,871	630,095
Total depreciation	140,589	137,743	107,679	103,686	11,752	10,515	-	-	260,020	251,944
Lease amortisation	18,255	11,140	15,387	11,839	-	-	8,455	-	42,096	22,979
Capital expenditure	821,020	77,052	140,820	257,987	94,331	53,275	38,360	50,695	1,094,531	439,009
Company										
Segmental assets										
Non-current assets	1,990,816	2,086,221	3,177,781	2,878,985	198,332	151,356	981,447	852,935	6,348,376	5,969,497
Current assets	429,617	501,856	122,694	121,942	1,255	618	407,077	430,481	960,643	1,054,897
Total assets	2,420,433	2,588,077	3,300,475	3,000,927	199,587	151,974	1,388,524	1,283,416	7,309,019	7,024,394
Segmental liabilities										
Non-current liabilities	1,027,389	1,161,890	720,168	453,281	-	269	1,016,625	1,045,366	2,764,182	2,660,806
Current liabilities	179,355	254,512	147,533	87,694	-	66	1,327,677	1,042,101	1,654,565	1,384,373
Total liabilities	1,206,744	1,416,402	867,701	540,975	-	335	2,344,302	2,087,467	4,418,747	4,045,179
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	387,376	372,201	387,376	372,201
Retirement benefit obligations	878,634	877,331	236,297	200,336	-	-	-	-	1,114,932	1,077,667
Trade & other payables	179,355	254,512	147,533	87,694	-	66	41,093	59,667	367,980	401,939
Total depreciation	100,198	95,551	107,679	103,686	1,533	800	-	-	209,409	200,037
Lease amortisation	18,255	11,140	15,387	11,839	-	-	7,898	-	41,540	22,979
Capital expenditure	12,462	37,222	140,820	257,987	82,645	50,514	38,360	50,695	274,287	396,418

Information in respect of geographical segments was considered not significant enough to be disclosed as explained under segment reporting in accounting policies.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principle financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, forward exchange contract and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to mainly Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the 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 institutions 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 expected losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs.786 m (2018/19 – Rs.1,335 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. 42 m as at 31 March 2020 (2018/19 – Rs. 35 m) which represents the maximum credit exposure on these assets.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 253 m as at 31 March 2020 (2018/19 – Rs.63 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 – AA (lka)

37.3. Liquidity Risk

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

The Group does not concentrate on a single financial institution, thereby minimising the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long-term financial sources and short-term investment with short-term financing. Where necessary, the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinising the funding decisions.

The table below summarises the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31 March 2020,	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 & borrowings	634,929	413,374	681,423	270,817	-	2,000,543
Trade & other payables	341,963	233,914	-	-	-	575,877
	976,892	647,288	681,423	270,817	-	2,576,420
Company						
Interest bearing loans & borrowings	616,601	131,257	393,770	45,817	-	1,187,445
Trade & other payables	175,464	192,516	-	-	-	367,980
	792,065	323,773	393,770	45,817	-	1,555,425

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 & borrowings	675,083	369,773	798,315	162,928	-	2,006,099
Trade & other payables	214,620	415,469	-	-	-	630,089
	889,703	785,242	798,315	162,928	-	2,636,188
Company						
Interest bearing loans & borrowings	675,083	129,620	100,861	149,186	-	1,054,750
Trade & other payables	209,694	192,245	-	-	-	401,939
	884,776	321,865	100,861	149,186	-	1,456,688

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. 457 m (2018/19 – Rs.311 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		
2019/20	+1%	4,571
	-1%	(4,571)
2018/19	+1%	3,112
	-1%	(3,112)
Company		
2019/20	+1%	1,571
	-1%	(1,571)
2018/19	+1%	2,837
	-1%	(2,837)

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.

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD, AUD, JPY 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		
2019/20		
USD	5%	(5,104)
CNY	5%	4,821
EURO	5%	15
USD	-5%	5,104
CNY	-5%	(4,821)
EURO	-5%	(15)
2018/19		
USD	5%	(9,020)
CNY	5%	10,604
USD	-5%	9,020
CNY	-5%	(10,604)

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	
	2019/20 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000
i Interest bearing borrowings				
Current portion of long term interest bearing borrowings	**186,233**	148,223	**111,233**	134,481
Payable within 2 and 5 years	**270,817**	162,924	**45,817**	149,182
ii Liability to make lease payment				
Current portion of liability to make lease payment	**10,023**	2,190	**10,023**	2,190
Payable within 2 and 5 years	**43,800**	12,004	**43,800**	12,004
Payable later than 5 years from year-end	**543,214**	425,709	**543,214**	425,709
iii Short-term Interest bearing borrowings	**908,564**	1,019,864	**413,794**	96,000
iv Bank overdraft	**634,929**	675,083	**616,601**	675,083
Total debts	**2,597,580**	2,445,997	**1,784,482**	1,494,649
Equity	**3,437,193**	3,322,544	**2,890,272**	2,979,215
Equity & debts	**6,034,773**	5,768,541	**4,674,754**	4,473,865
Gearing ratio	**43%**	42%	**38%**	33%

INVESTOR INFORMATION

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 Profit or Loss for the year ended 31 March 2020 and the audited Statement of Financial Position of the Company and of the Group as at the date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

2. ORDINARY SHAREHOLDERS AS AT 31 MARCH 2020

Number of shareholders 13,971

	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	13,840	1,716,747	5.05	7	2,818	0.01	13,847	1,719,565	5.06
1,001 - 10,000	93	279,352	0.82	-	-	-	93	279,352	0.82
10,001 - 100,000	20	713,897	2.10	3	111,219	0.33	23	825,116	2.43
100,001 - 1,000,000	3	1,054,004	3.10	2	438,977	1.29	5	1,492,981	4.39
Over 1,000,000	3	29,682,986	87.30	-	-	-	3	29,682,986	87.30
	13,959	33,446,986	98.37	12	553,014	1.63	13,971	34,000,000	100.00

	Residents			Non-Residents			Total		
No. of Shares held	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	13,903	2,500,598	7.35	10	461,795	1.36	13,913	2,962,393	8.71
Institutions	56	30,946,388	91.02	2	91,219	0.27	58	31,037,607	91.29
	13,959	33,446,986	98.37	12	553,014	1.63	13,971	34,000,000	100.00

3. MARKET VALUE

The market value of Kelani Valley Plantations PLC ordinary shares :

	2019/20		2018/19	
Highest - Rs.	**94.00**	(01 April 2019)	99.90	(31 December 2018)
Lowest - Rs.	**63.10**	(02 March 2020)	60.50	(26 November 2018)
Period end - Rs.	**80.00**		93.00	

4. DIVIDEND PAYMENT

No interim or final dividend is to be declared at the Annual General Meeting. (2018/19 - Nil)

5. SHARE TRADING

	2019/20	2018/19
Number of transactions	**421**	199
Number of shares traded	**89,716**	12,775
Value of shares traded (Rs.)	**4,211,349.80**	1,018,200.60

6. FIRST TWENTY SHAREHOLDERS AS AT 31 MARCH, 2020

	Name of Shareholder	No. of Shares as at 31.03.2020	%	No. of Shares as at 31.03.2019	%
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	2,836,234	8.34	2,834,763	8.34
	Mr. L. P. Hapangama	400	0.00	400	0.00
3	Bank of Ceylon A/c Ceybank Unit Trust	2,219,852	6.53	2,205,083	6.49
4	Bank of Ceylon A/c Ceybank Century Growth Fund	532,550	1.57	526,104	1.55
5	M H L Holdings (Private) Limited	408,204	1.20	408,204	1.20
6	Mr. T. T. T. Al-Nakib	290,655	0.85	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	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	46,501	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	G H Resources (Pvt) Ltd.	26,511	0.08	-	-
20	People's Leasing & Finance PLC/Dr. H. S. D. Soysa & G. Soysa	21,131	0.06	21,013	0.06
	TOTAL	31,770,689	93.44	31,738,041	93.35

7. The percentage of ordinary shares held by the public was 27.57% (2018/19 - 27.57%) of the issued share capital as at 31 March 2020.

- There were no non-voting shares as at 31 March 2020.
- Total number of Shareholders representing the Public Holding is 13,970.
- Float Adjusted market capitalisation 749,904,000.
- The company complies with option 5 of the listing rules 7.13.1 (a) - Less than Rs.2.5 b.
- Float Adjusted market capitalisation which requires 20 % minimum public holding.

GLOSSARY

FINANCIAL TERMS

Accounting policies
The Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Accrual Basis
Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Actuarial Gains and Losses
Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Agricultural 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.

Available for Sale
Non derivative financial asset that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

AWDR
Abbreviation for Average Weighted Deposit Rate.

AWPLR
Abbreviation for Average Weighted Prime Lending Rate.

Basic Earnings per share
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Bearer Biological Assets
Biological assets those are not to be harvested as agricultural produce or sold as biological assets. (The biological assets other than the consumable biological assets.)

B
Billion

Biological Assets
A living animal or plant.

Biological Transformation
It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological assets.

Borrowings/Debt
All interest-bearing liabilities. Such as Bank loans , Overdraft, Long term loans, Debentures, Finance Obligations.

Capital reserves
Reserves identified for specific purposes and considered not of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity available for distribution.

Cash Equivalents
Abbreviation for liquid investments with original maturity periods of three months or less.

CASL
Abbreviation for the Institute of Chartered Accountants of Sri Lanka

CBSL
Abbreviation for Central Bank of Sri Lanka

Contingent Liability
A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Consumable Biological Assets
The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

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).

Deferred Taxation
The tax effect of timing differences deferred to /from other periods, which would only qualify for inclusion on a tax return at a future date

Derivative
Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

Dividends
Distribution of profits to holders of equity investments.

Effective tax rate
Income tax expenses divided by profit from ordinary activities before tax

Enterprise Value-EV
Market capitalisation plus Market Value of Debt, Minority Interest & Preference shares minus total cash & cash equivalent.

Enterprise Multiple-EM
Enterprise value divided by earnings before Interest Tax Depreciation & Amortisation (EBITDA)

EPS
Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

Equity
Shareholders' fund.

Equity Instruments
Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity Method
The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

EVA
Abbreviation for Economic Value Addition. The return earned beyond the cost of capital. (Weighted Average Cost of Capital into Capital Invested minus Net Operating Profit).

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Fair Value
Fair Value is the amount for which an asset could be exchanged between a knowledgeable or liability settled between knowledgeable willing parties in an arm's length transaction.

Fair Value through Profit and Loss
A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short – term profit taking, or a derivative. (except for a derivative that is a financial guarantee contract)

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial Liability
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Forward Currency Contract
A forward contract in the forex market that locks in the price at which an entity can buy or sell a currency on a future date. Also known as "outright forward currency transaction", "forward outright" or "FX forward".

IAS
Abbreviation for International Accounting Standards.

IFRIC
Abbreviation for International Financial Reporting Interpretations Committee

IFRS
Abbreviation for International Financial Reporting Standards.

LIBOR
Abbreviation for London Inter- Bank Offered Rate.

Market capitalisation
Number of shares in issue multiplied by the market value of a share at the period date.

Market Value Added-MVA
The difference of market capitalisation and book value of share capital.

m
Million.

Net Assets per Share
Shareholders' funds divided by the weighted average number of ordinary shares in issue. A basis of share valuation.

Non-controlling interest
The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

Other comprehensive income
Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

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.

Revenue reserves
Reserves considered as being available for distributions and investments.

Segments
Constituent business units grouped in terms of similarity of operations and location

SLFRS / LKAS
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

SoRP
Statement of Recommended practice.

Subsidiary
A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

SLAS
Abbreviation for Sri Lanka Accounting Standards. Also known as LKAS and SLFRS.

Total Borrowing
Total borrowing consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with resources.

GLOSSARY

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
Abbreviation for Capital Expenditure

CSE
Abbreviation for Colombo Stock Exchange

RPT
Abbreviation for Related Party Transactions

EIR
Abbreviation for Effective Interest Rate

NON-FINANCIAL TERMS

AGM
Abbreviation for Annual General Meeting

Crop
The total produce harvested over a given period of time (usually during a financial year).

Extent in Bearing
The extent of land form which crop is being harvested

Immature Plantation
The extent of plantation that is under-development and is not being harvested.

JEDB
Abbreviation for Janatha Estate Development Board

KVAL.N0000
CSE stock code for the company.

Key Management Personnel
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Mature Plantation
The extent of plantation from which crop is being harvested.

Replanting
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

CORPORATE INFORMATION

NAME OF COMPANY
Kelani Valley Plantations PLC

LEGAL FORM
A Public Limited Company, incorporated in Sri Lanka on 18 June 1992.

REGISTRATION NUMBER
PQ 58

ACCOUNTING YEAR END
31 March

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

STOCK CODE
KVAL.N0000

PRINCIPLE LINE OF BUSINESS
Producing and processing of Tea and Rubber

DIRECTORS
A M Pandithage - *Chairman*
Dr. Roshan Rajadurai - *Managing Director*
A Weerakoon - *Chief Executive Officer*
F Mohideen
S C Ganegoda
L T Samarawickrama *(resigned w.e.f. 1 June 2019)*
C V Cabraal
L N De S Wijeyeratne

SUBSIDIARIES
Kalupahana Power Company (Pvt) Ltd.
Kelani valley Instant Tea (Pvt) Ltd.
Mabroc Teas (Pvt) Ltd.
Kelani Valley Resorts (Pvt) Ltd.

AUDIT COMMITTEE
L N De S Wijeyeratne - Chairman
F Mohideen
C V Cabraal

MANAGING AGENT
DPL Plantations (Pvt) Ltd.
400, Deans Road, Colombo 10, Sri Lanka

SECRETARIES
Hayleys Group Services (Pvt) Ltd
400, Deans Road, Colombo 10, Sri Lanka.
Telephone: (94-11)2627650
E-mail: info@sec.hayleys.com

Please direct any queries about the administration of shareholding to the Company Secretaries.

REGISTERED OFFICE / HEAD OFFICE
400, Deans Road, Colombo 10, Sri Lanka
Telephone: (94-11) 2627700,
2686274-5 (2 Lines)
Fax : (94-11) 2694216
E-mail : postmaster@kvpl.com
website : www.kvpl.com

BANKERS
Bank of Ceylon
National Development Bank
Sampath Bank PLC
Hatton National Bank
DFCC Bank
Citi Bank N.A.
People's Bank
Amana Bank

AUDITORS
Ernst & Young, Chartered Accountants
No. 201, De Saram Place, Colombo 10
Sri Lanka

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Eighth 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 Thursday, 23rd July 2020 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 2020, with the Report of the Auditors thereon.
2) To re-elect Mr. A.M. Pandithage who retires by rotation at the Annual General Meeting, a Director.
3) To re-elect Mr. S.C. Ganegoda who retires by rotation at the Annual General Meeting, a Director.
4) To re-appoint Mr. F. Mohideen who retires having attained the age of Seventy Three 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

That Mr. F. Mohideen, retiring Director, who has attained the age of seventy three years be and is hereby re-appointed a Director for a further period of one year or till the next Annual General Meeting of the Company 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'.

5) To re-appoint Mr. L. N. De Silva Wijeyeratne who retires having attained the age of Seventy 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

That Mr. L. N. De Silva Wijeyeratne, retiring Director, who has attained the age of Seventy years be and is hereby re-appointed a Director for a further period of one year or till the next Annual General Meeting of the Company and it is hereby declared that the age limit of Seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.

6) To authorise the Directors to determine contributions to Charities for the financial year 2020/2021
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 2020/2021.
8) To consider any other business of which due notice has been given.

Note:

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to kvplagm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting.

2. Please refer the "Circular to Shareholders" dated 1st July 2020 and follow the instructions to join the meeting physically or virtually.

By Order of the Board

KELANI VALLEY PLANTATIONS PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
1st July 2020

FORM OF PROXY

KELANI VALLEY PLANTATIONS PLC
Company Number: PQ 58

I/We* …… ……….......................…………(full name of shareholder**)

NIC No./Reg. No. of Shareholder (**) ……………...........................……………of……………………………………………………...…………………………………………

being Shareholder/Shareholders* of **KELANI VALLEY PLANTATIONS PLC** hereby appoint:

(1)……………………………………………………………………..…………………………………………………………..........................…..…………(full name of proxy holder**)

NIC No. of Proxy holder (**) ……………………………………………….............of ……………………………………..……………………………………………………

………………………………………...……….………or, failing him/them

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 Eighth Annual General Meeting of the Company to be held on Thursday, 23rd July 2020 at 10.00 a. m. 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 2020 together with the Report of the Auditors thereon.		
2.	To re-elect Mr. A. M. Pandithage who retires by rotation at the Annual General Meeting, a Director		
3.	To re-elect Mr. S.C. Ganegoda who retires by rotation at the Annual General Meeting, a Director		
4.	To re-appoint Mr. F. Mohideen, who retires having attained the age of Seventy Three years, a Director by passing the Ordinary Resolution set out in the Notice.		
5.	To re-appoint Mr. L. N. De Silva Wijeyeratne, who retires having attained the age of Seventy 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 2020/2021.		
7.	To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the Financial Year 2020/2021		

(***) 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 ……………………………2020

Witnesses: Signature: …………………………………
Name: ………………………………………
Address: …………………………………
NIC No.:……………………………………

……………………………………….
Signature of Shareholder

Notes:

(a) * Please delete the inappropriate words.

(b) A shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.
** Full name of shareholder/proxy holder and their NIC Nos. and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) Instructions are noted on the reverse hereof.

(e) This Form of Proxy is in terms of the Articles of Association of the Company.

(f) Please refer the 'Circular to Shareholders' dated 1st July 2020 and follow the instructions to join the meeting physically or virtually.

FORM OF PROXY

Instructions as to Completion

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to kvplagm@secretarial.hayleys.com not less than forty eight (48) hours before the start of the Meeting.

2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.

3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.

4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (***) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.

5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

   In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.

6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

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www.optimadesigns.lk

Kelani Valley
Plantations®