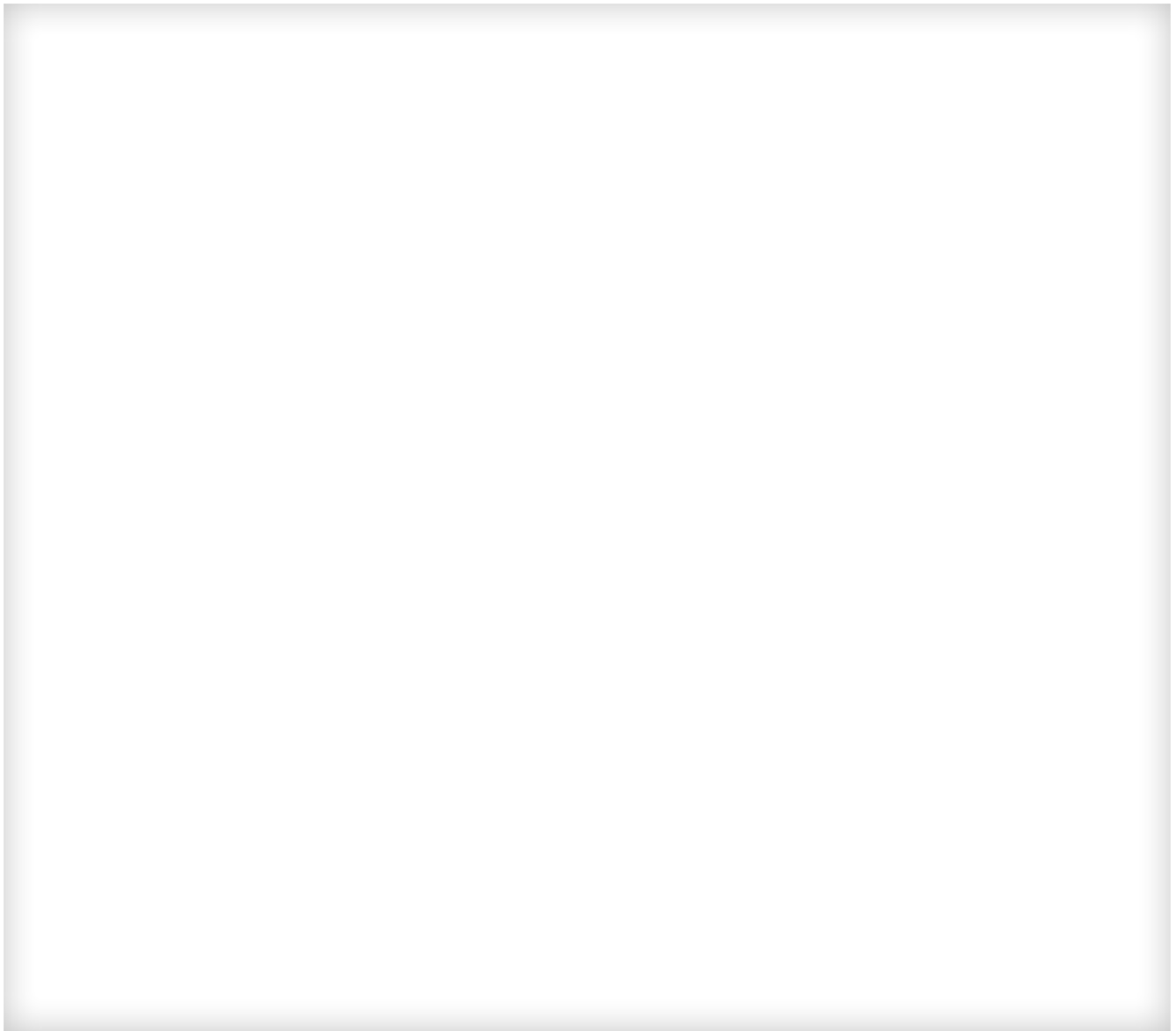




# Future Envisioned

ELPITIYA PLANTATIONS PLC  
Annual Report 2018/19





# Tea

**Total extent**

**2,223 Ha.**

Tea (*Camellia sinensis*) was first cultivated on a commercial basis in 1867 by James Taylor in Loolecondra estate, in Sri Lanka, which is famed for producing the finest Black Tea in the world. Elpitiya Plantations PLC has the distinctive advantage of having its growing tea in Up, Mid & Low Country regions of the island in over 2,223 hectares of land and produces around 5 Mn. kilograms of finest Black Tea per annum.





# Strawberries

## 02 Pilot Sites

Mixed cultivars of Strawberry (*Fragaria ananassa*) cultivation for commercial purposes commenced in the early 2000's in Sri Lanka and the fruit is grown year round on several farms in the up-country region. Following the success of the pilot project of Special Cultivars of Strawberry in the Up Country Region, Elpitiya Plantations PLC has planned to cultivate Strawberry on a large scale basis for commercial purposes in the near future.





# Cinnamon

**Total extent**

**56 Ha.**

Cinnamon (*Cinnamomum zeylanicum*), which is indigenous to Sri Lanka is a superior variety amongst spices in the world. Sri Lanka is the world's largest cinnamon producer and accounts for about 70 per cent of the global production. The majority of the Cinnamon plantations in Sri Lanka are located in the Low Country region and Elpitiya Plantations PLC has now embarked on the venture of expanding Cinnamon cultivation, processing and adding value to cater to the international markets.







# Oil Palm

**Total extent**

**1,931 Ha.**

Oil Palm (*Elaeis guineensis*), which is the most widely produced edible oil in the world, was first planted in Sri Lanka in 1968. Elpitiya Plantations PLC cultivates Oil Palm in an extent of over 1,900 hectares in the Low Country region. Oil Palm is the highest contributor to the bottom line of the Company, with more than Rs. 700 Mn. turnover per annum.



Annual Report

**2018/19**

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Having completed an exceptional year, Elpitiya Plantations PLC cemented its role as a diversified entity that is ready to affect change in an all-encompassing manner. And as we made inroads to opportunity, we achieved our progress with a combination of leadership, economic and social value creation and most importantly, a solid strategy for the years ahead. As we look to transforming and making a significant mark in the industry we have envisioned the future in which we venture into new avenues of profit and we are already building upon a secure foundation that will turn our envisioned future into a realistic present.

## About Our Report

This year marks an important milestone in our corporate reporting journey, as we transition to an Integrated Report which is prepared in accordance with the Integrated Reporting Framework published by the International Integrated Reporting Council. The Report sets out a balanced assessment of the Group's financial, social and environmental performance, and attempts to demonstrate how we have embedded sustainability thinking into our business considerations in driving sustainable growth. This Report is the primary publication to the shareholders of Elpitiya Plantations PLC (EPP) and includes information which is relevant to the Group's shareholders as well as other stakeholders.

### Scope and Boundary

The Report covers the operations of Elpitiya Plantations PLC and its subsidiary companies, EPP Hydro Power Company (Pvt) Ltd, Water Villas (Pvt) Ltd and Venture Valley (Pvt) Ltd, from 1st April 2018 to 31st March 2019 which is the Group's annual reporting cycle. Our report focuses on aspects that are material and relevant to the Group's operations, strategy and to our key stakeholders. The process for determining material content to be included in this Report is described on page 35 of this Report. Comparable data have not been provided for non-financial data as FY 2018/19 is the base year for GRI Reporting. There were no material changes to the Group's structure, size or supply chain during the year under review.

### Materiality

We have adopted the principle of materiality in determining the content to be included in this Integrated Report. Material matters are defined as the issues which could potentially impact the Group's ability to create value over the short, medium and long-term. The process for determining material issues is detailed on page 35 of this Report, along with the material topics on pages 36 and 37.

### Reporting Improvements

Key improvements/ reporting innovations introduced in this year's Annual Report include the following;

- Adoption of the Integrated Reporting Framework
- Adoption of the GRI standards for sustainability reporting
- Disclosure of comprehensive qualitative information for social and environmental performance for sectors and at Group level
- Increased strategic orientation with connectivity across the Report through navigation icons
- Linkages to Sustainability Development Goals (SDG's)

### Guiding Principles and Reporting Concepts

The following guiding principles and reporting concepts have been adhered to in preparing this report.



### External Assurance

External assurance on the financial statements have been provided by Messrs. Ernst & Young. Apart from this engagement as independent assurance providers, the Group, Board of Directors and leadership team does not have any other relationship with the external assurance providers.

### Navigating Our Report

In order to demonstrate connectivity between information as prescribed by the <IR> Framework, we have used the following navigation icons throughout the Report.

## Capitals



**Manufactured  
Capital**



**Financial  
Capital**



**Human  
Capital**



**Social and  
Relationship  
Capital**



**Natural  
Capital**



**Intellectual  
Capital**



### Feedback

We welcome your comments, suggestions and queries on this Report; please direct your feedback to,

### Chief Financial Officer

Elpitiya Plantations PLC, Level 09,  
Aitken Spence Tower I, No. 305, Vauxhall Street, Colombo 02, Sri Lanka  
[info@elpitiya.com](mailto:info@elpitiya.com)

## Who We Are

Incorporated in 1992, Elpitiya Plantations PLC (EPP) is a leading Regional Plantation Company (RPC), cultivating diverse crops including tea, rubber, palm oil and others across 8800 hectares of land in 13 estates. The Group provides employment to 5,295 individuals including 4,849 estate workers in 03 districts. EPP is an industry leader in social and environmental sustainability having actioned a holistic sustainability strategy aimed at driving balanced and long-term value creation.

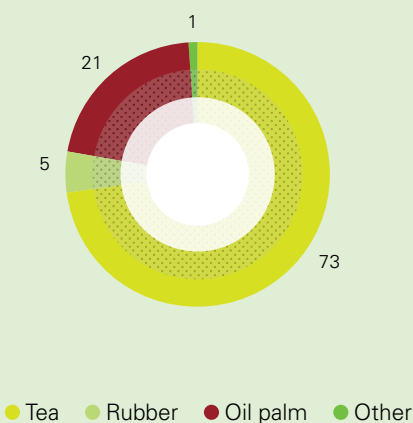
More recently the Group has sought to diversify its earnings profile by venturing into new business areas, as part of its strategy of transforming itself from a primarily commodity-based company to a more diversified operation. Accordingly, the Group has established its' presence in several sectors including Renewable Energy, and Speciality-Tea manufacturing.

The Group is committed to ensuring a sustainable and responsible operation and has developed a comprehensive sustainability agenda that revolves around six selected SDG's. Our sustainability strategy, "Haritha Shakthi" was recognised at the 2018 Best Corporate Citizen Sustainability awards for the "formulation of the Company's Sustainability Strategy that is embedded in the Company's Strategic Business Plan".

EPP is part of the Aitken Spence Group, one of Sri Lanka's most respected and diverse business conglomerates.

### OUR BUSINESS

Revenue Segmentation (%)



### OUR OPERATIONS



**13**

No. of Estates



**4**

Up Country



**2**

Mid Country



**7**

Low Country

### OUR PEOPLE



**5,295**

Total Employees



**4,849**

Estate Workers



**2,439**

Male



**2,856**

Female



## Our Value Creation

Direct employment  
to **5,295** individuals

**Rs. 15 Mn** in  
taxes paid

**USD 15 Mn** in  
direct/indirect exports  
revenue

**54%** of our  
employees are  
female

**Rs. 109 Mn** spent  
on estate community  
development

## Priorities



**Water  
Security**



**Energy  
Management**



**Conservation  
of Biodiversity**



**Climate  
Change Risk  
Management**



**Management  
of Solid Waste,  
Effluents and  
Emissions**



**Development of  
Communities  
and Local  
Economy**

## Commitment to Sustainability

**4.9 GWh**

of renewable energy generated

**Rs. 353 Mn**

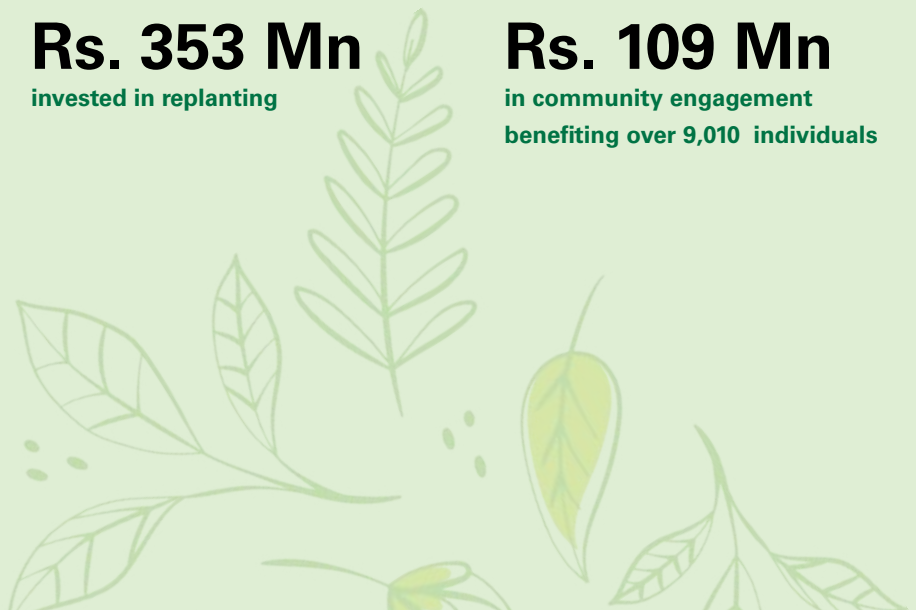
invested in replanting

**Rs. 109 Mn**

in community engagement  
benefiting over 9,010 individuals

**87%**

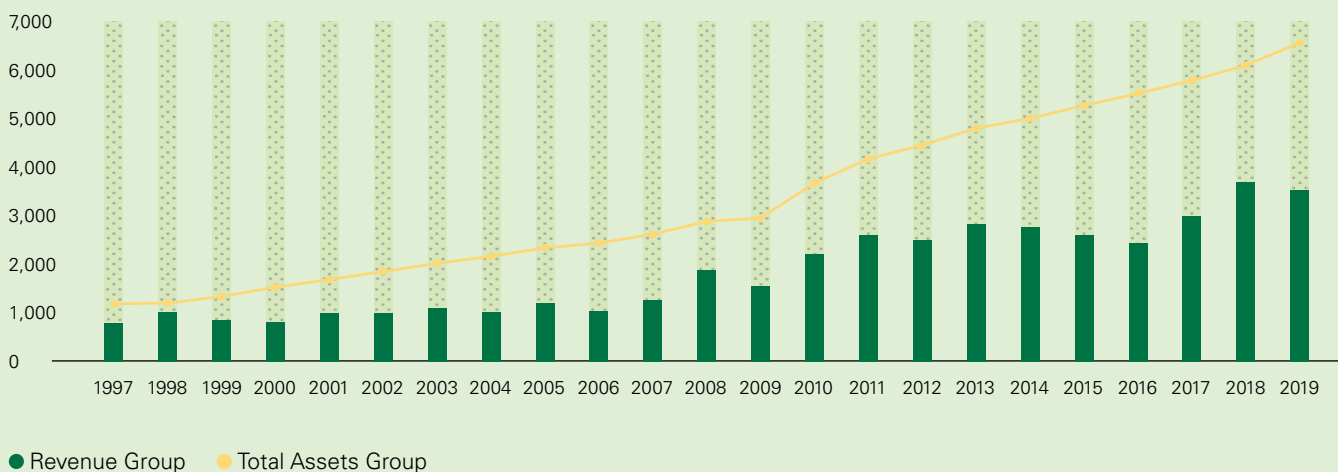
of energy requirement fulfilled  
through renewable energy sources



## Key Milestones/Awards

Since obtaining leasehold rights from the Government of Sri Lanka in 1997, EPP has recorded a consistent and sustainable improvement in its financial, social and environmental performance. The Group's key milestones during the past two decades are listed below;

**Revenue & Total Assets** (Rs. Mn.)



**1997**

Aitken Spence Plantation Managements PLC (ASPM) acquires EPP from Carsons Agro Services Ltd.

**2000**

Nayapane Estate received the ISO 9002-1994 Quality Certification

**2002**

Increased ASPM stake from 51% to 60.79%

**2009**

Dunsinane & New Peacock Estates received ISO 22000 2005 certification. Incorporation of EPP Hydropower Company (Pvt) Ltd.

**2011**

Talgaswella and Deviturai estates received the ISO 22000 – 2005 quality certification

**2013**

Incorporation of Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd for producing speciality tea for export markets

**2004**

Entered into tea branding by setting up Harrow Ceylon Choice Operation

**2005**

Entered into Oil Palm Milling by setting up the Joint Venture, AEN Palm Oil Processing (Pvt) Ltd

**2008**

Commissioning of Sheen MHPP

**2014**

Achieved the highest overall profits per hectare amongst RPCs and received Rain Forest Alliance certification

**2015**

Highest overall profits among RPCs

**2018**

Our sustainability strategy, "Haritha Shakthi" was recognised at the 2018 Best Corporate Citizen Sustainability Awards

## Board of Directors



*Dr. M. P. Dissanayake*  
- Chairman



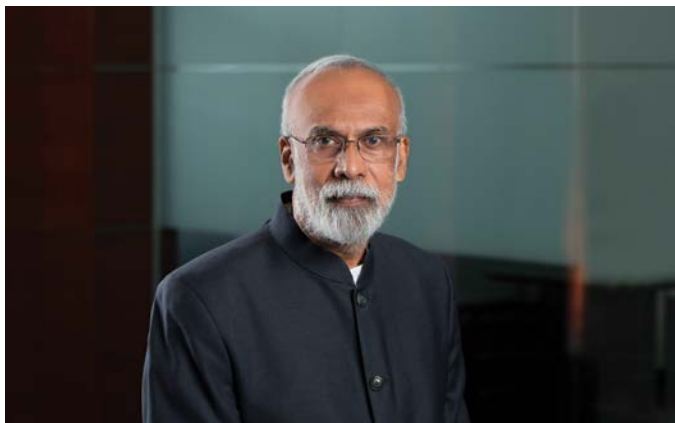
*Dr. R. M. Fernando*  
- Managing Director



*Mr. Merrill J. Fernando*  
- Director



*Mr. Malik J. Fernando*  
- Director



*Dr. S. A. B. Ekanayake*  
- Director



*Mr. S. C. Ratwatte*  
- Director



*Ms. B. W. G. S. Bogahawatta*  
- Director



*Mr. D. A. de S. Wickremanayake*  
- Director



*Mr. B. Bulumulla*  
- Director/Chief Executive Officer

## Board of Directors

**Dr. M. P. Dissanayake**  
*Chairman*

Dr. Parakrama Dissanayake is the Chairman of Elpitiya Plantations PLC, with effect from 29th March 2019.

Dr. Dissanayake is also the Deputy Chairman and Managing Director of Aitken Spence PLC, with effect from 15th March 2019. Prior to this appointment he was the Secretary to the Ministry of Ports, Shipping and Southern Development.

He was appointed as the first non-British International President of the Institute of Chartered Shipbrokers U.K. founded in 1911 and Royal Charter conferred in 1920.

Dr. Dissanayake has also held positions in the past that include, Chairman – Sri Lanka Ports Authority (two stints), Chairman – Chartered Institute of Logistics and Transport (Sri Lanka), Board Director Urban Development Authority and Board Director of Ceylon Shipping Corporation.

During the period June 2004 to May 2017 he served as a Director of Aitken Spence PLC and the Chairman & CEO of its Maritime and Logistics sector.

Dr. Dissanayake is an Alumni of the University of Sri Jayewardenepura, NORAD, JICA, Business Alumni of the University of Oxford (UK) and a Fellow of Harvard Business School (EEP).

He is also Chairman of Aitken Spence Plantation Managements PLC, Hon. Consul General of Fiji Islands and serves as a Professor in Maritime Studies (visiting) at Shanghai Maritime University and Dalian Maritime University.

**Dr. R. M. Fernando**  
*Managing Director*

Dr. Rohan Fernando was appointed to the Board of Elpitiya Plantations PLC on August 01, 1997 and as Managing Director on May 14, 2004. He is the Managing Director of Aitken Spence Plantation Managements PLC and an Executive Director of Aitken Spence PLC. Dr. Fernando is currently responsible for the Business Development of the Aitken Spence Group covering sustainability and branding.

He has extensive experience in the plantation industry; both in the public and private sectors; Corporate management, Corporate strategy and has played a key role in the plantation privatisation programme. He was the Chairman of United Nations Global Compact Network, Sri Lanka, a former President of the Chartered Institute of Marketing Sri Lanka Chapter, a Member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT) and is currently the president of the newly formed Palm Oil Industry Association which comprises growers, processors and refiners in the palm oil Industry.

He holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing (CIM), UK.

**Mr. Merrill J. Fernando**  
*Director*

Mr. Merrill Fernando was appointed to the Board of Elpitiya Plantations PLC in August 01, 1997 as a Director.

Merrill J Fernando is the founder of the MJF Group of Companies and Sri Lanka's global tea brand, DILMAH. He re-launched Ceylon Tea in the 1980s and was the first tea producer to develop an origin packed, producer owned and genuinely ethical tea brand in any tea, coffee or cocoa producing country.

He pioneered value addition, packaging, branding and marketing consumer ready tea from source, enabling Sri Lanka to retain profits which traditionally enriched foreign traders at the expense of tea producers. Dilmah is a model for genuinely ethical trade. Merrill J. Fernando showed producers of raw material the way out of the commodity trap and by maintaining an uncompromising commitment to its founding principles of Quality and Integrity, Dilmah has become a respected international tea brand.

**Mr. Malik J. Fernando**  
*Director*

Mr. Malik Fernando was appointed to the Board of Elpitiya Plantations PLC in August 01, 1997 as a Director.

Malik is a Director of MJF Holdings & Dilmah Tea. Established by Merrill J. Fernando; Dilmah, named after his two sons Dilhan and Malik, was the first producer owned tea brand, offering tea 'picked, perfected and packed' at origin. Dilmah is founded on a passionate commitment to quality and authenticity in tea, it is also a part of a philosophy that goes beyond commerce in seeing business as a matter of human service.



Malik is also the Managing Director of Resplendent Ceylon, the first Sri Lankan luxury resort brand. Resplendent Ceylon is developing a collection of small, luxury resorts offer discriminating travelers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities & the environment through the MJF Foundation & Dilmah Conservation.

Malik has a BSc in Business Management from Babson College in the US.

**Dr. S. A. B. Ekanayake**

*Independent Non-executive Director*

Dr. Anura Ekanayake was appointed as a Director to the Board of Elpitiya Plantations PLC on January 09, 2009. He was the Chairman of the Ceylon Chamber of Commerce during the period August 2009 to July 2011 and the immediate past Chairman of the Industrial Association of Sri Lanka.

He started his professional career in the public sector and served in a number of senior Sri Lankan Government positions before moving to the private sector. He has held several key positions in the Plantation Sector, first serving as the Director of Planning at the Ministry of Plantation Industries and thereafter as Director General (Development) of the Ministry of Public Administration, Home Affairs and Plantation Industries. He served on the Boards of Janatha Estate Development Board (J.E.D.B.) and Sri Lanka State Plantations Corporation (S.L.S.P.C.) prior to their privatisation and thereafter served on the Boards of all 23 RPC's for several years. During this period,

he also served as a member of the Tea Research Board as well as the Board of the Post Graduate Institute of Agriculture of the University of Peradeniya. During his public-sector tenure, he also held a number of international positions including that of the Chairman of the International Natural Rubber Organisation based in Kuala Lumpur, Malaysia.

He holds a PhD in Economics from Australia National University where he conducted research on 'Economics of human capital'. He has widely published in Sri Lanka and abroad on economics, human capital, agriculture and environment related areas. His current professional interests are supporting businesses on organisational transformation including culture change and coaching young professionals to realise their full potential.

**Mr. S. C. Ratwatte**

*Director*

Mr. Sarath Ratwatte was appointed as a Director to the Board of Elpitiya Plantations PLC on April 10, 2013. He is a fellow of the Chartered Institute of Management Accountants, UK and has over 30 years work experience in the fields of financial and treasury management, project evaluation and development, investments, financing and risk management and joint ventures. Mr. Ratwatte has worked in several multinational organisations and conglomerates in Sri Lanka and overseas.

Prior to 2009, he has worked at Aitken Spence Group of Companies for a period of 20 years in many capacities including that of Group Treasurer / Director – Aitken Spence Corporate Finance (Pvt) Ltd.,

Director – Ace Power Embilipitiya (Pvt) Ltd and Director – Aitken Spence (Garments) Ltd.

He also served as an Independent non-executive Director of HNB Assurance PLC for a period of 9 years.

**Mrs. B. W. G. C. S. Bogahawatta**

*Director*

Mrs. Sagarika Bogahawatta was appointed as a Director to the Board of Elpitiya Plantations PLC on March 17, 2015. She is the Director (Human Resources Sector) of the Department of Project Management and Monitoring of the Ministry of Finance. She is a Class I Officer of the Sri Lanka Planning Service who possesses over 20 years' experience in the public sector, including 17 years' experience in the Planning Service. She obtained a B.Sc. General Degree from the University of Kelaniya, Sri Lanka and a Masters in Public Administration (Policy) from the Flinders University, Australia. She has wide experience at the national level, in the fields of project management, monitoring and evaluation. She has had training and gained experience in the practice of monitoring and evaluation in countries such as Japan, Canada, Malaysia, Philippines, China, Singapore, South Korea, Thailand and South Africa.

**Mr. D. A. De S. Wickremanayake**

*Non-Executive Director*

Mr. D A De S Wickremanayake was appointed to the Board of Elpitiya Plantations PLC on October 2, 2017. In addition, he serves as a Director of Aitken

## Board of Directors

Spence Plantation Managements PLC since July 18, 1997 and is a Director of Pelwatte Sugar Colombo PLC as well.

Mr. Wickremanayake has wide experience in the corporate sector, having pioneered many companies and served on the boards of many others. He is the founder Chairman/Managing Director of Master Divers (Pvt) Ltd., which created a landmark area of activity in the shipping industry. He is the Chairman of Pelwatte Dairy Industries Ltd which produces wide range of dairy products including milk powder and butter using locally produced milk. He is also the Chairman of Mawbima Lanka Foundation, an organisation dedicated to promoting Sri Lankan goods. He is also a Director of Bogawantalawa Tea Estates PLC.

In the state sector, his experience was sought by the Government to help to run the National Livestock Development Board and the State Engineering Corporation where he served as Chairman of these two institutions, at different times.

He is a Member of the University Grants Commission Standing Committee on Agriculture, Veterinary, Medicine and Animal Science.

### **Mr. Bhathiya Bulumulla** *Director / Chief Executive Officer*

Mr. Bhathiya Bulumulla, the Chief Executive Officer of Elpitiya Plantations PLC was appointed to the Board of Aitken Spence Plantation Managements PLC in July 2016 and to the Board of Elpitiya Plantations PLC in July, 2017. He possesses over 33 years of experience in the Plantation Sector, out of which for the past 20 years, he is serving at Elpitiya Plantations PLC.

Mr. Bulumulla holds a Diploma in Plantation Management from the National Institute of Plantation Management (NIPM) and holds a B.Sc (Hons) Degree in Plantation Management, awarded by the Wayamba University of Sri Lanka. He also hold a M.Sc degree in Environment Science from the Open University of Colombo.

Mr. Bulumulla is a Fellow Member of the National Institute of Plantation Management (NIPM) and visiting lecturer at Wayamba University & National Institute of Plantation Management (NIPM).

He is also an honorary member of the Board Directors of the Estates' Staffs Provident Society and the Plantation Human Development Trust and also a Council member of the Employers' Federation of Ceylon, for the Plantation Sector.



## Corporate Management



**Mr. J. A. R. Nissanka**  
Chief Financial Officer



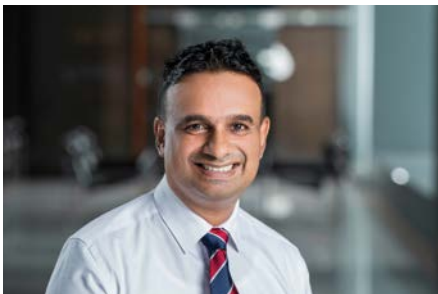
**Mr. P. S. Dissanayake**  
Senior General Manager - Engineering &  
Projects/BS



**Mr. M. I. Izzadeen**  
Senior General Manager



**Mr. A. Segarajasingam**  
General Manager - Marketing



**Mr. L. D. N. G. Nanayakkara**  
Deputy General Manager - HR / Legal



**Mr. P. D. W. Withanage**  
Senior Manager



**Mr. M. D. Jayashantha**  
Manager - Core Business Projects



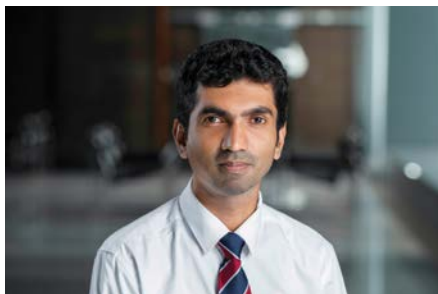
**Mr. E. M. S. V. Gunasena**  
Manager - Finance



**Mr. S. M. D. Thalgaswatte**  
Manager - IT Systems



**Mr. S. Dissanayake**  
Manager - Agriculture / Training



**Mr. M. A. A. S. Madawala Arachchi**  
Manager - Forestry

## Estate Management Team

### Up Country - Cluster I



**Mr. R. K. Gunasekera**  
General Manager - Cluster I - Up Country & Fernlands Estate



**Mr. L. M. C. P. Liyadipita**  
Senior Manager - Meddecombra Estate



**Mr. U. A. E. G. Udumulla**  
Manager - Dunsinane Estate



**Mr. D. A. U. A. Baddevithana**  
Manager - Sheen Estate

### Up Country - Cluster II



**Mr. S. K. S. B. Pahathkumbura**  
Senior General Manager - Cluster II - Up Country & New Peacock Estate



**Mr. K. R. Mathavan**  
Deputy General Manager - Nayapane Estate

## Low Country



*Mr. A. G. Geethkumara*  
Senior General Manager - Low Country



*Mr. D. U. H. Bulugahapitiya*  
Deputy General Manager - Talgaswella Estate



*Mr. R. B. S. Douglas*  
Senior Manager - Katandola Estate



*Mr. U. A. Karunanayake*  
Manager - Diviture Estate



*Mr. N. T. Dandeniya*  
Manager - Elpitiya Estate



*Mr. N. M. S. B. Nawaratne*  
Manager - Gulugahakande Estate



*Mr. K. I. C. Isuru*  
Manager - Bentota Estate



*Mr. D. A. S. B. Senerath*  
Deputy Manager (in charge) - Lelwala Estate

## Performance Highlights

### Financial Performance

		Group		Company	
		FY 2018/19	FY 2017/18	FY 2018/19	FY 2017/18
<b>Financial Performance</b>					
Revenue	Rs.Mn	<b>3,548</b>	3,700	<b>3,522</b>	3,681
Gross profit	Rs.Mn	<b>753</b>	889	<b>739</b>	883
Operating expenses	Rs.Mn	<b>448</b>	394	<b>443</b>	389
Operating profit	Rs.Mn	<b>554</b>	657	<b>532</b>	654
Pre-tax profit	Rs.Mn	<b>512</b>	598	<b>493</b>	601
Taxation	Rs.Mn	<b>74</b>	263	<b>74</b>	263
Profit for the year	Rs.Mn	<b>439</b>	335	<b>420</b>	338
GP margin	%	<b>21</b>	24	<b>21</b>	24
OP margin	%	<b>16</b>	18	<b>15</b>	18
Net profit margin	%	<b>12</b>	9	<b>12</b>	9
Return on equity	%	<b>9.97</b>	8.34	<b>9.66</b>	8.49

### Financial Position

Total assets	Rs.Mn	<b>6,567</b>	6,108	<b>6491</b>	6,031
Non-current assets	Rs.Mn	<b>5,762</b>	5,398	<b>5565</b>	5,179
Current assets	Rs.Mn	<b>805</b>	710	<b>925</b>	853
Shareholders' funds	Rs.Mn	<b>4,401</b>	4,020	<b>4,346</b>	3,984
Borrowings	Rs.Mn	<b>185</b>	298	<b>165</b>	257
Debt to Equity ratio	Times	<b>0.04</b>	0.07	<b>0.04</b>	0.06
Interest cover	Times	<b>12</b>	11	<b>13</b>	12
Current ratio	Times	<b>1.3</b>	1.3	<b>1.5</b>	1.5






### Investor information

Earnings per share	Rs.	<b>6.02</b>	4.60	<b>5.76</b>	4.64
Dividend per share	Rs.	<b>1.25</b>	2.25	<b>1.25</b>	2.25
Net asset value per share	Rs.	<b>60.40</b>	55.23	<b>59.64</b>	54.67
Market value per share at 31st March	Rs.	<b>18.10</b>	27.40	<b>18.10</b>	27.40
Dividend pay out	Times	<b>0.21</b>	0.49	<b>0.22</b>	0.48
Dividend cover	Times	<b>4.82</b>	2.04	<b>4.61</b>	2.06



Non Financial Performance

2018/19

 <p><b>Human Capital</b></p>	Total employees	No.	5,295
	Payments to employees	Rs. Mn	1,381
	Employee retention rate	%	93%
	Female representation	%	54%
	New recruits	No.	390
	Investment in training	Rs. Mn	15.61
	Total training hours	Hours	59,767
	Average training hours/employee	Hours	11.29
	Workplace injuries	No.	Nil
	Union representation	%	78%
 <p><b>Manufactured Capital</b></p>	Property, plant and equipment	Rs. Mn	970
	Investment in capex	Rs. Mn	249
	Production volume	MT	22,310
 <p><b>Intellectual Capital</b></p>	R&D Investment	Rs. Mn	33.62
 <p><b>Social and Relationship Capital</b></p>	Payments to suppliers	Rs. Mn	628
	Proportional spending to local suppliers	%	100%
	Beneficiaries	No.	9,010
	Investment in development of estate communities	Rs.Mn	109
	Investment in child development centres	Rs.Mn	2
	Funds channelled for infrastructure development	Rs.Mn	3.3
 <p><b>Natural capital</b></p>	Raw material Consumption (Fertiliser)	Tonnes	4,012.15
	Energy consumption	GJ	16,477
	Energy intensity	MJ per unit	3.65
	Water consumption	Litre Mn	80,853
	Water treated for safe disposal	Litre Mn	31,035
	Solid waste generation	MT	3,741
	Carbon footprint (Scope 1 and 2)	tCO2e	9,709.41
	Total area surveyed for biodiversity	ha	741.06

## Financial Highlights

Year ended 31 March

Group	2019 Rs.000	2018 Rs.000	Increase/ (Decrease) %
Turnover	3,547,947	3,700,200	-4%
Gross profit	752,547	888,578	-15%
Profit before tax	512,405	598,481	-14%
Income tax expense	(73,725)	(263,054)	-72%
Profit after tax	438,681	335,426	31%
Non-current assets	5,762,297	5,398,245	7%
Current assets	805,184	709,807	13%
Capital expenditures	602,735	440,575	36%
Earning per share	6.02	4.60	31%
Net assets per share	60.40	55.23	9%
Stated capital	694,236	694,236	0%
Return on equity	9.97	8.34	19%



**3,548 Mn**

Revenue (Rs.)



**753 Mn**

Gross Profit (Rs.)



**439 Mn**

Profit After Tax (Rs.)



**21.21**

Gross Profit Margin (%)



**9.97**

Return on Equity (%)



**6.02**

Earnings Per Share (Rs.)



**6,567 Mn**

Total Assets (Rs.)



**5,762 Mn**

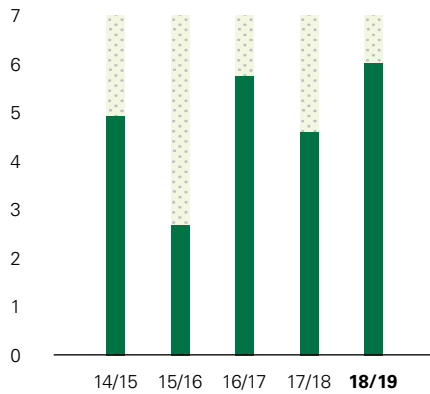
Non Current Assets (Rs.)



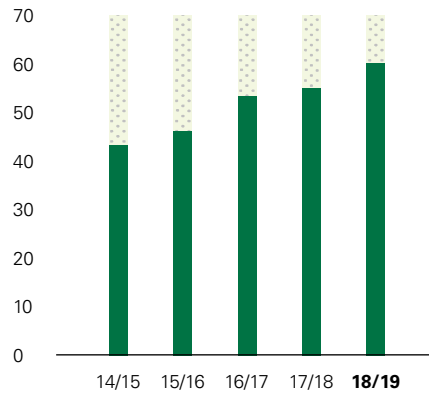
**4.401 Mn**

Total Equity (Rs.)

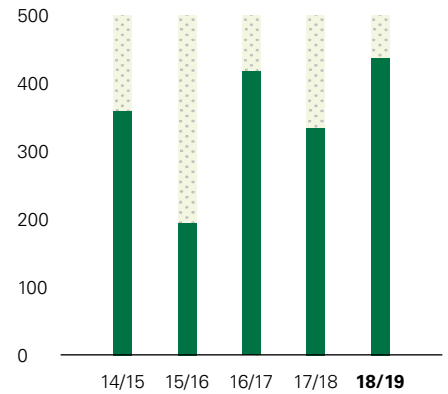
**Earnings per Share (Rs.)**



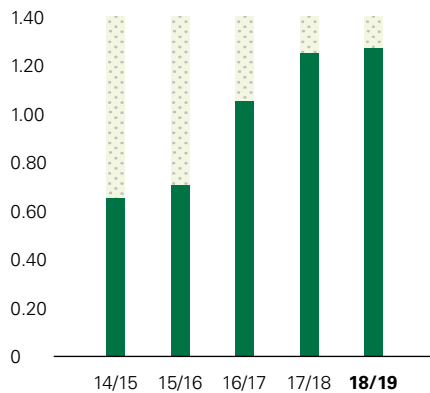
**Net Assets per Share (Rs.)**



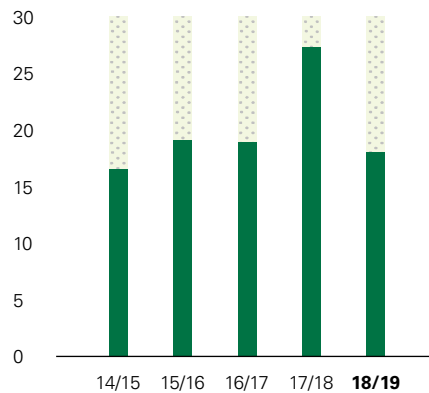
**Profit After Tax (Rs. Mn)**



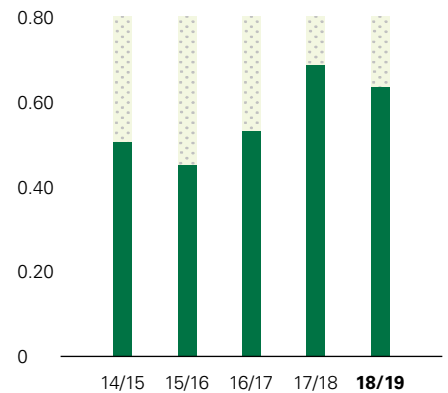
**Current Ratio (Times)**



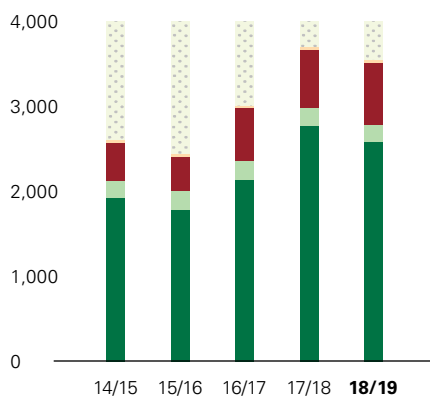
**Market Price per Share (Rs.)**



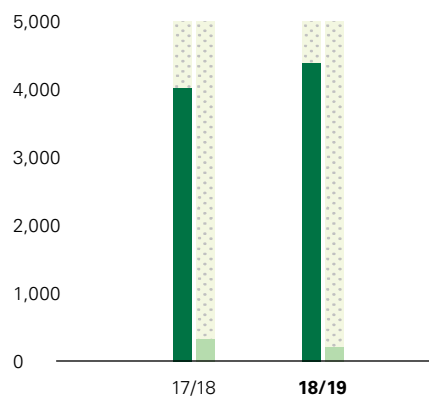
**Asset Turnover Ratio (Times)**



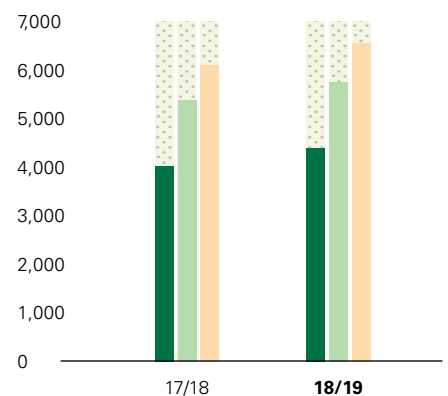
**Turnover (Rs. Mn.)**



**Debt to Equity (Rs. Mn.)**



**Assets vs Equity (Rs. Mn.)**



Tea Rubber Oil palm Other

Equity Debt

Total Equity Total Assets  
Total Non-current Assets



***“Although macro-economic and industry challenges are likely to prevail in the next financial year, we are excited by the opportunities presented by our diversification strategies.”***

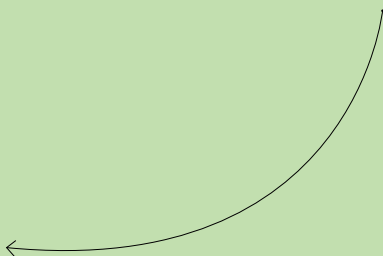
**Dr. M. P. Dissanayake**  
Chairman





***“We are however  
confident of our  
ability to navigate  
these conditions by  
staying steadfastly  
focused on  
achieving the three  
key strategies of  
DESIGN 2020.”***

**Dr. R. M. Fernando**  
Managing Director





# Chairman's Message

Elpitiya Plantations PLC (EPP) delivered a resilient performance, emerging as one of the industry's most profitable Regional Plantation Companies (RPCs) in a year characterised by numerous external challenges. The results achieved during the year attests to the smart execution of a holistic strategy which has positioned the Group to generate sustainable financial returns while driving deeper environmental consciousness and community empowerment. It is therefore my pleasure to welcome you to the Twenty Seventh Annual General Meeting and present the Group's first Integrated Annual Report for the financial year ending 31st March 2019.

## Operating Landscape

The year under review presented multiple challenges for the country's plantation sector which was directly impacted by inclement weather, geopolitical tensions in key buying markets and policy inconsistency. On the global front, economic growth moderated to 3.6% in 2018, reflecting an escalation of trade tensions between USA and its trading partners, weaker investor sentiments in the European region and decelerating growth in China. Growth in the Middle East and CIS regions, two of Sri Lanka's largest tea export destinations was also subdued given US sanctions on Iran and the downward trend in oil prices.

Sri Lanka's economic conditions were also subdued, reflecting the Government's efforts towards fiscal consolidation and cascading effects of global dynamics. The country's GDP growth moderated to 3.2% in 2018 mainly due to a slowdown in the Industrial Sector. The Agriculture sector, however posted recovery after several years of negative growth due to favourable weather in paddy cultivation areas. On the exchange rate front, the Sri Lankan Rupee recorded sharp depreciation falling by 18% in 2018 reflecting the broad-based strengthening of the US Dollar against regional currencies and capital outflows from Sri Lanka towards the latter part of the year.

Sri Lanka's tea production declined marginally to 303.8 Mn KGs in 2018, reflecting adverse weather conditions in cultivation areas and wage-related trade union action. The industry has increasingly felt the implications of climate change with erratic rainfall, natural disasters and rising temperatures impacting volumes and yields in recent years. The industry also continues to grapple with rising cost of production and a 40% increase in the basic wage rate for estate workers applicable from October 2018 and the highest recorded to date, has inserted further pressure on profitability margins. This was further compounded by the

## 3,548Mn

Group Revenue

## Chairman's Message

decline in average tea prices during the year, given an expansion in global supply and subdued demand conditions in major buying markets. While we welcome the removal of the ban on Glyphosate, it is evident that conditions are yet to return to normalcy due to the time taken to regularise modalities.

Rubber prices were depressed for most part of the year due to subdued global demand while local production levels were impacted by continuous rain in cultivation areas and the escalating cost of production. Meanwhile, the lack of clear policy direction on oil palm cultivation has threatened the long-term sustainability of this industry, which we believe presents significant upside potential given increasing demand, strong pricing and ability to generate foreign exchange income.

### Strategy and Performance

The Group's exposure to relatively cyclical sectors and the increasingly challenging operating landscape has compelled us to rethink our long-term business strategy in transforming EPP to a dynamic, commercially successful and socially responsible organisation. The Design 2020 strategy aims to achieve this transformation through focusing on the three key strategies which are Economic Value Creation, Leadership Value Creation and Social Value Creation. These strategies entails diversification of revenue streams, investment in capability development and the integration of our sustainability commitments to our business strategy. During the year, the Group made significant progress towards achieving the medium to long-term targets set out by Design 2020 as discussed in further detail in the

Managing Director's Review from page 26 to 29 of this Report.

Foresight in diversification and ongoing emphasis on productivity and efficiency improvements enabled the Group to deliver a resilient performance despite the challenging conditions that prevailed during the year. The decline in revenue was contained to 4% as the sharp drop in tea and rubber prices were offset by good growth in oil palm and power generation. Group pre-tax profit declined by 14% to Rs.512 Mn due to the decline in revenue and contraction in gross profit margins during the year. Profit after tax however recorded a growth of 31% to Rs. 439 Mn due to a one-off adjustment on deferred tax during the last financial year. Our ongoing efforts to pare down debt have strengthened our balance sheet, with the Group's gearing ratio declining further to 4.2% as at end-March 2019.

### Corporate Governance

At EPP, robust corporate governance practices underpin the creation of sustainable value and we continue to evolve our governance frameworks and processes to effectively navigate the complexities of our industry. During the year we bid farewell to Mr. J.M.S Brito who served as Chairman of EPP since 2002 providing strong leadership in driving the Group's strategic aspirations and transformational goals. The Board joins me in thanking him for his service and acknowledge his contribution to the results out in this Report. I would also like to take this opportunity to thank Mr. Tony Goonewardena, who served as an Executive Director in EPP for a period of 21 years, before resigning from the Board in July 2018. We also welcomed Mr. Bhathiya

Bulumulla to the Board as an Executive Director during the year under review.

### Sustainability

As a Group we seek to proactively embed sustainability thinking into our business strategy and at every level of our operation. This was recognised at the Best Corporate Citizen Awards 2018, in which our 'Haritha Shakthi' sustainability strategy was adjudged the 'Best Sustainability Project 2018-Formulation of a sustainability strategy embedded in the Group's strategic business plan'. The Sustainability Strategy aims to address long-term issues facing Sri Lanka's plantation industry including implications of climate change, shortage of manpower and outdated technology. We have also sought to align the Group's sustainability agenda to six selected Sustainable Development Goals (SDGs) where we think we can contribute the most. Accordingly, we have continued to invest in the generation of renewable energy while adopting ecological agricultural practices and empowering our employees and communities through holistic value propositions. This year, we also mark a key milestone in our corporate reporting by transitioning to an Integrated Report, which we believe best reflects our thinking and approach to long-term value creation.

### Looking Ahead

Although macro-economic and industry challenges are likely to prevail in the next financial year, we are excited by the opportunities presented by our diversification strategies. We have successfully piloted the cultivation of berries and hope to launch commercial production in 2019/20; a first in Sri Lanka, this is testimony to EPP's passion to

combine expertise and innovation into new markets and customer segments. Value addition will be a key priority in the coming year as we seek to widen our portfolio of value-added tea and cinnamon products. Driving improvements in yields, efficiency and product quality through sustainable practices is central to our sustainability strategy and we will continue to focus on reducing dependence on fossil fuels, generating renewable energy and enrichment of nutrients of soil in our lands.

#### **Acknowledgements**

As I look forward to an exciting year, I would like to extend my gratitude to my colleagues on the Board for their vision in steering the Group to new heights. I commend the leadership provided by the Senior Management team and thank all our employees for their commitment and dedication. I would like to take this opportunity to extend my appreciation to all our shareholders, customers, business partners and other stakeholders who have partnered us in our journey and I look forward to working with you in the coming years.



**Dr. M. P. Dissanayake**  
Chairman

23rd August 2019

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***“Foresight in  
diversification and  
ongoing emphasis  
on productivity  
and efficiency  
improvements  
enabled the Group  
to deliver a resilient  
performance  
despite the  
challenging  
conditions that  
prevailed during  
the year.”***







It is my pleasure to present to you the highlights of a challenging but rewarding year that also marks the beginning of a transformative journey for Elpitiya Plantations PLC. Despite the challenging market conditions that prevailed during the year, the Group recorded a revenue of Rs. 3,548 Mn and delivered a profit of Rs. 525 Mn before management fees, emerging as one of the industry's most profitable RPCs. Our resilience amidst these difficult conditions reflects the commitment and mettle of our people and is a validation of our business strategy and its execution.

#### Operating Conditions

2018/19 proved to be a difficult year amidst unfavourable global and domestic economic, political and climatic dynamics that impacted several of our business lines. Slower global growth, escalating geo-political tensions and depressive economic conditions in many of our key markets put a dampener on demand conditions and exerted downward pressure on commodity prices during the year. Demand from key tea markets, Russia and Iran witnessed a decline during the year due to US imposed trade sanctions. Meanwhile, demand from other key markets for tea such as Iraq and Turkey also witnessed a decrease due to subdued economic conditions in these countries. Subdued demand conditions and increase in global supply exerted downwards pressure on tea prices throughout the year. Rubber prices too continued to plummet during the year due to subdued demand conditions arising from slower global growth and lower oil prices.

On the domestic front, imbalances in macro fundamentals and political instability towards the end of 2018 resulted in a lacklustre economic performance. Unfavourable weather conditions and prolonged actions by workers trade unions demanding wage increase led to lower production volumes. Wage negotiations were finally concluded effective October 2018 with a 40% increase in the basic wage rate, the highest wage increase thus far, exerting further pressure on already

# Managing Director's Report

tight margins. Meanwhile despite the removal of the ban on Glyphosate in July 2018, the impacts of the ban continued to be felt by the industry with demand from Japan failing to pick up due to continued concerns regarding residue levels of MCPA weedicide in Ceylon teas. Policy inconsistency and lack of clarity particularly on the government's stance regarding the cultivation of oil palm continues to threaten the oil palm industry and has caused irreparable damage.

#### Performance

Subdued demand conditions and volatile commodity prices impacted group's revenue, which witnessed a contraction of 4% to Rs. 3,548 Mn during the year. The Group showed resilience amidst these volatile conditions, recording a pre-tax profit of Rs.512 Mn during the year and emerging as one of the industry's most profitable RPC. Driving this performance is the Group's steadfast focus on diversifying its earnings profile and improving productivity and yields across

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***“Despite the challenging market conditions that prevailed during the year, the Group recorded a revenue of Rs. 3,548 Mn and delivered a profit of Rs. 525 Mn before management fees, emerging as one of the industry's most profitable RPCs.”***

## Managing Director's Report

our estates. Our strategic investments in oil palm, commercial forestry and renewable energy continued to contribute positively to Group's performance, while prudent financial management helped reduce the negative impact of a particularly challenging year. Tea and rubber still account for the major share of the Group's revenue profile contributing 78% in 2018/19, although the relative contributions have declined in recent years, given ongoing efforts to pursue diversifications. Accordingly, oil palm and others accounted for 22% of total revenue, compared to 19% the previous year. Meanwhile, total assets grew by 8% during the year to Rs. 6.57 Bn, with continuous investments in factory and field infrastructure and solar power generation. EPP has in recent years sought to reduce exposure to borrowings through steady repayments. During the year, interest bearing borrowings declined by 38% to Rs.185 Mn. Accordingly, the Group's gearing ratio declined to 4.2% from 7.4% of last year.

### Tea

Lower global tea prices impacted performance of the tea sector resulting in a 7% drop in segmental revenue during the year. The Net Sales Average (NSA) of tea declined by 7% compared to 2017/18 while total production volumes also fell by 4% on the back of adverse weather conditions and workers trade union actions. Meanwhile sector margins were also pressured by as a result of the sharp depreciation of the rupee and the 40% plantation wage hike effective from October 2018. Notwithstanding this, EPP enjoyed higher Yields per Hectare (YPH) and NSAs as compared to industry averages due to ongoing productivity enhancing initiatives and our uncompromising commitment to quality.

### Rubber

The rubber sector continued to incur losses amidst lower global prices, subdued demand conditions despite increase in production. EPP continues to review its

rubber operation and has made a strategic decision to cultivate alternative crops such as cinnamon and king coconut in underutilised rubber lands. Meanwhile we continued to focus on increasing yields and productivity on existing rubber lands by introducing early tapping system, which resulted in a reduction in sector losses during the year.

### Palm Oil

Palm oil continued to perform well during the year, recording a revenue growth of 7% to Rs. 732 Mn. Steady growth in pricing as well as a 7% increase in production during the year, made this our most profitable business segment during the year with operating margins increasing from 62% to 67%.

### "Design 2020" - A Forward-Looking Strategy

Almost two decades since obtaining leasehold rights to EPP, and having achieved significant improvements in its financial, social and environmental performance, EPP is once again at the threshold of transformation. We are now pursuing ways to venture beyond our traditional businesses to develop a more holistic, forward-looking strategy that will transform EPP from a cyclical, commodity-based company to a diversified and innovative Group. To this end, in 2017/18, we launched DESIGN 2020, a unique strategy aimed at creating economic, leadership and social value to achieve both the Group's business and sustainability aspirations.

### Economic Value Creation

Our diversification strategies lie at the core of the economic value creation. We continue to diversify our plantation operations by moving up the value chain in the tea, rubber, oil palm and cinnamon sector, while exploring new domestic and international markets. In the tea sector we strengthened our proposition in our ready to drink tea brand "Harrow Ceylon Choice", pursuing deeper penetration

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***"Almost two decades since obtaining leasehold rights to EPP, and having achieved significant improvements in its financial, social and environmental performance, EPP is once again at the threshold of transformation."***

**525 Mn**

**Group Profit before  
Management Fees**



in the local market while introducing innovative packaging solutions to sharpen our competitive advantage. As part of moving up the rubber value chain, we renewed a contract to supply rubber soles to a globally renowned shoe manufacturer in UK while in the oil palm sector we are exploring the possibility of a joint venture for refining oil palm.

During the year we also embarked on cinnamon value addition with a cinnamon processing plant in Deviturai Estate. Meanwhile diversification into other crops and non-agricultural business lines also continued with vigour during the year. Whilst expanding our commercial forestry operations, we also intensified coffee cultivation. A pilot project to cultivate berries on two of our mid country and upcountry estates was successfully undertaken during the year and we are scheduled to commence commercial operations of strawberry cultivation in August this year. A special mention should be made of the National Plant Quarantine Service of the Department of Agriculture, which extended their unstinted support in getting this project off the ground. We are also actively pursuing non- agricultural business lines such as renewable energy and Agri, as potential areas to venture into, given the unique resources we have access to.

#### Leadership Value Creation

Fostering the right leadership to drive a culture of entrepreneurship and innovation is a key strategic pillar of Design 2020. During the year a total of Rs. 15.6 Mn was spent on training and development of our employees across all levels. Meanwhile as part of our efforts to be considered a 'preferred employer', we conducted an employee survey during the year to understand the evolving aspirations of our workforce. Based on the findings of this survey we are now in the process of refining our employee value proposition to address these requirements. We will continue to offer our employees

a holistic employee value proposition that involves a safe and conducive work environment, ongoing opportunities for career progression as well as competitive remuneration.

#### Social Value Creation

Creating social value through a sustainable and responsible operation is the third Strategy of our Design 2020 project. Guiding us through this journey is our holistic sustainability agenda, 'Haritha Shakthi' which seeks to address some of the key challenges threatening the long-term survival of the plantation sector including the impacts of climate change, labour shortages and low level of mechanisation. Key focus areas of this strategy include improving land productivity through sustainable agricultural practices, increasing renewable energy generation capacity and community upliftment through youth empowerment. During the year, we increased our rainwater harvesting capacity, while gradually shifting to organic fertiliser and composting to increase water tables and nutrient levels of our soil. Meanwhile Rs. 16.6 Mn was spent on reforestation as part of effort to protect biodiversity in our lands. We continue to invest in renewable energy, and commissioned two more solar power plants during the year under review, with a total generation capacity of 290.7 kW further reducing our dependence on fossil fuel based energy sources. We support the livelihoods of over 5,000 plantation workers and empowering and driving meaningful change in these communities is also an important aspect of our social agenda. Youth empowerment continued to be a key focus area and several programmes were initiated during the year to provide educational and vocational opportunities for the youth in our communities. Meanwhile we continue to invest in the welfare of our estate communities through greater engagement and development initiatives. (Refer Social and Relationship Capital on page 97 for more details)

#### Way Forward

We expect FY 2019/20 to continue to be challenging amidst subdued economic conditions and policy uncertainty. We are however confident of our ability to navigate these conditions by staying steadfastly focused on achieving the three key strategies of DESIGN 2020. We will continue to focus on improving productivity and quality in our core crops, whilst actively pursuing our diversification strategy to broad base our revenue streams. Meanwhile, we will continue to drive sustainability throughout our operation in line with our sustainability agenda.

#### Acknowledgement

In conclusion, I wish to take this opportunity to thank the Chairman and Board of Directors, whose guidance and advice has been invaluable in navigating these turbulent times. I also wish to convey my deep appreciation to the management, staff and estate workforce for their untiring effort, commitment and drive. Finally, to our customers, business partners, shareholder and other stakeholders, thank you to the support you continuously offer us.



**Dr. R. M. Fernando**  
Managing Director

23rd August 2019

## Our Integrated Strategy

### VALUE CREATION MODEL

The Value Creation Model depicted below graphically illustrates the capital inputs utilised by the Group, the processes adopted in transforming these inputs and the value generated and shared with stakeholders.

#### CAPITAL INPUTS



##### Financial Capital

Shareholders' funds

**Rs. 4,401 Mn**

Debt: **Rs. 185Mn**

(For more details refer  
Page 86)



##### Manufactured Capital

Property Plant and  
Equipment

**Rs 970Mn**

(For more details refer  
Page 89)



##### Human Capital

**5,295** Employees

(For more details refer  
Page 91)



##### Social and Relationship Capital

Brokers

Buyers

Estate communities

(For more details refer  
Page 97)



##### Intellectual Capital

Tacit knowledge

Systems, processes  
and standards

R & D Capabilities

(For more details refer  
Page 101)



##### Natural Capital

Raw materials (Fertiliser)

**4012.15 Tonnes**

Water use

**80,853,837 Litres**

Energy consumption

**199,453 GJ**

(For more details refer  
Page 103)

#### TRANSFORMING OUR CAPITAL INPUTS

##### Business Segments



Tea



Rubber



Forestry



Cinnamon Value Addition

**Risk Management**

(For more details refer page 60)

#### OUR VALUE CHAIN

Cultivation of tea,  
rubber oil palm and  
other crops



Harvesting



Processing



#### A TRANSFORMATIONAL STRATEGY

##### Economic Value Creation

##### Strategic Objective

Sustained growth  
through diversification

**01**

##### Leadership Value Creation

##### Strategic Objective

Organisational  
Transformation to  
Create a Culture of  
Entrepreneurship and  
Innovation

**02**

## VALUE DELIVERED

### OUTPUTS AND IMPACTS

Profit after tax  
**Rs. 438.7 Mn**

Earnings per share  
**Rs. 6.02**

Dividend per share  
**Rs. 1.25**

Payments to employees  
**Rs. 1,381 Mn**

Investment in training and development  
**Rs. 15.6 Mn**

Payments to Suppliers  
**Rs. 628 Mn**

Investments in community engagement  
**Rs. 109.09 Mn**

Number of Beneficiaries  
**9,010**

**Impacts**  
Carbon footprint  
**9,709.41 tCO<sub>2</sub>e**

**Governance**

(For more details refer page 41)

### OUTCOMES



#### Shareholders

Sustainable returns commensurate with the risk undertaken

(Refer Financial Capital on page 86)



#### Customers

High quality products

(Refer Social and Relationship and Intellectual Capital Reports on pages 97 and 101)



#### Employees

Holistic value proposition with opportunities for skill and career progression in a conducive work environment

(Refer Human Capital Report on page 91)



#### Suppliers

Stronger partnerships  
Buyers

(Refer Social and Relationship Capital Report on page 97)



#### Community

Mutually beneficial relationships with the communities we operate in

(Refer Social and Relationship Capital and natural capital Report on pages 97 and 103)



Oil Palm



Renewable Energy

Sales >

#### Social Value Creation

#### Strategic Objective

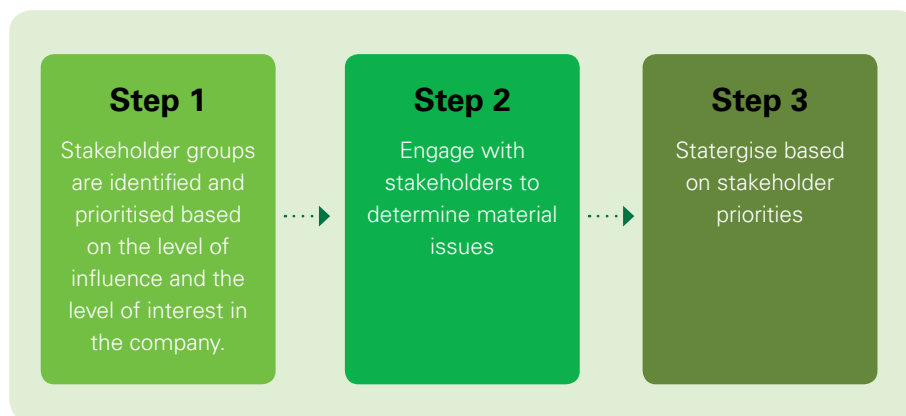
A sustainable and responsible operation  
Bio diversity conservation

**03**

## Our Integrated Strategy

### STAKEHOLDER ENGAGEMENT

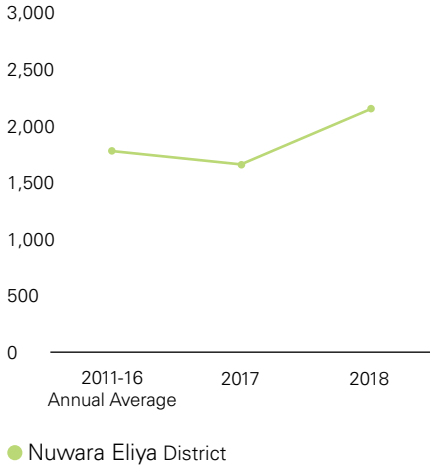
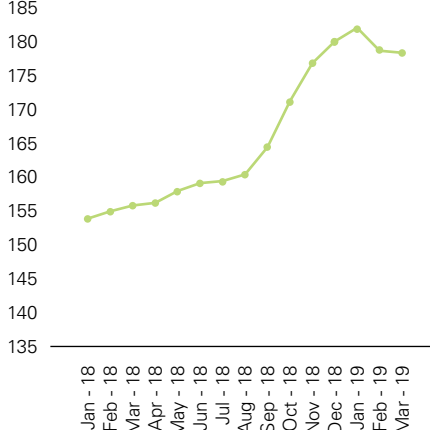
Continuously engaging with our stakeholders enables us to proactively address stakeholder concerns and requirements whilst constantly improving our modus operandi. Formal and informal mechanisms are in place for engaging with each stakeholder group on an ongoing basis and are reviewed regularly to ensure the most effective mechanisms are in place for engagement. Our approach to engaging with our stakeholders is graphically illustrated in the following diagram.



Step 1 Stakeholder Group	Step 2 Engagement Mechanism/Frequency	Key Concerns	Step 3 Our Response
Shareholders	<ul style="list-style-type: none"> <li>Quarterly Financial Statements</li> <li>Press Releases (Continuous)</li> <li>Annual Report</li> <li>Annual General Meeting</li> <li>CSE Announcements (Continuous)</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Sustainable business growth</li> <li>Corporate governance and risk management</li> <li>Reputation</li> </ul>	<p>Performance is guided by a clear business strategy developed in response to market trends and is continually reviewed to ensure relevance. KPIs are used to consistently monitor strategic performance against pre-defined targets.</p> <p>Refer Pages 33 and 86 (Opportunities and Risks, financial capital) for more information</p>
Customers	<ul style="list-style-type: none"> <li>One-to-one meetings (Continuous)</li> <li>Engagement through the auctions (Continuous)</li> <li>Visits to Estates (Continuous)</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Supply reliability</li> <li>Ease of transactions</li> <li>Value for money</li> </ul>	<p>We continue to invest in the latest ecological manufacturing methods and smart agriculture technology in order to improve our processes and product quality.</p> <p>Refer Page 97 (Social and Relationship Network) for more information</p>
Employees	<ul style="list-style-type: none"> <li>Core group meetings (continuous)</li> <li>Daily Forums</li> <li>Employee Surveys</li> <li>Complaint registers maintained at all estates</li> <li>Open door policy</li> <li>Grievance mechanisms</li> <li>Monthly meetings with union representatives</li> </ul>	<ul style="list-style-type: none"> <li>Attractive remuneration and benefits</li> <li>Workplace safety</li> <li>Opportunities for training and development</li> <li>Career progression and succession</li> </ul>	<p>Continuous improvements to our employee value proposition through empowerment and opportunities for skill and career development</p> <p>Refer Page 91 (Human Capital) for more information</p>
Communities	<ul style="list-style-type: none"> <li>Village forums (Continuous)</li> <li>One to one meetings with Estate Managers and General Managers(Continuous)</li> <li>Community engagement initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Job creation</li> <li>Minimise environmental impacts of operations</li> <li>Community projects</li> </ul>	<p>We incorporate environmentally friendly practices into our operations while actively supporting and empowering our communities</p> <p>Refer Page 97 (Social and Relationship Network) for more information</p>
Government	<ul style="list-style-type: none"> <li>One to one meetings at estate level with local government agent and provincial councils. (Continuous)</li> <li>Meetings at corporate level with relevant ministries and other officials</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Sustainable business growth</li> </ul>	<p>Contribute to the industry dialogue in ensuring the survival of the industry.</p> <p>Refer Page 41 (Governance) for more information</p>

## OPPORTUNITIES AND RISKS

We continue to closely monitor market developments that have an impact on our operation. This enables us to proactively address challenges while seizing opportunities in a dynamic and evolving operating landscape. Key opportunities and risks during the year and how we responded to these developments are presented below.

Key Development and Impact on Our Operations		Our Response
<b>Implications of Climate Change</b>  <b>Annual Rainfall (mm)</b>   ● Nuwara Eliya District		<p>As a plantation company we are inherently exposed to vagaries of the weather. Escalating implications of climate change have led to erratic weather conditions in recent years, including fluctuations in rainfall, rising temperature and natural disasters.</p> <p>Diversification of earnings profile through increased emphasis on renewable energy generation and commercial forestry</p> <p>Crop diversification focusing on berries, palm oil and cinnamon to reduce vulnerability to individual crops</p> <p>Sustainable cultivation methods and ongoing investment in replanting</p>
<b>Fluctuations in Commodity Prices</b>  The Group is directly impacted by fluctuations in commodity prices, which are in turn affected by global supply and demand factors. During the year, tea and rubber prices witnessed a gradual decline due to geopolitical tensions in buying markets, implications of climate change and trade restrictions.		<p>We are increasingly moving towards value added products which command premium pricing.</p> <p>During the year we commenced a cinnamon processing unit to increase revenue generation from the sale of cinnamon. We are also exploring innovative value additions to tea and rubber.</p>
<b>Exchange Rate Fluctuations</b>  <b>Exchange Rate (1 USD in Rs.)</b>   Jan - 18, Feb - 18, Mar - 18, Apr - 18, May - 18, Jun - 18, Jul - 18, Aug - 18, Sep - 18, Oct - 18, Nov - 18, Dec - 18, Jan - 19, Feb - 19, Mar - 19		<p>The Sri Lankan Rupee recorded sharp depreciation against the US Dollar in 2018, falling by 18%. This led to a sharp escalation in the increase in the cost of imported material such as fertiliser thereby impacting our profitability margins. The potential pricing benefit of the Rupee depreciation did not materialise due to the decline in global tea and rubber prices during the year.</p> <p>Efforts to increase contribution from domestic revenue sources such as commercial forestry, sustainable energy generation, agro-tourism among others to reduce our dependence on export markets.</p> <p>Meanwhile we continued our ongoing organic fertiliser and composting initiatives to reduce dependence on imported fertiliser.</p>

## Our Integrated Strategy

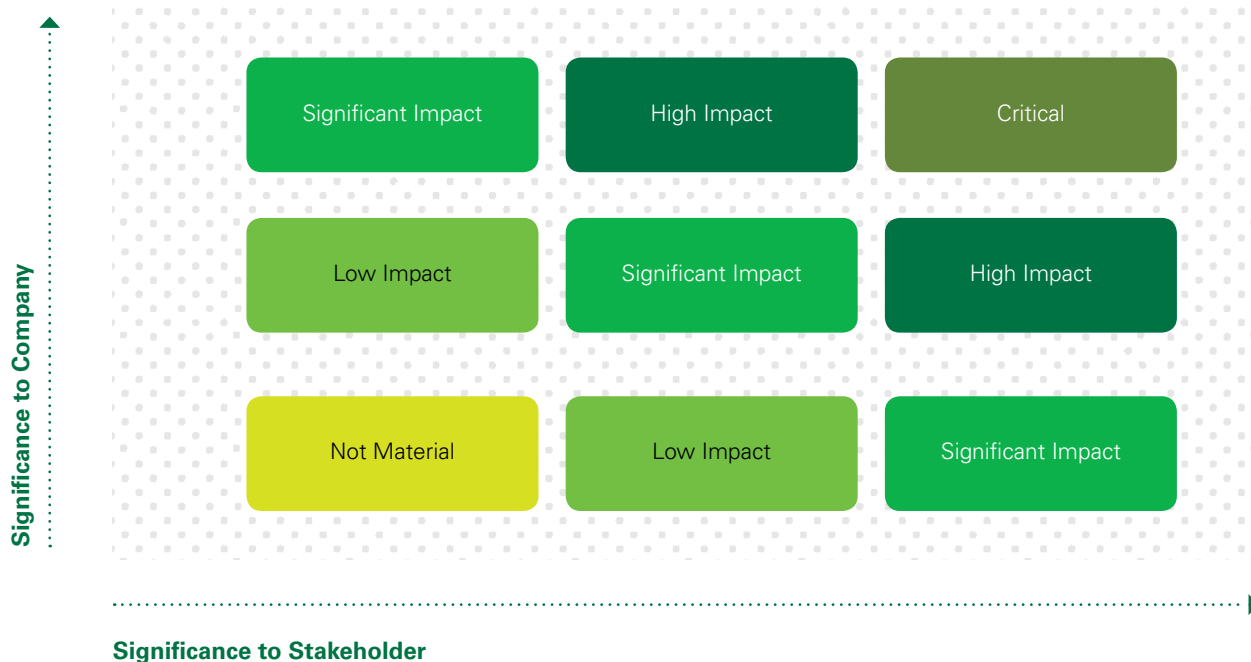
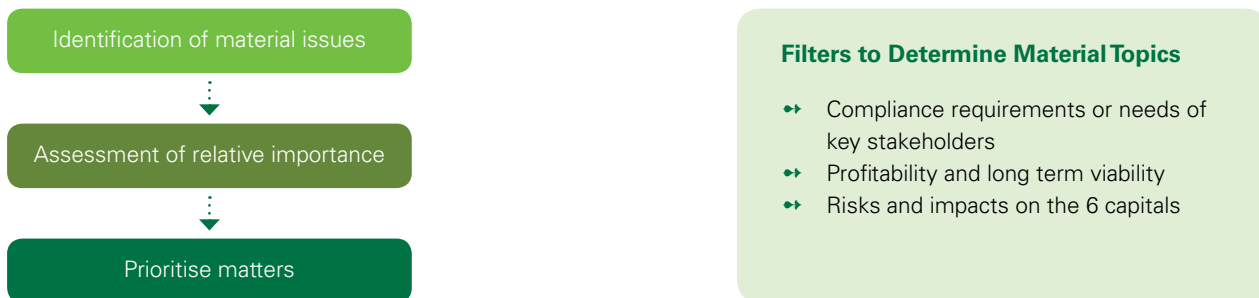
Key Development and Impact on Our Operations	Our Response
<p><b>Inconsistent Government Policy</b></p> <p>The glyphosate ban in July 2018 and the resultant use of alternative weedicides led to technical issues in shipments to Japan, thereby directly affecting Sri Lankan export volumes. Despite the subsequent removal of the ban, conditions are yet to return to normalcy due to the time taken to regularise modalities.</p> <p>Lack of clarity on the government's stance with regards to the cultivation of oil palm has threatened the survival and sustainability of the oil palm industry. The Group currently has Rs. 15.8 Mn worth of seedlings, which have been stocked in nurseries for over 2 years and are reaching maturity.</p>	<p>Ongoing dialogue with stakeholders to resolve the issue.</p>
<p><b>Labour Shortages and Changing Aspirations of Plantation Sector Workers</b></p> <p>The plantations industry continues to grapple with labour shortages arising from migration of labour and different employment aspirations of the younger generations.</p>	<p>Increased focus on mechanisation</p> <p>Comprehensive employment survey conducted to identify skill gaps, aspirations and concerns</p>



## DETERMINING OUR MATERIAL TOPICS

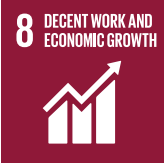



Material matters are defined as the issues that can materially impact our value creation process in the short, medium and long term. Our approach to determining material matters involves a systematic process of assessing risks, opportunities, stakeholder engagement and the Group's strategic agenda. The material issues thus identified and prioritised form the basis of our strategy, risk management practices and reporting practices. The material topics reflect issues stemming from both the external and internal environments; we have clearly demonstrated the corresponding GRI topics where relevant.

The process we adopt for determining material issues is graphically illustrated below;






## Our Integrated Strategy

	Material Topic and why it is Material to us	Relevant GRI Disclosures	Relevant SDG
Critical	<b>Commodity Prices</b> Our margins are directly affected by fluctuations in global commodity prices		
	<b>Exchange Rate Fluctuations</b> Exchange rate movements have a direct impact on our profitability.		
	<b>Government Policy</b> Monetary and fiscal policy have a direct impact on our operations as do industry specific policies such as government policy on fertiliser etc.		
	<b>Implications of Climate Change</b>		
	<b>Employee Management</b> Given the labour intensive nature of the industry, attracting and retaining talent is critical for the sustainability of our operations	GRI 401: Employment GRI 402: Labour management relations GRI 403: Occupational health and safety 407- Freedom of Association and Collective Bargaining	
High Impact	<b>Operational Efficiency</b> Critical in driving cost optimisation and productivity	GRI 204 : Procurement Practices	
	<b>Water</b> Responsible consumption of water is an important aspect of our sustainability agenda.	GRI 303: Water	
	<b>Diversification and Innovation</b> With rising competition and vagaries in the operating landscape, the Group has placed strategic emphasis on diversifying its earnings profile.		
	<b>Training and Education</b> Training and education is critical to achieve a higher level of labour productivity while retaining employees	GRI 404: Training and education	

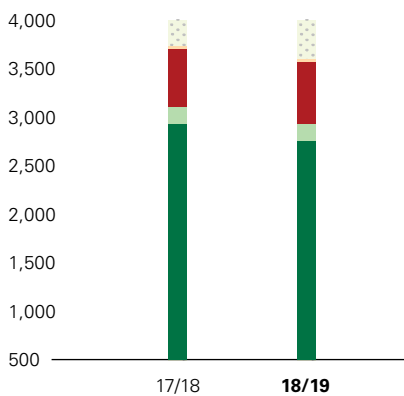
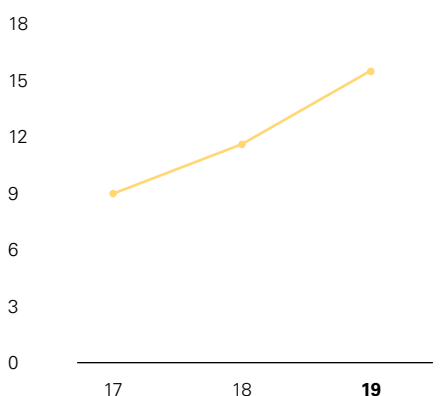



	Material Topic and why it is Material to us	Relevant GRI Disclosures	Relevant SDG
Significant	<b>Indirect Economic Impacts</b> We create numerous indirect economic impacts particularly in the plantations sector.	GRI 203: Indirect economic impacts	
	<b>Effluents and Waste</b> Responsible disposal of effluents and waste is important in meeting our sustainability objectives	GRI 306: Effluents and Waste	
	<b>Environmental Compliance</b> Vital in maintaining the Group's reputation and community relationships	GRI 307: Environmental compliance	
	<b>Biodiversity</b> Taking a lead in bio diversity preservation has the potential to create a positive change	GRI 304 Biodiversity	
	<b>Socio Economic Compliance</b> Vital in maintaining the Group's reputation and community relationships	GRI 419: Socio economic compliance	
	<b>Local Communities</b> Local communities form an important part of our operational eco system.	GRI 413: Local communities	
	<b>Energy</b> Energy efficiency plays the dual role of fulfilling both our business and sustainability objectives	GRI 302: Energy GRI 305: Emissions	
	<b>Materials</b> Managing our materials in a responsible manner is part of our sustainability drive	GRI 301: Materials	

## Our Integrated Strategy

### OUR INTEGRATED STRATEGY 2018/19

Escalating challenges in the plantation industry have compelled the Group to look beyond its traditional businesses and develop a forward-looking strategy aimed at transforming EPP from a cyclical, commodity based company to a diversified and innovative Group. DESIGN 2020, a unique and holistic strategy aimed at driving this transformation was launched in 2017/18 and embeds both the Group's business and sustainability aspirations in order to ensure the creation of shared value in a manner that is economically, socially and environmentally sustainable.

1. Economic Value Creation	2. Leadership Value Creation	3. Social Value Creation																							
<b>Strategic Objective</b> Sustained growth through diversification	<b>Strategic Objective</b> Organisational Transformation to Create a Culture of Entrepreneurship and Innovation	<b>Strategic Objective</b> A sustainable and responsible operation																							
<b>Strategic Actions</b> <ul style="list-style-type: none"><li>➤ Explore new opportunities in high value horticulture such as berries and floriculture</li><li>➤ Introduction of new Agri- tourism concept “Life @ Dunsinane”</li><li>➤ Cinnamon processing and value addition</li><li>➤ Tea Value addition</li><li>➤ Leverage strategic partnerships to drive greater economic value.</li></ul>	<b>Strategic Actions</b> <ul style="list-style-type: none"><li>➤ Drive a culture of entrepreneurship and innovation through targeted initiatives</li><li>➤ Strive to be a preferred employee through employee empowerment and job value addition</li><li>➤ Enhance the quality and standard of life of our employees through holistic emotional and physical health programmes.</li></ul>	<b>Strategic Actions</b> <ul style="list-style-type: none"><li>➤ Increase land productivity by at least 10% by 2025 through better agriculture techniques and greater mechanisation</li><li>➤ Increase renewable energy generation capacity for own consumption and to supply national grid</li><li>➤ Adopt sustainable practices such as rainwater harvesting and composting across estates to better manage water resources.</li><li>➤ Community Upliftment and Youth Empowerment through education and job opportunities within the group</li></ul>																							
<b>Key Performance Indicators (KPI)</b>  Revenue Diversification (Rs. Mn.)   <table><caption>Revenue Diversification (Rs. Mn.)</caption><tr><th>Year</th><th>Tea</th><th>Rubber</th><th>Oil Palm</th><th>Other</th></tr><tr><td>17/18</td><td>~2,900</td><td>~100</td><td>~700</td><td>~300</td></tr><tr><td>18/19</td><td>~2,700</td><td>~100</td><td>~700</td><td>~300</td></tr></table> <ul style="list-style-type: none"><li>Tea</li><li>Rubber</li><li>Oil Palm</li><li>Other</li></ul>	Year	Tea	Rubber	Oil Palm	Other	17/18	~2,900	~100	~700	~300	18/19	~2,700	~100	~700	~300	<b>Key Performance Indicators (KPI)</b>  Training & Development investment (Rs. Mn.)   <table><caption>Training &amp; Development investment (Rs. Mn.)</caption><tr><th>Year</th><th>Investment (Rs. Mn.)</th></tr><tr><td>17</td><td>9</td></tr><tr><td>18</td><td>12</td></tr><tr><td>19</td><td>15</td></tr></table>	Year	Investment (Rs. Mn.)	17	9	18	12	19	15	<b>Key Performance Indicators (KPI)</b>    <b>9,709.41</b> tCO <sub>2</sub> e
Year	Tea	Rubber	Oil Palm	Other																					
17/18	~2,900	~100	~700	~300																					
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17	9																								
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19	15																								

1. Economic Value Creation	2. Leadership Value Creation	3. Social Value Creation
<p><b>Relevance to Priority SDG's</b></p> <div>   </div> <div>  </div>	<p><b>Relevant SDG's</b></p> <div>   </div>	<p><b>Relevant SDG's</b></p> <div>   </div> <div>   </div> <div>  </div>
<p><b>Outlook for FY 2019/20</b></p> <p>We have successfully piloted the cultivation of berries and hope to launch commercial production over the short-to-medium.</p>	<p><b>Outlook for FY 2019/20</b></p> <p>Ongoing focus on providing training and development opportunities in line with the identified skill and competency requirements to drive towards the Group's strategic aspirations</p>	<p><b>Outlook for FY 2019/20</b></p> <p>Adopt a holistic and systematic approach towards both social and environmental sustainability</p>

## Our Integrated Strategy

### OUR SUSTAINABILITY AGENDA

The Group's sustainability agenda is directly linked to Design 2020 and is centred on 6 selected SDGs. These goals were chosen based on the significance of our economic, social and environmental impacts and reflect the areas in which we have made the most contribution. These priority goals are incorporated into our overall business strategy with specific KPI's to monitor progress on an ongoing basis.

	<p><i>To be the most water efficient plantation company</i></p>	<ul style="list-style-type: none"> <li>➤ Establish 52 ponds to have 180 Mn litres of rainwater harvesting capacity</li> <li>➤ Irrigate at least 25% of tea and oil palm land with harvested rain water</li> <li>➤ Maintain 5% of land extent as water shed</li> <li>➤ Maintain 15% of land extent as catchment areas</li> <li>➤ Increase carbon level of soil to 4%</li> <li>➤ Provide portable water to all estate households</li> <li>➤ Create awareness on sustainable use of water resources</li> </ul>
	<p><i>To achieve Self-sufficiency in energy through sustainable energy sources</i></p>	<ul style="list-style-type: none"> <li>➤ 100% of electrical energy requirements to be met /set off by Hydro Power and Solar Power generation</li> <li>➤ 100% of thermal energy requirement to be met with estate grown sustainable biomass sources</li> </ul>
	<p><i>Promote community Upliftment and Youth Empowerment</i></p>	<ul style="list-style-type: none"> <li>➤ 90% of permanent employment cadre to be filled from within the community</li> <li>➤ Enhance the level of social engagement within the group</li> <li>➤ 100% access to health and educational facilities</li> </ul>
	<p><i>To be the leader in mechanisation and automation within the plantation sector</i></p>	<ul style="list-style-type: none"> <li>➤ Promote intelligent Agriculture</li> <li>➤ 100% Factory process automation</li> <li>➤ 75% field mechanisation</li> <li>➤ Productive use of entire land extent through GIS applications</li> </ul>
	<p><i>To enhance land productivity by at least 10% by 2025 whilst protecting the bio diversity in the area.</i></p>	<ul style="list-style-type: none"> <li>➤ Reduce chemical fertiliser application by 50%</li> <li>➤ Reduce chemical pest control by 80%</li> <li>➤ Reduce chemical weed control by 80%</li> <li>➤ Increase green cover by 10%</li> </ul>
	<p><i>Gain competitive advantage through sustainable strategic partnerships</i></p>	<ul style="list-style-type: none"> <li>➤ Widen knowledge base through collaborations</li> <li>➤ Strategic partnerships for new business developments.</li> </ul>

## Corporate Governance

The Group's creation of sustainable value is underpinned by a robust and holistic corporate governance framework which drives accountability and transparency at all levels of the organisation. The framework comprises of clearly defined governance structures and policy frameworks which are periodically reviewed to reflect best practice and developments in the internal and external operating landscape. The Governance framework is bound by the following regulations and internally formulated policies.

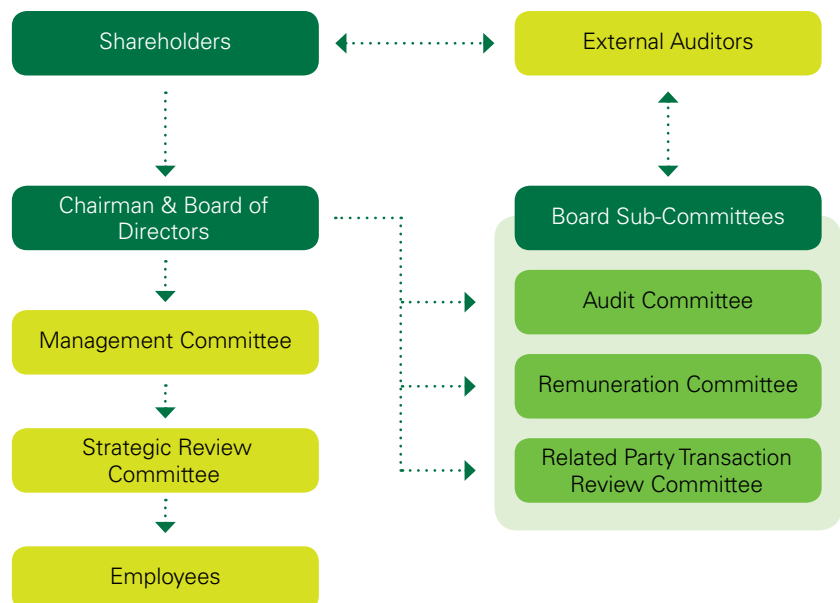
External instruments	Internal standards and principles
<ul style="list-style-type: none"> <li>➤ Companies Act No. 7 of 2007</li> <li>➤ Continuing listing requirements of the Colombo Stock Exchange (CSE)</li> <li>➤ Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)</li> <li>➤ Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995</li> <li>➤ Foreign Exchange Act No. 12 of 2017</li> <li>➤ Shop and Office Act, Industrial Disputes Act, Employees Provident Fund Act, Employees Trust Fund Act, Payment of Gratuity Act, Plantation Staff /Workers Collective Agreements between the RPCs and Trade Unions, Maternity Benefit Ordinance, etc.</li> <li>➤ Inland Revenue Act No. 24 of 2017</li> <li>➤ Code of Best Practice on Corporate Governance issued by the CA Sri Lanka</li> <li>➤ Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)</li> <li>➤ GRI Standards for Sustainability reporting issued by the Global Reporting Initiative</li> </ul>	<ul style="list-style-type: none"> <li>➤ Articles of Association</li> <li>➤ Group Code of Ethics</li> <li>➤ Group internal policy frameworks</li> <li>➤ Board and sub-committee terms of reference</li> </ul>

### Governance Mechanisms



### Governance Structure

The Board of Directors is the apex governing body and highest decision-making authority. It holds overall responsibility for determining the Group's strategic direction, providing leadership and ensuring that risks are managed in line with the Group's risk appetite. The Board is supported by 03 Board-Sub committees, which hold oversight responsibility for certain functions warranting greater attention enabling the Board to allocate sufficient time to matters within its scope. As such, the Governance structure ensures that decisions are taken at the right level of business, by those best placed to take them.



## Corporate Governance

### 1.1 Mandatory Compliances

#### 1.1.1 Compliance Requirements of the Companies Act No. 7 of 2007

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
168 (1) (a)	Any change during the accounting period in the nature of business of the company or any of its subsidiaries and the classes of business in which the company has an interest	Compliant	There has been no change in the nature of business of the Company and its subsidiaries during the year under review.
168 (1) (b)	Financial statements of the Company and the Group for the accounting period completed and signed	Compliant	Refer Financial Statements of this Annual Report.
168 (1) (c)	Auditors report on the financial statements of the company and the Group	Compliant	Refer Independent Auditor's Report of this Annual Report.
168 (1) (d)	Change of accounting policies during the accounting period	Compliant	Refer Note 3 to the Financial Statements of this Annual Report.
168 (1) (e)	Particulars of entries in the interest register made during the accounting period	Compliant	Refer Section 9 on the Annual Report of the Directors of this Annual Report.
168 (1) (f)	Remuneration and other benefits paid to the directors during the accounting period	Compliant	Refer Note 9 to the Financial Statements of this Annual Report.
168 (1) (g)	Total amount of donations made by the company during the accounting period	Complaint	Refer Note 9 to the Financial Statements of this Annual Report.
168 (1) (h)	Names of the persons holding office as directors of the Company and the names of any persons who ceased to hold office as Directors of the Company as at the end of the accounting period	Complaint	Refer Corporate Information of this Annual Report.
168 (1) (i)	Amounts payable to the auditors as audit fees and fees payable for other related services provided by them	Compliant	Refer Note 9 of the Financial Statements on this Annual Report.
168 (1) (j)	Relationship or interest of the External Auditor has with the company or any of its subsidiaries	Compliant	Refer Section 16 on the Annual Report of the Directors of this Annual Report.
168 (1) (k)	The annual report of the board be signed on behalf of the board	Compliant	Refer the Annual Report of the Directors of this Annual Report.

### 1.1.2 Compliance requirements of the Listing Rules of the Colombo Stock Exchange - Corporate Governance

Section/ Rule	Requirement	Compliance Status																		
	<p><b>Non-Executive Tenure (%)</b></p> <table border="1"> <caption>Non-Executive Tenure Data (Estimated from Chart)</caption> <thead> <tr> <th>Tenure Category</th> <th>Dark Green (%)</th> <th>Light Green (%)</th> </tr> </thead> <tbody> <tr> <td>&lt;5 Years</td> <td>50</td> <td>10</td> </tr> <tr> <td>6-10 Years</td> <td>17</td> <td>43</td> </tr> <tr> <td>11-15 Years</td> <td>0</td> <td>60</td> </tr> <tr> <td>16-20 Years</td> <td>0</td> <td>60</td> </tr> <tr> <td>&lt;21 Years</td> <td>33</td> <td>27</td> </tr> </tbody> </table>	Tenure Category	Dark Green (%)	Light Green (%)	<5 Years	50	10	6-10 Years	17	43	11-15 Years	0	60	16-20 Years	0	60	<21 Years	33	27	
Tenure Category	Dark Green (%)	Light Green (%)																		
<5 Years	50	10																		
6-10 Years	17	43																		
11-15 Years	0	60																		
16-20 Years	0	60																		
<21 Years	33	27																		
<b>7.10</b>	<b>Corporate Governance Compliance</b>																			
<b>7.10.1</b>	<b>Non-Executive Director</b>																			
a./b./c.	The Board of Directors shall include at least two Non-Executive Directors (NED) or equivalent to one third of the total number of Directors whichever is higher	Compliant Six out of the nine Board Members are NEDs.																		
<b>7.10.2</b>	<b>Independent Directors</b>																			
a.	Where the Board constitutes only two NEDs both shall be independent. In other instances, two or one third of NEDs shall be independent, whichever is higher	Compliant Two out of the Six NEDs are Independent.																		
b.	Annual submission of a signed and dated declaration of independence/non-independence by all NEDs	Compliant Annually each NED declares his independence/non-independence in compliance with the relevant statutory regulations.																		
<b>7.10.3</b>	<b>Disclosures relating to Directors</b>																			
a./b.	The Board shall make an annual determination of the independence/non-independence of the NEDs	Compliant Independence of the NEDs has been determined by the Board based on the annual declaration and taking account all the other information and circumstances.  The criteria determining the independence of NEDs could be found in this Annual Report.																		
c.	Publication of a brief resumé of each director which includes information of nature of his/her expertise	Compliant Refer the Profiles of the Directors listing out the names and a brief resumé of each Director set out in this Annual Report.																		
d.	Submission of a brief resumé to CSE upon appointment of a new director	Compliant On an appointment of a Director a suitable disclosure is made to CSE.																		










## Corporate Governance

Section/ Rule	Requirement	Compliance Status	
7.10.4	Criteria for defining Independence		
a. to h.	Requirements for determining independence of a director	Compliant	<p>Our Independent Non-Executive Directors neither participate in day-to-day operations of the Company nor take part in any business dealings with the Company. This enables them to be free from any conflict of interest with the Company.</p> <p>The Board having considered the declarations made by the Non-Executive Directors and the criteria for independence determined that Dr. S A B Ekanayake and Mr. S C Ratwatte are Independent Directors as they conform to the relevant criterion for independence.</p>
7.10.5	Remuneration Committee		
a.	Composition		
a. 1	The committee shall comprise of two independent directors or non-executive directors a majority of whom shall be independent, whichever is higher	Compliant	Two out of the three members of the Remuneration are Independent Non-Executive Directors.
a. 2	One non-executive director shall be appointed as chairman of the Committee by the board	Compliant	Mr. Malik J Fernando, Chairman of the Committee is a Non-Executive Director.
b.	Recommendation of remuneration payable to Executive Directors/CEO to the Board	Compliant	The Remuneration Committee is responsible of reviewing policy of remuneration packages of Executive Directors and the CEO, recommend same to the Board.
c.	Disclosure in the Annual Report		
c.1	The annual report should set out the names of the committee members and statement of the remuneration policy	Compliant	The Remuneration Committee of this Annual Report contains the names of the members and a statement of the remuneration policy.
c.2	The annual report should contain the aggregate remuneration paid to executive and non-executive directors	Compliant	The aggregate remuneration paid to Executive and Non-Executive Directors is set out in Note 9 to the Financial Statements of this Annual Report.
7.10.6	Audit Committee		
a	Composition		
a. 1	The committee shall comprise of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive director shall be appointed as chairman of the committee by the board	Compliant	<p>The Audit Committee is composed of Non-Executive Directors, two of whom are Independent Directors</p> <p>Dr. S. A. B. Ekanayake who is an Independent Non-Executive Director is the Chairman of the Committee.</p>
a. 2	CEO and CFO shall attend the committee meetings	Compliant	<p>Mr. B Bulumulla, Director/CEO and Mr. J. A. R. Nissanka, CFO attend the meetings by invitation.</p> <p>Please refer the attendance of the Committee set out in this Annual Report.</p>





Section/ Rule	Requirement	Compliance Status	
a. 3	Chairman or one member of the committee should be a member of a recognised professional accounting body	Compliant	Mr. S.C. Ratwatte is a fellow member of the Chartered Institute of Management Accountants, UK.
<b>b</b>	<b>Functions</b>		
b. (i)	Overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLAS)	Compliant	Refer Audit Committee Report of this Annual Report.
b. (ii)	Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Compliant	Refer Audit Committee Report of this Annual Report.
b. (iii)	Overseeing the processes to ensure the internal controls and risk management are adequate to meet the requirements of the SLAS	Compliant	Refer Audit Committee Report and the Board of Director's Statement on Internal Control of this Annual Report.
b. (iv)	Assessing the independence and performance of the external auditors	Compliant	Refer Audit Committee Report of this Annual Report.
b. (v)	Recommend to the board pertaining to the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Compliant	Refer Audit Committee Report of this Annual Report.
<b>c.</b>	<b>Disclosure in the Annual Report</b>		
c.1	The annual report should set out the names of the committee members	Compliant	The Committee Reports and the Annual Report of the Directors set out in the Annual Report contains the names of the members.
c.2	Determination of independence of the auditors and the basis for such determination	Compliant	Refer Audit Committee Report of this Annual Report.
c.3	A report of the audit committee containing the manner of compliance	Compliant	Refer Audit Committee Report of this Annual Report.

#### Board Sub-Committee Members

Name of Director	AC	RC	RPTRC
Mr. Malik J. Fernando			
Dr. S. A. B. Ekanayake			
Mr. S. C. Ratwatte			

AC	Audit Committee	Chairman 	Member 
RPTRC	Related Party Transactions Review Committee		
RC	Remuneration Committee		

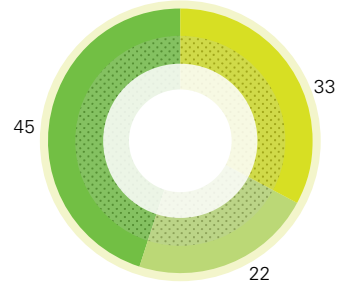
## Corporate Governance

### 1.1.3 Listing Rules of the Colombo Stock Exchange – Contents of the Annual Report

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
7.6	Contents of the Annual Report		
i)	Names of directors of the entity	Compliant	Refer Corporate Information of this Annual Report.
ii)	Principal activities of the entity and its subsidiaries during the year under review	Compliant	Refer Group Directorate of this Annual Report.
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Compliant	Refer Investor Information of this Annual Report.
iv)	The Public Holding percentage	Compliant	Refer Investor Information of this Annual Report.
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Compliant	Refer Investor Information of this Annual Report.
vi)	Information pertaining to material foreseeable risk factors	Compliant	Refer Risk Management of this Annual Report.
vii)	Details of material issues pertaining to employees and industrial relations	Compliant	Refer Human Capital and of this Annual Report.
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Compliant	Refer Notes 14 and 15 to the Financial Statements of this Annual Report.
ix)	Number of shares representing the stated capital	Compliant	Refer Investor Information of this Annual Report.
x)	Distribution schedule of the number of shareholders and the percentage of their total holding	Compliant	Refer Investor Information of this Annual Report.
xi)	Ratios and market price information	Compliant	Refer Investor Information of this Annual Report.
xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Compliant	Refer Notes 14 and 15 to the Financial Statements of this Annual Report.
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	Compliant	The Company had no public issue, rights issue or private placement during the year under review.
xiv)	Employee share option/purchase schemes	Compliant	As at date, the Company has no share option/ purchase schemes made available to its Directors or employees.
xv)	Corporate Governance Disclosures	Compliant	Refer Corporate Governance of this Annual Report.
xvi)	Related Party Transactions	Compliant	Refer Note 34 to the Financial Statements.

## 1.2 Voluntary Compliances

**1.2.1** Compliance requirements of the Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
<b>The Company</b>			
A.	Directors		
A.1	The Board		
	<p>The Board consists of Chairman, Managing Director, one Executive Director and six Non-Executive Directors. They represent a balanced mix of professionals with diverse knowledge and experience which enable the Board to collectively discharge its duties effectively and efficiently.</p> <p>Our Board represent a well-balanced mix of professions with wide knowledge and experience which enable them to impart substantial value, knowledge and independent judgment towards decision making and providing effective leadership to the Company. The names and profiles of each Director are on pages 10 to 12 of this Annual Report.</p>		<p><b>Board Composition (%)</b></p>  <p>45 33 22</p> <ul style="list-style-type: none"> <li>Executive</li> <li>Independent Non-Executive</li> <li>Non-Independent Non-Executive</li> </ul>

## Quality of the Board

### Executive Directors

<p><b>Dr. M. P. Dissanayake</b> <i>Chairman (Appointed w.e.f. March 2019)</i> Appointed to the Board as Chairman on 29th March 2019, Dr. Dissanayake was a member of the Aitken Spence PLC board from June 2004 to May 2017. Dr. Dissanayake was appointed to the Aitken Spence PLC Board as Deputy Chairman and Managing Director w.e.f. March 2019. He holds extensive experience in maritime and logistics including Chairman/ Board positions in public service.</p>	<p><b>Mr. J. M. S. Brito</b> <i>Chairman (Resigned w.e.f. March 2019)</i> A recognised professional, counting extensive local and international experience, has held board positions in public and private organisations in several sectors. Mr. Brito retired from the Board in March 2019.</p>
<p><b>Dr. R. M. Fernando</b> <i>Managing Director</i> Dr. Fernando counts in-depth experience in plantation management, played a pivotal role in the plantations privatisation programme. He holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) UK.</p>	<p><b>Mr. B. Bulumulla</b> <i>Director/CEO</i> Employed with Elpitiya Plantations for a period of 20 years, Mr. Bulumulla has a carrier in the plantation sector for over 30 years. Mr. Bulumulla holds a Diploma in Plantation Management from the National Institute of Plantation Management (NIPM) and holds a B.Sc (Hons) Degree in Plantation Management, awarded by the Wayamba University of Sri Lanka. He also holds a M.Sc degree in Environment Science from the Open University of Colombo.</p>

## Corporate Governance

### Non-Independent Non-Executive Directors

<p><b>Mr. Merrill J. Fernando</b></p> <p>Merrill J. Fernando is the founder of the MJF Group of Companies and Sri Lanka's global tea brand, DILMAH, pioneered value addition, packaging, branding and marketing consumer ready tea from source, enabling Sri Lanka to retain profits which traditionally enriched foreign traders at the expense of tea producers. He re-launched Ceylon Tea in the 1980s.</p>	<p><b>Mr. Malik J. Fernando</b></p> <p>Mr. Fernando holds a BSc in business management from Babson College US. He is a Director of MJF Holdings &amp; Dilmah Tea established by Merrill J. Fernando. Mr. Fernando is also the Managing Director of Resplendent Ceylon, the first Sri Lankan luxury resort brand.</p>
<p><b>Mrs. B. W. G. C. S. Bogahawatte</b></p> <p>Mrs. Bogahawatte possess a career spanning over 20 years' in the public sector and is a Class I Officer of the Sri Lanka Planning Service. She obtained a B.Sc. General Degree from the University of Kelaniya, Sri Lanka and a masters in public administration (Policy) from the Flinders University, Australia.</p>	<p><b>Mr. D. A. de S Wickramanayake</b> <i>Director/CEO</i></p> <p>Mr. Wickramanayake is the founder Chairman/Managing Director of Master Divers (Pvt) Ltd., which created a landmark area of activity in the shipping industry and a Member of the University Grant Commission Standing Committee on Agriculture, Veterinary, Medicine and Animal Science.</p>

### Independent Non-Executive Directors

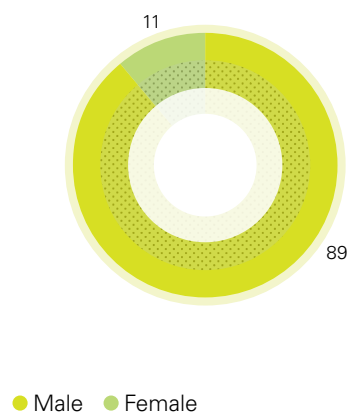
<p><b>Dr. S. A. B. Ekanayake</b></p> <p>Holds experience in public sector and held numerous senior positions in the public sector including the Plantations Sector. Dr. Ekanayake holds sPhD in Economics from Australia National University where he conducted research on 'Economics of human capital'. He has widely published in Sri Lanka and abroad on economics, human capital, agriculture and environment related areas.</p>	<p><b>Mr. S. C. Ratwatte</b></p> <p>Mr. Ratwatte is a fellow of the Chartered Institute of Management Accountants, UK and has over 30 years work experience in the fields of financial and treasury management, project evaluation and development, investments, financing and risk management and joint ventures.</p>
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Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
A.1.1	Board Meetings and Provision of regular and structured information to the Board	Compliant	The Board meetings are held quarterly to review the business performance of the Company. In addition to attending meetings, the Directors make decisions via circular resolutions. The meetings were convened four times during the year under review and the attendance of the Directors at the meetings were as follows:

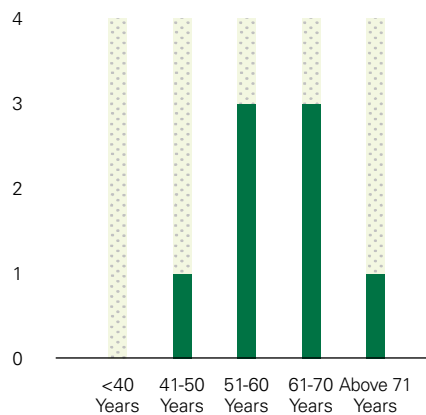
Directors	23.05.2018	21.09.2018	28.11.2018	28.02.2019
Dr. M. P. Dissanayake (Appointed w.e.f. 29.03.2019)	N/A	N/A	N/A	N/A
Mr. J. M. S. Brito (Resigned w.e.f. 29.03.2019)	✓	✓	✓	✓
Dr. R. M. Fernando	✓	✓	✓	✓
Mr. A. L. W. Goonewardena (Resigned w.e.f. 30.06.2018)	✓	N/A	N/A	N/A
Mr. Merrill J. Fernando/ Mr. A. T. S. Sosa (Alternate to Mr. Merrill J. Fernando)	✓	✓	✓	*
Mr. Malik J. Fernando /Ms. M. D. A. Perera (Alternate to Mr. Malik J. Fernando)	✓	✓	✓	✓
Dr. S. A. B. Ekanayake	✓	✓	✓	✓
Mr. S C. Ratwatte	✓	✓	✓	✓
Ms. B. W. G. C. S. Bogahawatte	✓	✓	✓	✓
Mr. D. A. de S. Wickramanayake	✓	✓	✓	✓
Mr. B. Bulumulla (Appointed w.e.f. 02.07.2018)	N/A	✓	✓	✓

Present - ✓ Excused - \*

**Board's Gender Diversity (%)**



**Age Distribution (No.)**



## Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
A. 1.2	Role of the Board	Compliant	<p>The Board provides entrepreneurial leadership to the Company, working within the Company's framework of prudent and effective controls that enables the Company to effectively mitigate risks. In performing its duties, the Board's key responsibilities are:</p> <ul style="list-style-type: none"> <li>➔ Maximising shareholder value,</li> <li>➔ Formulating, communicating, implementing and monitoring the business goals, objectives, strategies and policies of the Company,</li> <li>➔ Ensuring adherence to appropriate accounting policies and practices,</li> <li>➔ Setting priorities and communicating values and ethical standards for Management,</li> <li>➔ Ensuring proper risk management and audit systems covering all aspects of the business are in place and implemented,</li> <li>➔ Ensuring due compliance with applicable laws of the country and institute best practices on ethical, legal, health, environmental and safety standards for the Company,</li> <li>➔ Reviewing and approving the Operational and Financial Budgets and monitoring performance against the Budgets,</li> <li>➔ Reviewing and approving major investments and business proposals recommended by the Management Committee,</li> <li>➔ Approving the annual and interim Financial Statements and recommending dividends for approval by the shareholders,</li> <li>➔ The Board is responsible ultimately, for the Company's financial performance,</li> <li>➔ The Directors obtain independent professional advice, whenever required at the Company's expense in discharging their duties.</li> </ul>

### Key Areas of Board Focus In 2018/19

#### Strategy

- ➔ Reviewed the group strategy and implemented new ventures.
- ➔ Strategised the Group's business segments and gave direction to implementing new ventures

#### Leadership & Risk

- ➔ Succession Planning
- ➔ Entrepreneurial direction and support
- ➔ Determining the Group's risk appetite and principle risks
- ➔ Evaluation of re-appointment of directors
- ➔ Review performance of sub-committees.

#### Governance

- ➔ Evaluation of the Governance structure
- ➔ Ensure compliance
- ➔ Implementation of legislation to accommodate necessary changes.

#### Finance

- ➔ Overview of preparation and presentation
- ➔ Optimisation of implementation
- ➔ Capital allocation, financing and funding.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
A.1.3/ A.1.8	Compliance with laws and access to independent professional advice and services and training of directors	Compliant	<p>All Directors are encouraged to attend appropriate seminars and training programmes to enhance their business insight and professionalism in efficiently and effectively discharging their duties. The Directors are further encouraged to participate in workshops and/or seminars in the capacities as speakers, moderators or panellists in their respective areas of proficiency.</p> <p>The Directors are briefed on changes in laws and regulations as applicable from time to time.</p> <p>The Board, in discharging its duties, seek independent professional advice from external parties as and when required at the Company's expense which enables the Directors to ensure that the Company complies with the laws and regulations of the country, as applicable, regulations of authorities, professional institutes and trade associations.</p>
A.1.4	Access to advice from the Company Secretary and duties of the Company Secretary and indemnifying the Board, Directors and Key Management Personnel	Compliant	<p>All Directors have access to obtain advice and the services of the Company Secretaries who are responsible for assuring that the Board follows the best practices in respect of Corporate Governance by strictly complying with the necessary statutory and regulatory rules and regulations.</p> <p>Directors of Elpitiya Plantations PLC and the Group are indemnified by the Company.</p>
A.1.5	Independent Judgement	Compliant	All Directors exercise independent judgement in all matters relating to issues of strategy, performance, resources and standards of business conduct, considered by the Board and acts free from any bias and from any undue influence from other parties.
A.1.6	Dedication of sufficient time and effort	Compliant	The Board collectively and the Directors individually allocate adequate time to fulfil their duties as Directors of the Company. The Board has delegated its day to day operations of the Company to the Managing Director together with the Management Committee.
A.1.7	Call for Resolutions	Compliant	One third of the directors could request for a resolution to be presented to the Board for the best interest of the Company.
A.2 Chairman and Chief Executive Officer (CEO)			
A.2.1/ A.5.7	Decision to combine the posts of Chairman and CEO	Not Applicable	The functions of the Chairman and the Managing Director are distinct and separate which ensures the balance of power and authority within the Company so that no individual has unfettered powers of decision making.

## Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
A.3 Chairman's Role			
A.3.1	Effective conduct of Board proceedings by the Chairman	Compliant	<p>Our Chairman, Dr. M P Dissanayake responsible for:</p> <ul style="list-style-type: none"> <li>➤ The effective discharge of the Board's functions,</li> <li>➤ Ensuring effective participation by the individual Directors to make their contribution on matters under consideration prior to taking decisions,</li> <li>➤ Ensuring the balance between the Executive and Non-Executive Directors is maintained and views considered and ascertained,</li> <li>➤ Ensuring that the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and stakeholders,</li> </ul>
A.4 Financial Acumen			
A.4	Ensuring the availability of sufficient financial acumen within the Board	Compliant	Mr. Sarath Ratwatte is fellow member of the Chartered Institute of Management Accountants, UK.
A.5 Board Balance			
A.5.1	Board Composition	Compliant	The Board consists of a Chairman, Managing Director, one Director/CEO and six Non-Executive Directors of whom two are Independent Directors. The profiles of the Non-Executive Directors are provided on page 48 of this Annual Report.
A.5.2	Constitution of the Board of Directors only with three Non-Executive Directors (NEDs)	Compliant	The Board consist of six Non-Executive Directors, of whom two are Independent.
A.5.3/ A.5.4	Determination of independence, Annual Declaration of independence by the NEDs	Compliant	<p>The Board is composed of two Independent Non-Executive Directors namely, Dr. S. A. B. Ekanayake and Mr. S. C. Ratwatte.</p> <p>Our Independent Non-Executive Directors neither participate in day-to-day operations of the Company nor take part in any business dealings with the Company. This enables them to be free from any conflict of interest with the Company.</p> <p>Annually, the Non-Executive Directors submit a signed declaration of his independence/non-independence in accordance with the requirements of the relevant statutory regulations.</p>
A.5.5	Board's determination on independence of NEDs	Compliant	The Board having considered the declarations made by the Non-Executive Directors and the criteria for independence determined that Dr. S A B Ekanayake and Mr. S C Ratwatte are Independent Directors as they conform to the relevant criterion for independence.
A.5.6	Independence of Alternate Directors	Compliant	The Alternate Directors of the Non-Executive Directors are not executives of the Company.



Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
A.5.8	Senior Independent Director	Not Applicable	This principle is not applicable to Elpitiya Plantations PLC as the roles of the Chairman and the CEO are distinct.
A.5.9	Chairman's meetings with the NEDs	Compliant	The Chairman meets with the Non-Executive Directors as and when necessary
A.5.10	Recording concerns	Compliant	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes.
<b>A.6 Supply of Information</b>			
A.6.1/ A.6.2	Management's obligation to provide appropriate and timely information	Compliant	<p>Directors are furnished with monthly reports of performance and are given appropriate information and board papers are circulated at least seven days ahead of each Board Meeting enabling the Directors to study the matters that would be discussed. This enables Board Members to actively participate at Board Meetings.</p> <p>The Board is provided with appropriate information well ahead of each Board meeting providing them sufficient time to review and obtain clarification if required enabling their active and effective participation.</p>
<b>A.7 Appointments to the Board</b>			
A.7.1	Presence of the Nomination Committee	Not Applicable	
A.7.2	Annual Assessment of Directors	Compliant	Assessment of the performance of the Board, its sub-committees and individual Directors is an integral part and takes place annually on a self-appraisal basis.
A.7.3	Disclosure of Appointment of a New Director	Compliant	<p>The Articles of Association of the Company empowers the Board of Directors to either fill a casual vacancy to the directorate or appoint additional Directors. A formal and transparent procedure is adopted for the appointment of Directors to the Board.</p> <p>Upon the appointment of a Director, the Company discloses same to the Colombo Stock Exchange together with a brief resumé of such a Director containing the nature of his expertise, other directorships held, memberships in Board Committees and the nature of the appointment.</p>
<b>A.8 Re-Election</b>			
A.8.1/ A.8.2	Re-election of NEDs and re-election and re-appointment of Directors	Compliant	All newly appointed Directors hold office until the next Annual General Meeting at which they are eligible for election. Further, the Articles require one-third of the Directors in office to retire at each Annual General Meeting. The Directors to retire each year are those who have been longest in office since their last re-appointment. Retiring Directors are eligible for re-election by the shareholders with the exception of the Managing Director and the Director nominated by the Secretary to the Treasury who do not retire by rotation.

## Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
A.8.3	Resignation	Compliant	In the event that a Director recommended for re-election or re-appointment wishes to resign from his/her position as a Director, he/she is expected to provide a written communication to the Board formally tabling his/her resignation along with reasons for such resignation.
A.9 Appraisal of Board Performance			
A.9.1/ A.9.2	Review of Performance of the Board and its Committees and self-evaluation of Directors and of its Committees	Compliant	Assessment of the performance of the Board, its sub-committees and individual Directors is an integral part and takes place annually on a self-appraisal basis
A.9.3/ A.9.4	Presence of a process to review participation, contribution and engagement of Directors and disclosure of performance evaluation	Compliant	The self-appraisal provides an avenue to highlight area for improvement and remedial action as well as evaluation of the progress of such areas identified. It also ensures that any gaps pertaining to investor relations and Board administration and processes are rectified.
A.10 Disclosure of information in respect of Directors			
A.10.1	Profiles of the Board of Directors and other related information	Compliant	Refer Board Profiles of this Annual Report
A.11 Appraisal of the Chief Executive Officer			
A.11.1/ A.11.2	Setting financial and non-financial targets	Compliant	The performance evaluation of the Managing Director and the CEO is carried out by the Chairman, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year.
B. Directors' remuneration			
B.1 Remuneration Procedure			
B.1.1	Remuneration Committee	Compliant	The Remuneration Committee which is a sub-committee of the Board is entrusted with the responsibility of formulating and reviewing the remuneration packages of Executive Directors and Executive employees. The evaluation of performance is conducted annually and bi-annually.  The names of the members of the Remuneration Committee are listed on the Remuneration Committee Report of this Annual Report.
B.1.2	Composition of the Remuneration Committee	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.1.3	Disclosure of the names of the members of the Remuneration Committee	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.1.4/B.1.5/ B.2.10	Remuneration of NEDs and Executive-Directors	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.2 The Level and Make up of Remuneration			
B.2.1 - B.2.5	Standard of making the remuneration packages of Executive Directors	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.2.6	Executive share option	Compliant	As at date, the Company has no share option available to its Directors.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
B.2.7	Performance based remuneration	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.2.8 B.2.9	Early termination in Directorate	Compliant	The Remuneration Committee determines the remuneration of Directors in the event of early termination.
<b>B.3 Disclosure of Remuneration</b>			
B.3.1	Disclosure of names of the members of the Remuneration Committee, statement of the remuneration policy and set out the aggregate remuneration paid to Directors	Compliant	Refer the Report of the Remuneration Committee and Note 9 to the Financial Statements of this Annual Report.
<b>C. Relations with shareholders</b>			
<b>C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings</b>			
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Compliant	Notices of meetings are circulated to the shareholders within the stipulated time in accordance with the Articles of Association.
C.1.2	Separate resolution for each issue	Compliant	A separate resolution on each issue is proposed at the Annual General Meeting of the Company.
C.1.3	Accurate recording and counting valid proxy appointments received for general meetings	Compliant	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken on a show of hands.
C.1.4	Availability of Chairmen of Board Committees at the Annual General Meeting	Compliant	The Chairmen of the Audit, Remuneration and Related Party Transactions Review Committees are present at the AGMs.
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	Compliant	In the event the appropriate numbers of shareholders give their intimation in writing and request for a poll, the procedures involved in voting would be circulated. In the absence of such intimation all issues at the General Meeting will be passed by show of hands.
<b>C.2 Communication with Shareholders</b>			
C.2.1 - C.2.3	Effective communication with shareholders and disclosure of the method of communication with the shareholders	Compliant	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the Company Secretaries and the Registrars. Any matters relating to the shareholders are effectively and efficiently dealt by Company Secretaries and the Registrars of the Company.
C.2.4. / C.2.6	Contact person in relation to shareholder matters	Compliant	Company Secretaries and/or the Registrars could be contacted in relation to shareholders.
C.2.5 / C.2.7	Process to make Directors aware of the issues and concerns of Shareholders and disclosing same and the process responding to shareholder matters	Compliant	The Company Secretaries maintain a record of all correspondence received and would deliver such correspondence to the Board or individual Director as applicable.  The Board or individual Director, as applicable will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretaries to send the response to the particular shareholder.

## Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
<b>C.3 Major and Material Transactions</b>			
C.3.1	Disclosure of Major related party transactions with a related party	Compliant	The Company ensures that in the event of a major related party transaction takes place, all required approvals are obtained and that the disclosure requirements of the Listing Rules of the Colombo Stock Exchange are strictly adhered to.
<b>D. Accountability and Audit</b>			
<b>D.1 Financial and Business Reporting</b>			
D.1.1/ D.1.2	Board responsibility in Financial Reporting	Compliant	The Board of Directors confirm that the financial statements of the Company and its subsidiaries have been prepared in accordance with the provisions of the Companies Act No. 7 of 2007, the Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Company has duly complied with all the relevant laws and reporting requirements of the regulatory authorities. Further, the consolidated financial statements and the financial statements of the Company were audited by Messrs Ernst and Young, Chartered Accountants.
D.1.3	Declaration made by the Chief Executive Officer and Chief Financial Officer in maintaining accurate financial records and in compliant with the appropriate accounting standards	Compliant	The Statement of Financial Position of this Annual Report contain a declaration by the Deputy Chairman and Managing Director and the Chief Financial Officer.
D.1.4/ D.1.5	Responsibility statement by the Directors and Auditors for the preparation and presentation of Financial Statements	Compliant	Refer the Statement of the Directors and Auditors and the Board of Director's Statement on Internal Controls of this Annual Report.
D.1.6	Contents of the Management Discussion & Analysis	Compliant	The Management Discussion and Analysis is given on Chairman's and Managing Director's Report in this Annual Report.
D.1.7	Serious loss of capital	Compliant	In the unlikely event that the net assets of the Company fall below half of shareholders' funds, the shareholders of the Company would be notified, and an Extraordinary General Meeting would be called to propose the way forward.
D.1.8	Disclosure of related party transactions	Compliant	Refer the Related Party Transactions Review Committee Report
<b>D.2 Risk Management and Internal Control</b>			
D.2.1	Board's responsibility to monitor the company's risk management and internal control systems	Compliant	Refer the Board of Directors' Statement on Internal Control of this Annual Report.
D.2.2	Confirmation by the Directors on carrying out a robust assessment of the principal risks faced by the company	Compliant	Refer the Board of Directors' Statement on Internal Control of this Annual Report.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
D.2.3	Presence of an internal audit function	Compliant	Aitken Spence Group's internal audit division carries out the Company's internal audit function.  The internal audit division carries out regular audits in the estates as well as the head office and submits quarterly reports to the Audit Committee on the findings.
D.2.4	Review the process and effectiveness of risk management and internal control by the Audit Committee	Compliant	The internal audit division carries out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors, reviews and evaluates the effectiveness of the internal control system as well as the internal controls over financial reporting.
D.2.5	The Statement of Internal Control	Compliant	The Statement on Internal Control is set out on page 120 of this Annual Report.
<b>D.3 Audit Committee</b>			
D.3.1	Composition of the Committee	Compliant	Refer the report of the Audit Committee is set out in this Annual Report.
D.3.2	Duties of the Committee	Compliant	Refer the report of the Audit Committee is set out in this Annual Report.
D.3.3	Disclosures	Compliant	Refer the report of the Audit Committee is set out in this Annual Report.
<b>D.4 Related Party Transactions Review Committee</b>			
D.4.1/ D.4.2	Composition of the Committee	Compliant	Refer the report of the Related Party Transactions Review Committee of this Annual Report.
D.4.3	Duties of the Committee	Compliant	Refer the report of the Related Party Transactions Review Committee of this Annual Report.
<b>D.5 Code of Business Conduct &amp; Ethics</b>			
D.5.1	Disclosure of the presence of code of business conduct and ethics for Directors and Key Management Personnel and declaration of compliance	Compliant	The Company has adopted the Aitken Spence Group Code of Ethics which provide employees with guidance on recognising and handling areas of ethical ambiguity with guidance on how to report unethical conduct and to nurture a culture of openness and accountability.
D.5.2	Presence of a process to identify and report material and price sensitive information	Compliant	The Company ensures that material and price sensitive information is promptly identified and reported in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange.
D.5.3	Policy, process for monitoring and disclosure of share transactions made by related parties	Compliant	Refer the report of the Related Party Transactions Review Committee of this Annual Report.
D.5.4	Chairman's affirmation that he is not aware of any violation of the provision of the code of business conduct and ethics	Compliant	The Chairman affirms that there has not been any violation of any of the provisions of the Code of Ethics. Please refer the Board of Directors' Statement on Internal controls of this report.

## Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
D.6 Corporate Governance Disclosures			
D.6.1	Disclosure of a Corporate Governance Report in the Company's Annual Report	Compliant	The Company aims to achieve greater growth and value creation, improve stakeholder satisfaction and relationships in all business activities while adhering to the highest standards of corporate governance as evident in this report.
Section 2: Shareholders			
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	Regular and structured dialogue with shareholders	Compliant	The Company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enable them to make well-informed decisions in their dealings with the Company.
E.2 Evaluation of Governance Disclosures			
E.2	Institutional investors should be encouraged to give due weight to all relevant factors when evaluating the Company's governance arrangements	Compliant	<p>The Institutional Shareholders are provided with the opportunity of holding discussions with the Company. The existing and prospective investors are provided with a balanced, comprehensive report that enable them to make well-informed decisions in their dealings with the Company.</p> <p>The shareholders are provided with and encouraged to discuss, raise questions, seek clarifications on relevant matters with the Chairman and the Board of Directors at the Annual General Meeting and they are free to informally meet the Directors at the conclusion of the general meetings.</p>
F. Other Investors			
F.1 Investing/Divesting Decision			
F.1	Encouraging shareholders to carry out adequate analysis and seek independent advice	Compliant	The Annual Report as well as the Interim Financial Statements which are readily available on the Colombo Stock Exchange website and the Company's website provide sufficient information so that the investors could make well-informed decisions and the Company encourages the investors to give due weight to all relevant factors drawn to them in evaluating Company's governance arrangements in respect of the Board structure and its composition.
F.2 Shareholder Voting			
F.2	Encouraging shareholders to participate in general meetings	Compliant	Elpitiya Plantations engage with shareholders through open, meaningful dialogue that helps us to understand their expectations. All shareholders are encouraged to attend and actively participate and vote at the Annual General Meeting. As the Company doesn't have any non-voting ordinary shares, all shareholders are entitled to one vote per individual present or one vote per share in case of a poll.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations
<b>G. Internet of Things and Cyber Security</b>			
G.1	Process to identify how the external IT devices could connect to the organisation's network	Compliant	Refer Risk Management of this Annual Report.
G.2	Appointment of a Chief Information Security Officer (CISO)	Compliant	The functions of the CISO is carried out by Group IT Division of Aitken Spence PLC who is also overlooking the IT function of Elpitiya Plantations Group.
G.3	Allocation of adequate time on the board meeting agenda for discussions on cyber risk management	Compliant	Refer Risk Management of this Annual Report.
G.4	Independent periodic review of the effectiveness on the cyber security risk management and the scope and the frequency of the review	Compliant	Refer Risk Management of this Annual Report
G.5	Cyber security process	Compliant	Refer Risk Management of this Annual Report
<b>H. Environment, Society and Governance (Esg)</b>			
<b>H.1 ESG Reporting</b>			
H.1.1	Provision of information in relation to ESG factors, effects of ESG issues to the business and how risks and opportunities pertaining to ESG are recognised, managed, measured and reported	Compliant	Please refer the Capital Management Report on page 86 of this Annual Report.
H.1.2.	Environmental Factors	Compliant	Please refer Natural Capital section of this Annual Report
H.1.3	Social Factors	Compliant	Please refer Human Capital and Social & Relationship Capital factors of this Annual Report
H.1.4	Governance	Compliant	Please refer the Corporate Governance Report of this Annual Report
H.1.5	Board's role on ESG Factors	Compliant	<p>ESG concerns of the Group is spearheaded by Dr. Rohan Fernando with the support and leadership of the Chairman.</p> <p>The Group conducted a formal stakeholder engagement study through a third party under the guidance of Dr. R. M. Fernando, and results of this study were shared with the Board of Management with exclusive sessions conducted for specific SBUs as well. Similar briefings are routinely carried out on key sustainability priorities for the Group where all Managing Directors and the Executive Directors of the Main Board are informed about the Group's progress in social and environmental governance and impact control.</p>

# Risk Management

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***We maintain a comprehensive risk management process that serves to identify, assess and respond to all financial and non-financial risks to our operations, including those that could threaten solvency and liquidity, as well as identifying emerging risks.***

## **Introduction**

The Board is pleased to provide this Statement on Risk Management and Internal Control that explains the nature of risk management and internal control within the Elpitiya Plantations PLC for the financial year under review.

Risk management and internal control are integrated into our management processes and embedded in all the business activities of the Group.

As an organisation which is part of a diversified group, a comprehensive and robust approach to risk management is vital to the Company for the appropriate and adequate execution of risk management to accomplish the strategic objectives.

Effective risk management and internal control systems are the cornerstone of delivering our strategy and an integral part of achieving our goal of delivering long-term sustainable value. We maintain a comprehensive risk management process that serves to identify, assess and respond to all financial and non-financial risks to our operations, including those that could threaten solvency and liquidity, as well as identifying emerging risks. Our approach is not intended to eliminate risks entirely, but instead to manage our risk exposures throughout the enterprise, while at the

same time seizing our opportunities by introducing powerful internal control systems.

Our integrated approach combines a top down strategic view with a complementary bottom up operational process. The Board has overall responsibility for risk management with a particular focus on determining the nature and extent of exposure to principal risks it is willing to take in achieving its strategic objectives. The amount of risk we are willing to take is assessed in the context of the core strengths of our business and the external environment in which we operate.

## **Risk Policy**

The Group recognises that risk is an integral and unavoidable component of its business and is characterised by both threat and opportunity. It fosters a risk aware corporate culture in all decision making cognisant of the Group's risk appetite. Through skilled application of high quality, integrated risk analysis and management, Elpitiya Plantations PLC will manage risk in order to enhance opportunities, reduce threats and so sustain competitive advantage. The Group is committed to managing risks in a proactive and effective manner. This requires comprehensive risk analysis to support management decisions at all levels within the Group.

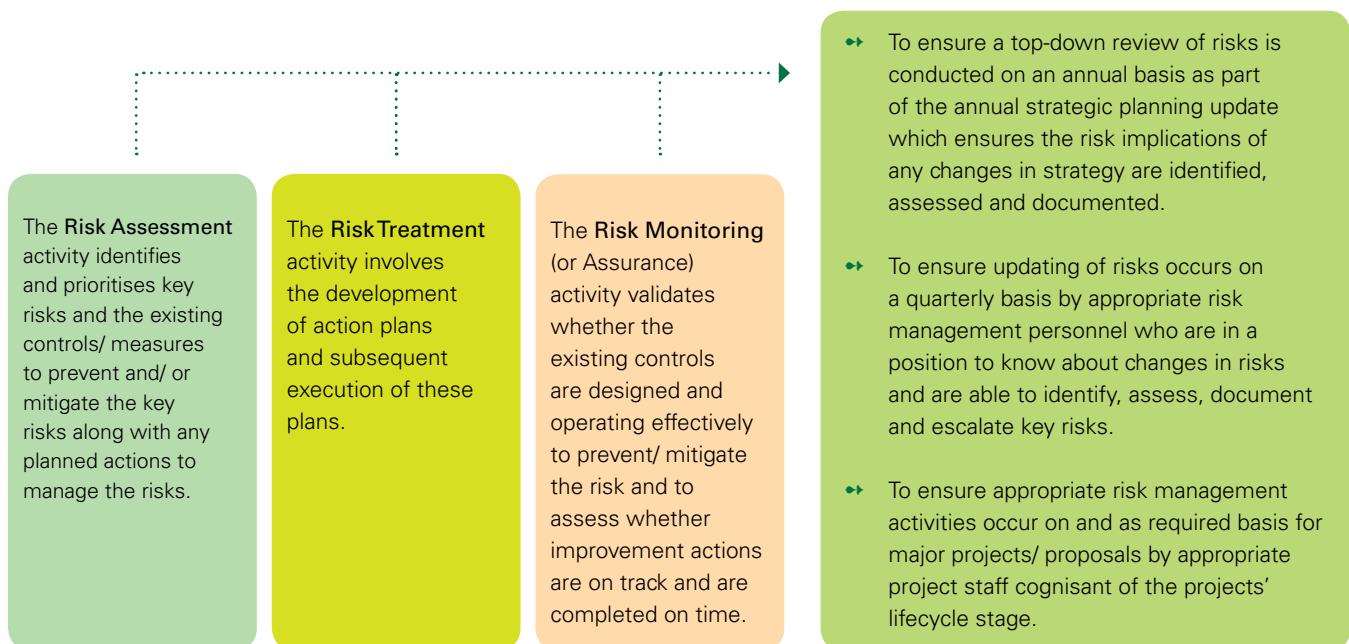


### Risk Management Approach

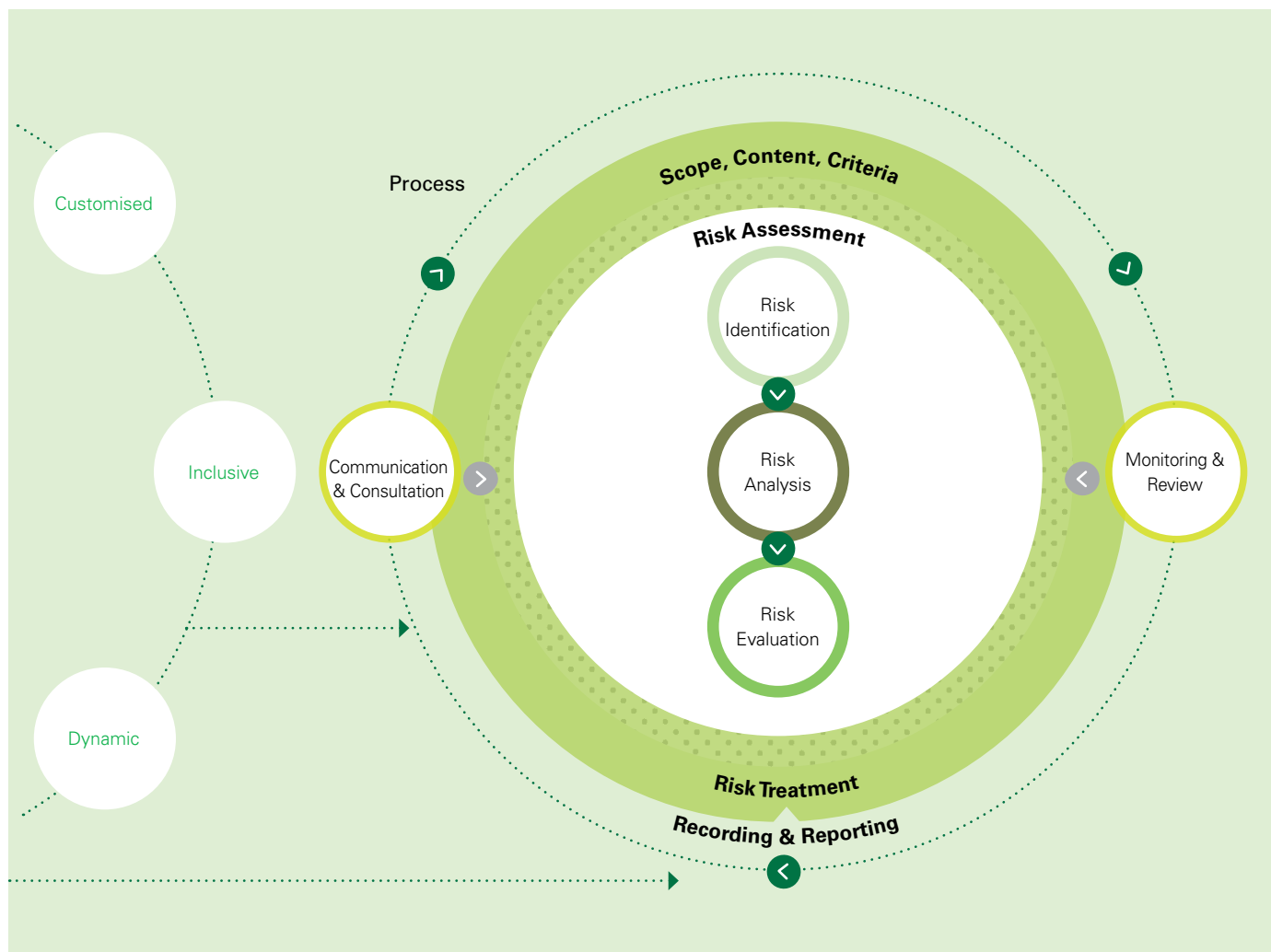
The Group has adopted a formal and structured approach to risk management.

Context	Timing	Management Involvement
Strategies/Objectives	Annual Review	Top Down (as part of the Annual Strategic Updating process)
Business Unit/Operating Unit/Project	Quarterly Update	Bottom Up (as part of the periodic monthly management review process)
Major Projects (CAPEX/ Improvements)	Monthly Review/ Adhoc Update	Project Team (as part of the routine project management review process)
Major Proposals (Investment/ Improvements)	As Required	Proposed Team (as part of the project evaluation process)

Integration of the formal risk management framework into the wider management framework occurs wherever practicable. Formal risk management activities encompass the following 3 key aspects:



## Risk Management



### Risk Appetite

Risk appetite is the level of risk we are willing to take in achieving our strategy. Following table describe the level of risk and respective treatment available in the risk management process.

Risk Level	Risk Treatment	Risk Response
Low	<ul style="list-style-type: none"> <li>➤ Acceptable</li> <li>➤ Unlikely to require specific application of resources; Manage by routine procedures.</li> </ul>	Monitor and review.
Moderate	<ul style="list-style-type: none"> <li>➤ Acceptable</li> <li>➤ Unlikely to cause much damage and/or threaten the efficiency and effectiveness of the programme/ activity.</li> <li>➤ Treatment plans to be developed and implemented by operational managers.</li> </ul>	Manage by specific monitoring or response procedures.
High	<ul style="list-style-type: none"> <li>➤ Generally, not acceptable.</li> <li>➤ Likely to cause some damage, disruption or breach of controls.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Senior management attention needed and management responsibility specified.</li> <li>➤ Treatment plans to be developed and reported.</li> </ul>

## Risk Treatment

Risk treatment involves developing a range of options for mitigating risk, assessing those options, and then preparing and implementing action plans. The highest rated risks should be addressed as a matter of urgency.

Depending on the type and nature of the risk, the following options are available for the company.

- Accept the risk – Making an informed decision that the risk rating is at an acceptable level or that the cost of the treatment outweighs the benefit.
- Share - Implementing a strategy that shares or transfers the risk to another party or parties, such as outsourcing the management of physical assets, developing contracts with service providers or insuring against the risk.
- Control - Implementing a strategy that is designed to reduce the likelihood or consequence of the risk to an acceptable level.
- Mitigate and Control - Deciding not to proceed with the activity that introduced the unacceptable risk, choosing an alternative more acceptable activity that meets business objectives, or choosing an alternative less risky approach or process.

## Risk Assessment

### Strategic Risk

A possible source of loss that might arise from the pursuit of an unsuccessful business plan

Business Risk → Moderate Risk → Control

- Risks that arise from the decisions that the Board takes about the products or services that the organisation supplies. They include risks associated with developing and marketing those products or services, economic risks affecting product sales and costs, and risks arising from changes in the operating environment.
- Risk of formulating and implementing fundamental corporate strategies which is defective or inappropriate to the company's business.
- Board of Directors continuously obtain and evaluate all the information on how the business is performing and relevant aspects of the economical, technological environments.

Non Business Risk

Moderate Risk

Control

- Risks that do not arise from the products or services supplied. For example, risks associated with the long-term sources of finance used.
- In appropriate capital investments financing decisions would dilute the earnings available to shareholders.
- All corporate planning strategies, such as acquisitions, business diversifications, going into markets, capital investments, are strongly evaluate by the Board of Directors with reference to the financial viability and long-term objectives set by the company.

### Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events.

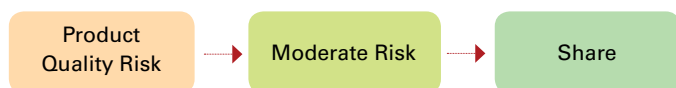
Risk of Adverse Climatic Change

High Risk

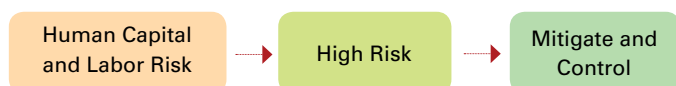
Mitigate and Control

- The risk that adverse weather conditions can affect the productivity of crops.
- Lower yield from harvesting areas and lower quality of the harvested products which will affect the product price and profitability of the company.
- The Company adopts best agricultural practices, planting of selected cultivars in order to mitigate loss of crop due to unfavourable climatic changes. In addition, various research programmes on soil & foliar analysis for fertiliser recommendations, shade-planting, fuel wood planting, pest & disease control, etc. are carried out together with the Tea and Rubber Research Institutes.

## Risk Management



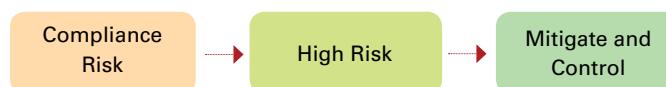
- Risk of inability to maintain consistency in quality of the product which causes low prices and poor demand.
- Lower quality products will reduce the bargaining power of the company and will cause demand losses.
- Nayapane, New Peacock, Dunsinane Tea Factories located in Up & Mid Country Regions and Deviturai, Talgaswella Tea Factories located in Low Country Region have obtained ISO 22000 Food Safety Certification.
- The Marketing Division is in close contact with all Estate Managers ensuring that product quality is maintained at the highest levels on a consistent basis and maintains a regular dialogue with the buyers and brokers
- The HR Division is providing ongoing training to all sectors such as Field Workers, Factory Workers and Executives on the aspects of the quality and adopting TQM procedures.



- Risks arising from the inability to attract, motivate and retain skilled and experienced staff.
- Risk of increased production costs due wage increases which does not lead to productivity increase.
- As the industry is highly labour intensive and unionised low productivity, work stoppages, go slows, strikes, etc. would adversely affect the overall performance of the Company.
- A Collective Agreement has been signed between the Trade Unions and the Employers' Federation of which the Company is a member. This ensures industrial peace between the Managements and Trade Unions.
- Effective training and motivations programmes, incentive schemes, close evaluations of employee performance to retain skilled human capital within the company.



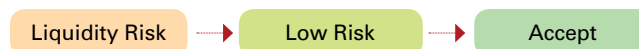
- Risk of being stealing or misuse of company's assets.
- Company's assets can be used for purposes other than the purposes for which those are intended to be used.
- Establishment and maintenance of strong and effective internal control system to safeguard company's assets and shareholder's funds.



- Risk of non-compliance with the laws and other regulations established in respective industries.
- Non-compliance with laws and regulations would lead to cause of operations, loss of reputations and Brand names, huge fines and penalties.
- Close relationship with regulatory authorities and in-house legal consultants and strong evaluation of dealing with elements of external environment.

### Financial Risk

The probability of loss inherent in financing methods which may impair the ability to provide adequate return.



- Liquidity risk arises where the company is unable meet its debts when they fall due.
- Insufficient liquidity levels would cause interruptions to company's day to day operations and would affect the reputation maintains with Company's short-term fund providers.
- Finance division of the Company strives to ensure sufficient funds are available to meet the debt commitments and working capital requirements. Adequate short-term financing options have been arranged with the banks.



- Risk arises from actual interest rate fluctuations or deviations from the expected interest rates.
- Higher interest rates would affect the profits available for shareholders, and will increase risk associated with their investments.
- Maximum utilisation of concessionary loans facilities available to plantation companies.
- Maintain balanced loan portfolio which ensure an adequate level of mixing of variable rates and fixed rates loans with different maturity periods.

### Risk Monitoring and Control

Risk monitoring and control is the process of identifying, analysing, and planning for newly discovered risks and managing identified risks. Throughout the process, Elpitiya Plantations PLC will track identified risks, reveal new risks, implement risk response plans, and gauge the risk response plans effectiveness. The key point is throughout this phase constant monitoring and due diligence is key to the success.

The inputs to Risk Monitoring and Control are

- Risk Management Plan
- Risk Register
- Approved Change Requests
- Work Performance Information
- Performance Reports



# Operating Environment



## Economic Environment

Global GDP growth moderated to 3.6% in 2018 in view of trade tensions between USA and its key trading partners, slower growth in China and muted investor and consumer sentiments in the European region. While USA recorded relatively good growth at 2.9%, weaker sentiments and disruptions to the auto sector in Germany weighed down growth in the Euro region which expanded by 1.8% during the year. Emerging market and developing economies maintained growth at 4.5% (compared to 4.7% in 2017) although China recorded a slowdown in view of a regulatory tightening and efforts to drive a more sustainable growth agenda. Sluggish conditions in Russia, coupled with weaker oil prices and structural headwinds affected economic activity in the CIS region which remained subdued at 2.8%. The downward pressure on oil prices, US sanctions in Iran and geopolitical tensions across several regional economies such as Iraq, Syria and Yemen resulted in the Middle Eastern region expanding by just 1.8% in 2019.

On the domestic front, Sri Lanka's GDP growth moderated to 3.2% in 2018 (from 3.4% in 2017) reflecting cascading effects of global conditions as well as a tighter



***On the domestic front, Sri Lanka's GDP growth moderated to 3.2% in 2018 (from 3.4% in 2017) reflecting cascading effects of global conditions as well as a tighter policy stance adopted by the Government to address macro-economic imbalances.***

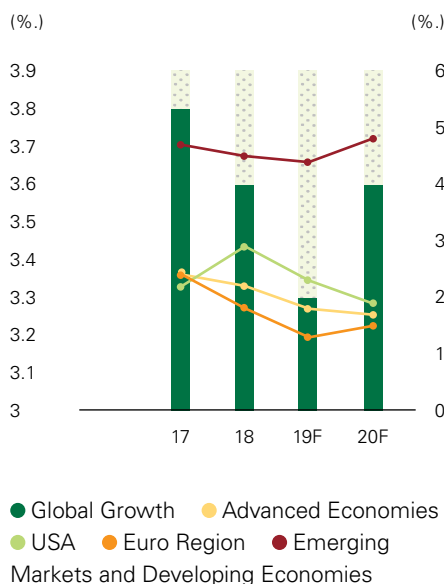
policy stance adopted by the Government to address macro-economic imbalances. The Agriculture sector recovered to post a growth of 4.8% supported by better weather conditions, particularly in paddy growing areas; however, tea and rubber cultivated declined in view of adverse weather. A contraction in the construction sub-sector directly impacted the Industries sector which grew at a mere 0.9%. Meanwhile the Services sector grew by 4.7% during the year reflecting broad-based

expansion of several sub-sectors including financial services and telecommunications.

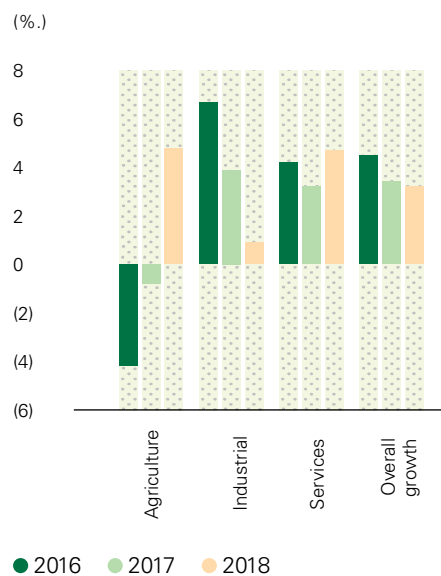
Market interest rates remained high for most part of 2018 despite a relaxation of the tight monetary policy stance previously adopted by the Government. Persistent deficits of rupee liquidity in the domestic money market compelled the Central Bank to cut the Statutory Reserve Ratio (SRR) applicable on all rupee deposits of commercial banks in November 2018.

The exchange rate recorded sharp depreciation against the US Dollar during the year, falling by 17% in 2018 to close the year at Rs. 180.10. The depreciation reflects the broad-based strengthening of the US Dollar against regional currencies, coupled with capital outflows during the year. During the first quarter of 2019, however the Rupee strengthened somewhat, reflecting government efforts to curtail import expenditure.

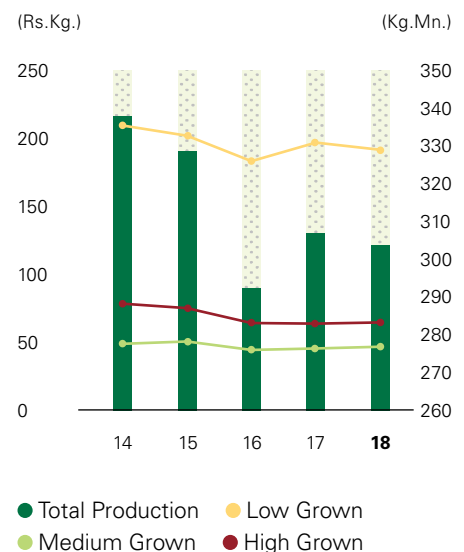
**Global Economic Growth**



**Sri Lanka GDP Growth**



**Tea Production Trends**



## Operating Environment

***The cultivation of oil palm has the potential to transform the country's dwindling plantation sector while generating export earnings and saving foreign exchange through import substitution on edible oils. It is a highly productive crop, requiring limited land, generating wide profitability margins and enjoying consistently rising demand given its versatility and use in numerous applications ranging from cosmetics, confectionary and pharmaceutical products.***

### Industry Environment

#### Tea

It was a challenging year for Sri Lanka's tea industry, which recorded a subdued performance against the backdrop of lower production volumes, a decline in prices and muted demand conditions. Unfavourable weather conditions in tea growing areas and wage related trade union action in the plantation sector affected the total tea production during the year which saw a 1% decrease to 303.8 million kilograms in 2018 from 307.1 million kilograms in 2017. Although high grown and medium grown tea production both recorded an increase in production, low grown tea which accounts for almost 63.2% of the total production witnessed a decrease of almost 2.7% resulting in the drop in overall production.

Tea prices too continued on a downward trend during the year. Average auction prices of high, medium and low grown teas at the Colombo Tea Auction (CTA) were significantly lower than the corresponding prices that were observed in 2017. During 2018, the average price of tea decreased to Rs. 581.58 per kilogram from Rs. 620.44 per kilograms in 2017. Meanwhile the average export price (FOB) recorded a decrease of 4.4 per cent to US dollars 5.06 per kilogram in 2018, compared with US dollars 5.29 per kilogram in 2017.

Lower domestic production and subdued demand conditions due to geo-political tensions and falling oil prices in major buying markets negatively impacted the volume of tea exports in 2018. Total tea exports decreased by 2.3 per cent to 282.4 million kilograms in 2018, compared to 289.0 million kilograms in the previous year. Consequently, earnings from tea exports declined by 6.6 per cent to US dollars 1,428 Mn in 2018.

+	The government ban on glyphosate imposed in 2015 was removed in July 2018. The uplifting of the ban and more liberal policy on fertiliser is expected to contribute favourably to the sector, although it will take a considerable amount of time to normalise the prolonged impact of the ban.
-	Labour wage negotiations during the year resulted in the daily base wage rate increasing by 40% to Rs.700 a day. The increase in the wage rate is expected to further increase the cost of production which is already among the highest in the world.
-	US sanctions on Iran had a cascading impact on auction prices in Colombo, particularly for the low grown (Tippy) teas.
-	Despite the Depreciation of the Rupee during the year, geopolitical tensions and economic woes in major buying markets such as Middle Eastern countries and Russia, resulted in subdued demand conditions.



### Rubber

Sri Lanka's rubber sector has experienced challenging times in recent years, and conditions continued to be depressed during 2018. Continuous rain in tapping areas and the escalating cost of production resulted in total rubber production declining marginally to 82.6 Mn KGs during the year. International market prices were on a downward trend during the year, mainly due to the decline in oil prices which results in a corresponding drop in the price of synthetic rubber. Resultantly, rubber prices in the Colombo Rubber Auction also reduced by 8.2%. Cost of production continued to be on the rise, increasing by 5% and pressurising already narrow margins.

RPCs were pursuing the option of replacing unproductive and underutilised rubber land with oil palm, thereby generating significant economic and social benefits. Unfortunately, lack of clarity in the government's stance on oil palm cultivation and the propagation of misinformation regarding the environmental impacts of the crop have brought the industry to a standstill. RPCs which had already invested in oil palm seedlings almost 2 years ago, face the risk of seedlings maturing and going to waste, given the Government's unofficial stance that cultivation should be discontinued.

### Oil Palm

The cultivation of oil palm has the potential to transform the country's dwindling plantation sector while generating export earnings and saving foreign exchange through import substitution on edible oils. It is a highly productive crop, requiring limited land, generating wide profitability margins and enjoying consistently rising demand given its versatility and use in numerous applications ranging from cosmetics, confectionary and pharmaceutical products. In Sri Lanka,



## Business Line Reviews

# Tea

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*The tea sector continues to be the main contributor to revenue, accounting for 73% of total revenue in FY 2018/19. Lower global tea prices during the year impacted sector performance, which witnessed a decline in both revenue and net profits. Notwithstanding this, we continue to focus on improving productivity and quality in order to continue to attract premium prices for our teas.*



**Rs. 2,593 Mn**  
Revenue

## Business Line Reviews

# Tea Sector

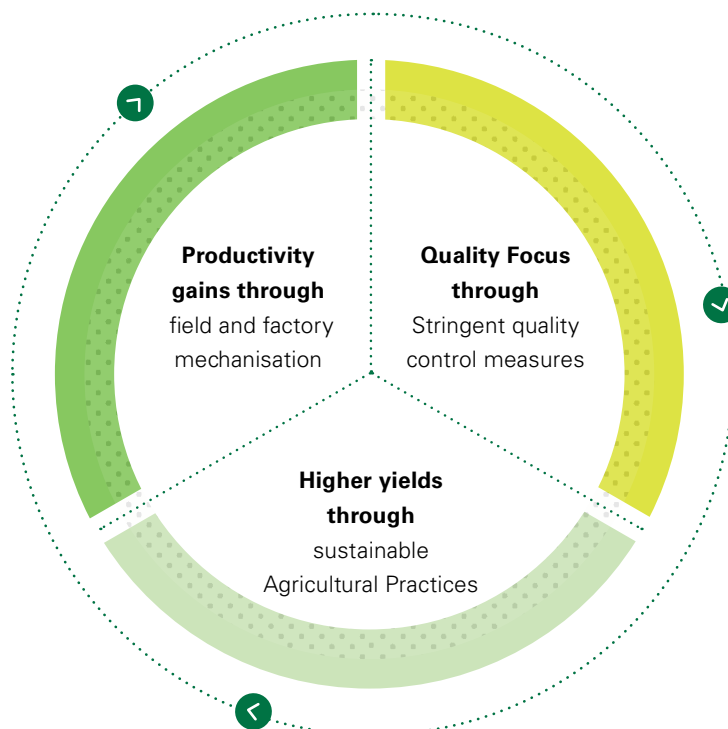


*During the year we continued with our field and factory mechanisation drive, investing a total of Rs. 144 Mn on field development, mechanisation, factory upgrades and process automation. Several labour-intensive field operations have been mechanised by introducing mist blowers, shear plucking machinery and backhoe equipment. Automation of tea factories continued too, with the Nayapane rolling room automation project being completed during the year.*

### Performance Highlights

		2019	2018	%
Revenue	Rs. Mn	<b>2,592.7</b>	2,782.3	(7)
Operating profit	Rs. Mn	<b>278.9</b>	494.0	(44)
Production	Mn Kg	<b>4.5</b>	4.6	(1)
Prices (NSA)	Rs/Kg	<b>546.07</b>	584.51	(7)

### Strategic Priorities







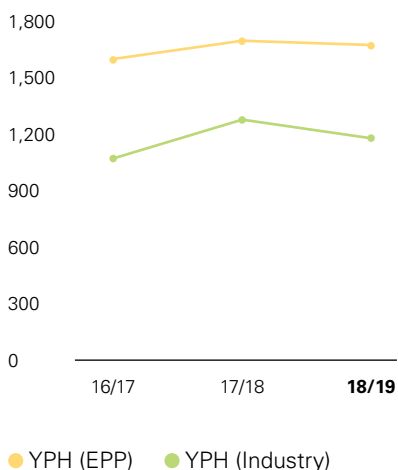
EPP's tea sector revenue declined by 7% to Rs. 2,592.7 Mn in FY 2018/19. A decrease in production volumes due to adverse weather conditions combined with lower global tea prices affected segmental revenue during the year. The weaker top line coupled with a 40% increase in the basic wage rate resulted in the sector's operating profit declining sharply by 44% to Rs. 278.9 Mn in FY 2018/19 compared to Rs. 494 Mn the previous year.

With sector margins increasingly pressured by the escalating cost of production, we continued to place strategic focus on enhancing product quality and productivity. During the year we continued with our field and factory mechanisation drive, investing a total of Rs. 144 Mn on field development, mechanisation, factory upgrades and process automation. Several labour-intensive field operations have been mechanised by introducing mist blowers, shear plucking machinery and backhoe equipment. Automation of tea factories continued too, with the Nayapane rolling room automation project being completed during the year. Meanwhile in line with our sustainability agenda, agricultural best practices including rainwater harvesting and composting is carried out across the estates



***We continue to focus on the quality of the tea we produce which has enabled us to consistently attract premium prices for our teas. Net Sales Average (NSA) of Elpitiya teas in FY 2018/19 was Rs. 546.07 compared to the industry NSA of Rs. 581.91. Stringent quality control measures and strict adherence to quality standards ensure the quality of the tea we produce.***

**Productivity** (Yield per Hectare - Tea)



to increase soil carbon levels and improve productivity of our lands. As a result of these productivity enhancing initiatives our Yield per Hectare (YPH) continued to be higher than industry average yield.

We continue to focus on the quality of the tea we produce which has enabled us to consistently attract premium prices for our teas. Net Sales Average (NSA) of Elpitiya teas in FY 2018/19 was Rs. 546.07 compared to the industry NSA of Rs. 581.91. Stringent quality control measures and strict adherence to quality standards ensure the quality of the tea we produce. (Please refer page 6 for full list of certifications obtained by our tea estates and factories)

During the year we also strengthened our value-added product proposition seeking

deeper penetration of our ready to drink tea brand "Harrow Ceylon Choice" in the local market. Several packaging value additions such as tea gift boxes, tea books and tea presentation boxes were also introduced to increase the appeal of the brand as a premium quality tea.

#### **Way Forward**

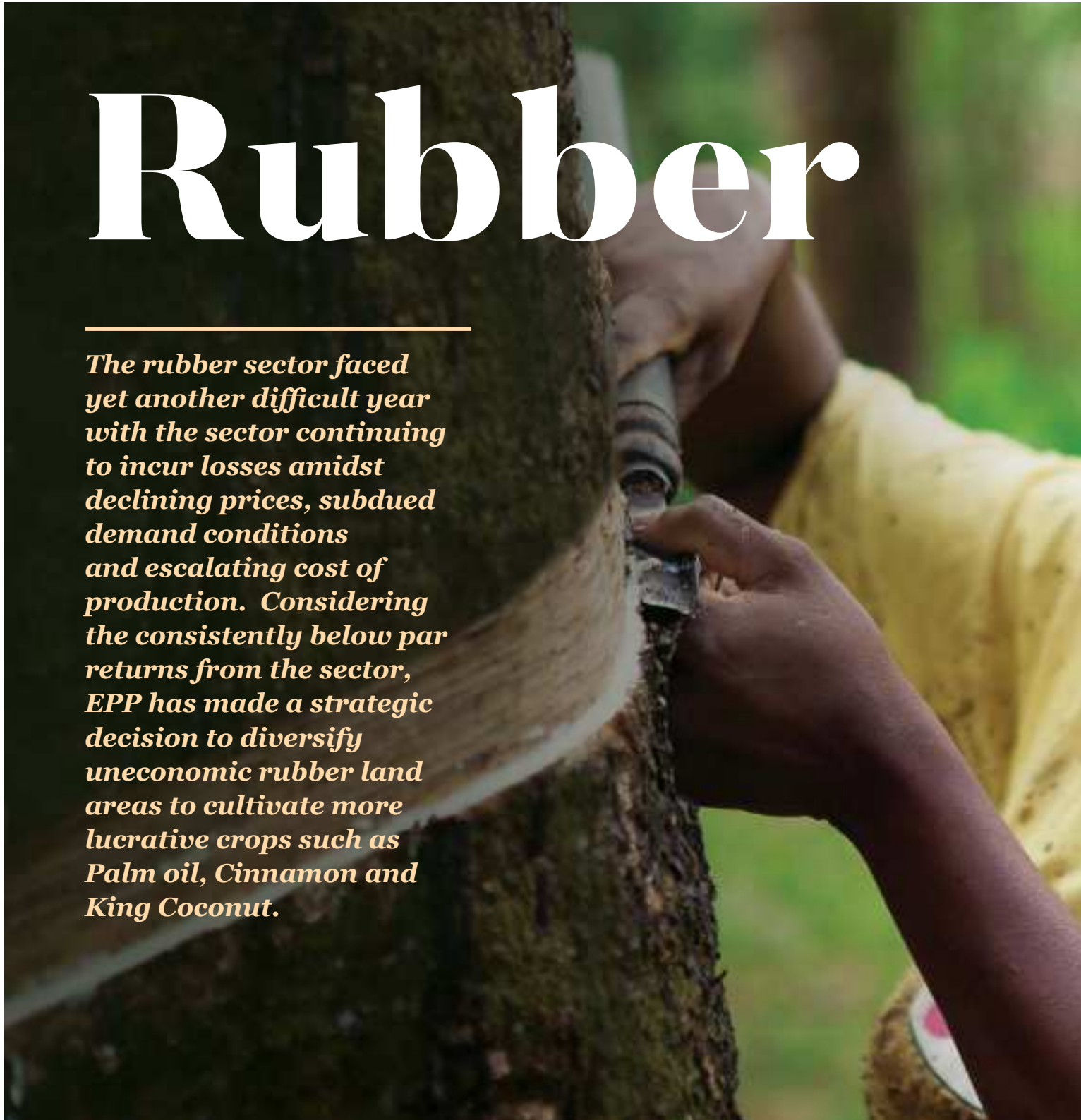
Improving our yields, productivity and quality will remain a focus and we will continue to invest in technology to achieve these goals. We will also continue to strengthen our presence both in existing markets as well as new markets such as China through greater direct engagement with potential buyers. Meanwhile we will continue to explore innovative ways in which we can move up the value chain and expand our market presence.

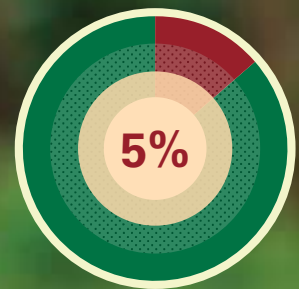
## Business Line Reviews

# Rubber

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*The rubber sector faced yet another difficult year with the sector continuing to incur losses amidst declining prices, subdued demand conditions and escalating cost of production. Considering the consistently below par returns from the sector, EPP has made a strategic decision to diversify uneconomic rubber land areas to cultivate more lucrative crops such as Palm oil, Cinnamon and King Coconut.*





**Rs. 192 Mn**  
Revenue



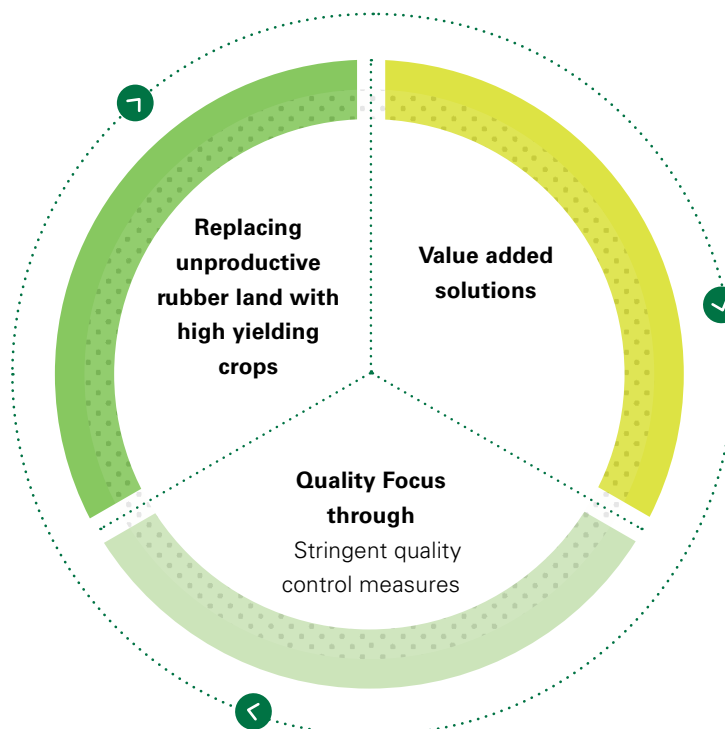
## Business Line Reviews

# Rubber Sector

### Performance Highlights

	2019	2018	%
Revenue (Rs. Mn)	<b>192.23</b>	206.76	(7%)
Operating profit (Rs. Mn)	<b>(33.92)</b>	(40.11)	(18%)
Harvest (Kg 000)	<b>660,188</b>	562,697	17%
Yield	<b>905</b>	679	33%
Cultivated Area (Hectares)	<b>720.86</b>	826.30	(13%)

### Strategic Priorities



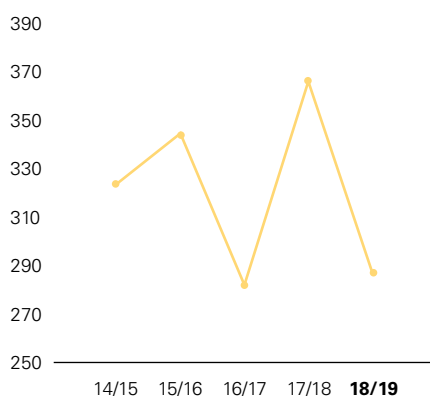


**Meanwhile, we are exploring avenues for rubber value addition in order to increase our margins in the sector. One such venture is the supply of rubber soles to a globally renowned shoe manufacturer which performed well during the year contributing Rs. 65.5 Mn in revenue for the period.**

The rubber sector faced yet another difficult year with the sector continuing to incur losses amidst declining prices, subdued demand conditions and escalating cost of production.

Despite production increasing by 17% during the year, segmental revenue declined by 7% to Rs. 192.23 Mn in

**Rubber - NSA (Rs.)**



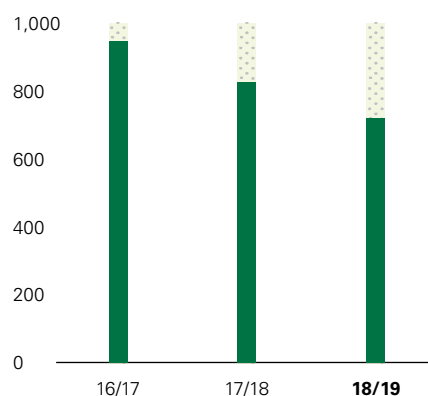
FY 2018/19. The decline was due to the persistently subdued international market prices that prevailed during the year. Rubber prices in the Colombo Rubber Auction declined by 8.2% during the year which resulted in the company NSA also declining by almost 22% in the corresponding period.

Margins in the rubber sector continue to be pressured by increasing cost of production. We therefore continue to focus on improving labour productivity and yields on our rubber estates to reduce cost of production. During the year we introduced an early tapping

system to increase the latex output. Meanwhile, we are exploring avenues for rubber value addition in order to increase our margins in the sector. One such venture is the supply of rubber soles to a globally renowned shoe manufacturer which performed well during the year contributing Rs. 65.5 Mn in revenue for the period. Consequently, sector losses decreased by 18% during the year to Rs. 34 Mn compared to a gross loss of Rs. 40 Mn in FY 2017/18.

Considering the consistently below par returns from the sector, EPP has made a strategic decision to diversify uneconomic rubber land areas to cultivate more lucrative crops such as Palm oil, Cinnamon and King Coconut. Accordingly, our rubber cultivation extent reduced by 13% during the year and currently stands at 720.86 Hectares.

**Rubber Cultivated Extent (Hectare)**



### Way Forward

EPP continues to review its rubber operation and will gradually reduce its dependence on the sector. In the short run however, we will continue to seek ways in which we can reduce sector losses through productivity and efficiency gains on existing rubber lands.

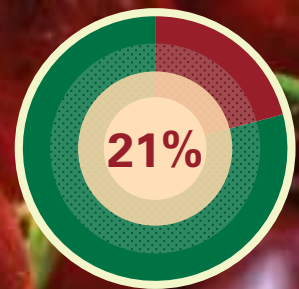
## Business Line Reviews

# Oil Palm

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*Oil palm continued to be a significant contributor to group revenue, accounting for 21% of total revenue in FY 2018/19. Favourable prices combined with our ongoing focus on increasing yields had a positive impact on sector which witnessed a 7% growth in revenue during the year. In view of its attractive returns and contribution to the Group's earnings, oil palm has been identified as a key crop for expansion under the group's diversification strategy.*





**Rs. 732 Mn**  
Revenue

## Business Line Reviews

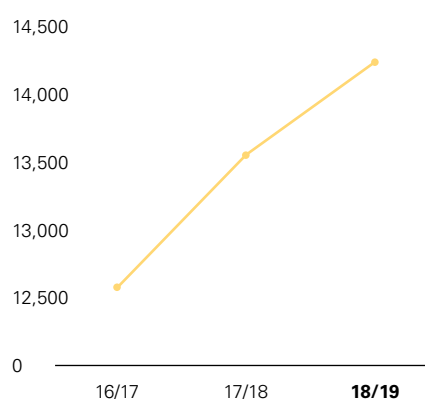
# Oil Palm Sector

*The oil palm sector continued to perform well during the year recording a revenue growth of 7% to Rs. 732 Mn in FY 2018/19. Performance was driven by stronger domestic prices and a 7% increase in production volumes during the year.*

### Performance Highlights

		2019	2018	%
Revenue	(Rs. Mn)	<b>731.93</b>	683.88	7%
Operating profit	(Rs. Mn)	<b>492.73</b>	425.93	16%
Harvest	(Kg Mn)	<b>17.1</b>	15.9	7%
Yield	Kg/hectare	<b>14,286</b>	13,743	4%
Cultivated Area	(Hectares)	<b>1,196.06</b>	1,161.01	3%

**Yield Over Time** (Yield/Hectare)





The oil palm sector continued to perform well during the year recording a revenue growth of 7% to Rs. 732 Mn in FY 2018/19. Performance was driven by stronger domestic prices and a 7% increase in production volumes during the year.

Favourable prices combined with our ongoing focus on increasing yields had a positive impact on sector operating profit margins which increased to 67% from 62% the previous year. Consequently, contribution from the oil palm sector increased from Rs. 425.9 Mn in FY 2017/18 to Rs. 492.7 Mn 2018/19. The sector continues to be the largest contributor to Group profitability, accounting for 65% of consolidated operating profits in FY 2018/19.

Crop yields have increased consistently over the last three years and continue to be higher than the industry average due to ongoing investments to improve productivity and agriculture practices. Yield per hectare continued to increase during the year increasing by 4% to 14,286 Kg per hectare. Meanwhile, we continue ensure the quality of our Fresh Fruit Bunches (FFB) by closely monitoring harvesting intervals and ensuring the harvested fruits are processed before the build-up of fatty acids.

In view of its attractive returns and contribution to the Group's earnings, oil palm has been identified as a key crop for expansion under the group's diversification strategy. Strategic plans to expand our oil palm cultivation during the year however were hampered by the lack of clarity on the government's stance regarding the cultivation of oil palm. During the year, the Group's oil palm cultivation expanded by 3%. The Group currently has Rs. 15.8 Mn



***Favourable prices combined with our ongoing focus on increasing yields had a positive impact on sector operating profit margins which increased to 67% from 62% the previous year. Consequently, contribution from the oil palm sector increased from Rs. 425.9 Mn in FY 2017/18 to Rs/ 492.7 Mn 2018/19.***

worth of seedlings, which have been stocked in nurseries for over 2 years and are reaching maturity. We therefore urge the government to take a speedy decision to resolve this issue in order to avoid a total collapse of the industry.

#### **Way Forward**

Lack of clarity regarding policy decisions on oil palm cultivation continues to be a major concern facing the industry. We will continue to work closely with stakeholders to reach a consensus on this issue as we firmly believe the future of the palm oil industry is at stake due to this policy indecisiveness. Meanwhile we will continue to focus on improving yields

and quality of our crop through greater mechanisation and better agricultural practices while also exploring options of moving up the palm oil value chain.

## Business Line Reviews

# Berries

---

*We continue to focus on our diversification strategy venturing into several new areas during the year. Our investments in commercial forestry and renewable energy performed well contributing Rs. 114 Mn to group earnings during the year. Our berry strategy aimed at cultivating four types of imported berries was developed during the year and will be a key focus area for FY 2019/20.*



Revenue from Strategic Investments



**Rs. 124 Mn**  
2018/19

**Rs. 85 Mn**  
2017/18

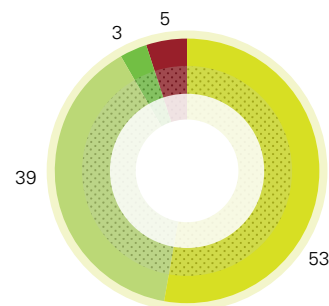
## Business Line Reviews

# Strategic Diversifications

*During the year we initiated a pilot project to cultivate four types of imported berries including Strawberries, Blackberries, Raspberries and Blueberries on two of our mid country and upcountry estates.*

Our diversification strategy continued to pay dividends contributing Rs. 124 Mn to the Group's earnings during the year. Commercial forestry contributed a bulk of these earnings, accounting for almost 53% of non-core revenue while earnings from our investments in renewable energy sources such as hydro and solar generated 42% of these earnings.

**Revenue Contribution from Diversified Operations (%)**



● Forestry ● Minihydro ● Solar Power  
● Coconut/Cinnamon



### Commercial Forestry

The Group currently has 932.05 hectares of commercial forestry with a total biological assets value of Rs. 1.1 Bn as at the end of FY 2018/19. Contribution from commercial forestry amounted to Rs. 65.2 Mn in FY 2018/19 compared to Rs. 64.5 Mn in FY 2017/18.

While enhancing our revenue streams, cultivation of forestry is also part of our drive towards sustainable agricultural practices and land optimisation. Eucalyptus and Albizzia are grown in the upcountry estates while Alstonia is grown in the low country estates, contributing to the forest cover and bio-diversity in these areas.

During the year we continued to expand our forestry cultivation, investing Rs. 7 Mn in the cultivation of Agarwood. Agarwood, which is considered to be a premium wood, is expected to bring significant returns over the medium term.

### Renewable Energy

The Group continues to invest in the renewable energy as part of its diversification strategy and has made several investments in mini-hydro power and solar power over the years. The Group currently operates three mini-hydro power projects on its estate lands with a total generating capacity of 4460 kW. Erratic weather conditions in high grown areas where our mini hydro projects are located impacted returns on our hydro investments during the year. Nevertheless, total revenue from mini hydro projects amounted to Rs. 49 Mn compared to Rs. 38 Mn in FY 2017/18.

We have also embarked on a solar power generation drive and have already commissioned 4 out of the proposed 7 solar plants at our factories. Sale of Solar power to the national grid generated a revenue of Rs. 4.3 Mn during the year.

### Forestry Sector

2019	
Revenue contribution (Rs. Mn)	65.2
Forestry Extent (Hectares)	932.05
Biological assets value (Rs. Bn)	1.1

### Renewable Energy Sector

2019	
Revenue contribution (Rs. Mn)	41.9
Generation Capacity (Solar and Hydro)	4,935 kW
Generation during FY 2018/19	4,906 MWh

Project	Type	Installed Capacity	Generation in FY 2018/19
Sheen	Mini Hydro	560 kW	2,307 MWh
Dunsinane	Mini Hydro	3000 kW	603 MWh
Dunsinane Cottage	Mini Hydro	900 kW	1,742 MWh
New Peacock TF	Solar	88 kW	99 MWh
Nayapane TF	Solar	96 kW	84 MWh
Talgaswella TF	Solar	113 kW	34 MWh
Devithurai TF	Solar	178 kW	37 MWh

### Intercrops and High Value Horticulture

As part of our land optimisation strategy, we continue to expand our cultivation of intercroops such as cinnamon, passion fruit, herbal plants coffee and King Coconut. During the year we initiated a pilot project to cultivate four types of imported berries including Strawberries, Blackberries, Raspberries and Blueberries on two of our mid country and upcountry estates. Commercial operations of the strawberry cultivation is scheduled to commence during the second half of 2019/20.

### Way Forward


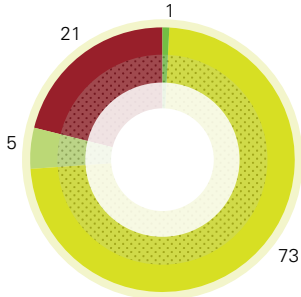

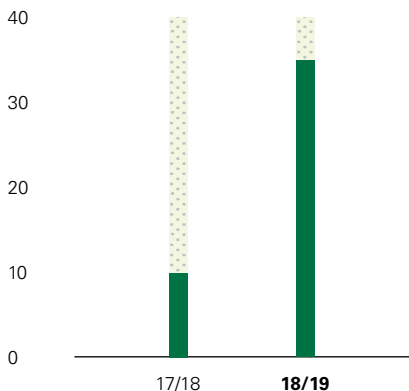

Whilst strengthening our presence in the above sectors, we have identified several new areas such as agri and eco-tourism, as potential areas to venture into given the unique resources we have access to. Meanwhile we continue to explore new areas where we can diversify into in order to achieve a sustainable long term growth.

## Capital Management

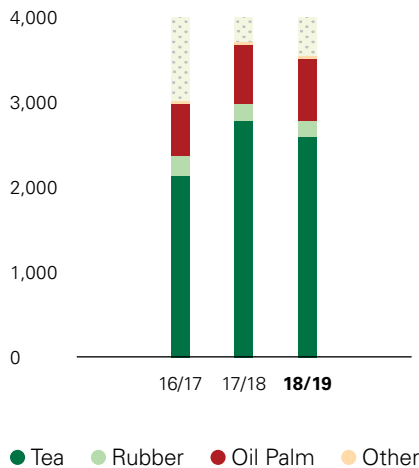


### FINANCIAL CAPITAL

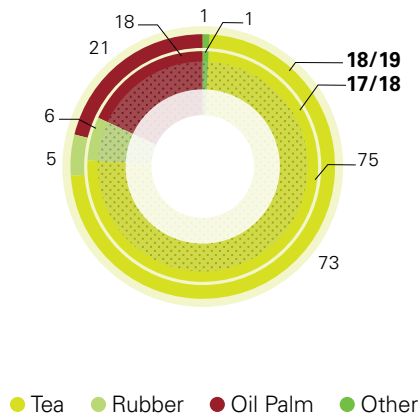
Strategic emphasis on pursuing diversification of its earnings profile enabled the Group to demonstrate resilience in a year of numerous challenges. Despite unfavourable weather conditions, a decline in both tea and rubber prices and geopolitical tensions in key buying markets, the Group delivered a pre-tax profit of Rs. 512.41 Mn during the year and emerged as one of the industry's most profitable RPCs.

Strategic Direction and Relevant Capital	Initiatives in 2018/19	Key Performance Indicators
<p>Diversification of revenue streams</p> 	<ul style="list-style-type: none"> <li>➤ Ongoing focus on driving growth in renewable energy and commercial forestry</li> <li>➤ Further diversification through venturing into berry cultivation</li> </ul>	<p>➤ Reduced reliance on tea and rubber during the year, with increased contributions from oil palm and others business lines</p> <p><b>Revenue (%)</b></p>  <p>● Tea ● Rubber ● Oil Palm ● Other</p>
<p>Enhancing productivity and efficiency levels</p> 	<ul style="list-style-type: none"> <li>➤ Ongoing investment in field and factory mechanisation</li> </ul>	<p><b>Automation (%)</b></p>  <p>17/18 18/19</p>
<p>Sustainable manufacturing methods to drive both commercial and sustainability objectives</p> 	<ul style="list-style-type: none"> <li>➤ Investment in energy efficient machinery and equipment</li> <li>➤ Efforts to reduce dependence on fossil fuels through increasing reliance on bio-mass sources</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rs. 2.6 Mn savings on energy cost during the year</li> <li>➤ 100% reliance on bio-mass sources at factories</li> </ul>

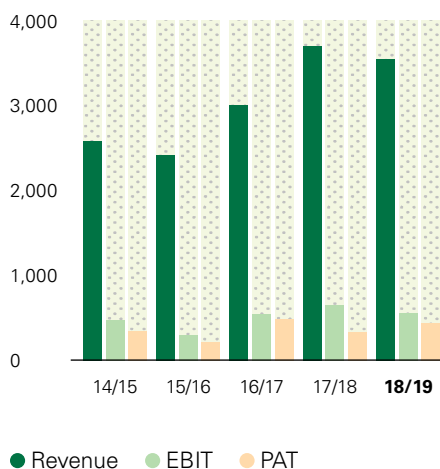
**Revenue (Rs. Mn.)**



**Revenue Breakdown (%)**



**Financial Performance (Rs. Mn.)**



## Financial Performance

### Revenue

Group revenue contracted by 4% to reach Rs. 3,548 Mn, reflecting the decline in both tea and rubber prices and a marginal drop in volumes. The Net Sales Average (NSA) of tea declined by 7% compared to 2017/18 while total production volumes also fell by 6% on the back of adverse weather conditions, and trade union action. Price of natural rubber continued its downward trend declining by 22% during the year, due to weaker global demand. Accordingly, the contribution to the top line by both tea and rubber declined by 7% to reach Rs. 2,593 Mn and Rs. 192 Mn respectively. Revenue from oil palm, however, grew by 7% to Rs.732 Mn during the year, supported by steady improvements in pricing and a 7% increase in production. Meanwhile, revenue from 'Others' increased by 14% to Rs.31 Mn mainly in view of stronger contributions from renewable energy generation.

Tea and rubber still account for the major share of the Group's revenue profile contributing 78% in 2018/19, although the relative contribution has declined in recent years given ongoing efforts to pursue diversification. Accordingly, oil palm and others accounted for 22% of total revenue, compared to 19% the previous year.

### Gross Profit

The Group's gross profit margin narrowed from 24% last year to 21% during the year reflecting the overall decline in pricing and a 40% increase in the basic wage rate of plantation workers which came into effect from October 2018. The impact on consolidated margins were somewhat cushioned by better pricing on oil palm produce. Overall, the Group's gross profit recorded a decline of 15% to Rs.753 Mn. Oil palm maintained its position as the most significant contributor to the Group's gross profit with a share of 65% during the year. Profit contributions from tea declined sharply during the year while the rubber

segment continued to impact overall profitability, generating a loss of Rs. 33 Mn during the year. (Please refer to business line reviews on pages 70 to 85 for further information).

### Operating Profit

The Groups' operating profit (prior to deducting management fees) amounted to Rs. 640 Mn, a decline of 14% compared to the previous year. Other income for the year amounted to Rs.206 Mn and includes a provision reversal of Rs.62 Mn made for our joint venture Elpitiya Lifestyle Solutions (Pvt) Ltd. Profit from commercial forestry operations amounted to Rs. 65 Mn while revenue generated from the two mini-hydro plants totalled Rs. 23 Mn. Group administrative expenses increased by 19% to reach Rs. 346 Mn as a result of increases in payroll expenses and investments in developing the Group's Design 2020 strategy.

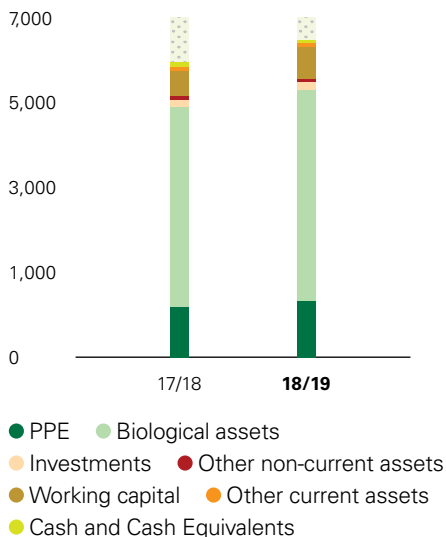
### Pre and Post-Tax Profit

Consolidated finance expenses continued to decline, reflecting the Group's efforts to pare down debt and the resultant low gearing levels. Accordingly, finance cost for the year amounted to Rs. 46 Mn, a decrease of 26% compared to the previous year.

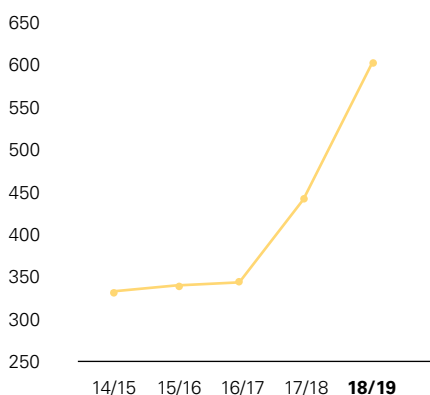
The decline in the Group's revenue, coupled with the contraction in GP margins arising primarily from external conditions resulted in the Group's pre-tax profit decreasing by 14% to Rs. 512 Mn. Despite the decline in profits, the Group's performance is commendable given the challenging operating conditions that prevailed during the year. EPP's net profit demonstrated a growth of 31% to Rs.439 Mn compared to the previous year, in which the Group incurred a one-off charge of Rs.185 Mn on a deferred tax adjustment arising from the change in tax rates.

## Capital Management

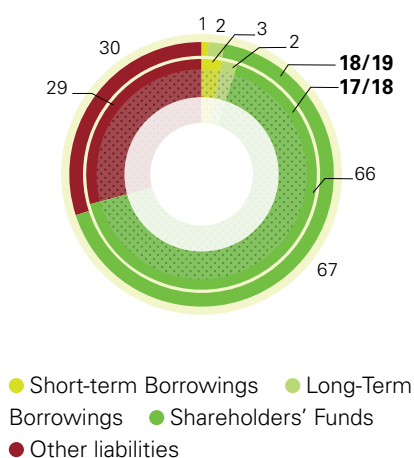
### Asset Composition (Rs. Mn.)



### Capex Over Time (Rs. Mn.)



### Capital and Liabilities (%)



### Financial Position

#### Assets

Total assets grew by 8% during the year to reach Rs. 6.57 Bn. This was underpinned by investments in property, plant and equipment reflecting ongoing improvements made to both factory and field infrastructure and solar power generation. Investment in working capital also increased during the year, mainly due to a 49% increase in trade and other receivables, against the backdrop of an increase in advances paid for the commissioned solar power projects. The asset composition remained relatively unchanged, with non current assets accounting for 88% of the Group's balance sheet.

#### Capital Expenditure

Total capital expenditures incurred for the year amounted to Rs. 602 Mn. This was primarily to enhance the efficiency of factory and field infrastructure as well as investments in solar power plants. Key investments during the year included the following;

- ✦ Investments in machinery to drive enhanced productivity levels including earth ogres, blowers and shear plucking
- ✦ Factory mechanisation
- ✦ Investment in energy efficient technology
- ✦ Automation of Nayapane rolling room

*(Please refer to Manufactured capital on page 89 and Natural capital on page 103 for further information)*

#### Equity and Liabilities

The Group's balance sheet is healthy, characterised by a strong base of shareholders' funds and relatively low gearing levels. EPP has in recent years sought to reduce exposure to borrowings through steady repayments and during the year, interest bearing borrowings declined by 38% to Rs.185 Mn. Accordingly, the Group's gearing ratio declined to 4.2% from 7.4% of last year. Liabilities increased

by 4% to reach Rs. 2.2 Bn, mainly due to an 8% increase in trade and other payables which included payments due to suppliers of fertiliser and employee related payments. Shareholders' funds increased by 9% to Rs.4.4 Bn during the year, supported by profit generation. The Group's equity funded 67% of total assets by end-March 2019.

#### Cash Flow

The subdued operating performance had a direct impact on the Group's cashflows during the year; net cash inflow from operating activities declined by 6% to Rs.701 Mn during the year. Net cash outflow from investing activities amounted to Rs.595 Mn due to the Group's ongoing investments in enhancing its manufactured capital. Settlement of loans during the year resulted in a net cash outflow from financing activities of Rs.148 Mn. Resultantly, the net change in cash and cash equivalents during the year amounted to a negative Rs. 43 Mn.



## MANUFACTURED CAPITAL

The Group's Manufactured Capital comprises of the physical infrastructure such as factories, machinery and equipment which are used in its value creation process. EPP has continued to invest in enhancing its Manufactured Capital in order to enhance productivity, improve efficiency and drive towards our sustainability objectives.

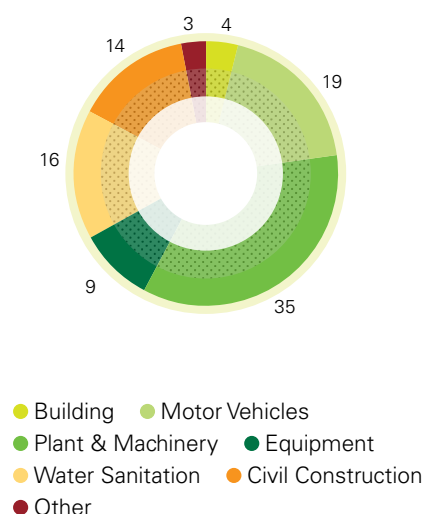
Strategic Direction and Relevant Capital	Initiatives in 2018/19	Key Performance Indicators
Field and Factory development	<ul style="list-style-type: none"> <li>Rs. 34 Mn invested in new machinery, plant and equipment</li> <li>Automation of the rolling room in Nayapane</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 35% automation</li> </ul>
Renewable energy generation	<ul style="list-style-type: none"> <li>Rs.127 Mn investment in solar power generation</li> </ul>	<p><b>Investment in Solar Power Generation</b></p> <p>(Rs. Mn.) (kWh. Mn.)</p> <p>140 100 60 20 0</p> <p>1.6 1.4 1.2 1 0.6 0.4 0.2 0</p> <p>17/18 18/19</p> <p>● Investment (LHS) ● Annual Generation (RHS)</p>

The Group's manufactured capital amounted to Rs.970 Mn (or 15% of consolidated assets) and includes land and buildings, plant and machinery, motor vehicles, furniture and fixtures and tools and equipment. During the year, total capital expenditure in upgrading manufactured capital amounted to Rs.249 Mn and consisted of factory upgrades as well as investments in solar projects.

### Factory Upgrades

The Group's factory development drive is two-fold; firstly, field mechanisation consists of introducing new machinery to enhance productivity and cater to the changing aspirations of the second generation of plantation workers. Introducing new machinery to drive

Book Value by Type (%)



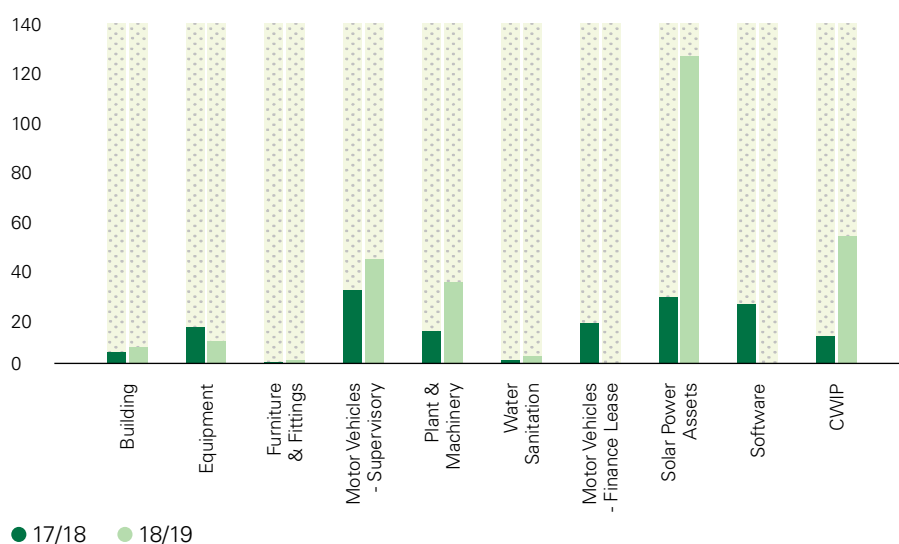
## Capital Management

increased automation will also help address the increasing labour shortages in the plantation sector. Factory mechanisation involves automating processes to drive increased accuracy and efficiency. Driving towards 100% automation by 2025 is a priority for the Group and during the year under review we achieved 35% automation;

### Renewable Energy Generation

During the year, the Group invested Rs.127 Mn in further enhancing capacity of its solar power projects. Enabling the Group to drive towards both its financial and sustainability objectives, EPP's total solar power generation capacity amounts to approximately 1.6 Mn kW. A summary of the Group's capex during the year is given below;

**Capital Expenditure** (Rs. Mn.)





## HUMAN CAPITAL

Given the labour-intensive nature of our operations, our team of 5,295 employees (which includes 4,849 estate workers) is a vital input in our value creation process, determining the productivity, quality and sustainability of our operations. We offer a holistic value proposition to our team, investing in creating a conducive work environment, providing ongoing opportunities for training and development and offering competitive remuneration.

Strategic Direction and Relevant Capital	Initiatives in 2018/19	Key Performance Indicators												
Enhancing employee productivity	Concerted efforts to drive increased efficiency through training and development and provision of new machinery and equipment.	<p><b>Employee Productivity</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>Employees (LHS)</th> <th>Profit per Employee (RHS)</th> </tr> </thead> <tbody> <tr> <td>16/17</td> <td>~5,510</td> <td>~0.075</td> </tr> <tr> <td>17/18</td> <td>~5,400</td> <td>~0.065</td> </tr> <tr> <td>18/19</td> <td>~5,550</td> <td>~0.085</td> </tr> </tbody> </table> <p>● Employees (LHS) ● Profit per Employee (RHS)</p>	Period	Employees (LHS)	Profit per Employee (RHS)	16/17	~5,510	~0.075	17/18	~5,400	~0.065	18/19	~5,550	~0.085
Period	Employees (LHS)	Profit per Employee (RHS)												
16/17	~5,510	~0.075												
17/18	~5,400	~0.065												
18/19	~5,550	~0.085												
Ongoing opportunities for training and development	<p>Identified three key areas of training focus and implemented programmes to achieve these objectives;</p> <ul style="list-style-type: none"> <li>➤ Physical health</li> <li>➤ Emotional well-being</li> <li>➤ Stress management</li> </ul>	<ul style="list-style-type: none"> <li>➤ Investment in training: Rs.15.6 Mn</li> <li>➤ Total training hours: 59,767</li> <li>➤ Average training hours per employee: 11.29</li> </ul>												

## Capital Management

***Our team comprises 5,295 employees, including 4,849 estate workers across our 13 estates. Employees are engaged primarily on a permanent basis while outsourced employees are engaged for non-critical functions such as janitorial and security services. Given the nature of our industry, female representation is relatively high at 54%. We do not engage employees on a part-time basis.***

### Team Profile

Our team comprises 5,295 employees, including 4,849 estate workers across our 13 estates. Employees are engaged primarily on a permanent basis while outsourced employees are engaged for non-critical functions such as janitorial and security services. Given the nature of our industry, female representation is relatively high at 54%. We do not engage employees on a part-time basis.

By Type	Male (No)	Female (No)	Total Workforce (No)
Permanent	319	93	412
Contract	26	8	34
Permanent Workers	2,094	2,755	4,849
<b>Total</b>	<b>2,439</b>	<b>2,856</b>	<b>5,295</b>
By Category			
Senior management and above	29	-	29
Executive	47	12	59
Non-executive	269	89	358
Other	2,094	2,755	4,849
<b>Total</b>	<b>2,439</b>	<b>2,856</b>	<b>5,295</b>
By Region			
Head office	36	12	48
Up country	1,533	1,996	3,529
Low country	870	848	1,718
<b>Total</b>	<b>2,439</b>	<b>2,856</b>	<b>5,295</b>

### HR Governance

EPP's approach to HR governance is aligned to that of its parent company with Group HR policies being applied consistently across subsidiaries. The Aitken Spence PLC HR Committee maintains proactive engagement with all subsidiaries in providing guidance and ensuring strategic cohesion. Subsidiary visits are also conducted by the Group HR team to identify and address issues and concerns. Within EPP the respective divisional heads collaborate with the HR department through regular meetings. The HR information systems (HRIS) is in place to support in monitoring and reporting key performance indicators related to HR management. The governance structure together with linkages to Aitken Spence PLC are given below.

#### HR Policies

- Recruitment
- Training and Development
- Promotions
- Performance appraisal
- Benefits
- Code of ethics
- Retirement policy

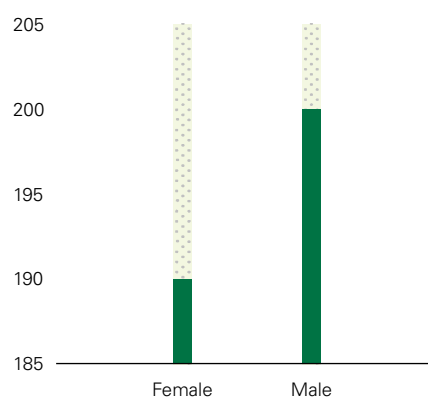




### Talent Attraction

In recent years, we have focused on optimising our workforce through driving concerted efforts to improve productivity and efficiency. We added 390 new employees to our team during the year, primarily in the categories of workers and staff. As an initiative to attract the second generation of estate workers, EPP has taken steps to give priority to the next generation of the current workforce when fulfilling vacancies within the group. These recruits are selected based on their merit though interviews carried out at the respective estates

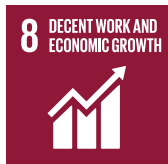
### New Recruits by Gender (No.)



## Capital Management

### Our Approach to Human Capital Management

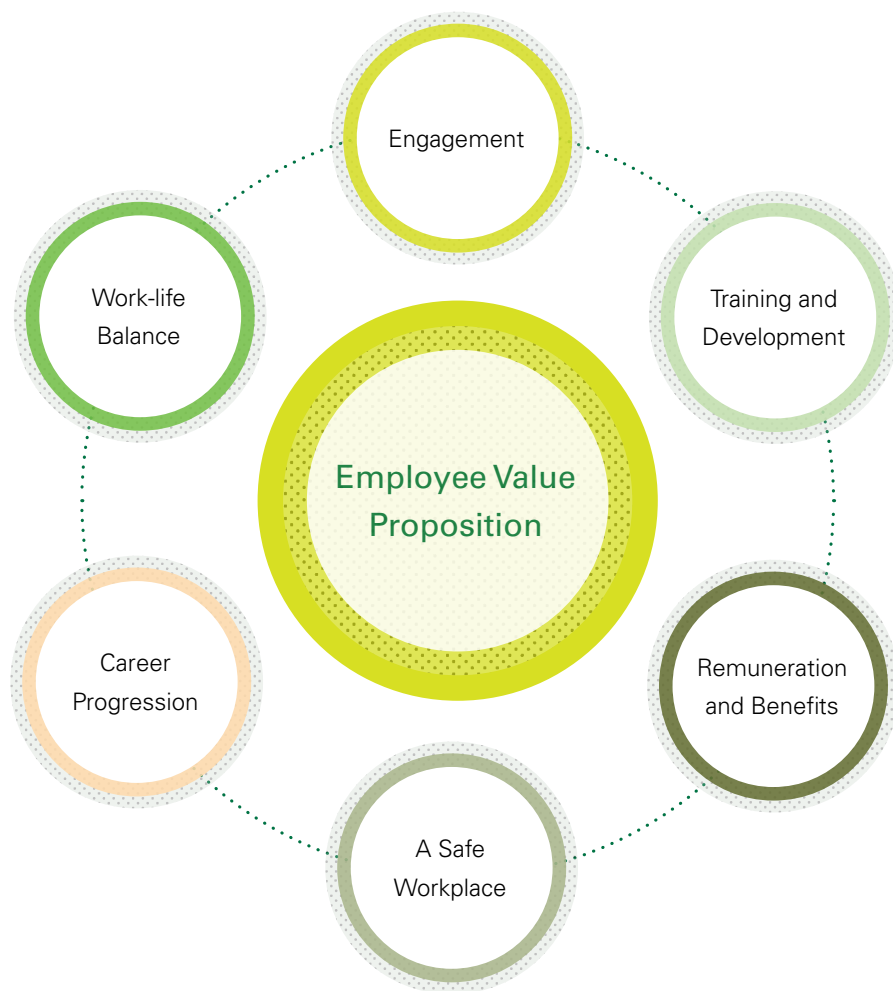
#### Our Commitment to the SDGs



We offer a holistic value proposition to employees, which has enabled us to attract the industry's top talent at executive level. At estate level EPP offers a host of benefits aimed to support employees throughout different stages of their lives. Our value proposition is graphically illustrated alongside and discussed in subsequent sections.

#### Engagement

We maintain a high level of engagement with our employees facilitated through numerous formal and informal mechanisms. An open-door policy encourages employees to raise and address concerns with their superiors. Approximately 78% of our employees are unionised and we maintain effective engagement with trade union representatives. Engagement is also facilitated through labour days, staff meetings at multiple levels, core groups in estates and a year-round calendar of activities and events (Please refer to page 32 for further information).



### Remuneration and Benefits

The Group's remuneration packages are designed to comply with all relevant regulations and are in line with industry best practices. Wages of estate workers are determined in line with the collective agreement and during the year a 40% increase in the basic wage rate was given to all estate sector employees. Total payments to employees amounted to Rs.1.38 Bn during the year. Other benefits offered to employees are listed below;

#### Executives

- ➔ Insurance
- ➔ Medical
- ➔ Financial assistance for higher education

#### Estate Workers

- ➔ Profit sharing scheme
- ➔ Housing
- ➔ Medical facilities
- ➔ Childcare facilities in all estates
- ➔ Financial assistance for children of estate workers for their education
- ➔ Retirement homes
- ➔ Funding estate workers children with special needs

### Training and Development

Enhancing our human capital through training and development is a key feature of our HR strategy. Shortage of labour is an industry-wide issue, underscoring the importance of increasing productivity and efficiency by utilising existing manpower. During the year we conducted a gap analysis between the required and existing level of skill in order to identify training requirements, and training and development programmes were developed based on these findings. Key areas of training focus are set out below;

#### Areas of Training Focus



Investment in training	Rs. Mn	15.61
Total training hours	Hrs	59,767
Average hours of training/employee	Hrs	11.29

## Capital Management

### Safe Workplace

Given the nature of our industry, providing an injury-free, safe workplace is a priority for the Group. Our approach is formalised by a Health and Safety policy which clearly sets out the standards and practices that are implemented across the organisation. The collective agreement also specifies key aspects related to health and safety including the provision of medical facilities and availability of medical officers among others.

Our health and safety initiatives include,

- All welfare and managerial staff trained on health and safety
- Continuous investment in safety gear
- Safety committees in all estates
- Presence of an Estate Medical Officer at all estates
- Availability of ambulances

### Career Progression

Performance appraisals are carried out for all employees twice a year through HRIS and evaluated based on pre-defined goals. The appraisals are used to identify opportunities for career progression, increments and training and development. During the year 45 employees were promoted.

### Industrial Relations




We recognise our employees' right to freedom of association and approximately 78% of our employees are represented by 10 unions. We maintain cordial relationships with trade union representatives and approximately one month of notice is given to employees regarding significant operational changes. During the year, an industry-wide go-slow campaign was launched due to ongoing wage negotiations.





## SOCIAL & RELATIONSHIP CAPITAL

Operating in an industry which is inextricably linked to the communities we operate in, the commercial and social sustainability of our business depends on the relationships we have nurtured with all stakeholders including customers, suppliers, business partners and communities.

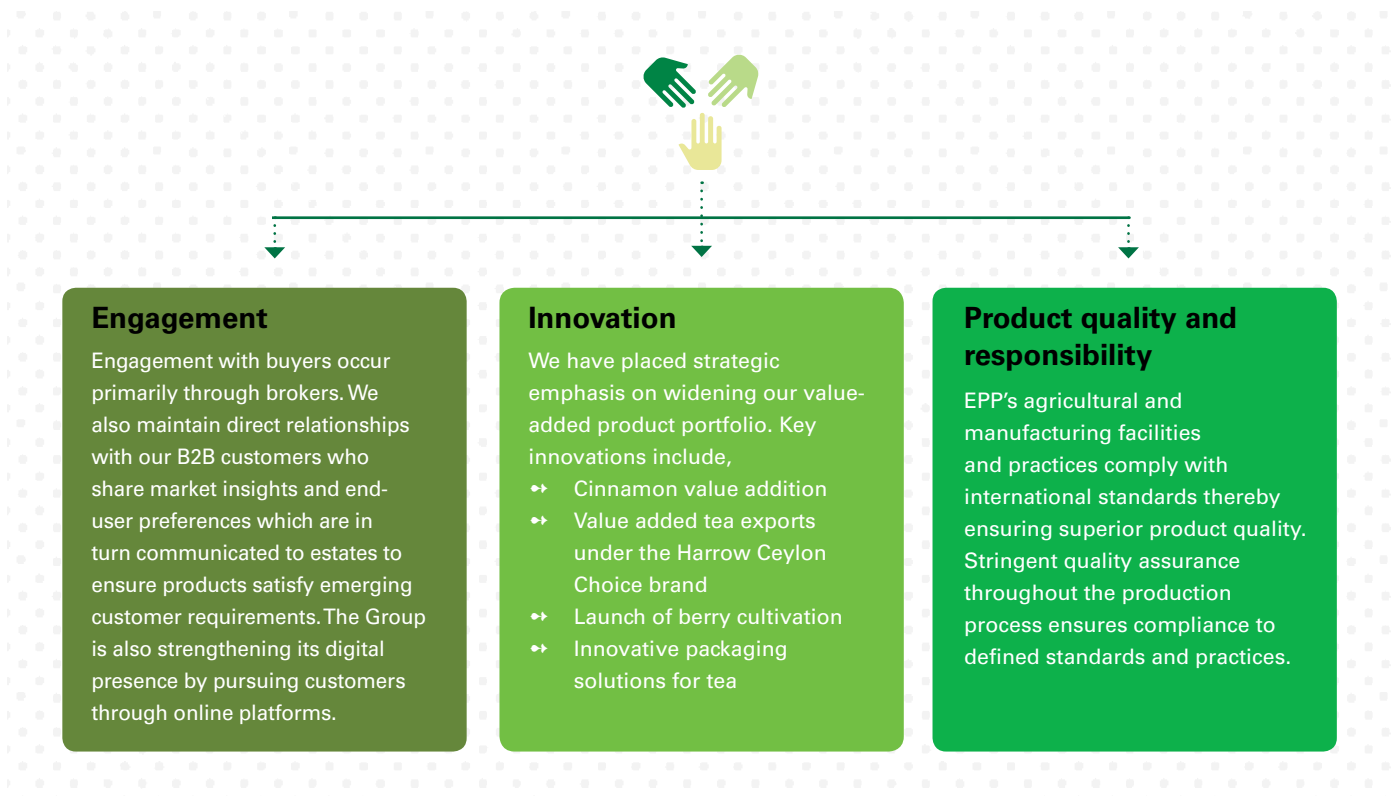
Strategic Direction and Relevant Capital	Highlights for 2018/19	Key Performance Indicators
 Customer acquisition and retention	<ul style="list-style-type: none"> <li>Rs. 8 Mn of value added teas</li> <li>Introduction of Rs. 1 Mn under value added cinnamon products</li> <li>Engagement through trade fairs</li> <li>Pursuing digital marketing through online platforms</li> </ul>	<ul style="list-style-type: none"> <li>Revenue growth from value-added product range</li> <li>New customers acquired</li> </ul>
 Supplier value creation	<ul style="list-style-type: none"> <li>Ongoing investment in supplier engagement and development</li> </ul>	<ul style="list-style-type: none"> <li>Rs.628 Mn payments made to suppliers</li> <li>100% procurement through local community</li> </ul>
 Engagement with community	<ul style="list-style-type: none"> <li>Rs.109 Mn investment in numerous community development initiatives targeting child development, healthcare, nutrition and infrastructure development</li> </ul>	<ul style="list-style-type: none"> <li>9,010 lives benefited</li> </ul>

### Customers

The major portion of our products are sold through auctions and for tea and rubber our customers comprise of commodity brokers who in turn sell to retailers and exporters. Value-added products and palm oil produce is sold directly to our buyers. We have successfully nurtured long-term relationships with our customers supported by a holistic value proposition which is graphically illustrated below;

### Customer Profile

- 06 tea brokers
- 03 Rubber brokers
- 03 oil palm buyers
- 02 cinnamon buyers



## Capital Management

### Suppliers

We are committed to nurturing positive relationship across our supply chain and the Group continues to engage with diverse suppliers, consisting of individuals, SMEs and corporates. Approximately 99% of our procurement occurs through local suppliers. Key pillars of our supplier value proposition are described below;



#### Engagement and Selection

We strive to nurture mutually beneficial relationships with our suppliers and maintain ongoing engagement through supplier visits, audits and networking events.

#### Propagating Sustainability

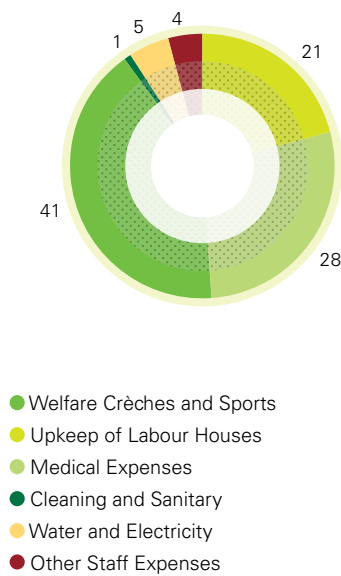
We strive to drive our sustainability agenda across our supply chain by ensuring that suppliers undergo screening on social and environmental criteria.

#### Supplier Development

We seek to develop and empower bought leaf suppliers by providing technical knowledge on agricultural practices in order to improve their yields and increasing productivity.



CSR Spend by Area of Focus (%)

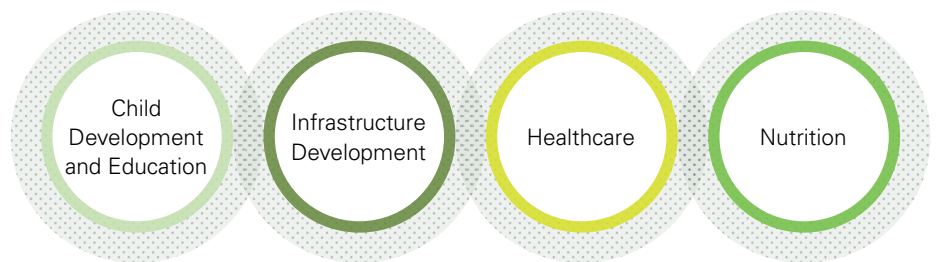


## Community Engagement

### Our Commitment to the SDGs



We understand that estate communities are among the most impoverished in the country and we are deeply committed to uplifting their standard of living through numerous community engagement initiatives. In addition to the Group's own investments, we have also partnered with numerous NGOs and international agencies who channel funds to our estates for various community development initiatives. All our estates engaged in numerous CSR activities during the year, which can be broadly classified into several focus areas as illustrated below. During the year, EPP's total investment in community engagement initiatives amounted to Rs.98.15 Mn while funds channelled through partner organisations amounted to Rs.10.95 Mn.



### Child Development and Education

All estates engaged in numerous child development and education initiatives including the construction and upgrade of child development centres, distribution of stationery and school items and providing educational scholarships among others. Certain estates also provide assistance for children with special needs and orphans. Key projects carried out during the year include (but are not limited to)

- New Child Development Centre and Leisure Park in the Dunsinane Estate, with funding provided by the Korea International Cooperation Agency
- Distribution of stationery/ schoolbooks and other school items to all Child Development Centres
- Upgrading of Child Development Centres in Harrow Lower/ Upper and Kaipogala Upper divisions
- Awareness programmes for school-going children

## Capital Management

### Infrastructure Development

This including the development of residential and common infrastructure including road construction, development of community centres, construction of housing units, construction of toilets and reroofing among others. Key projects carried out during the year include (but are not limited to)

- Construction of a community centre for the Factory & North Divisions at the Dunsinane Estate
- Construction of 35 units New housing for Upper Sheen Division workers
- Construction of 89 toilets in the Sheen Estate
- Concreting of 2.1km in total has been completed in Kaipooogala, Harrow Upper, Harrow Lower and Fernlands divisions
- Reroofing of 14 line rooms in both Harrow Lower and Harrow Upper divisions

### Healthcare

The health indicators of Sri Lanka's estate workers such as mortality rates and life expectancy have improved significantly over the past few decades as RPCs have invested in addressing health concerns and raising awareness. In addition to providing access to medical facilities and healthcare professionals, our estates also engage in numerous initiatives targeted towards improving the healthcare standards of our communities. Key projects carried out during the year include (but are not limited to)

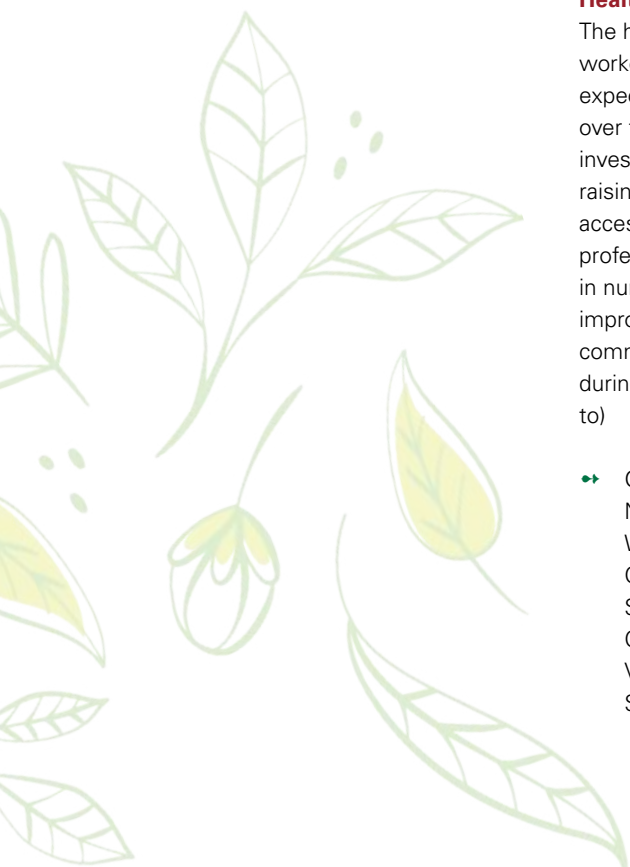
- Ongoing medical clinics including Ante Natal/Post Natal Clinics, E P I Clinics, Well Women Clinics, Ante Rabies Control Programme, Oral Cancer Screening Programme, Dental Clinic, Cataract Surgery, Screening for Poor Vision & Providing Spectacles and T B Screening & awareness among others

- Eye clinics and distribution of spectacles
- Awareness and training programme on Health & safety

### Nutrition

EPP continues to invest in improving the nutritional levels of our estate workers and their families through distribution of provisions and conducting awareness programmes. Key initiatives conducted during the year include (but are not limited to)

- Awareness programme on nutrition, physical/mental health, etc was conducted for the estate youths/ couples in the Talgaswella Estate
- Awareness programmes on nutrition for the parents of children below 5 years of age
- Distribution of iron tablets in New Peacock Estate
- Provision of nutritional packs for students







## INTELLECTUAL CAPITAL

The Group's Intellectual Capital is represented by its organisational tacit knowledge, capacity for innovation and branding which are critical in gaining a competitive edge. Our intellectual capital has enabled us to differentiate our products and sustain our position as a leading regional plantation company.

Strategic Direction and Relevant Capital	Initiatives in 2018/19	Key Performance Indicators
Improve efficiency of systems and processes	<ul style="list-style-type: none"> <li>Increased focus on automation, both in the field and factory</li> <li>Ongoing investment in training and development</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 35% automation</li> </ul>
Strengthen brand through innovation and value-added offerings	<ul style="list-style-type: none"> <li>Pursuing deeper penetration of Harrow Ceylon Choice</li> <li>Cinnamon value addition</li> <li>Venturing into value added tea</li> </ul>	<ul style="list-style-type: none"> <li>16 value added products launched</li> </ul>

### Brand Image

The Group has built a strong brand reputation for quality and sustainable agricultural practices, which enables it to consistently command above average pricing at the Auction. During the year under review, the Nayapane, Dunsinane and New Peacock estates commanded premiums over the respective elevation averages. Further, Nayapane estate has received "Great Taste Award", for its FBOP grade in 2018, organised by the Guild of Fine Food, UK. In recent years we have also sought to strengthen our brand through venturing into cinnamon value addition and expanding sales of Harrow Ceylon Choice in the North and Eastern regions of the country.

### Systems and Processes

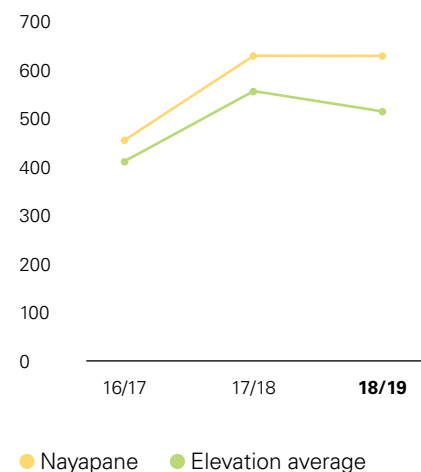
The Group's long-standing presence in the plantation industry has allowed it to develop robust systems and processes which ensure the manufacture of premium quality products in a sustainable and efficient manner. A host of domestic and international certifications provide assurance to stakeholders on our systems and processes, ensuring alignment to industry best practice.

Certifications	Estates certified
Rainforest Alliance (RA)	Dunsinane, Sheen, Fernlands, Meddecombra, New Peacock, Nayapane
Ethical Tea Partnership (ETP)	All estates
Forest Stewardship Council (FSC)	All estates
ISO 22000:2005 HACCP	Dunsinane, Meddecombra, Fernlands, New Peacock, Nayapane, Talgaswella and Devitura



Nayapane Estate situated in Pussellawa established an all-time high price of Rs. 860/kg at the Colombo auction.

**Nayapane Auction Price Averages vs Elevation Averages** (Rs. per Kg.)



## Capital Management

### Awards

EPP is a frequent recipient of awards and has been widely recognised for its environmental and social commitment. Key awards obtained during the year were;

- Best Projects Sustainability 2018- Haritha Shakthi: Best Corporate Citizen Sustainability Awards 2018
- Merit Certificate for 'We care for them'- Caring for persons with special needs: Best Corporate Citizen Sustainability Awards 2018

### Industry Thought Leadership

Members of our senior management team are active participants in industry forums and associations, contributing their deep industry insights and expertise to the dialogue in creating a sustainable and conducive industry landscape.

Designation	Bodies Represented
Managing Director	<ul style="list-style-type: none"> <li>➤ Chairman of United Nations Global Compact Network, Sri Lanka</li> <li>➤ A member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT)</li> <li>➤ President, Palm Oil Industry Association of Sri Lanka</li> </ul>
Director / Chief Executive Officer	<ul style="list-style-type: none"> <li>➤ Director of Plantation Human Development Trust (PHDT)</li> <li>➤ Director – Estates Staffs Provident Society (ESPS)</li> <li>➤ Chairman of Plantation Sector and Council Member of the Employers' Federation of Ceylon (EFC)</li> <li>➤ Member of the Board of Study – Wayamba University External Degree Programme.</li> <li>➤ Visiting Lecturer – Wayamba University &amp; National Institute Plantation Management (NIPM)</li> </ul>
Snr. General Manager – Engineering & Projects / BSD	<ul style="list-style-type: none"> <li>➤ Member of the ICT Committee of Institute of Engineers, Sri Lanka (IESL)</li> <li>➤ Member of the Industry Consultative Committee – Faculty of Technology – University of Colombo</li> </ul>
General Manager – Marketing	<ul style="list-style-type: none"> <li>➤ Member of the Expert Panel of Tea Tasting – Sri Lanka Tea Board</li> <li>➤ Member of the Warehousing Sub Committee of Ceylon Tea Traders' Association (CTTA)</li> <li>➤ Member of the Grade Nomenclature Sub Committee of CTTA</li> <li>➤ Member of the Packaging for Tea Sub Committee of CTTA</li> </ul>
Snr. General Manager – Low Country	<ul style="list-style-type: none"> <li>➤ Treasure – Ceylon Cinnamon Geographical Indication Association (CCGIA)</li> </ul>



## NATURAL CAPITAL

As a Company engaged in the plantation sector, we recognise that the long-term sustainability of our business is inextricably linked to the sustainability of our natural resources. Managing our inputs and outputs in a sustainable and responsible manner is therefore of strategic importance and forms one of the key pillars of our strategic agenda “Design 2020”.

Strategic Direction	Key Strategic Action during FY 2018/19	Key Performance Indicators																
Increase land productivity by at least 10% by 2025	<ul style="list-style-type: none"><li>Increased use of organic fertiliser and composting</li><li>Rs. 5.2 Mn spent of rainwater harvesting and composting</li><li>Rs. 16.6 Mn spent of reforestation</li></ul>	<p><b>Land Productivity by Crop (YPH)</b></p> <p>(Tea Rubber) (Oil Palm)</p> <table><caption>Land Productivity by Crop (YPH)</caption><thead><tr><th>Crop</th><th>16/17</th><th>17/18</th><th>18/19</th></tr></thead><tbody><tr><td>Tea</td><td>~1,550</td><td>~1,650</td><td>~1,650</td></tr><tr><td>Rubber</td><td>~650</td><td>~550</td><td>~850</td></tr><tr><td>Oil palm</td><td>~12,800</td><td>~13,500</td><td>~14,200</td></tr></tbody></table> <p>● Tea ● Rubber ● Oil palm</p>	Crop	16/17	17/18	18/19	Tea	~1,550	~1,650	~1,650	Rubber	~650	~550	~850	Oil palm	~12,800	~13,500	~14,200
Crop	16/17	17/18	18/19															
Tea	~1,550	~1,650	~1,650															
Rubber	~650	~550	~850															
Oil palm	~12,800	~13,500	~14,200															
Self-sufficiency in energy through sustainable energy sources	<ul style="list-style-type: none"><li>Commissioning of 2 new solar plants with a total generation capacity of 290.7 kW.</li><li>Rs. 11 Mn invested in energy efficient technology</li></ul>	<p><b>Energy Consumption by Source (GJ) (%)</b></p> <table><caption>Energy Consumption by Source (GJ) (%)</caption><thead><tr><th>Source</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Renewable Energy (Bio Mass, Briquettes, hydro power, Solar)</td><td>87</td></tr><tr><td>Non Renewable Sources (Petrol/Diesel/LPG)</td><td>5</td></tr><tr><td>Grid Electricity</td><td>8</td></tr></tbody></table> <p>● Non Renewable Sources (Petrol/Diesel/LPG) ● Renewable Energy (Bio Mass, Briquettes, hydro power, Solar) ● Grid Electricity</p>	Source	Percentage (%)	Renewable Energy (Bio Mass, Briquettes, hydro power, Solar)	87	Non Renewable Sources (Petrol/Diesel/LPG)	5	Grid Electricity	8								
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Renewable Energy (Bio Mass, Briquettes, hydro power, Solar)	87																	
Non Renewable Sources (Petrol/Diesel/LPG)	5																	
Grid Electricity	8																	
To be the most water efficient plantation company by 2025	<ul style="list-style-type: none"><li>Established 52 ponds to harvest rainwater</li><li>26 awareness programmes for estate community</li></ul>	<table><tr><th colspan="2">2018/19</th></tr><tr><td>Harvested Rain Water (Litres)</td><td>8,243.3</td></tr><tr><td>Percentage of water treated for reuse or safe disposal (m3)</td><td>38%</td></tr></table>	2018/19		Harvested Rain Water (Litres)	8,243.3	Percentage of water treated for reuse or safe disposal (m3)	38%										
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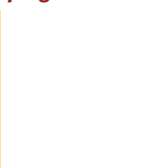
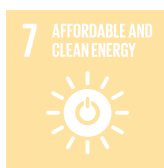
## Capital Management

### Our Approach to Managing Our Natural Capital

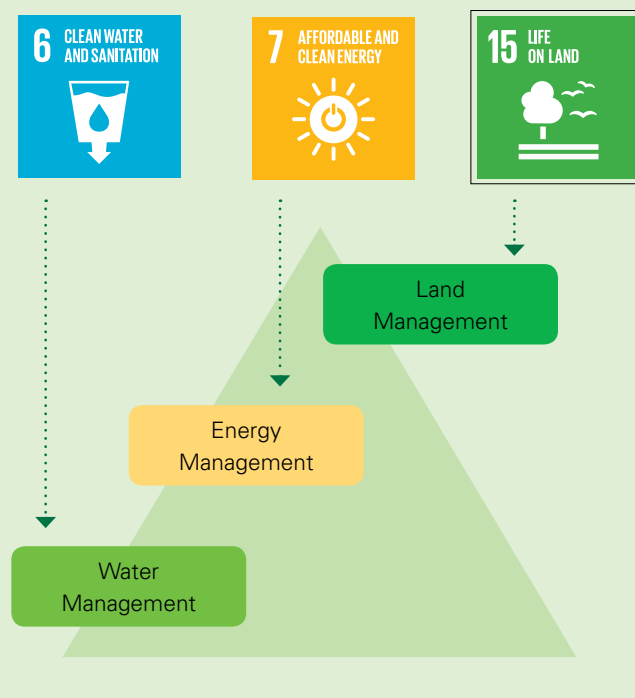
Our environmental framework revolves around the three pillars of Land Management, Sustainable Energy Management and Water Management and are aligned to three selected Sustainability Development Goals (SDGs) which we have identified as having the greatest impact on our long-term sustainability. Specific goals and action plans have been clearly defined in each of these areas and are closely monitored to ensure achievement.

### Land Management

#### Our Environmental Sustainability Agenda



#### Our Environmental Sustainability Agenda



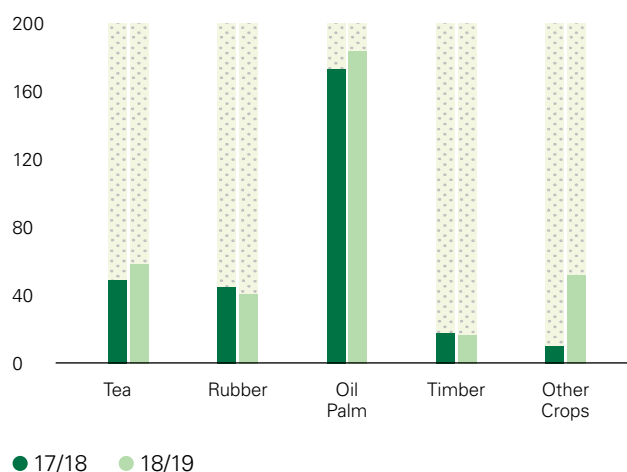
### Our Biological Assets

The Group has cultivated tea, rubber, oil palm and other crops across 13 estates covering over 8,800 hectares. Ongoing investments are made in replanting and upkeep of our lands which has enabled us to achieve above average yields in our estates. During the year we invested Rs.353 Mn across 1,102 hectares covering all our crops as listed alongside;

### Preserving Soil Quality

The quality of soil has a direct impact on the quality of our crops and productivity and we adopt ecologically sustainable agricultural practices in our estates to increase the carbon levels of soil and improve water retention. Rainwater harvesting is practiced in all estates to improve water tables and moisture levels of our soil. We are also in the process of gradually shifting to organic fertiliser and composting. Approximately 48% of our fertiliser quantity is met by composting and used palm oil bunches. While reducing our dependence on chemical fertilisers, this initiative also improves the quality of our land by increasing its moisture retention capacity.

#### Investment in Replanting and Upkeep (Rs. Mn)



● 17/18 ● 18/19



Achieved  
**1%** increase  
in soil carbon level

### Protecting Our Eco-Systems - Targets for 2025

Increase green cover by  
**10%**

Reduce Chemical Pest  
Control by **80%**

Reduce chemical weed  
control by **80%**

Materials Used by Weight		
Chemical Fertiliser	Tonnes	4,012.15
Composted Fertiliser	Tonnes	3,665.2
Packing Material	Tonnes	5.69

Waste Generated		
Paper and Cardboard	Tonnes	76.5
Compostable waste	Tonnes	3,665.2

### Protecting Bio-Diversity

With over 741.06 hectare of land rich in biodiversity under our stewardship, we consider it our responsibility to protect the eco-systems in these areas. We have conducted surveys of biodiversity over 8,000 ha of land space and documented the biodiversity in the vicinity. Most of the flora and fauna within the estates have been identified with daily records being maintained by field officers. Sustainable agricultural practices such as increasing green cover, creating buffer zones between estates and natural forest areas, reducing chemical pest and weed control have been introduced to minimise the negative impact on ecosystems. Meanwhile ongoing initiatives such as designating our estates as polythene free zones, providing bio-degradable bags and creating awareness among our estate communities also help protect the eco-systems on our land.

### Waste Management

Disposing of the waste and effluents in a responsible manner ensures that we minimise the negative impact on our environment. Solid waste generated from our operation consist mainly of compostable waste, paper bag and sacks and waste generated from estate communities residing on our lands. Stringent measures are in place to ensure waste is disposed is systematic and environmentally friendly manner. All 13 of our estates have on-site compost plants and waste segregation bins. Meanwhile awareness programmes are carried out amongst estate communities to encourage responsible waste disposal habits.

Factory wastewater treatment units and wastewater tanks for employee housing ensure that used water is treated before being re-used in the production process, for ancillary water requirements or released back into the environment. Construction of a "Zero discharge treatment plant" is also underway at our Elpitiya Estate Rubber factory. During the year 31 m litres of water was recycled

across the Group, amounting to 38% of total water withdrawn.

### Energy Management

#### Our Environmental Sustainability Agenda



Reducing dependence on fossil fuels through increasing contributions from renewable energy sources is a key element of our sustainability agenda. To this end, we have continued to invest in moving towards renewable energy through sources such as bio mass, briquettes, hydropower and solar power.

### Sustainable Energy Utilisation

87% of our total energy requirement is met through renewable sources, with biomass and briquettes being the two main sources. Meanwhile we continue to incorporate more energy efficient technology and processes into our operation to reduce our consumption level. During the year 83 VFD's (Variable Frequency Drives) were installed across our estates with UNDP funding to regulate motors in seven of our factories as part of our sustainable consumption initiative. The estimated saving from the installation of these VFD's amounted to 210,342 kWh translating to a cost saving of Rs. 2.6 Mn.

### Sustainable Energy Generation

We continue to invest in renewable energy projects as part of diversification strategy and in achieving our sustainability objectives. Our biomass energy plants in 13,000 bamboo plants continue to supply a significant portion of our thermal energy

## Capital Management

requirement. The Group operates three hydro power plants and four solar plants which have a combined installed capacity of 4,935 kW. During the year we generated a total 190,352 GJ of renewable energy which was supplied to the national grid.

### Reducing Emissions

Our ongoing efforts to replace grid energy and fossil fuels with renewable energy sources has had a significant impact on reducing our emission levels. The amount of emissions reduced and/ or offset through the Group's efforts amounted to 12,777 tCO<sub>2</sub>e of the Group's total carbon footprint.

Direct (Scope 1) GHG emissions	tCO <sub>2</sub> e	740
Indirect (Scope 2) GHG emissions	tCO <sub>2</sub> e	3,387
Reduction in GHG emissions	tCO <sub>2</sub> e	12,777

### Water Management

#### Our Environmental Sustainability Agenda



As climate change continues to impact weather patterns and availability of water, managing our water resources in the most efficient and effective way becomes increasingly important. Rainwater harvesting and retention is practiced extensively across our estates in order to improve water tables of our lands. 52 ponds have been established across our lands with a rain harvesting capacity of 180 Mn litres together rainwater drainage

and irrigation systems. Recycling water is also an important component of our water management strategy.

### Compliance

We ensure that all our factories and locations comply with the applicable environmental regulations. Compliance is also ensured through the stringent requirements of several certifications we have obtained; for instance, 6 of our estates have obtained Rainforest Alliance certification. There have been no fines and non-monetary sanctions imposed for non-compliance with environmental laws and/ or regulations during the year.

#### Rainforest Alliance Certification

- Dunsinane Estate
- Sheen Estate
- Fernlands Estate
- Meddecombra Estate
- Nayapane Estate

### Way Forward

We will continue to explore innovative ways in while we can reduce our carbon footprint, in order to achieve our goal of being a carbon neutral plantation by 2025. Our rainwater harvesting and composting programme will continue through FY 2019/20, while we will seek to increase energy generation from renewable sources both for our own use and to supply the national grid.



## GRI Context Index

GRI Standard	Disclosure	Page Number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	2	-
	102-2 Activities, brands, products and services	4	-
	102-3 Location of headquarters	Back Cover	-
	102-4 Location of operations	4	-
	102-5 Ownership and legal form	Back Cover	-
	102-6 Markets served	4	-
	102-7 Scale of the organisation	16, 17	-
	102-8 Information on employees and other workers	92	-
	102-9 Supply chain	98	-
	102-10 Significant Changes to the organisation and its supply chain	2	-
	102-11 Precautionary principle	N/A	-
	102-12 External initiatives	2	-
	102-14 Statement from senior decision maker	20	-
	102-16 Values, principles, norms and standards of behaviour	30	-
	102-18 Governance Structure	41	-
	102-40 List of stakeholder groups	32	-
	102-41 Collective bargaining agreements	95	-
	102-42 Identifying and selecting stakeholders	32	-
	102-43 Approach to stakeholder engagement	32	-
	102-44 Key topics and concerns raised	32	-
	102-45 Entities included in the consolidated financial statements	2	-
	102-46 Defining report content and topic boundary	35	-
	102-47 Material topics	35	-
	102-48 Restatement of Information	2	-
	102-49 Changes in reporting	2	-
	102-50 Reporting period	2	-
	102-51 Date of most recent report	2	-
	102-52 Reporting cycle	2	-
	102-53 Contact point for questions regarding Report	3	-
	102-54 Claims of reporting in accordance with GRI Standards	2	-
	102-55 GRI context index	107	-
	102-56 External assurance	3	-



## GRI Context Index

GRI Standard	Disclosure	Page Number	Omission
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	33	-
	103-2 The Management Approach and its components	33	-
	103-3 Evaluation of the Management Approach	33	-
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	17	-
	201-2 Financial Implications and other risks and opportunities due to climate change	104	-
Indirect Economic Impacts			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	99	-
	103-2 The Management Approach and its components	99	-
	103-3 Evaluation of the Management Approach	99	-
GRI 203 Indirect Economic Impacts	203-1 Infrastructure investments and services supported	99	-
	203-2 Significant indirect economic impacts	99	-
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	98	-
	103-2 The Management Approach and its components	98	-
	103-3 Evaluation of the Management Approach	98	-
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	98	-
Materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	105	-
	103-2 The Management Approach and its components	105	-
	103-3 Evaluation of the Management Approach	105	-
GRI 301: Raw materials	301-1: Raw materials used by weight or volume	105	-
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	105	-
	103-2 The Management Approach and its components	105	-
	103-3 Evaluation of the Management Approach	105	-
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	105	-
	302-4 Reduction of energy consumption	105	-
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	106	-
	103-2 The Management Approach and its components	106	-
	103-3 Evaluation of the Management Approach	106	-
GRI 303: Water 2016	303-1 Water withdrawal by source	106	-
	303-3 Water Recycled and reused	106	-

GRI Standard	Disclosure	Page Number	Omission
BIO Diversity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	105	-
	103-2 The Management Approach and its components	105	-
	103-3 Evaluation of the Management Approach	105	-
GRI 304 Biodiversity 2016	GRI 304-1 Operational sites owned, leased managed in adjacent to, protected areas and areas of high bio diversity value outside of protected areas	105	-
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	106	-
	103-2 The Management Approach and its components	106	-
	103-3 Evaluation of the Management Approach	106	-
GRI 305 Emissions 2016	GRI 305-1 Direct (Scope 1) GHG emissions	106	-
	GRI305-2 Energy Indirect ( Scope 2) GHG emissions	106	-
	GRI 305-5 Reduction in GHG emissions	106	-
Effluents			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	105	-
	103-2 The Management Approach and its components	105	-
	103-3 Evaluation of the Management Approach	105	-
GRI 306 : Effluents and Waste	GRI 306-1 Water discharge by quality and destination	105	-
	GRI 306-2 Waste by type and disposal method	105	-
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	106	-
	103-2 The Management Approach and its components	106	-
	103-3 Evaluation of the Management Approach	106	-
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	106	-
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	94	-
	103-2 The Management Approach and its components	94	-
	103-3 Evaluation of the Management Approach	94	-
GRI 401: Employment 2016	401-1 Employee hires and turnover	93	-
Labour/ Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	96	-
	103-2 The Management Approach and its components	96	-
	103-3 Evaluation of the Management Approach	96	-
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	96	-

## GRI Context Index

GRI Standard	Disclosure	Page Number	Omission
Occupational Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	96	-
	103-2 The Management Approach and its components	96	-
	103-3 Evaluation of the Management Approach	96	-
GRI 403: Health and Safety 2016	403-4 Health and safety topics covered in formal agreements with trade unions	96	-
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	95	-
	103-2 The Management Approach and its components	95	-
	103-3 Evaluation of the Management Approach	95	-
GRI 404: Training and education	404-1 Average hours of training per year per employee	95	-
	404-2 Programmes for upgrading skills and transition assistance programmes	95	-
	404-3 Percentage of employees receiving regular performance and career development reviews	96	-
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	96	-
	103-2 The Management Approach and its components	96	-
	103-3 Evaluation of the Management Approach	96	-
GRI 407 Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	96	-
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	99	-
	103-2 The Management Approach and its components	99	-
	103-3 Evaluation of the Management Approach	99	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	99	-
Socio Economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	97	-
	103-2 The Management Approach and its components	97	-
	103-3 Evaluation of the Management Approach	97	-
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	97	-

# Future Envisioned



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Annual Report of the Board of Directors on the Affairs of the Company / 112

Statement of Directors' Responsibility / 115

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Remuneration Committee Report / 118

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The Board of Directors' Statement on Internal Controls / 120

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Statement of Financial Position / 128

Statement of Changes in Equity / 130

Statement of Cash Flows / 132

Notes to the Financial Statements / 134

## FINANCIAL CALENDAR 2018/19

### Interim Financial Statements

Interim Financial Statement for the 3 months ended 30th June 2018	Approved on 13th August 2018
Interim Financial Statement for the 6 months ended 30th September 2018	Approved on 7th November 2018
Interim Financial Statement for the 9 months ended 31st December 2018	Approved on 13th February 2019
Interim Financial Statement for the 12 months ended 31st March 2019	Approved on 31st May 2019

### Dividends

Final Dividend for the year ended 31st March 2019	Proposed on 21st August 2019
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### Annual General Meeting

26th Annual General Meeting	21st September 2018
27th Annual General Meeting	19th September 2019

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

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Board of Directors of Elpitiya Plantations PLC are pleased to submit the Annual Report together with the Audited financial statements for the year ended 31st March 2019 which were approved on 23rd May 2019.

## 1. Principal Activities of the Company

The principal activities of the Company are cultivation, manufacture and sale of black Tea, Rubber and Palm Oil and other crop.

## 2. Review of Performance

A review of the operational and financial performance of the Group are described in the Chairman's, Managing Director's reviews and the Management Discussion and Analysis of this Annual Report.

## 3. Accounting Policies and Changes during the Year

The Company and the Group prepared the Financial statements in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The significant accounting policies adopted in the preparation of the Financial statements of the Company and the Group are given on pages 136 to 148.

## 4. Revenue and Profits

### 4.1 Revenue for the Year

The revenue of the Group for the year ended 31st March 2019 was Rs. 3,547,947,152/= (2017/2018 – Rs. 3,700,200,229/-) while the Company's revenue was Rs. 3,522,380,120/= (2017/2018 – Rs. 3,680,775,816/-). An analysis of the income is given in note 6 to the Financial Statements.

## 4.2 Financial Results

The profit earned by the Group for the year ended 31st March 2019 amounted to Rs. 438,680,709/= (2017/18 – Rs. 335,426,342/-), whilst the Company recorded a profit amounted to Rs. 419,747,791 (2017/18 – Rs. 338,205,308/-).

The Group's total comprehensive income for the year is Rs. 384,007,714/- (2017/18 – Rs. 275,592,523/-) while the Company recorded a total comprehensive income of Rs. 365,074,796/- (2017/18 – Rs. 278,371,489/-)

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 126. Details of transfers to/from reserves on respect of the Group and the Company are shown in the Statement of Changes in Equity on pages 130 and 131.

## 4.3 Donations

During the year donations amounting to Rs. 649,900/- were made by the Company, while no donations were made by the other Group entities during the year under review.

## 4.4 Taxation

A detailed statement of the income tax rates applicable is set out on pages 151 and 152.

## 4.5 Dividend

The Directors recommended a final dividend payment of Rs. 1.25 per share for the year, which is paid out of retained earnings on which a 14% withholding tax is payable. The Directors are satisfied that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the Final

dividend. The dividend paid or proposed to be paid is from dividends received where withholding tax is deducted.

## 5. Statement of Financial Position of the Company and the Group

### 5.1 Stated Capital and Reserves

The Capital and the Reserves of the Company as at 31st March 2019 is given below:

Details are as follows:

Stated Capital (Rs.)	694,236,120
Timber Reserve	765,957,917
Retained Earnings	2,885,810,963
Total Equity	4,346,005,001

### 5.2 Property Plant and Equipment

Details of the Property Plant and Equipment are given in note 15 to the Financial Statements.

### 5.3 Contingent Liabilities

Details of the contingent liabilities are disclosed in note 37 to the Financial Statements.

## 6. Events Occurring after the Reporting Date

The events occurred after the reporting date have been disclosed in Note 38 to the Accounts.

## 7. Shareholder Information

Information relating to earnings, net assets, market price per share are given in the financial highlights and the shareholder and the investor information on pages 189 to 191 of the Annual Report.

## 8. Corporate Governance

The Company's corporate governance practices are set out on pages 41 to 59.

## 9. Board of Directors and Sub-Committees

The names of the Directors of the Company as at the date of the Report are on pages 8 to 12.

### 9.1 Board Sub-Committees

#### Audit Committee

- ➔ Dr. S. A. B. Ekanayake (Chairman)
- ➔ Mr. S. C. Ratwatte
- ➔ Mr. Malik J. Fernando/Ms. M. D. A. Perera (Alternate Director to Mr. Malik J. Fernando)

#### Remuneration Committee

- ➔ Mr. Malik J. Fernando (Chairman)
- ➔ Dr. S. A. B. Ekanayake
- ➔ Mr. S. C. Ratwatte

#### Related Party Transactions Review Committee

- ➔ Mr. S. C. Ratwatte (Chairman)
- ➔ Dr. S. A. B. Ekanayake
- ➔ Mr. Malik J. Fernando/Ms. M. D. A. Perera (Alternate Director to Mr. Malik J. Fernando)

### 9.2 Re-election/ Re-appointment of Directors

Dr. S A B Ekanayake retires by rotation in terms of Article 92 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting.

Dr. M P Dissanayake, who was appointed to the Board on 29th March 2019, retires in terms of Article 98 and offers himself for election and the forthcoming Annual General Meeting.

Mr. Merrill J Fernando attained the age of 70 years on May 6, 2000 and in accordance with Section 210(2) of

the Companies Act No.7 of 2007, he vacates office at the forthcoming Annual General Meeting. In terms of Section 211 of the Companies Act No. 7 of 2007, a shareholder has given notice of an Ordinary Resolution to the Company that the age limit of Mr. Merrill J Fernando in terms of Section 210(1) of the said Companies Act No. 7 of 2007, shall not apply to Mr. Merrill J Fernando who has attained the age of 89 and that he be re-appointed as a Director at the Annual General Meeting.

### 9.3 Directors' Interest in Transactions

The Directors have disclosed their interest in transactions with the Company at meetings of the Directors. The details of which are set out in the notes to the Financial statements on page 179.

### 9.4 Interest Register

The Interest Register is maintained as per the requirements of the Companies Act No. 7 of 2007 and is available for inspection.

### 9.5 Directors' Remuneration

A sum of Rs. 33,141,685/- (2017/18 – Rs. 27,524,038/-) was paid as directors' fees during the financial year 31st March 2019.

### 9.6 Directors' Shareholdings

None of the Directors hold shares in the Company.

## 10. Related Party Transactions

Related party transactions of the Group are disclosed in note 34 to the Financial Statements. These interests have been duly declared by the Directors. These are recurrent and non-recurrent related party transactions, which required disclosures in the annual report in accordance with

the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the audited financial statements as at 31st March 2018.

There were no non-recurrent related party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Company as per the Audited financial statements as at 31st March 2018, which required additional disclosures in the Annual Report under Listing Rule 9.3.2(a).

The Key Management Personnel of the Company disclose the proposed Related Party Transactions (if any) falling under the ambit of Rule 9 of the Listing Rules of the Colombo Stock Exchange. The disclosures so made are tabled at the Related Party Transactions Review Committee meetings, in compliance with the requirements of the above-mentioned rule.

The Related Party Transactions Review Committee declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2019.

## 11. Going Concern

The Directors are satisfied that the Company, its subsidiaries and joint ventures have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements.



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

### 12. Risk Management

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Group. Risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board reviews the risk management process through the Audit Committee. Risk Management Report of the Group is on pages 60 to 65 of this Report.

### 13. Annual General Meeting

The Twenty Seventh Annual General Meeting of your Company will be held on September 19, 2019 at 3.00 p.m.

### 14. Internal Controls

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company and the Group are safeguarded, and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

Board of Directors' Statement on Internal Control, the Statement of Directors' Responsibilities and the Audit Committee Report set out in this Annual Report provide further information in respect of the above.

### 15. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have

been either duly paid or adequately provided in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities of this Annual Report.

### 16. Auditors

The Financial statements for the year have been audited by Messrs. Ernst & Young who offer themselves for re-appointment. The Report of the Auditors on the Financial statements is given on pages 122 to 125 of the Annual Report.

The audit fee payable by the Company to the Auditors' Messrs. Ernst & Young was Rs. 3,200,000/- (2017/18 – Rs. 2,915,000/-). In addition to the above Rs. 81,127/- was payable by the Company for the permitted audit related and non audit related services including tax advisory services.

Messrs. Ernst & Young the Auditors are also the auditors of subsidiaries and joint ventures of the group. The amount payable by the Group to Messrs. Ernst & Young as audit fees was Rs. 3,394,540 /- (2017/18 – Rs. 3,280,433/-) while a further sum of Rs. 191,941/- as payable for permitted audit and non audit related services including tax advisory services.

As far as the directors are aware, the auditors do not have any relationship with the Company that would have an impact on their independence.

#### By Order of the Board



Dr. M. P. Dissanayake  
*Chairman*



Dr. R M Fernando  
*Managing Director*



Aitken Spence Corporate Finance (Pvt) Ltd.,  
*Secretaries*

Colombo  
23rd August 2019

## Statement of Directors' Responsibility

The Companies Act No. 7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the Financial Statements and other statutory reports. The responsibilities of the Directors, in relation to the Financial Statements of Elpitiya Plantations PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the Financial Statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2019 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect frauds, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed and its impact to the Company.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of

the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the Financial Statements.

The Financial Statements presented in this Annual Report for the year ended 31st March 2019, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the Financial Statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2019 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2019 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its subsidiaries have been either duly paid or adequately provided for in the Financial Statements. The Directors further confirm that they promote the highest ethical, environmental and safety

standards within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By Order of the Board,



**Aitken Spence Corporate Finance  
(Private) Limited**  
*Secretaries*

Colombo  
23rd August 2019

## Audit Committee Report

### Composition

Chairman	: Dr. S. A. B. Ekanayake
Members	: Mr. Malik J. Fernando/ Ms. Minette Perera ( <i>Alt. Director</i> ) Mr. S. C. Ratwatte
By Invitation	: Dr. R. M. Fernando Mr. B. Bulumulla Mr. J. A. R. Nissanka

### Composition of the Committee

The Audit Committee is composed of two Independent Non-Executive and a Non-Independent Non-Executive Director. The Committee is chaired by Dr. S A B Ekanayake, Independent Non-Executive Director and Mr. Sarath Ratwatte who is a member of Chartered Institute of Management Accountants, UK, brings in his wealth of knowledge and experience in the financial industry in discharging the duties of the Committee.

### Committee Meetings

The Committee met four (4) times during the year under review and reviewed the process to assess the effectiveness of the internal control system to provide reasonable assurance that assets are safeguarded, and financial reporting system can be relied upon.

Name of Director	28.06.2018	12.09.2018	02.11.2018	20.03.2019
Dr. S. A. B. Ekanayake	✓	✓	✓	✓
Mr. S. C. Ratwatte	✓	✓	✓	✓
Mr. Malik J. Fernando/ Ms. M. D. A. Perera (Alternate Director to Mr. Malik J. Fernando)	✓	✓	✓	✓

### Attendance by Invitation

Mr. H K A Rathnaweera, the Chief Internal Auditor, Aitken Spence PLC and Mr. Vigneshwaran, Manager Internal Audit, Plantations, carry out regular internal audits in the estates and attend the meetings by invitation. Further, Dr. R M Fernando, Managing Director, Elpitiya Plantations PLC, Mr. B Bulumulla, Director / Chief Executive Officer and Mr. R Nissanka, Chief Financial Officer are also present at meetings. In addition, the estate General Managers and the estate Managers whose audit reports are reviewed and discussed also present at these meetings.

### Responsibilities

The Audit Committee undertakes on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of the internal control, the financial reporting process and compliance with regulatory matters.

Activities of the Audit Committee during the Financial Year	
Financial Statements and Financial Control	Reviewed the Quarterly and Annual Financial Statements of the Company.
	Ensured the reliability and consistency of the Financial Statements.
	Ensured that the Financial Statements are in line with the accounting policies and that methods adopted are in compliance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).
	Ensured the adoption of effective internal controls, and compliance with the prevailing laws of the country based on guidelines provided by the respective regulatory authorities in all aspects and in the preparation of financial statements.
	Recommended the Financial Statements to the Board for signature and issuance.
Risk Management and Internal Control	Reviewed and discussed the reports arising from office, factory and field operations of the respective estate.
	Reviewed and discussed financial reports.
	Recommended necessary controls, risk mitigation strategies and internal monitoring mechanisms to mitigate frauds, discrepancies and other financial risks and issues that could occur on the estates and in the company.
Internal Audit	Reviewed the audit reports and submitted by Internal Audit Department along with the respective Estate response.
	Reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.
	The Audit Committee continued to ensure the co-ordination between Group internal audit and the External Auditors.
External Audit	Assessed the performance of the external auditors, M/s Ernst & Young and is of the opinion that the external auditors do not have any relationship with the Company that would have an impact on their independence.
	Reviewed the external audit reports and areas of concern highlighted in the findings of the external audit.
	Discussed with external auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group.
Reporting	The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee by tabling the Minutes of the Audit Committee meetings at Board Meetings.
	The Chairman of the Committee attends the Annual General Meeting.

### Re-appointment of External Auditors

The Audit Committee having evaluated the performance of the external auditors, decided to recommend to the Board the re-appointment of Messrs. Ernst & Young, Chartered Accountants as the auditors of the Company for the current year, subject to approval of the shareholders at the forthcoming Annual General Meeting.



**Dr. Anura Ekanayake**  
*Chairman*  
*Audit Committee*

Colombo  
23rd August 2019

## Remuneration Committee Report

### Composition

Chairman	Mr. Malik J Fernando ( <i>Non-Executive Director</i> )
Members	Dr. S A B Ekanayake ( <i>Independent Non-Executive Director</i> ) Mr. S C Ratwatte ( <i>Independent Non-Executive Director</i> )
Attendance by Invitation	Dr. R M Fernando ( <i>Managing Director, Elpitiya Plantations PLC</i> )

### Composition of the Committee

The Remuneration Committee is composed of three Non-Executive Directors, of whom two are Independent Directors. The Committee is chaired by Mr. Malik J Fernando who is a Non-Executive Director.

### Independence of the Committee Members

The Independent Non-Executive Directors are independent of management and are able to exercise independent judgment in the decisions of the Committee, as they do not have any business or other relationships with the Company or its employees.

### Committee Meetings

The Committee met once during the year under review with the attendance of the full Committee members. Dr. R. M. Fernando, Managing Director of Elpitiya Plantations PLC attended the meeting by invitation.

### Remuneration Policy

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review.

The remuneration policy is formulated based on competitive remuneration structures of other plantation companies and also with the objective of retaining the best professional and managerial talent and encouraging and motivating good performers to perform at a higher level. The Company has a formal performance appraisal system and regular evaluations are carried out to evaluate each employee's performance.

The remuneration policy adopted also takes into consideration, the cost of living and inflation and the basic needs of the employees particularly in the lower income groups. The performance of the Company and affordability together with economic conditions that prevail were also considered in recommending increases in remuneration.

The Remuneration Committee having deliberated the performance of all employees in the Company, approved revisions of individual remuneration packages based on individual performance, industry norms and the contribution of the individuals in the performance of the Company.

The Committee also evaluated the achievements as well as unaccomplished targets and results which are used to determine the performance-based incentives.

No Director was involved in deciding his/her own remuneration package.



**Mr. Malik J. Fernando**  
*Chairman*  
*Remuneration Committee*

Colombo  
23rd August 2019

## Related Party Transactions Review Committee Report

### Composition

Chairman	Mr. S. C. Ratwatte
Members	Dr. S. A. B. Ekanayake
	Mr. Malik J Fernando / Ms. M. D. A. Perera ( <i>Alternate Director</i> )

### Composition of the Committee

The Related Party Transactions Review Committee is composed of 03 Non-Executive Directors, of whom, 02 are Independent Non-Executive Directors. The Committee is chaired by Mr Sarath Ratwatte who is an Independent Non-Executive Director.

### Committee Meetings

The Committee formally met four times during the year under review with the attendance of all its members.

### Key Responsibilities of the Committee

The Committee's key focus is to review all proposed Related Party Transactions prior to the completion of the transaction according to the procedures laid down by the Section 9 of the Listing Rules of the Colombo Stock Exchange and its responsibilities are as follows;

- ➡ Evaluate any proposed related party transactions on a quarterly basis and recommend to the Management and the Board, the appropriate course of action immediately in order to adhere to the compliance regulations of the Listing Rules and the Code of Best Practices on Related Party Transactions
- ➡ Review any post quarter confirmations on related party transactions,
- ➡ Obtain approval from the Board wherever necessary,
- ➡ Review the threshold for related party transactions which require either shareholders' approval or immediate market disclosures,
- ➡ Review the criteria of Key Management Personnel,
- ➡ Regularly report to the Board on the Committee's activities.

### Key Management Personnel

Elpitiya Plantations PLC consider its Board of Directors and the Chief Executive Officer as its Key Management Personnel (KMPs). Declarations were obtained from each KMP of the Company and subsidiaries for the purpose of identifying related parties and for the purpose of annual disclosure.

### Key Functions Performed during the Year Under Review

The Committee reviewed all proposed Related Party Transactions as well as post quarter confirmations and the activities of the Committee have been communicated to the Board quarterly through tabling the minutes of the meeting of the Committee at Board Meetings.

The Committee reviewed the Group Related Party Transactions Review Committee Charter and no changes were made.



**Mr. S. C. Ratwatte**  
*Chairman*  
*Related Party Transactions Review*  
*Committee*

Colombo  
23rd August 2019



## The Board of Directors' Statement on Internal Controls

The Board of Directors is responsible for formulating and implementing a sound system of internal controls and for periodically reviewing its effectiveness and integrity in terms of mitigating any risks associated with such, safeguarding the Group assets and prevention of their misused or unauthorised disposal.

The Board believes the system of internal controls is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external stakeholders and that they are in accordance with acceptable accounting principles and the applicable regulatory requirements.

### Internal Audit

Board believes that any internal control system has its limitations. However, companies must ensure that adequate internal controls are in place to mitigate such limitations. The Internal Audit Department of Aitken Spence PLC who overlooks the Internal Audit function of the Group, is fully equipped to assist the maintenance of our sound system of internal control for purposes of protecting all stakeholder interests and the group assets.

The Group's Internal Audit function is an independent function that reports directly to the Audit Committee. It undertakes regular reviews of the Group's operations and system of internal controls based on annual audit plans approved by the Audit Committee. The Internal Audit function carries out the reviews with impartiality,

proficiency and due professional care. The Internal Audit findings are discussed at estate management level and actions are agreed in response to the Internal Audit function's recommendations. The progress of implementation of the agreed actions is reviewed and verified by the Internal Audit function through its follow-up reviews. The Audit Committee reviews all internal audit findings, estate management responses and the adequacy and effectiveness of the internal controls.

### Review Adequacy and Effectiveness

The Board and the Audit committee have reviewed the effectiveness of the financial, operational and compliance controls, and internal control systems, including risk management for the period and have taken appropriate remedial steps where necessary.

In this connection, the Board and the Audit committee concludes that an effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Group's assets.

### Whistle Blowing Policy

The Group has implemented a whistle blowing policy which aims to provide an avenue for employees to raise concerns about possible irregularities in financial reporting, internal controls or other matters within the Group. Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any). The effectiveness of this policy will be monitored and reviewed regularly by the Audit Committee.

### Code of Business Conduct and Ethics

The Aitken Spence Group Code of Ethics, which is articulated to Directors and all employees includes a strong set of corporate values and required conduct. The Board ensures that Directors and employees strictly comply with the Group's Code of Ethics at all levels in the performance of their official duties, communications, role modelling and in any other circumstances, so as to prevent the tarnishing of the Group's image in any manner. The violation of the Code of Ethics is an offence that is subject to disciplinary action.

### Going Concern

The Statement of Going Concern is set out in the 'Annual Report of the Directors' on page 113.

### Risk Management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 60 to 65.

### Annual Report

The Board of Directors is responsible for the preparation of the Annual Report and confirm that the quarterly reports, Annual Financial Statements and the annual review of operations of the Company and its subsidiary, joint venture and associate companies that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the entire Group.

### Confirmation

All Financial Statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act, the Listing Rules of the Colombo Stock Exchange and other regulatory bodies as applicable for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated Financial Statements for the year ended 31st March 2019 have been audited by Messrs. Ernst & Young, Chartered Accountants.



**Dr. M. P. Dissanayake**  
*Chairman*



**Dr. R. M. Fernando**  
*Managing Director*



**Dr. S. A. B. Ekanayake**  
*Chairman*  
Audit Committee

Colombo  
23rd August 2019

## Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

MPDC/NKMS/TN

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ELPITIYA PLANTATIONS PLC Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Elpitiya 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 31 March 2019, and the 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, 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have

fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

### Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of Consumable Biological Assets</b>	
<p>The group has consumable biological assets carried at fair value amounting to Rs.1,003 Mn as at the reporting date. The valuation of consumable biological assets requires significant levels of judgement and technical expertise, including the use of discounted cash flow models and selecting appropriate assumptions. Changes in the key assumptions used such as discount rate and available timber quantity to value the group's consumable biological asset could have a material impact on the income statement and the value of consumable biological asset. Accordingly, valuation of consumable biological assets have been considered as a Key Audit Matter.</p>	<p>Our audit procedures focused on the valuation performed by the Management's external valuer, which included among others the following procedures;</p> <ul style="list-style-type: none"> <li>• We evaluated the competence, capability and objectivity of the external valuer engaged by the company.</li> <li>• We read the external valuer's report and evaluated the fair value methodology and inputs used in the valuations.</li> <li>• We engaged our internal specialised resources to assist us in evaluating the appropriateness of the valuation method and discount rate used by the external valuer.</li> </ul> <p>We evaluated the adequacy of the related disclosures given in Note 17.2 in the financial statements.</p>
<b>Bearer Biological Assets - Immature</b>	
<p>During the financial year Group capitalised an amount of Rs 336 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 144 Mn.</p> <p>Due to the magnitude of the amounts involved and the significance of the management judgments required; in assessing if the indicators of impairment present and determining the points at which transfers to matured plantations should be made, we considered this area as a key audit matter for our audit.</p>	<p>Our audit procedures to address this area of focus included (amongst others) the following:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• We validated the significant amounts capitalised (including capitalised labor and other acceptable costs) by examining related invoices, capital expenditure authorisations and other corroborative evidences.</li> <li>• 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.</li> </ul> <p>We evaluated the adequacy of the related disclosures given in Notes 3.8.7.1 and 17.1 in the financial statements.</p>

## Independent Auditor's Report

### Other Information included in The 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditor's report.

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.

### Responsibilities of the management and those charged with governance

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures,

and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

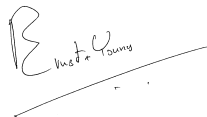
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M - 1518.



23 May 2019  
Colombo

## Statement of Profit or Loss

		Group		Company	
For the year ended 31 March		2019	2018	2019	2018
	Notes	Rs.	Rs.	Rs.	Rs.
Revenue	6	<b>3,547,947,152</b>	3,700,200,229	<b>3,522,380,120</b>	3,680,775,816
Cost of sales		<b>(2,795,400,171)</b>	(2,811,621,947)	<b>(2,783,135,482)</b>	(2,797,413,845)
Gross profit		<b>752,546,981</b>	888,578,282	<b>739,244,638</b>	883,361,971
Gains on change in fair value of biological assets	20.2	<b>30,009,627</b>	25,602,463	<b>30,009,627</b>	25,602,463
Other income and gains	7	<b>206,403,917</b>	133,995,123	<b>205,442,342</b>	133,995,123
Administrative expenses		<b>(346,217,158)</b>	(291,154,871)	<b>(341,112,346)</b>	(286,550,980)
Management fee and workers profit share		<b>(101,920,225)</b>	(102,568,019)	<b>(101,920,225)</b>	(102,568,019)
Finance expenses	8.1	<b>(45,729,810)</b>	(61,958,096)	<b>(41,788,111)</b>	(55,505,765)
Finance income	8.2	<b>3,828,328</b>	2,996,620	<b>3,506,202</b>	2,897,731
Share of profit from joint ventures	19	<b>13,483,580</b>	2,989,744	-	-
Profit before taxation	9	<b>512,405,240</b>	598,481,247	<b>493,382,127</b>	601,232,524
<b>Tax Expenses</b>					
- Current Tax	10.1.1	<b>(73,724,531)</b>	(72,492,574)	<b>(73,634,336)</b>	(72,464,885)
- Deferred tax expense relating to origination of temporary differences in the current year tax	10.3.1.2	-	(5,308,912)	-	(5,308,912)
Profit before adjustment to bought forward temporary differences due to tax rate changes		<b>438,680,709</b>	520,679,761	<b>419,747,791</b>	523,458,727
- Increase in opening deferred taxes resulting from increase in tax rate	10.3.1.2	-	(185,253,419)	-	(185,253,419)
<b>Profit for the year</b>		<b>438,680,709</b>	335,426,342	<b>419,747,791</b>	338,205,308
<b>Attributable to:</b>					
Equity holders of the parent		<b>438,805,782</b>	335,517,789	<b>419,747,791</b>	338,205,308
Non-controlling interest		<b>(125,073)</b>	(91,447)	-	-
<b>Profit for the year</b>		<b>438,680,709</b>	335,426,342	<b>419,747,791</b>	338,205,308
Earnings per share	11.2	<b>6.02</b>	4.60	<b>5.76</b>	4.64

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 134 to 185 form an integral part of these Financial Statements.



## Statement of Comprehensive Income

For the year ended 31 March	Notes	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit for the year		<b>438,680,709</b>	335,426,342	<b>419,747,791</b>	338,205,308
<b>Other comprehensive income</b>					
<b>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)</b>					
Actuarial gain/(loss) on defined benefit plans	29	<b>(63,573,250)</b>	(69,574,208)	<b>(63,573,250)</b>	(69,574,208)
Tax effect	10.1.2	<b>8,900,255</b>	9,740,389	<b>8,900,255</b>	9,740,389
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)		<b>(54,672,995)</b>	(59,833,819)	<b>(54,672,995)</b>	(59,833,819)
Total other comprehensive income for the year, net of tax		<b>(54,672,995)</b>	(59,833,819)	<b>(54,672,995)</b>	(59,833,819)
Total comprehensive income for the year net of tax		<b>384,007,714</b>	275,592,523	<b>365,074,796</b>	278,371,489
<b>Attributable to:</b>					
Equity holders of the parent		<b>384,132,787</b>	275,683,970	<b>365,074,796</b>	278,371,489
Non-controlling interest		<b>(125,073)</b>	(91,447)	-	-
Total comprehensive income for the year (net of tax)		<b>384,007,714</b>	275,592,523	<b>365,074,796</b>	278,371,489

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 134 to 185 form an integral part of these Financial Statements.

## Statement of Financial Position

		Group		Company	
As at 31 March		2019	2018	2019	2018
	Notes	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
<b>Non-Current Assets</b>					
Leasehold property, plant and equipment	14	217,594,720	235,624,223	217,594,720	235,624,223
Freehold property, plant and equipment	15	970,190,672	811,800,552	756,483,988	610,538,370
Intangible assets	16	19,797,063	24,746,329	19,797,063	24,746,329
Bearer biological assets	17.1	3,337,706,475	3,128,868,138	3,337,706,475	3,128,868,138
Consumable biological assets	17.2	1,003,340,618	1,001,128,616	1,003,340,618	1,001,128,616
Other non current asset	18	41,182,022	39,916,170	41,182,022	39,916,170
Investments	19	169,881,750	156,161,298	189,290,290	137,990,300
Goodwill	16.1	2,603,657	-	-	-
<b>Total non-current assets</b>		<b>5,762,296,977</b>	5,398,245,326	<b>5,565,395,176</b>	5,178,812,146
<b>Current Assets</b>					
Produce on bearer biological assets	20	11,290,634	12,898,502	11,290,634	12,898,502
Inventories	21	381,276,810	342,803,779	381,242,404	342,771,569
Trade and other receivables	22	282,851,227	190,193,103	281,307,626	188,148,209
Amounts due from related parties	23	80,227,095	71,613,172	218,124,187	223,180,021
Cash and cash equivalents	24	49,538,635	92,298,074	33,458,030	84,923,548
<b>Total current assets</b>		<b>805,184,400</b>	709,806,630	<b>925,422,880</b>	851,921,850
<b>Total assets</b>		<b>6,567,481,377</b>	6,108,051,956	<b>6,490,818,056</b>	6,030,733,996
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Stated capital	25	694,236,120	694,236,120	694,236,120	694,236,120
Timber reserve	26	765,957,917	780,375,770	765,957,918	780,375,770
Retained earnings		2,945,536,414	2,549,909,774	2,885,810,963	2,509,242,315
Total equity attributable to equity holders of the parent		4,405,730,451	4,024,521,664	4,346,005,001	3,983,854,205
Non-controlling interest		(4,402,826)	(4,277,753)	-	-
<b>Total equity</b>		<b>4,401,327,625</b>	4,020,243,911	<b>4,346,005,001</b>	3,983,854,205
<b>Non-Current Liabilities and Deferred Income</b>					
Interest bearing borrowings	27	76,328,185	184,192,791	76,328,185	164,274,767
Liability to make lease payment	28.1	161,993,321	165,676,269	161,993,321	165,676,269
Retirement benefit obligations	29	609,807,019	530,975,302	609,709,699	530,920,222
Deferred income	30	212,214,020	231,325,067	212,214,020	231,325,067
Deferred tax liability	31	474,350,993	409,987,029	474,350,993	409,987,029
<b>Total non-current liabilities</b>		<b>1,534,693,538</b>	1,522,156,457	<b>1,534,596,218</b>	1,502,183,354

		Group		Company	
As at 31 March		2019	2018	2019	2018
	Notes	Rs.	Rs.	Rs.	Rs.
<b>Current Liabilities</b>					
Interest bearing borrowings	27	<b>109,098,324</b>	113,337,520	<b>89,180,300</b>	93,419,235
Liability to make lease payments	28.1	<b>3,682,949</b>	3,541,297	<b>3,682,949</b>	3,541,297
Trade and other payables	32	<b>349,297,424</b>	323,661,485	<b>348,088,383</b>	322,642,438
Amounts due to related parties	33	<b>169,165,203</b>	118,034,831	<b>169,165,203</b>	118,034,831
Income tax liabilities		<b>216,313</b>	7,076,456	<b>100,002</b>	7,058,636
<b>Total current liabilities</b>		<b>631,460,214</b>	565,651,588	<b>610,216,838</b>	544,696,438
<b>Total liabilities</b>		<b>2,166,153,751</b>	2,087,808,045	<b>2,144,813,055</b>	2,046,879,792
<b>Total equity and liabilities</b>		<b>6,567,481,377</b>	6,108,051,956	<b>6,490,818,056</b>	6,030,733,996

These financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Chief Financial Officer


The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by.

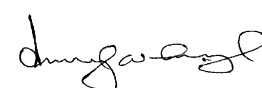
Director

1. 

2. 

Managing Agent

1. 

2. 

Notes to the Financial Statements from pages 134 to 185 form an integral part of these Financial Statements.

23 May 2019  
Colombo

## Statement of Changes in Equity

Group	Attributable to equity holders of the parent					Non-controlling Interest	Total Equity
	Stated Capital Rs.	Timber Reserve Rs.	Retained Earnings Rs.	Total Rs.			
For the year ended 31 March 2019							
<b>Balance as at 31 March 2017</b>	694,236,120	778,722,358	2,439,828,684	3,912,787,162	(4,186,306)		<b>3,908,600,856</b>
Profit for the year	-	-	335,517,789	335,517,789	(91,447)		<b>335,426,342</b>
Other comprehensive income for the year	-	-	(59,833,819)	(59,833,819)	-		<b>(59,833,819)</b>
Total comprehensive income for the year	-	-	275,683,970	275,683,970	(91,447)		<b>275,592,523</b>
Gains/(loss) on change in fair value of							
Consumable biological assets transferred							
to the timber reserve	-	25,489,622	(25,489,622)	-	-		-
Realised gain on harvested timber trees	-	(23,836,210)	23,836,210	-	-		-
Interim & Final dividend	-	-	(163,949,468)	(163,949,468)	-		<b>(163,949,468)</b>
<b>Balance as at 31 March 2018</b>	694,236,120	780,375,770	2,549,909,774	4,024,521,664	(4,277,753)		<b>4,020,243,911</b>
Allowance for Expected Credit Loss, net of tax	-	-	(2,924,000)	(2,924,000)	-		<b>(2,924,000)</b>
Balance as at 01 April 2018	694,236,120	780,375,770	2,546,985,774	4,021,597,664	(4,277,753)		<b>4,017,319,911</b>
Profit for the year	-	-	438,805,782	438,805,782	(125,073)		<b>438,680,709</b>
Other comprehensive income for the year	-	-	(54,672,995)	(54,672,995)	-		<b>(54,672,995)</b>
Total comprehensive income for the year	-	-	384,132,787	384,132,787	(125,073)		<b>384,007,714</b>
Gains/(loss) on change in fair value of							
Consumable biological assets transferred							
to the timber reserve	-	31,617,495	(31,617,495)	-	-		-
Realised gain on harvested timber trees	-	(46,035,347)	46,035,347	-	-		-
Interim & Final dividend	-	-	-	-	-		-
<b>Balance as at 31 March 2019</b>	694,236,120	765,957,917	2,945,536,414	4,405,730,451	(4,402,826)		<b>4,401,327,625</b>

Company	Stated Capital Rs.	Timber Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
For the year ended 31 March 2019				
<b>Balance as at 31 March 2017</b>	694,236,120	778,722,358	2,396,473,705	<b>3,869,432,183</b>
Profit for the year	-	-	338,205,308	<b>338,205,308</b>
Other comprehensive income for the year	-	-	(59,833,819)	<b>(59,833,819)</b>
Total comprehensive income for the year	-	-	278,371,489	<b>278,371,489</b>
Gains/(loss) on change in fair value of Consumable biological assets transferred to the timber reserve	-	25,489,622	(25,489,622)	-
Realised gain on harvested timber trees	-	(23,836,210)	23,836,210	-
Interim & Final dividend	-	-	(163,949,468)	<b>(163,949,468)</b>
<b>Balance as at 31 March 2018</b>	694,236,120	780,375,770	2,509,242,315	<b>3,983,854,205</b>
Allowance for Expected Credit Loss, net of tax	-	-	(2,924,000)	<b>(2,924,000)</b>
<b>Balance as at 01 April 2018</b>	694,236,120	780,375,770	2,506,318,315	<b>3,980,930,205</b>
Profit for the year	-	-	419,747,791	<b>419,747,791</b>
Other comprehensive income for the year	-	-	(54,672,995)	<b>(54,672,995)</b>
Total comprehensive income for the year	-	-	365,074,796	<b>365,074,796</b>
Gains/(loss) on change in fair value of Consumable biological assets Transferred to the timber reserve	-	31,617,495	(31,617,495)	-
Realised gain on harvested timber trees	-	(46,035,347)	46,035,347	-
Interim & Final dividend	-	-	-	-
<b>Balance as at 31 March 2019</b>	694,236,120	765,957,918	2,885,810,963	<b>4,346,005,001</b>

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 134 to 185 form an integral part of these Financial Statements.

## Statement of Cash Flows

		Group		Company	
For the year ended 31 March		2019	2018	2019	2018
	Notes	Rs.	Rs.	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>					
Profit before tax		512,405,240	598,481,246	493,382,127	601,232,523
<b>Adjustments for;</b>					
Depreciation and amortisation	9	242,300,077	211,064,948	233,155,591	199,878,687
Provision for defined benefit plans	29	87,951,296	78,540,897	87,909,056	78,513,357
Items written back	7	(62,414,334)	(173,455)	(62,414,334)	(173,455)
Amortisation of grants	7	(13,129,621)	(13,224,278)	(13,129,621)	(13,224,278)
Finance cost	8.1	45,729,810	61,958,096	41,788,111	55,505,765
Finance income	8.2	(3,828,328)	(2,996,620)	(3,506,202)	(2,897,731)
Gain on biological assets	20.2	(30,009,627)	(25,602,463)	(30,009,627)	(25,602,463)
Amortisation of deferred income from sub lease	7	(4,948,240)	(3,973,108)	(4,948,240)	(3,973,108)
Profit on sale of other trees	7	(50,884,238)	(32,111,976)	(50,884,238)	(32,111,976)
Profit from sale of Timber Trees	7	(14,297,454)	(32,378,533)	(14,297,454)	(32,378,533)
Amortisation of leasehold right to use of land		(5,479,310)	(5,479,310)	(5,479,310)	(5,479,310)
Share of profit of joint venture		(13,483,580)	(2,989,744)	-	-
Gain on PPE disposal	7	(7,390,888)	(6,820,700)	(7,390,888)	(6,820,700)
Operating profit before working capital changes		682,520,804	824,295,000	664,174,972	812,468,778
(Increase)/decrease in inventories	21	(38,397,856)	(24,972,105)	(38,395,660)	(24,972,105)
(Increase)/decrease in trade and other receivables	22	(92,658,124)	20,181,533	(93,159,416)	20,309,242
(Increase)/decrease in amounts due from related parties	23	53,725,237	(25,501,973)	67,394,994	(47,189,435)
Increase/(decrease) in trade and other payables	32	22,795,392	(14,588,882)	25,445,945	(14,542,370)
Increase/ (decrease) in amount due to related parties	33	51,130,373	16,178,931	51,130,373	16,178,908
Cash generated from operating activities		679,115,825	795,592,505	676,591,207	762,253,017
Cash received from sublease of land	30.2	2,678,213	540,000	2,678,213	540,000
Cash received from sale of trees		111,217,040	88,326,719	111,217,040	88,326,719
Finance cost paid		(7,471,740)	(26,731,813)	(3,530,041)	(20,279,482)
Finance income received		2,562,476	1,769,678	2,240,350	1,670,789
Retirement benefit obligations paid	29	(72,692,829)	(68,959,706)	(72,692,829)	(68,959,706)
Tax paid		(15,747,801)	(45,865,827)	(15,756,126)	(45,831,289)
Grants received	30.1	1,767,912	4,870,113	1,767,912	4,870,113
Net cash flow from operating activities		701,429,097	749,541,669	702,515,725	722,590,162
<b>Cash Flows from Investing Activities</b>					
Field development expenditure	17	(353,023,596)	(296,142,254)	(353,023,596)	(296,142,254)
Purchase of property, plant and equipment		(249,711,636)	(144,433,724)	(228,122,649)	(143,926,225)
Proceeds from sale of property, plant and equipments		7,390,888	6,820,700	7,390,888	6,820,700
Investment in Subsidiary		(10)	-	(51,299,990)	-
Proceeds from sale of shares		-	-	-	-
Net cash used in investing activities		(595,344,354)	(433,755,278)	(625,055,347)	(433,247,779)
Net cash Inflow before financing activities		106,084,743	315,786,391	77,460,379	289,342,382

		Group		Company	
For the year ended 31 March		2019	2018	2019	2018
	Notes	Rs.	Rs.	Rs.	Rs.
<b>Cash Flows from Financing Activities</b>					
Payment of government lease rentals		(41,799,368)	(38,631,580)	(41,799,368)	(38,631,580)
Proceeds from loans		-	70,946,143	-	70,946,143
Settlement of loans		(107,044,813)	(148,090,330)	(87,126,529)	(128,172,046)
Dividend paid		-	(154,841,163)	-	(154,841,163)
Other lease rentals paid		-	(5,222,167)	-	(5,222,167)
Net cash used in financing activities		(148,844,181)	(275,839,098)	(128,925,897)	(255,920,813)
Net increase in cash and cash equivalents		(42,759,440)	39,947,297	(51,465,518)	33,421,570
Cash and cash equivalents at the beginning of the year	A	92,298,074	52,350,778	84,923,548	51,501,978
Cash and cash equivalents at the end of the year	B	49,538,635	92,298,074	33,458,030	84,923,548
<b>Note: A</b>					
<b>Cash and Cash Equivalents at the Beginning of the Year</b>					
Cash and bank balances		92,298,074	52,350,778	84,923,548	51,501,978
Bank overdrafts		-	-	-	-
		92,298,074	52,350,778	84,923,548	51,501,978
<b>Note: B</b>					
<b>Cash and Cash Equivalents at the End of the Year</b>					
Cash and bank balances		49,538,635	92,298,074	33,458,030	84,923,548
Bank overdrafts		-	-	-	-
		49,538,635	92,298,074	33,458,030	84,923,548

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 134 to 185 form an integral part of these Financial Statements.



# Notes to the Financial Statements

Year ended 31 March 2019

## 1. Reporting Entity

### 1.1 Domicile and Legal Form

Elpitiya Plantations PLC (the Company) was incorporated on 22 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 Act No. 23 of 1987.

The registered office of the Company is located at No. 315, Vauxhall Street, Colombo 02, and Plantations are situated in the planting districts of Nuwara Eliya and Galle.

The Consolidated Financial Statements of Elpitiya Plantations PLC as at and for the year ended 31 March 2019 comprise the Company and its Subsidiaries namely, EPP Hydro Power Company (Pvt) Ltd., Water Villas (Pvt) Ltd., Venture Valley (Pvt) Ltd. and Joint Venture Companies namely, Elpitiya Lifestyle Solutions (Pvt) Ltd, AEN Palm Oil Processing (Pvt) Ltd and Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd (together referred to as the 'Group').

The Financial Statements of the Company and the Group 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 Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31 March.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were cultivation, manufacture and sale of Black Tea, Rubber, Oil Palm and other crops.

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

Company	Nature of the Business	Principle Place of Business
EPP Hydro Power Company (Pvt) Ltd.	Generating Hydro Power	Dunsinane Estate
Water Villas (Pvt) Ltd	Intended Hotel Operator	Talgaswella Estate
Elpitiya Lifestyle Solutions (Pvt) Ltd	Manufacture of all types of wooden materials (Under the liquidation process)	Devitura Estate
AEN Palm Oil Processing (Pvt) Ltd	Processing crude palm oil	Baduraliya
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	Manufacturing & Exporting of speciality Tea	Fernland Estate- Harrow Factory
Venture Valley (Pvt) Ltd	Designing, developing & operating an adventure park & its associated activities	Devitura Estate

### 1.3 Parent Enterprise

The Company's parent undertaking is Aitken Spence Plantation Managements PLC.

### 1.4 Date of Authorisation for Issues

The Financial Statements of Elpitiya Plantations PLC for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 23 May 2019.

### 1.5 Responsibility for Financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' responsibility report in the Annual Report.

## 2. Basis of Preparation

### 2.1 Statement of Compliance

The Financial Statements of the Company and the Group have been prepared in accordance 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 Financial Statements have been prepared in accordance with the historical cost convention other than consumable biological assets and produce on bearer biological assets that have been measured at fair value and where appropriate specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the 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 1st January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

#### 2.3.1 SLFRS 15 Revenue from Contracts with Customers

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

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

The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's financial statements. The revised policies as per SLFRS 15 are indicated in the note no. 3.21.1.

#### 2.3.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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

#### Classification and Measurement

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

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

The assessment of the Group's business models was made as of the date of initial application, 1st January 2018, and then applied retrospectively to those financial assets that were not derecognised before

1st January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

#### The new Classification and Measurement of the Group's debt Financial Assets are as follows:

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

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

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

#### Impairment

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

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

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified

## Notes to the Financial Statements

Year ended 31 March 2019

approach and has calculated ECLs based on lifetime expected credit losses.

### 2.4 Functional and Presentation

#### Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, 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

### 3.1 Comparative Information

The presentation and classification of the financial statements of the current year are comparable with those of the previous year.

### 3.2 Going Concern

The 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 with the availability of undrawn borrowing facilities with the financial institutions, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements.

### 3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. 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.

#### 3.3.1 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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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.

### 3.3.2 Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses

resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Based on the contractual terms (Joint Venture agreements), the Group assessed that Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd and AEN Palm Oil Processing (Pvt) Ltd are joint ventures.

## Notes to the Financial Statements

Year ended 31 March 2019

### 3.4 Current versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
  - Held primarily for the purpose of trading
  - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
  - It is held primarily for the purpose of trading
  - It is due to be settled within twelve months after the reporting period
- Or
- There is no right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3.5 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:

- Consumable biological assets - Note 17.2
- Produce on bearer biological assets - Note 20

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the

fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as Consumable biological assets, and significant liabilities, such as retirement benefit obligation. Involvement of external valuers is decided upon annually by the Management 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.

### 3.6 Foreign Currency Transactions

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 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 other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 profit or loss are also recognised in OCI or profit or loss, respectively).

### 3.7 Cash Dividend 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.

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.

### 3.8 Property, Plant and Equipment

#### 3.8.1 Recognition and Measurement

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.

Items of property, plant and equipment are measured at cost (or at fair value in the case of consumable biological asset), less accumulated depreciation and accumulated impairment losses, if any.

#### 3.8.2 Owned Assets

The cost of property, plant and 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-term 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 with specific useful lives and depreciation, respectively. Likewise, when a major inspection is preformed, its cost is recognised in the carrying amount of the

plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilisation or at the time the asset is commissioned.

#### 3.8.3 Leased Assets

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

#### Group as a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

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

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



## Notes to the Financial Statements

Year ended 31 March 2019

term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

### Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### 3.8.4 De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is derecognised and gains are not classified as revenue.

### 3.8.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

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 Income Statement 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 Income Statement 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 derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

### Amortisation

The following intangible assets are amortised in equal amounts over their useful lives as follows:

Development cost	Useful lives	Amortisation Method Used	Internally Generated or Acquired
Software	5 Years	Amortised on straight- line basis over the period of expected future sales from the related project.	Acquired

### 3.8.6 Land Improvement Cost

Permanent land improvement 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.

### 3.8.7 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 plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural



produce from such biological assets. Consumable biological assets includes 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.

### 3.8.7.1 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 fertilising, 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 and Oil Palm) which comes into bearing during the year, is transferred to mature plantations.

### 3.8.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance. Infilling costs so capitalised are depreciated over the newly assessed remaining economic useful life of the relevant nature plantation or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Profit or Loss Statement in the year in which they are incurred.

### 3.8.7.3 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 Profit or Loss Statement.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs'. The Borrowing Cost Capitalisation rate for the year 2018/2019 is 12.32%. (2017/2018 – 14.41 %).

The amount so capitalised is disclosed in Notes to the Financial Statements.

### 3.8.7.4 Consumable Biological Asset

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 17.2.

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 profit or loss for the period in which it arises.

Impairments to Biological Asset are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

Consumable biological assets initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is derecognised and gains are not classified as revenue.

### 3.8.7.5 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.

### 3.8.7.6 Produce 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 (current month) less cost of harvesting & transport
Rubber –	latex Price (95% of current RSS1 Price) less cost of tapping & transport

## Notes to the Financial Statements

Year ended 31 March 2019

Oil Palm – Bought Mill NSA less cost of harvesting & transport

### 3.8.8 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. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of Years	Rate (%)
Building	40	2.50
Electronic machinery	10	10.00
Plant and other machinery	20	5.00
Motor vehicles – Supervisory and motorbikes	8	12.50
Motor vehicles – Others	10	10.00
Equipment – Tools	4	25.00
Equipment – Computer and other equipment	5	20.00
Furniture and fittings	10	10.00
Water sanitation	20	5.00
Civil construction and other	40	2.50
Solar Power Assets	20	5.00

Mature Plantations (Replanting and New Planting)	No. of Years	Rate (%)
Tea	33 1/3	3.00
Rubber	20	5.00
Oil Palm	20	5.00
Coconut	50	2.00
Cinnamon	20	5.00
Passion Fruit	5	20.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognised. 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 lower.

No depreciation is provided for immature plantations.

#### b) Amortisation

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of Years	Rate (%)
Bare land	53	1.89
Mature plantations	30	3.33
Buildings	25	4.00
Machinery	20	5.00
Improvements to land/ Other vested assets/	53	1.89
Unimproved lands		

### 3.9 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.

#### 3.9.1 Financial Assets

##### 3.9.1.1 Initial Recognition & 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 and trade and other receivables.

##### 3.9.1.2 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 derecognition (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.
- and
- ➔ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial instruments 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
- and
- ➔ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured

at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, 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.

#### **d) Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the

criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

#### **3.9.1.3 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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.

# Notes to the Financial Statements

Year ended 31 March 2019

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.

## 3.9.1.4 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).

## 3.9.2 Financial Liabilities

### 3.9.2.1 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.

### 3.9.2.2 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 Instruments 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 derecognised as well as through the effective interest rate method (EIR) amortisation process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables and amounts due to related parties.

### 3.9.2.3 Derecognition

A financial liability is derecognised 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 derecognition 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.

### 3.9.3 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.

## 3.10 Inventories

### Finish 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.

### Input Materials, Spares and Consumables

At actual cost on weighted average basis.

### 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 and integral part of the Group's cash management and those 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 Profit or Loss Statement net of any reimbursement.

### 3.14 Employees' Benefits

#### (a) Defined Contribution Plans – Employees' Provident Fund and Employees' 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 and 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.

# Notes to the Financial Statements

Year ended 31 March 2019

## (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 in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the 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 29.2.

## 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 Period

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 earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period.

## 3.18 Deferred Income - 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 instalments.

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.

Sanitation & water supply - 20 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, oil palm(FFB) and other crops (Plantation Produce). Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

### 3.19.1.1 Revenue from Contracts with Customers

#### ➡ Sale of Plantation Produce

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/ rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall



of the hammer, at which point control is transferred to the customer. Revenue from sale of oil palm (FFB) and 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.

#### 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.

#### 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 and equipment in a state of efficiency is charged to revenue in arriving at the profit for the year.

#### 3.19.3 Financing Income and Expenses

Finance income comprises interest income on funds invested. Interest income is recognised in the Statement of Profit or Loss as it accrues.

Finance expenses comprise interest payable on borrowing. 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 payment 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.

#### 3.19.4 Taxes

##### 3.19.4.1 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.

Company is liable for income tax at the rate of 28%, 14% & 14% on its profit from manufacturing, Hydro Power Project and agriculture undertakings respectively.

#### EPP Hydro Power Company (Pvt) Ltd

As per the section 17 of the BOI Law No.4 of 1978 and regulations there to, EPP Hydro Power Company (Pvt) Ltd. is exempted from income tax for 5 years from the year of assessment in which the Company commences to make the profit or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations whichever is earlier as may be specified in a certificate issued by the Board. Accordingly this exemption is commenced from the year of Assessment 2014/2015.

#### 3.19.4.2 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



# Notes to the Financial Statements

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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; dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows, for the purpose of presenting the Statement Cash Flows.

## 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 on Note 13 in the Notes to the Financial Statements.

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. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Group are as follows:

#### 4.1 Taxation

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 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income.

The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the company is predominantly engaged in agricultural business.

Further, Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The details of deferred tax computation is given in Note 10.3 to the Financial Statements.

#### 4.2 Retirement Benefit Obligations

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 Group.

Further details about Retirement benefit obligations are provided in Note 29.

#### 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 cash flow method using various different 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 the fair value of biological assets. All assumptions are reviewed at each reporting period. Key assumptions and sensitivity analysis of the biological assets are given in Note 17.3.1.

#### 5. Sri Lanka Accounting Standards (SLFRS / LKAS) Issued but not yet Effective

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

##### SLFRS 16 –Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires

lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short-term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

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

## Notes to the Financial Statements

For the year ended 31 March 2019

### 6. Revenue

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Tea	2,592,724,602	2,782,253,717	2,592,724,602	2,782,253,717
Rubber	192,232,552	206,764,598	192,232,552	206,764,598
Oil Palm	731,933,691	683,876,383	731,933,691	683,876,383
Others	31,056,307	27,305,530	5,489,275	7,881,117
	<b>3,547,947,152</b>	<b>3,700,200,229</b>	<b>3,522,380,120</b>	<b>3,680,775,816</b>

### 7. Other Income

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit on sale of other trees	50,884,238	32,111,976	50,884,238	32,111,976
Revenue on Sheen mini hydro power project	15,716,182	13,446,670	15,716,182	13,446,670
Revenue on dunsinane mini hydro power project	7,765,639	5,897,058	7,765,639	5,897,058
Amortisation of capital grants	13,129,621	13,224,278	13,129,621	13,224,278
Profit from sale of Timber Trees	14,297,454	32,378,533	14,297,454	32,378,533
Income from sub lease	7,916,001	8,634,816	7,916,001	8,634,816
Amortisation of deferred income from sub lease	4,948,240	3,975,846	4,948,240	3,975,846
Gain on PPE disposal	7,390,888	6,820,700	7,390,888	6,820,700
Amortisation of Leasehold right to use of Land (Note 30.3)	5,479,310	5,479,310	5,479,310	5,479,310
Item written back	75,174	173,455	75,174	173,455
Income from Solar Power Projects	4,266,696	3,207,050	4,266,696	3,207,050
Assets written back of Elpitiya Lifestyle Solutions (Pvt) Ltd	62,338,660	-	62,338,660	-
Sundry income	12,195,814	8,645,430	11,234,239	8,645,430
	<b>206,403,917</b>	<b>133,995,123</b>	<b>205,442,342</b>	<b>133,995,123</b>

### 8. Finance Income and Finance Expenses

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>8.1 Finance Expenses</b>				
Overdraft interest	4,255,676	2,003,043	4,255,676	2,003,043
Term loan interest	24,511,089	44,903,088	20,569,390	38,450,757
Interest on government lease	6,768,702	6,904,702	6,768,702	6,904,702
Variable lease rentals	31,489,368	28,321,580	31,489,368	28,321,580
Exchange loss	267,672	251,427	267,672	251,427
	<b>67,292,507</b>	<b>82,383,840</b>	<b>63,350,808</b>	<b>75,931,509</b>
Amount capitalised	(21,562,697)	(20,425,745)	(21,562,697)	(20,425,745)
	<b>45,729,810</b>	<b>61,958,096</b>	<b>41,788,111</b>	<b>55,505,765</b>

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>8.2 Finance Income</b>				
Interest income	2,562,476	1,769,678	2,240,350	1,670,789
Interest Income on finance lease	1,265,852	1,226,942	1,265,852	1,226,942
	<b>3,828,328</b>	2,996,620	<b>3,506,202</b>	2,897,731
<b>8.3 Net Finance Expense</b>	<b>41,901,482</b>	58,961,476	<b>38,281,909</b>	52,608,034

## 9. Profit before Taxation is Stated after Charging

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Auditors fees	3,394,540	3,280,433	3,200,000	2,915,000
Depreciation and amortisation	242,300,077	211,064,949	233,155,591	199,878,687
Define benefit plan costs	87,951,296	78,540,897	87,909,056	78,513,357
Defined contributions plan cost - EPF and ETF	194,122,138	163,691,181	193,780,771	163,691,181
Staff costs	1,381,174,673	1,276,214,159	1,379,805,205	1,274,769,810
Director fees & other emoluments	33,141,685	27,524,038	33,141,685	27,524,038
Donations	649,900	1,365,500	649,900	1,365,500

## 10. Income Tax

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>10.1 Income Tax Expense</b>				
<b>10.1.1 Income Tax</b>				
Tax on current year profits	90,195	27,277,689	-	27,250,000
Over provision in respect of previous years	(105,883)	(318,961)	(105,883)	(318,961)
Tax on dividends paid by group companies	-	-	-	-
Unrecoverable ESC	-	-	-	-
Deferred tax expense	73,740,219	45,533,846	73,740,219	45,533,846
	<b>73,724,531</b>	72,492,574	<b>73,634,336</b>	72,464,885
<b>10.1.2 Statement of Comprehensive Income</b>				
Deferred tax expense / (Reversal)	(8,900,255)	(9,740,389)	(8,900,255)	(9,740,389)
	<b>(8,900,255)</b>	(9,740,389)	<b>(8,900,255)</b>	(9,740,389)

## Notes to the Financial Statements

For the year ended 31 March 2019

### 10. Income Tax (Contd.)

#### 10.2 Reconciliation of the Accounting Profit and Tax on Current Year

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit before tax	512,405,240	598,481,247	493,382,127	601,232,524
Loss / (Income) not liable for income tax	(5,368,273)	5,588,013	-	-
Profit from equity accounted investees	(13,483,580)	(2,989,744)	-	-
Adjusted accounting profit chargeable to income taxes	493,553,387	601,079,516	493,382,127	601,232,524
Aggregate disallowed items	405,317,697	353,449,098	405,317,697	353,449,098
Aggregate allowed items	(637,592,848)	(539,742,541)	(636,638,967)	(539,712,657)
Business profit	261,278,236	414,786,073	262,060,858	414,968,965
Interest income	2,562,476	1,769,678	2,240,350	1,670,789
Tax loss brought forward and utilised	(264,623,334)	(145,802,737)	-	(145,802,737)
Current year Losses not utilised - Subsidiaries	1,104,747	182,893	-	-
Taxable income	322,126	270,935,907	-	270,837,017
Income Tax @ 10%	-	26,076,390	-	26,076,390
Income Tax @ 12%	-	705,789	-	705,789
Income Tax @ 28%	90,195	495,510	-	467,821
Income tax expense charged to Statement of Profit or Loss	90,195	27,277,689	-	27,250,000

The Company is liable for income tax at the rate of 28% on its profit from manufacture, 14% on its Hydro Power Project Income and 14% on its profit from agriculture undertakings for the year of assessment 2018/19 in accordance with Act no. 24 of Inland Revenue Act 2017. The carried forward tax loss of the Company as at 31 March 2019, amounts to Rs. 723,545,126/- (Provisional) (2017/2018 - Rs. 984,962,925/-).

#### 10.3 Deferred Tax Expense

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.

##### 10.3.1 Statement of Profit or Loss

###### 10.3.1.1 Origination and (reversal) of temporary differences

Origination and (reversal) of temporary differences	73,740,219	45,533,846	73,740,219	45,533,846
	73,740,219	45,533,846	73,740,219	45,533,846

###### 10.3.1.2 Impact of Changes in Tax Rates

Impact of the changes in tax rates on the current years temporary differences	-	5,308,912	-	5,308,912
Impact of the changes in tax rates on the brought forward temporary timing differences	-	185,253,419	-	185,253,419
	-	190,562,331	-	190,562,331
Deferred tax expense charge in Income Statement	73,740,219	236,096,177	73,740,219	236,096,177

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>10.3.2 Statement of Comprehensive Income</b>				
Tax effect of retirement benefit obligations	(8,900,255)	(9,740,389)	(8,900,255)	(9,740,389)
	<b>(8,900,255)</b>	<b>(9,740,389)</b>	<b>(8,900,255)</b>	<b>(9,740,389)</b>
<b>10.3.3 Statement of Changes in Equity</b>				
Tax effect on allowance for Expected Credit Losses	(476,000)	-	(476,000)	-
	<b>(476,000)</b>	<b>-</b>	<b>(476,000)</b>	<b>-</b>
Total Deferred tax expense	<b>64,363,964</b>	226,355,787	<b>64,363,964</b>	226,355,787

## 11. Earnings per Share

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>11.1 Earnings per Share</b>				
Profit attributable to ordinary shareholders of the parent (Rs.)	<b>438,680,709</b>	335,426,342	<b>419,747,791</b>	338,205,308
Weighted average number of ordinary shares	<b>72,866,430</b>	72,866,430	<b>72,866,430</b>	72,866,430
Earnings per share (Rs.)	<b>6.02</b>	4.60	<b>5.76</b>	4.64

The computation of the basic earnings per share is based on profit attributable to ordinary shareholders for the year , divided by weighted average number of ordinary shares outstanding during the year .

## 12. Distributions Made and Proposed

	Company	
	2019 Rs.	2018 Rs.
<b>Cash Dividends on Ordinary Shares Declared and Paid</b>		
Final dividend for 2019 : Rs. Nil per share (2018 : Rs. 1.25 per share)	-	91,083,038
Interim dividend for 2019: Rs. Nil per share (2018 :Rs. 1 per share)	-	72,866,430
	-	163,949,468

# Notes to the Financial Statements

For the year ended 31 March 2019

## 13. Segment Information

	Tea		Rubber	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>13.1.a Segment Results - Group</b>				
Revenue	2,592,724,602	2,782,253,717	192,232,552	206,764,598
<b>Operating Expenses</b>				
Revenue expenditure	(2,089,255,546)	(2,081,118,475)	(208,505,415)	(231,092,315)
Depreciation / amortisation	(159,845,093)	(148,140,737)	(11,851,405)	(11,287,254)
Other non cash expenses - gratuity	(64,707,375)	(58,983,573)	(4,797,603)	(4,494,122)
Segmental results	278,916,588	494,010,933	(32,921,871)	(40,109,092)
Gain on fair value of biological assets				
Other income				
Unallocated expenses				
Management fees & workers profit share				
Profit from investments in joint ventures				
Profit from operating activities				
Finance income				
Finance cost				
Profit from ordinary activities before taxation				
Tax expenses				
<b>Profit for the year</b>				
<b>13.1.b Segment Assets - Group</b>				
<b>Non Current Assets</b>				
Cost	3,441,279,842	2,510,382,859	1,636,507,741	2,021,932,179
Accumulated depreciation and amortisation	(1,138,001,392)	(771,158,895)	(410,961,665)	(515,300,058)
	2,303,278,450	1,739,223,964	1,225,546,077	1,506,632,121
Unallocated non current assets Cost				
Accumulated depreciation and amortisation				
Investments				
Goodwill				
Other non current asset				
Total non current assets				
Current assets	345,404,253	174,959,482	15,427,088	74,225,235
	345,404,253	174,959,482	15,427,088	74,225,235
Unallocated current assets				
Total current assets				
<b>Total assets</b>				
<b>13.1.c Segment Liabilities - Group</b>				
Non current liabilities	200,717,375	261,167,679	100,898,514	110,798,409
Current liabilities	245,166,956	267,944,407	123,242,851	113,673,385
	445,884,331	529,112,086	224,141,365	224,471,794
Unallocated non current liabilities				
Total liabilities				
Capital and resources				
<b>Total equity and liabilities</b>				
<b>13.1.d Segment Capital Expenditure</b>				
Cost	144,066,270	140,710,152	32,236,147	44,801,413



Oil Palm		Others		Total	
2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>731,933,691</b>	683,876,383	<b>31,056,307</b>	27,305,530	<b>3,547,947,152</b>	3,700,200,229
<b>(175,807,843)</b>	(205,746,389)	<b>(8,277,483)</b>	(4,086,463)	<b>(2,481,846,288)</b>	(2,522,043,641)
<b>(45,124,734)</b>	(37,332,727)	<b>(8,823,594)</b>	(14,304,231)	<b>(225,644,826)</b>	(211,064,948)
<b>(18,267,080)</b>	(14,864,363)	<b>(136,997)</b>	(171,300)	<b>(87,909,059)</b>	(78,513,357)
<b>492,734,034</b>	425,932,905	<b>13,818,233</b>	8,743,537	<b>752,546,981</b>	888,578,282
				<b>30,009,627</b>	25,602,463
				<b>206,403,917</b>	133,995,123
				<b>(346,217,160)</b>	(291,154,871)
				<b>(101,920,225)</b>	(102,568,019)
				<b>13,483,580</b>	2,989,744
				<b>554,306,722</b>	657,442,722
				<b>3,828,328</b>	2,996,620
				<b>(45,729,810)</b>	(61,958,096)
				<b>512,405,240</b>	598,481,247
				<b>(73,724,531)</b>	(263,054,904)
				<b>438,680,709</b>	335,426,342
<b>2,130,399,061</b>	2,140,502,869	<b>129,820,639</b>	89,994,316	<b>7,338,007,284</b>	6,762,812,223
<b>(515,702,192)</b>	(540,292,883)	<b>(18,979,555)</b>	(20,761,680)	<b>(2,083,644,804)</b>	(1,847,513,517)
<b>1,614,696,869</b>	1,600,209,986	<b>110,841,084</b>	69,232,636	<b>5,254,362,479</b>	4,915,298,706
				<b>409,074,039</b>	388,255,607
				<b>(114,806,970)</b>	(101,386,455)
				<b>5,548,629,548</b>	5,202,167,858
				<b>169,881,750</b>	156,161,298
				<b>2,603,657</b>	-
				<b>41,182,022</b>	39,916,170
				<b>5,762,296,977</b>	5,398,245,326
<b>18,685,036</b>	104,328,689	<b>1,760,433</b>	2,156,665	<b>381,276,810</b>	355,670,071
<b>18,685,036</b>	104,328,689	<b>1,760,433</b>	2,156,665	<b>381,276,810</b>	355,670,071
				<b>423,907,590</b>	354,136,559
				<b>805,184,400</b>	709,806,631
				<b>6,567,481,377</b>	6,108,051,956
<b>173,431,590</b>	155,734,810	<b>134,817,735</b>	3,274,404	<b>609,865,214</b>	530,975,302
<b>211,838,636</b>	159,775,787	<b>52,961,772</b>	24,258,010	<b>633,210,216</b>	565,651,588
<b>385,270,226</b>	315,510,597	<b>187,779,507</b>	27,532,414	<b>1,243,075,430</b>	1,096,626,890
				<b>923,078,323</b>	991,181,156
				<b>2,166,153,752</b>	2,087,808,046
				<b>4,401,327,625</b>	4,020,243,910
				<b>6,567,481,377</b>	6,108,051,956
<b>184,250,301</b>	173,952,491	<b>242,182,514</b>	81,111,922	<b>602,735,232</b>	440,575,978

# Notes to the Financial Statements

For the year ended 31 March 2019

## 13. Segment Information (Contd.)

	Tea		Rubber	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>13.2.a Segment Results - Company</b>				
Revenue	2,592,724,602	2,782,253,717	192,232,552	206,764,598
<b>Operating Expenses</b>				
Revenue expenditure	(2,089,255,546)	(2,081,118,475)	(208,505,415)	(231,092,315)
Depreciation / amortisation	(159,845,093)	(148,140,737)	(11,851,405)	(11,287,254)
Other non cash expenses - gratuity	(64,707,375)	(58,983,573)	(4,797,603)	(4,494,122)
Segmental results	278,916,588	494,010,933	(32,921,871)	(40,109,092)
Gain on fair value of biological assets				
Other income				
Unallocated expenses				
Management fees & workers profit share				
Profit from operating activities				
Finance cost				
Finance income				
Profit from ordinary activities before taxation				
Tax Expense				
Profit for the year				
<b>13.2.b Segment Assets - Company</b>				
<b>Non Current Assets</b>				
Cost	3,441,279,842	2,510,382,859	1,636,507,741	2,021,932,179
Accumulated depreciation and amortisation	(1,138,001,392)	(771,158,895)	(410,961,665)	(515,300,058)
	2,303,278,450	1,739,223,964	1,225,546,077	1,506,632,121
Unallocated non current assets Cost				
Accumulated depreciation and amortisation				
Investments				
Other non current asset				
<b>Total non current assets</b>				
Current assets	345,404,253	174,959,482	15,427,088	74,225,235
	345,404,253	174,959,482	15,427,088	74,225,235
Unallocated current assets				
<b>Total current assets</b>				
<b>Total assets</b>				
<b>13.2.c Segment Liabilities - Company</b>				
Non current liabilities	200,717,375	261,167,679	100,898,514	110,798,409
Current liabilities	245,166,956	267,944,407	123,242,851	113,673,385
	445,884,331	529,112,086	224,141,365	224,471,794
Unallocated non current liabilities				
<b>Total liabilities</b>				
Capital and resources				
<b>Total equity and liabilities</b>				
<b>13.2.d Segment Capital Expenditure - Company</b>				
Cost	144,066,270	140,710,152	32,236,147	44,801,413

Oil Palm		Others		Total	
2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>731,933,691</b>	683,876,383	<b>5,489,275</b>	7,881,117	<b>3,522,380,120</b>	3,680,775,816
<b>(175,807,843)</b>	(205,746,389)	<b>(4,497,967)</b>	(1,064,622)	<b>(2,478,066,771)</b>	(2,519,021,801)
<b>(45,124,734)</b>	(37,332,727)	<b>(338,421)</b>	(3,117,970)	<b>(217,159,653)</b>	(199,878,687)
<b>(18,267,080)</b>	(14,864,363)	<b>(136,997)</b>	(171,300)	<b>(87,909,055)</b>	(78,513,357)
<b>492,734,034</b>	425,932,905	<b>515,890</b>	3,527,225	<b>739,244,641</b>	883,361,971
				<b>30,009,627</b>	25,602,463
				<b>205,442,342</b>	133,995,123
				<b>(341,112,349)</b>	(286,550,981)
				<b>(101,920,225)</b>	(102,568,019)
				<b>531,664,036</b>	653,840,557
				<b>(41,788,111)</b>	(55,505,765)
				<b>3,506,202</b>	2,897,731
				<b>493,382,127</b>	601,232,523
				<b>(73,634,336)</b>	(263,027,215)
				<b>419,747,791</b>	338,205,308
<b>2,130,399,061</b>	2,140,502,869	<b>129,709,393</b>	89,994,316	<b>7,337,896,038</b>	6,762,812,223
<b>(515,702,192)</b>	(540,292,883)	<b>(18,979,555)</b>	(20,761,680)	<b>(2,083,644,804)</b>	(1,847,513,516)
<b>1,614,696,869</b>	1,600,209,986	<b>110,729,838</b>	69,232,636	<b>5,254,251,233</b>	4,915,298,707
				<b>143,401,245</b>	143,401,245
				<b>(62,729,614)</b>	(57,794,283)
				<b>80,671,631</b>	85,606,970
				<b>189,290,290</b>	137,990,300
				<b>41,182,022</b>	39,916,170
				<b>5,565,395,176</b>	5,178,812,146
<b>18,685,036</b>	104,328,689	<b>1,726,027</b>	2,156,665	<b>381,242,404</b>	355,670,071
<b>18,685,036</b>	104,328,689	<b>1,726,027</b>	2,156,665	<b>381,242,404</b>	355,670,071
				<b>544,180,476</b>	496,251,778
				<b>925,422,880</b>	851,921,849
				<b>6,490,818,056</b>	6,030,733,996
<b>173,431,590</b>	155,734,810	<b>134,662,220</b>	3,219,324	<b>609,709,699</b>	530,920,222
<b>211,838,636</b>	159,775,787	<b>29,971,511</b>	3,302,859	<b>610,219,955</b>	544,696,438
<b>385,270,226</b>	315,510,597	<b>164,633,731</b>	6,522,183	<b>1,219,929,654</b>	1,075,616,660
				<b>924,883,402</b>	971,263,124
				<b>2,144,813,055</b>	2,046,879,791
				<b>4,346,005,001</b>	3,983,854,205
				<b>6,490,818,056</b>	6,030,733,996
<b>184,250,301</b>	173,952,491	<b>220,593,527</b>	80,604,423	<b>581,146,245</b>	440,068,479

## Notes to the Financial Statements

For the year ended 31 March 2019

### 14. Leasehold Property, Plant and Equipment

		Group / Company	
	Notes	2019 Rs.	2018 Rs.
Right-of-use-land	14.1	<b>138,055,132</b>	143,321,556
Immovable bearer biological assets	14.2.1	<b>74,941,572</b>	87,519,612
Other leased property plant and equipments	14.2.2	<b>4,598,016</b>	4,783,055
		<b>217,594,720</b>	235,624,223

#### 14.1 Right-to-use-of Land

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

This right-to-use land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use land. The values taken into the Statement of Financial Position as at 18 June 1992 and amortisation of the right to use land up to 31 March 2019 are as follows.

	Group / Company	
	2019 Rs.	2018 Rs.
Revalued amount capitalised (18 June 1992 )	<b>279,120,479</b>	279,120,479
	<b>279,120,479</b>	279,120,479

#### Amortisation

At the beginning of the year	<b>135,798,923</b>	130,532,499
Amortisation for the year	<b>5,266,424</b>	5,266,424
At the end of the year	<b>141,065,347</b>	135,798,923
Carrying amount	<b>138,055,132</b>	143,321,556

The leasehold property is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the Statement of Financial Position date is 26 years.

#### 14.2 Immovable Estate Assets on Finance Lease other than Right to Use of Land

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose, the Board decided at its meeting on 8th March 1995, that these assets be restated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 22nd June, 1992 and amortisation of immovable leased assets to 31 March 2019 are as follows.

#### 14.2.1 Immovable Leased Bearer Biological Assets

	Group / Company		
	Immature Plantations Rs.	Mature Plantations Rs.	Total Rs.
Revaluation as at 22.06.1992	283,368,199	95,362,391	378,730,590
Transferred to Mature Plantations	(283,368,199)	283,368,199	-
Acquired by government 2002/2003	-	(1,389,400)	(1,389,400)
Transferred to Joint Venture in 2015/2016	-	(19,773,222)	(19,773,222)
Balance as at 31.03.2019	-	357,567,968	357,567,968
Accumulated amortisation as at 01.04.2018	-	270,048,356	270,048,356
Amortisation during the year	-	12,578,040	12,578,040
Accumulated amortisation as at 31.03.2019	-	282,626,396	282,626,396
Written down value as at 31.03.2019	-	74,941,572	74,941,572
Written down value as at 31.03.2018	-	87,519,612	87,519,612

#### 14.2.2 Other Leased Property Plant and Equipments

	Group/Company					
	Improvements to Land Rs.	Other Vested Assets Rs.	Unimproved Lands Rs.	Buildings Rs.	Plant and Machinery Rs.	Total Rs.
Revaluation as at 22.06.1992	4,214,618	4,028,217	1,564,267	73,002,143	47,785,047	130,594,292
Acquired by government 2002/2003	-	-	-	(3,390,250)	-	(3,390,250)
Transferred to Joint Venture in 2015/2016	-	-	-	(5,536,000)	-	(5,536,000)
Balance as at 31.03.2019	4,214,618	4,028,217	1,564,267	64,075,893	47,785,047	121,668,042
Accumulated amortisation as at 01.04.2018	2,435,187	1,961,676	627,183	64,075,893	47,785,047	116,884,987
Amortisation during the year	79,521	76,004	29,514	-	-	185,040
Transferred accumulated amortisation	-	-	-	-	-	-
Accumulated amortisation as at 31.03.2019	2,514,708	2,037,680	656,697	64,075,893	47,785,047	117,070,026
Written down value as at 31.03.2019	1,699,910	1,990,537	907,570	-	-	4,598,016
Written down value as at 31.03.2018	1,779,431	2,066,541	937,084	-	-	4,783,055

# Notes to the Financial Statements

For the year ended 31 March 2019

## 15. Freehold Property, Plant and Equipment

	Group				Company			
	As at 1 April 2018 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	As at 31 March 2019 Rs.	As at 1 April 2018 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	As at 31 March 2019 Rs.
<b>At Cost</b>								
Buildings	49,726,017	6,783,109	-	<b>56,509,126</b>	49,726,017	6,783,109	-	<b>56,509,126</b>
Motor vehicles	199,029,788	43,229,270	(11,002,900)	<b>231,256,158</b>	199,029,788	43,229,270	(11,002,900)	<b>231,256,158</b>
Plant and machinery	283,401,392	33,590,980	-	<b>316,992,372</b>	283,401,392	33,590,980	-	<b>316,992,372</b>
Furniture and fittings	12,249,876	715,052	-	<b>12,964,928</b>	12,249,876	715,052	-	<b>12,964,928</b>
Equipment	120,608,500	9,394,096	-	<b>130,002,596</b>	120,608,503	9,394,096	-	<b>130,002,599</b>
Water sanitation	250,601,057	3,318,556	-	<b>253,919,613</b>	250,601,054	3,318,556	-	<b>253,919,610</b>
Solar power assets	27,543,000	-	-	<b>27,543,000</b>	27,543,000	-	-	<b>27,543,000</b>
	943,159,629	97,031,063	(11,002,900)	<b>1,029,187,792</b>	943,159,630	97,031,063	(11,002,900)	<b>1,029,187,793</b>
<b>Assets on Mini Hydro Power Projects</b>								
Plant and machinery	150,811,101	-	-	<b>150,811,101</b>	57,744,429	-	-	<b>57,744,429</b>
Equipment	12,319,207	-	-	<b>12,319,207</b>	4,152,104	-	-	<b>4,152,104</b>
Motor vehicles	263,089	-	-	<b>263,089</b>	99,889	-	-	<b>99,889</b>
Furniture and fittings	24,500	-	-	<b>24,500</b>	24,500	-	-	<b>24,500</b>
Civil constructions	215,502,891	-	-	<b>215,502,891</b>	81,380,332	-	-	<b>81,380,332</b>
	378,920,788	-	-	<b>378,920,788</b>	143,401,254	-	-	<b>143,401,254</b>
<b>Assets Acquired on Finance Lease</b>								
Motor vehicles	57,253,204	-	-	<b>57,253,204</b>	57,253,204	-	-	<b>57,253,204</b>
Plant and machinery	73,280,594	-	-	<b>73,280,594</b>	73,280,594	-	-	<b>73,280,594</b>
	130,533,798	-	-	<b>130,533,798</b>	130,533,798	-	-	<b>130,533,798</b>
Total cost	1,452,614,215	97,031,063	(11,002,900)	<b>1,538,642,378</b>	1,217,094,682	97,031,063	(11,002,900)	<b>1,303,122,845</b>

Depreciation	Group				Company			
	As at 1 April 2018	Charge for the year	Disposals/ Transfers	As at 31 March 2019	As at 1 April 2018	Charge for the year	Disposals/ Transfers	As at 31 March 2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	9,365,447	1,247,320	-	10,612,767	9,365,447	1,247,320	-	10,612,767
Motor vehicles	99,709,036	27,134,800	(11,002,900)	115,840,936	99,709,036	27,134,800	(11,002,900)	115,840,936
Plant and machinery	121,074,390	5,120,275	-	126,194,665	121,074,390	5,120,275	-	126,194,665
Furniture and fittings	10,971,597	633,953	-	11,605,550	10,971,597	633,953	-	11,605,550
Equipment	91,418,739	16,097,093	-	107,515,832	91,418,739	16,097,093	-	107,515,832
Water sanitation	138,992,826	11,601,691	-	150,594,517	138,992,826	11,601,691	-	150,594,517
Solar power assets	-	1,377,150	-	1,377,150	-	1,377,150	-	1,377,150
	471,532,036	63,212,282	(11,002,900)	523,741,418	471,532,036	63,212,282	(11,002,900)	523,741,418
<b>Assets on Mini Hydro Power Projects</b>								
Plant and machinery	47,259,172	7,540,555	-	54,799,727	27,094,725	2,887,221	-	29,981,946
Equipment	12,977,483	3,613	(659,313)	12,321,783	4,151,067	3,613	-	4,154,680
Motor vehicles	178,094	30,389	-	208,483	99,886	9,989	-	109,875
Civil constructions	40,971,716	6,505,260	-	47,476,976	26,448,605	2,034,508	-	28,483,113
	101,386,466	14,079,817	(659,313)	114,806,970	57,794,283	4,935,331	-	62,729,614
<b>Assets Acquired on Finance Lease</b>								
Motor vehicles	35,901,515	8,648,804	-	44,550,319	35,901,515	8,648,804	-	44,550,319
Plant and machinery	54,406,639	5,825,000	-	60,231,639	54,406,639	5,825,000	-	60,231,639
	90,308,154	14,473,804	-	104,781,958	90,308,154	14,473,804	-	104,781,958
Total depreciation	663,226,656	91,765,903	(11,662,213)	743,330,345	619,634,473	82,621,417	(11,002,900)	691,252,990
Written down value	789,387,560			795,312,033	597,460,208			611,869,855
<b>Capital Work in Progress</b>								
	Group				Company			
	As at 1 April 2018	Additions	Transfers	As at 31 March 2019	As at 1 April 2018	Additions	Transfers	As at 31 March 2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	22,412,992	180,027,554	(27,561,907)	174,878,639	13,078,162	159,097,886	(27,561,907)	144,614,141
	22,412,992	180,027,554	(27,561,907)	174,878,639	13,078,162	159,097,886	(27,561,907)	144,614,141
Total carrying value	811,800,553			970,190,672	610,538,370			756,483,995



## Notes to the Financial Statements

For the year ended 31 March 2019

### 16. Intangible Assets

	Group/Company		
	Balance As at 01.04.2018 Rs.	Additions/ Transfers Rs.	Disposals Rs.
			<b>Balance as at 31.03.2019 Rs.</b>
<b>At Cost</b>			
Software*	24,746,329	-	-
	24,746,329	-	-

	Group/Company		
	Balance As at 01.04.2018 Rs.	Amortisation for the year Rs.	Disposals Rs.
			<b>Balance as at 31.03.2019 Rs.</b>
<b>Amortisation</b>			
Software	-	4,949,266	-
	-	4,949,266	-
Carrying Value	24,746,329		

\*These softwares have been capitalised as intangible assets as at 31 March 2018.

#### 16.1 Goodwill

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
<b>At Cost</b>				
Acquisition of operations	<b>2,603,657</b>			
	<b>2,603,657</b>	-	-	-
Accumulated amortisation and impairment	-	-	-	-
	-	-	-	-
Carrying amount	<b>2,603,657</b>	-	-	-

The recoverability amount of goodwill is determined with reference to the fair value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below,

Business growth - Based on the long term average growth rate used in consistent with the forecast included in industry reports.  
Inflation rate - Based on current inflation rate.  
Discount rate - Risk free rate adjusted for the specific risk relating to the industry.  
Margin - Based on past performance and budgeted expectations.

## 17. Biological Assets

### 17.1 Improvements to Bearer Biological Assets

	Group/Company	
	2019 Rs.	2018 Rs.
<b>Cost</b>		
At the beginning of the year	3,910,723,134	3,632,605,959
Additions during the year	336,393,742	278,117,175
At the end of the year	4,247,116,876	3,910,723,134
<b>Depreciation</b>		
At the beginning of the year	781,854,996	664,592,588
Charge for the year	127,555,405	117,262,408
At the end of the year	909,410,401	781,854,996
Carrying amount	3,337,706,475	3,128,868,138

#### Immature Plantations

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Other Rs.	Total Rs.
<b>At cost</b>					
At the beginning of the year	216,223,209	347,289,543	423,927,495	19,263,625	1,006,703,872
Additions during the year	58,847,377	41,103,530	184,250,301	52,192,534	336,393,742
Transfers to	(57,877,047)	-	(84,566,313)	(1,210,062)	(143,653,422)
At the end of the year	217,193,539	388,393,073	523,611,483	70,246,097	1,199,444,192

#### Mature Plantations

	Tea Rs.	Rubber Rs.	Oil Palm Rs.	Other Rs.	Total Rs.
<b>At cost</b>					
At the beginning of the year	891,173,936	1,079,436,575	879,972,183	53,436,568	2,904,019,262
Transfers from	57,877,047	-	84,566,313	1,210,062	143,653,422
At the end of the year	949,050,983	1,079,436,575	964,538,496	54,646,630	3,047,672,684
<b>Depreciation</b>					
At the beginning of the year	246,945,368	292,906,441	227,703,307	14,299,880	781,854,997
Charge for the year	26,735,218	53,971,829	43,998,609	2,849,749	127,555,405
At the end of the year	273,680,586	346,878,270	271,701,916	17,149,629	909,410,402
<b>Carrying amount of Mature Plantations</b>	<b>675,370,397</b>	<b>732,558,305</b>	<b>692,836,580</b>	<b>37,497,001</b>	<b>2,138,262,282</b>

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 14 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.

During the year Company has capitalised Borrowing Cost amounting to Rs. 21,562,697/- (2018- Rs 20,425,745/-) as part of the immature plantations.

## Notes to the Financial Statements

For the year ended 31 March 2019

### 17. Biological Assets (Contd.)

#### 17.2 Consumable Biological Assets

	Group/Company	
	2019 Rs.	2018 Rs.
<b>Managed Timber Plantation</b>		
At the beginning of the year	1,001,128,616	981,450,125
Increase due to development	16,629,854	18,025,079
Cost of harvested timber trees	(46,035,347)	(23,836,210)
Gain arising from changes in fair value less cost to sell due to physical changes	31,617,495	25,489,622
At the end of the year	1,003,340,618	1,001,128,616

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 since the LKAS 41 is only applicable for managed agricultural activities in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Mr. K. T. D. Tissera, Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber, physical verification was carried out covering all the estates.

#### 17.3 Consumable Biological Assets

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

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability Weighted Average.)		Relationship of Unobservable Inputs to Fair Value
			2018/19	2017/18	
Consumable Biological Assets	Discounted Cash Flow Method (DCF)	Discount Rate	14%	14%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	15-20 Years	15-20 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	17-239 cu.ft	17-239 cu.ft	The higher the volume, the higher the fair value
		Price per Cubic feet	Rs.150/= to Rs.750/=	Rs.150/= to Rs.750/=	The higher the price per cu. ft., the higher the fair value

Other key assumptions used for valuation are as follows.

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan.
2. When considering the market price of the estimated output of standing timber, average value of the market price was taken after deducting costs of harvesting , transportation and administrative costs.

### 17.3.1 Sensitivity Analysis

#### Sensitivity Variation Sales Price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets (In Rs. Mn)	
	Rs. -10%	Rs. +10%
<b>Sensitivity Variation Sales Price</b>		
As at 31 March 2019	(100.33)	100.33
As at 31 March 2018	(100.11)	100.11

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets (In Rs. Mn)	
	Rs. + 1%	Rs. - 1%
<b>Percentage Increase/Decrease in Discount Rate</b>		
As at 31 March 2019	(16.24)	18.24
As at 31 March 2018	(13.92)	18.93

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2019 (2018 - Nil).

There are no commitments for the development or acquisition of biological assets .

### 18. Other Non Current Assets

	Group/Company	
	2019 Rs.	2018 Rs.
<b>Finance Lease Receivable - (Receivable after 05 Years)</b>		
Gross lease receivable	71,400,000	71,400,000
Less: Finance income allocated to future periods	(30,217,978)	(31,483,830)
Net lease receivable	41,182,022	39,916,170

During the year 2016, Elpitiya Plantations PLC had transferred its some of the assets (i.e. JEDB/SLSPC Leasehold Land, Mature Plantation – Tea & Factory Building) to its joint Venture company namely, Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd, by setting up a lease arrangement through finance lease and operating lease (Refer Note 30.3). As a result of that, above balance represents, Finance lease rental receivables from ELpitiya Dianhong Jin Ya Tea Company (pvt) Ltd.

## Notes to the Financial Statements

For the year ended 31 March 2019

### 19. Investments

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Investments in subsidiaries (Note 19.1)	-	-	<b>101,300,010</b>	50,000,010
Investments in joint ventures (Note 19.2)	<b>169,881,750</b>	156,161,298	<b>87,990,280</b>	87,990,290
	<b>169,881,750</b>	156,161,298	<b>189,290,290</b>	137,990,300

#### 19.1 Investments in Subsidiaries

	Group		Company	
	Percentage of Holding 2019	2018	2019 Rs.	2018 Rs.
<b>Unquoted</b>				
EPP Hydro Power Company (Pvt) Ltd	<b>100%</b>	100%	-	-
Water Villas (Pvt) Ltd	<b>50%</b>	50%	-	-
Venture Valley (Pvt) Ltd	<b>100%</b>	-	-	-
			<b>101,300,010</b>	50,000,010

#### 19.2 Investments in Joint Ventures

	Group		Company	
	Percentage of Holding 2019	2018	2019 Rs.	2018 Rs.
<b>Unquoted</b>				
AEN Palm Oil Processing (Pvt) Ltd	<b>33.33%</b>	33.33%	<b>134,100,981</b>	110,640,591
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	<b>50%</b>	50%	<b>35,780,769</b>	45,824,580
Venture Valley (Pvt) Ltd	-	50%	-	(303,872)
			<b>169,881,750</b>	156,161,298
			<b>87,990,280</b>	87,990,290

### 19.2.1 AEN Palm Oil Processing (Pvt) Ltd

The Group has a 33.33% interest in AEN Palm Oil Processing (Pvt) Ltd, a joint venture involved in the business of processing crude Palm Oil. The Group's interest in AEN Palm Oil Processing (Pvt) Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of this joint venture are set out below.

	Company	
	2019 Rs.	2018 Rs.
Current assets, including cash and cash equivalents Rs. 103,335,477 /=(2018 - Rs. 20,701,051/=)	<b>235,146,993</b>	154,585,598
Non current assets	<b>257,654,154</b>	295,590,780
Current liabilities, including tax payable. Rs. 7,533,789 (2018- Nil)	<b>(50,241,576)</b>	(77,725,351)
Non current liabilities, including deferred tax liabilities. (2018- Rs.28,825,582)	<b>(40,256,628)</b>	(40,529,255)
<b>Total Equity</b>	<b>402,302,944</b>	331,921,772
<b>Group's carrying amount of the investment</b>	<b>134,100,981</b>	110,640,591

### Summarised Statement of Profit or Loss of AEN Palm Oil Processing (Pvt) Ltd.

Revenue	<b>2,631,203,338</b>	2,450,726,548
Cost of sales	<b>(2,461,284,284)</b>	(2,321,132,053)
Other income	<b>20,451,678</b>	3,258,111
Administration expenses including depreciation Rs. 4,147,351/= (2018- Rs.4,399,057/= )	<b>(97,264,092)</b>	(102,266,143)
Impairment of Assets	<b>(9,762,415)</b>	-
Finance cost	<b>(594,738)</b>	(112,659)
<b>Profit Before Tax</b>	<b>82,749,486</b>	30,473,804
Income tax expense	<b>(12,167,308)</b>	(5,618,337)
<b>Profit for the year</b>	<b>70,582,178</b>	24,855,467
<b>Total comprehensive income for the year</b>	<b>70,582,178</b>	24,855,467
<b>Group's share of profit for the year</b>	<b>23,527,393</b>	8,285,156
Group's share of profit before tax	<b>27,583,162</b>	10,157,935
Group's share of profit after tax	<b>23,527,393</b>	8,285,156

	Group	
	2019 Rs.	2018 Rs.
Number of shares invested	<b>699,027</b>	699,027
Dividend received	-	-

## Notes to the Financial Statements

For the year ended 31 March 2019

### 19. Investments (Contd.)

#### 19.2.2 Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd.

The Group has a 50% interest in Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd, a joint venture involved in the business of manufacturing & exporting of speciality tea. The Group's interest in Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of this joint venture are set out below.

	Group	
	2019 Rs.	2018 Rs.
Current assets, including cash and cash equivalents Rs. 554,304/= (2018 - Rs. 2,590,082/=)	61,506,251	59,285,477
Non current assets	170,845,893	182,580,025
Current liabilities, including tax payable Rs. 292,156/= (2018 - Rs.520,397/=)	(38,676,421)	(29,410,632)
Non current liabilities	(41,290,271)	(39,981,794)
<b>Total Equity</b>	<b>152,385,452</b>	<b>172,473,077</b>
<b>Group's carrying amount of the investment</b>	<b>76,192,726</b>	<b>86,236,538</b>
Unrealised gain on assets transferred to Joint Venture	(40,411,957)	(40,411,957)
<b>Total Group's carrying amount of the investment</b>	<b>35,780,769</b>	<b>45,824,581</b>

#### Summarised Statement of Profit or Loss of Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd.

Revenue	20,993,105	5,241,804
Cost of sales including depreciation Rs. 3,145,015 /=(2018- Rs. 3,753,362/=)	(42,402,233)	(38,503,879)
Other income	6,501,661	27,807,509
Administration expenses	(3,919,285)	(3,572,363)
Finance cost	(1,303,257)	(1,263,922)
<b>Profit Before Tax</b>	<b>(20,130,010)</b>	<b>(10,290,851)</b>
Income tax expense	42,385	(188,146)
<b>Profit for the year</b>	<b>(20,087,625)</b>	<b>(10,478,998)</b>
<b>Total comprehensive income for the year</b>	<b>(20,087,625)</b>	<b>(10,478,998)</b>
<b>Group's share of profit for the year</b>	<b>(10,043,813)</b>	<b>(5,239,499)</b>
Group's share of profit/(loss) before tax	(10,065,005)	(5,145,426)
Group's share of profit/(loss) after tax	(10,043,813)	(5,239,499)

	Group	
	2019 Rs.	2018 Rs.
Number of shares invested	8,100,001	8,100,001
Dividend received	-	-

#### 19.2.3 Elpitiya Lifestyle Solutions (Pvt) Ltd.

The Company has another 50% joint venture interest in Elpitiya Lifestyle Solutions (Pvt) Ltd established by Elpitiya Plantations PLC and Life Style Sri Lanka (Pvt) Ltd at a cost of Rs. 5,000,000/- which was fully impaired as at 31 March 2019.



## 20. Produce on Bearer Biological Assets

	Group/Company	
	2019 Rs.	2018 Rs.
As at 1st April	12,898,502	12,785,661
Change in fair value less cost to sell	(1,607,868)	112,841
As at 31st March	11,290,634	12,898,502

### 20.1 Fair Value Hierarchy for Non Financial Assets as at 31 March 2019 - Group/Company

	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
<b>Non financial asset type</b>				
Produce on Bearer Biological Assets*	31-Mar-18	-	12,898,502	-
	31-Mar-19	-	11,290,634	-

\*For the Inputs and valuation technique used refer Note 3.8.7.6 of the Financial statements

### 20.2 Gain/(Loss) on Fair Value of Biological Assets

	Note	2019 Rs.	2018 Rs.
Consumable Biological Assets - Gain/(loss) arising from changes in fair value less cost to sell	17.2	31,617,495	25,489,622
Produce on Bearer Biological Assets - Gain/(Loss) arising from changes in fair value less cost to sell	20	(1,607,868)	112,841
<b>Total Change in Fair Value of Biological Assets</b>		<b>30,009,627</b>	<b>25,602,463</b>

## 21. Inventories

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Biological assets - Nurseries	31,691,916	32,120,353	31,691,916	32,120,353
Biological assets - Harvested crop	293,192,948	260,357,962	293,192,948	260,357,962
Spares and consumables	56,391,946	50,325,464	56,357,540	50,293,254
	<b>381,276,810</b>	<b>342,803,779</b>	<b>381,242,404</b>	<b>342,771,569</b>

## Notes to the Financial Statements

For the year ended 31 March 2019

### 22. Trade and Other Receivables

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Produce debtors	84,380,298	59,412,683	84,380,298	57,884,671
Advance and prepayments	109,122,856	69,262,125	109,122,856	68,745,243
Employee related debtors	22,383,798	20,470,943	22,383,798	20,470,943
Other debtors	74,464,833	45,147,911	72,921,232	45,147,911
	290,351,785	194,293,661	288,808,184	192,248,768
Provision for impairment of doubtful debtors	(7,500,558)	(4,100,558)	(7,500,558)	(4,100,558)
	282,851,227	190,193,103	281,307,626	188,148,209

#### 22.1 Movement in the Provision for Impairment

	Group/Company	
	2019 Rs.	2018 Rs.
At the beginning of the year	4,100,558	4,100,558
Charge for the year	3,400,000	-
At the end of the year	7,500,558	4,100,558

#### 22.2 As at 31 March, the Ageing Analysis of Trade and Other Receivables is, as follows:

	Total Rs.	Neither Past due nor impaired Rs.	Past Due but not Impaired				
			< 30 days Rs.	30-60 days Rs.	61-90 days Rs.	91-120 days Rs.	>120 days Rs.
2019	281,307,626	110,679,016	49,407,956	68,872,856	22,383,798	22,383,798	7,580,202
2018	188,148,209	19,069,106	99,361,046	32,210,421	1,196,996	13,492,383	22,818,257

### 23. Amounts due from Related Companies

			Group	Company		
	Relationship	Note	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Water Villas (Pvt) Ltd	Subsidiary		10	10	6,118,330	5,862,185
EPP Hydro Power Company (Pvt) Ltd	Subsidiary		-	-	103,833,185	145,704,675
Elpitiya Lifestyle Solutions (Pvt) Ltd	Joint Venture		71,475,065	111,055,819	71,475,065	111,055,819
AEN Palm Oil Processing (Pvt ) Ltd	Joint Venture		6,868,510	13,779,295	6,868,510	13,779,295
Elpitiya Dianghong Jin Ya Tea Company (Pvt) Ltd	Joint Venture		34,447,960	25,571,957	34,447,960	25,571,957
Aitken Spence C & T Inv.	Related Company		277,672	206,772	277,672	206,772
Venture Valley (Pvt) Ltd	Subsidiary		-	13,226,812	27,945,587	13,226,812
Aitken Spence Agriculture (Pvt) Ltd	Related Company		1,905,786	5,061,733	1,905,786	5,061,733
Aitken Spence PLC	Parent		202,158	-	202,158	-
			115,177,161	168,902,398	253,074,253	320,469,247
Impairment		22.1	(34,950,066)	(97,289,226)	(34,950,066)	(97,289,226)
			80,227,095	71,613,172	218,124,187	223,180,021

\* All the above related party transactions have been conducted on relevant commercial terms with the respective parties.

### 23.1 Elpitiya Lifestyle Solutions (Pvt) Ltd

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Long term loans	57,289,226	57,289,226	57,289,226	57,289,226
Current account balance	14,185,840	53,766,593	14,185,840	53,766,593
	71,475,066	111,055,819	71,475,066	111,055,819
Impairment	(34,950,066)	(97,289,226)	(34,950,066)	(97,289,226)
	36,525,000	13,766,593	36,525,000	13,766,593

### 24. Cash and Cash Equivalents

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.

#### 24.1 Favourable Cash and Bank Balances

Cash at bank	49,538,635	92,298,074	33,458,030	84,923,548
	49,538,635	92,298,074	33,458,030	84,923,548

#### 24.2 Unfavourable Bank Balances

Bank overdraft	-	-	-	-
	-	-	-	-

### 25. Stated Capital

	2019 Number	2018 Number	2019 Rs.	2018 Rs.
<b>25.1 Stated Capital</b>				
Issued and Fully Paid Number of Ordinary Shares	72,866,430	72,866,430	694,236,120	694,236,120
	72,866,430	72,866,430	694,236,120	694,236,120

Stated capital includes one golden share held by Secretary to the Treasury which has special rights.

### 26. Reserves

#### Timber Reserve

Timber reserve represent the fair value change in the carrying value of manage timber plantations. Managed trees include commercial timber plantations cultivated on estates. The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activities.

# Notes to the Financial Statements

For the year ended 31 March 2019

## 27. Interest bearing Loans and Borrowings

	2019			2018		
	Payable within 1 year	Payable after 1 year less than 5 years	Total payable	Payable within 1 year	Payable after 1 year less than 5 years	Total payable
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>27.1.1 Group</b>						
Term loan facilities						
(Note 27.2.1 and Note 27.2.3)	<b>104,042,457</b>	<b>74,807,086</b>	<b>178,849,543</b>	107,047,933	178,849,544	285,897,477
Lease Facilities	<b>5,055,867</b>	<b>1,521,099</b>	<b>6,576,966</b>	6,289,587	5,343,247	11,632,834
	<b>109,098,324</b>	<b>76,328,185</b>	<b>185,426,509</b>	113,337,520	184,192,791	297,530,311

### 27.1.2 Company

Term loan facilities (Note 27.2.1)	<b>84,124,433</b>	<b>74,807,086</b>	<b>158,931,519</b>	87,129,649	158,931,520	246,061,169
Lease Facilities	<b>5,055,867</b>	<b>1,521,099</b>	<b>6,576,966</b>	6,289,586	5,343,247	11,632,833
	<b>89,180,300</b>	<b>76,328,185</b>	<b>165,508,485</b>	93,419,235	164,274,767	257,694,002

### 27.2.1 Term Loan Facilities

Company	Repayable within 1 year	Repayable after 1 year less than 5 years	Repayable after 05 years	Total as at 31.03.2019	Total as at 31.03.2018	Facility details
	Rs.	Rs.	Rs.	Rs.	Rs.	

#### Tea Securitising Loans

Central Finance Company Limited	1,065,185	-	-	<b>1,065,185</b>	9,545,314	I
Sri Lanka Tea Board I	10,000,000	3,333,333	-	<b>13,333,333</b>	23,333,333	II
Sri Lanka Tea Board II	13,554,632	1,160,378	-	<b>14,715,010</b>	27,609,914	III
	24,619,817	4,493,711	-	<b>29,113,528</b>	60,488,562	

#### Other Long Term Loan Facilities

Sampath Bank PLC	1,809,600	1,660,400	-	<b>3,470,000</b>	5,279,600	IV
Nations Trust Bank PLC	25,008,000	18,716,000	-	<b>43,724,000</b>	68,732,000	V
Bank of Ceylon	28,187,016	28,186,975	-	<b>56,373,991</b>	84,561,007	VI
National Development Bank PLC	4,500,000	21,750,000	-	<b>26,250,000</b>	27,000,000	VII
	59,504,616	70,313,375	-	<b>129,817,991</b>	185,572,607	
Total term loan facilities	84,124,433	74,807,086	-	<b>158,931,519</b>	246,061,169	

### 27.2.2 Other term loan facilities

	Repayable within 1 year	Repayable after 1 year less than 5 years	Repayable after 05 years	Total as at 31.03.2019	Total as at 31.03.2018	Facility Details
	Rs.	Rs.	Rs.	Rs.	Rs.	

#### Company - EPP Hydro Power Company (Pvt) Limited

DFCC Vardhana Bank PLC	19,918,024	-	-	<b>19,918,024</b>	39,836,308	VIII
	19,918,024	-	-	<b>19,918,024</b>	39,836,308	

### 27.3 Details of the Interest bearing Loans and Borrowing Facilities - Group

Facility Details	Rate of Interest	Terms of Repayment
I	AWPLR + 2.0% per annum, fixed at the time of disbursement.	60 monthly instalments
II	Six month AWPLR+ 1%	First 12 month period shall be liable only for payment of interest. And shall thereafter repay the capital in 36 equal monthly instalments of Rs. 833,333.33 commencing from the August-17 with the relevant interest of each month.
III	5% (Annual)	shall repay the loan together with the interest of 5% per annum with the equal monthly instalments of 1,165,212.82 on or before the 28th of each respective month, and the first instalment being payable on or before 28th May 2017.
IV	6.0% p.a. payable monthly together with statutory taxes at prevailing rates, if any ( AWPLR +3% (floor 13.0% p.a.) will be charged until refinance is received).(AWPLR and floor rate to be reviewed monthly).	47 equal monthly instalments of Rs. 150,800/- and final instalment of Rs. 152,400/- together with the interest.
V	AWPLR-0.5% per annum.	59 equal monthly capital instalments of Rs. 2,084,000/- and a final capital instalment of Rs. 2,044,000/-
VI	First two years: AWPLR (monthly) + 1.5% per annum. Out of which 2% will be subsidised by Central Bank of Sri Lanka only for this period. Third to fifth years: AWPLR (Monthly) +1.5% per annum. (No interest subsidy)	60 monthly instalments of Rs. 2,348,918/- commencing from 11.04.2016
VII	AWPLR - 6.73% (Annual)	Instalments shall be repayables to bank monthly on or before last banking day of each and every month over the 6 years commencing from twelve months after the date of the first disbursements of the loan is made in 72 equal monthly instalments of Rs.375,000/- .
VIII	Higher of AWPLR or 91 days Treasury Bill rate (rounded upwards to nearest 0.5% + 4.5 % margin and 4% reduction on timely payments.	The loan is repayable in 72 equal monthly instalments (capital) after the grace period of 24 month from the date of first disbursement

### 27.4 Changes in Liabilities Arising from Financing Activities

	01-Apr-18	Non Cash Movement Rs.	Cash Flows Rs.	New Leases Rs.	31-Mar-19 Rs.
<b>Company</b>					
Current interest- Bearing loans and Borrowings	87,129,649	(3,005,216)	-	-	<b>84,124,433</b>
Current Obligations under finance	6,289,507	(1,233,640)	-	-	<b>5,055,867</b>
Non- Current interest- Bearing loans and Borrowings	158,931,520	-	(84,124,434)	-	<b>74,807,086</b>
Non-Current Obligations under finance	5,343,247	-	(3,822,148)	-	<b>1,521,099</b>
	257,693,923	(4,238,856)	(87,946,582)	-	<b>165,508,485</b>
<b>Group</b>					
Current interest- Bearing loans and Borrowings	107,047,673	(3,005,216)	-	-	<b>104,042,457</b>
Current Obligations under finance	6,289,507	(1,233,640)	-	-	<b>5,055,867</b>
Non- Current interest- Bearing loans and Borrowings	178,849,284	-	(104,042,198)	-	<b>74,807,086</b>
Non-Current Obligations under finance	4,523,194	-	(3,002,095)	-	<b>1,521,099</b>
	296,709,658	(4,238,856)	(107,044,293)	-	<b>185,426,509</b>

## Notes to the Financial Statements

For the year ended 31 March 2019

### 28. Liability to Make Lease Payment

	Group/Company	
	2019 Rs.	2018 Rs.
Gross liability	<b>270,637,500</b>	280,947,500
Less: Finance cost allocated to future periods	<b>(104,961,230)</b>	(111,729,933)
Net liability	<b>165,676,270</b>	169,217,567

The lease of the estates have been amended, with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs. 10.3 Mn from 22nd June 1996. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21st August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% , liability would be as follows.

	2019 Rs.
Gross Liability	<b>1,968,090,405</b>
Finance Charges	<b>(1,288,974,537)</b>
Net Liability	<b>679,115,868</b>

The above reassessed liability is not reflected in these Financial Statements.

#### 28.1 Maturity Analysis

	Group/Company					
	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Repayable After 1 year (Non Current) Rs.	2019 Total Rs.	2018 Total Rs.
As at 31 March 2019						
Gross liability	10,310,000	41,240,000	219,087,500	260,327,500	<b>270,637,500</b>	280,947,500
Less: Finance cost allocated to future periods	(6,627,051)	(24,974,908)	(73,359,271)	(98,334,179)	<b>(104,961,230)</b>	(111,729,933)
Net liability	3,682,949	16,265,092	145,728,229	161,993,321	<b>165,676,270</b>	169,217,567

## 29. Retirement Benefit Obligations

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
At the beginning of the year	530,975,302	451,819,903	530,920,222	451,792,363
Current service cost	36,036,695	28,446,539	35,994,455	28,418,999
Interest cost	51,914,601	50,094,358	51,914,601	50,094,358
Liability experience loss/ (gain) arising during the year	87,543,176	8,845,496	87,543,176	8,845,496
Liability loss/ (gain) due to changes in assumptions during the year	(23,969,926)	60,728,712	(23,969,926)	60,728,712
Benefit paid by the plan	(72,692,829)	(68,959,706)	(72,692,829)	(68,959,706)
At the end of the year	609,807,019	530,975,302	609,709,699	530,920,222

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 obligation and the current service cost. This requires 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.

Actuarial gain on defined benefit plan has been recognised in Statement of Other Comprehensive Income in terms of provisions in LKAS 19.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2019, the actuarial present value of promised retirement benefits obligation amounted to Rs. 609,709,699/=. If the company had provided for gratuity on the basis of 14 days wages and half months salary for each completed year of service, the liability would have been Rs. 753,854,863/=. Hence, there is a contingent Liability of Rs.144,145,164/= , which would crystallise only if the company ceases to be a going concern.

### 29.1 Maturity Analysis

	Repayable within 1 Year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total as at 31.03.2019 Rs.
Retirement benefit obligations	61,783,708	333,680,313	214,245,678	609,709,699
	61,783,708	333,680,313	214,245,678	609,709,699

	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total as at 31.03.2018 Rs.
Retirement benefit obligations	51,513,934	286,680,276	192,726,012	530,920,222
	51,513,934	286,680,276	192,726,012	530,920,222

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 9.6 years for staff and workers.



## Notes to the Financial Statements

For the year ended 31 March 2019

### 29. Retirement Benefit Obligations (Contd.)

#### 29.2 Key Assumptions

The key assumptions used by Messrs. Piyal S Gunathilake Associate include the following.

	Salary Increment Rate	Retirement Age	Daily Wage Rate	Discount Rate
<b>2018/2019</b>				
Workers	18% (every two years)	60 years	700/-	11.00%
Staff	10% (per annum)	55 years	-	11.00%
<b>2017/2018</b>				
Workers	18% (every two years)	60 years	500/-	10.50%
Staff	10% (per annum)	60 years	-	10.50%

#### 29.3 Sensitivity Analysis

Values appearing in the financial statements are sensitive to the changes of financial and non-financial assumptions used. The sensitivity was carried for both the rate of wage increment and discount rate as key contributors to the entire obligation. Simulations made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and discount rate has the following effect on the retirement benefit obligation:

	Impact on Retirement benefit obligations (In Rs. Mn)	
<b>Percentage Increase/Decrease in Discount Rate</b>	<b>+ 1 %</b>	<b>- 1 %</b>
As at 31 March 2019	<b>(43.04)</b>	<b>49.79</b>
As at 31 March 2018	(41.91)	48.55
	Impact on Retirement benefit obligations (In Rs. Mn)	
<b>Percentage Increase/Decrease in Salary / Wage Increment Rate</b>	<b>+ 1 %</b>	<b>- 1 %</b>
As at 31 March 2019	<b>46.68</b>	<b>(41.14)</b>
As at 31 March 2018	53.00	(46.46)

### 30. Deferred Income

	Group/Company	
	2019 Rs.	2018 Rs.
Deferred grants and subsidies (Note 30.1)	<b>103,794,995</b>	115,156,704
Sub lease income (Note 30.2)	<b>37,356,957</b>	39,626,983
Deferred income - Operating Lease (Note 30.3)	<b>71,062,069</b>	76,541,379
	<b>212,214,020</b>	231,325,067

#### 30.1 Deferred Grants and Subsidies

	Group/Company	
	2019 Rs.	2018 Rs.
At the beginning of the year	<b>115,156,704</b>	123,510,869
Add: Grants received during the year	<b>1,767,912</b>	4,870,113
Less: Amortisation for the year	<b>(13,129,621)</b>	(13,224,278)
At the end of the year	<b>103,794,995</b>	115,156,704

The company has received funding from the Plantation Housing and Social Welfare Trust and Asian Development Bank for the development of workers facilities such as re-roofing of lines, latrines, water supply and sanitation etc. The amount spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Grants and Subsidies. Further this includes the C.T.C Machinery subsidy which represents the funds received from Sri Lanka Tea Board in relation to C.T.C project.

#### 30.2 Sub Lease Income

	Group/Company	
	2019 Rs.	2018 Rs.
At the beginning of the year	<b>39,626,983</b>	43,060,091
Add: Cash received for the year	<b>2,678,213</b>	540,000
Less: Amortisation for the year	<b>(4,948,240)</b>	(3,973,108)
At the end of the year	<b>37,356,957</b>	39,626,983

#### 30.3 Deferred Income - Operating Lease

	Group/Company	
	2019 Rs.	2018 Rs.
At the beginning of the year	<b>76,541,379</b>	82,020,690
Deferred income received during the year	-	-
Less: Amortisation for the year	<b>(5,479,310)</b>	(5,479,310)
At the end of the year	<b>71,062,069</b>	76,541,379

This represents the lease rental received in advance on leasehold right to use of land which was subleased to Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd. This lease rental received in advance on land lease would be amortised on straight line basis commencing from 1st April 2016.

## Notes to the Financial Statements

For the year ended 31 March 2019

### 31. Deferred Tax Liability

	Group/Company	
	2019 Rs.	2018 Rs.
At the beginning of the year	409,987,029	183,631,244
Origination of temporary differences transferred to Income Statement	73,740,219	236,096,174
Origination of temporary differences transferred to Other Comprehensive Income	(8,900,255)	(9,740,389)
Reversal of temporary differences transferred to Statement of Changes in Equity	(476,000)	-
At the end of the year	474,350,993	409,987,029

#### Composition of Deferred Tax Liabilities

##### Deferred Tax Liabilities

Tax effect on temporary difference of Property, plant and equipment	58,394,924	56,680,770
Tax effect on temporary difference of biological assets	609,327,282	580,005,335
	667,722,206	636,686,105

##### Deferred Tax Assets

Tax effect on temporary difference of expected credit losses	(6,715,537)	(14,475,434)
Tax effect on temporary difference of retirement benefit obligation	(85,359,358)	(74,328,831)
Tax effect on tax losses available for offsetting future taxable income	(101,296,318)	(137,894,811)
	(193,371,213)	(226,699,076)
	474,350,993	409,987,029

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 March, 2019 is 14% (2018-14%) for the company.

### 32. Trade and Other Payables

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Trade creditors	67,828,499	80,631,940	67,828,499	80,631,941
Employee related creditors	123,666,804	120,093,392	123,666,804	120,093,392
Other payables and accruals	157,802,121	122,936,153	156,593,080	121,917,106
	349,297,424	323,661,485	348,088,383	322,642,438

### 33. Amounts due to Related Companies

		Group		Company	
	Relationship	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Aitken Spence Plantation Managements PLC	Parent Company	169,165,203	113,171,792	169,165,203	113,171,782
Aitken Spence PLC	Related Company	-	4,863,049	-	4,863,049
Venture Valley	Subsidiary	-	-	-	-
		169,165,203	118,034,841	169,165,203	118,034,831

\* All the above related party transactions have been conducted on relevant commercial terms with the respective parties.

### 34 Related Party Disclosures

#### 34.1 Transactions with the Parent and Related Entities

Company Name	Relationship	Nature of Transactions	Value of the Transactions	
			2019 Rs.	2018 Rs.
Aitken Spence Plantation Managements PLC	Parent company	Management fees	86,250,000	86,250,000
		Executive staff salaries and other expenses	38,762,580	46,050,209
		Net settlements	(69,019,159)	(120,347,572)
EPP Hydro Power Company (Pvt) Ltd	Subsidiary company	Expenditure incurred	8,128,511	21,510,579
		Issue of Shares	(50,000,000)	-
Water Villas (Pvt) Ltd	Subsidiary company	Expenditure incurred	256,145	176,893
AEN Palm Oil Processing (Pvt) Ltd	Joint venture company	Expenditure incurred	551,000	506,000
		Sales of FFB and transport charges	707,642,309	712,002,188
		Net settlements	(714,537,961)	(704,178,182)
Elpitiya Lifestyle Solutions (Pvt) Ltd	Joint venture company	Expenditure incurred	1,669,246	3,896,807
		Advance paid for asset acquisition	40,250,000	-
		Net settlements	(1,000,000)	-
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	Joint venture company	Tea leaves transactions	10,764,000	2,089,619
		Factory and Other expenses	20,412,003	32,713,971
		Net settlements	(22,300,000)	(35,577,478)
		Proceed from transfer of free hold assets	-	-
Venture Valley (Pvt) Ltd	Subsidiary company	Expenditure incurred	15,368,766	10,216,458
Aitken Spence PLC	Related company	Services, sundries and allocations of common expenses	223,434,793	202,226,271
		Net settlements	(228,500,000)	(198,000,000)
Aitken Spence Agriculture (Pvt) Ltd	Related company	Expenditure incurred / Settlements	(3,155,946)	5,045,397
Forbes and Walkers (Pvt) Ltd	Common Directors	Tea Sales	1,066,707,573	1,167,790,495
		Net settlements	(1,059,213,630)	(1,189,352,019)

#### 34.2 Transactions with the Key Management Personnel of the Company and Parent

There are no transactions with the key management personnel of the company and its parent other than those disclosed in Note 9.

#### 34.3 Management Fee

The managing agent shall be paid at the contractual price for each financial year as 10% of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) subject to a maximum limit of Rs. 75 Mn per annum excluding taxes.

#### 34.4 Terms and Conditions of Transactions with Related Parties

All related party transactions are carried out in the normal course of business and transacted at normal business terms. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from un-related companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties.

#### 34.5 Other Related Party Transactions

Guarantees given by Aitken Spence Plantation Managements PLC on behalf of the company.

- Corporate guarantee of Rs.175 Mn for Bank of Ceylon Overdraft Facility
- Corporate guarantee of Rs.50 Mn for Hatton National Bank permanent Overdraft Facility

## Notes to the Financial Statements

For the year ended 31 March 2019

### 35. Assets Pledge

Facility Obtained from	Security	Facility Amount Rs.	Outstanding Balance as at 31.03.2019 Rs.	Carrying Amount 2019 Rs.	Pledged 2018 Rs.
<b>Company</b>					
<b>Bank of Ceylon</b>					
Bank overdraft	Primary mortgage over estate produce consisting of Tea, Rubber, Oil Palm, Coffee, Coconuts, Clove and Paddy on estate.  Primary floating mortgage bond for Rs. 25 Mn. over stock of estate produce consisting of Tea, Rubber, Oil Palm and Coconut stored at Dunsinane, Sheen, Fernlands and Meddecombra estates at Pundaluoya.	175,000,000	-	<b>41,220,777</b>	42,792,816
<b>Hatton National Bank PLC</b>					
Bank overdraft	Primary floating mortgage bond for Rs. 10 Mn. over leasehold property at "Talgaswella Estate" in Galle.	50,000,000	-	<b>11,768,689</b>	12,217,513
	Corporate guarantee of Aitken Spence Plantation Managements PLC.				
Money market loan	Primary floating mortgage bond for Rs. 75 Mn. over leasehold property at "Fernlands Estate" and "Harrow Estate" Pundaluoya, Nuwara Eliya.	75,000,000	-	<b>9,157,954</b>	9,507,212
<b>Central Finance PLC</b>					
Term loan	Primary mortgage over machineries, Drier and Heater, Colour Separator machine (with IR technology), 3 units 8" Rotorvane machines - 36"x13"; 4 cuts Jumbo Spectra CTC Machine with a spare set of rollers, Milling and chasing machine & 300 kva open type Generator 600 Amp.	66,022,098	<b>1,068,304</b>	<b>1,068,304</b>	9,545,314
<b>Group</b>					
<b>DFCC Bank PLC</b>					
Term loan	Primary mortgage over Shares of EPP Hydro Power Company (Pvt) Ltd held by Elpitiya Plantations PLC. Primary mortgage over all project documents granted in favour of the company. Primary mortgage over leasehold rights of the project land and immovable project assets inclusive of a hydro power plant.	117,000,000	<b>19,918,024</b>	<b>100,000,000</b>	50,000,000

### 36. Capital Commitments

Followings are the capital commitments as at the Statement of Financial Position date

	2019 Rs. Mn	2018 Rs. Mn
Approved by Board and Contracted for	<b>36.25</b>	53.20
Approved by Board and Not contracted for	<b>768.15</b>	609.40

### 37. Contingencies

No known contingent liabilities exist as at the date of financial position other than the matters disclosed in below and Note 29 to the financial statements.

- \* The company was issued a Value Added Tax (VAT) assessment under the Value Added Tax Act No. 14 of 2002 and its amendments thereto in relation to the taxable period from 1st April 2008 to 31st March 2011. The Tax Appeals Commission hearing the appeal, has determined the VAT assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Tax Appeals Commission, the company has appealed against the determination to the Court of Appeal. The contingent liability to the company is estimated to be Rs. 14.3 Mn. inclusive of any penalties for the said period. Based on expert advice, the Directors are confident that the ultimate resolution of the case will not have an adverse impact on financial statements of the company.

### 38. Events after the Reporting Period

There have been no material events occurring after the statement of financial position date that require adjustments or disclosure in the Financial Statements.

### 39. Related Party Transactions

There are no related party transactions other than those disclosed in Notes 7, 9, 14.2.1, 15, 18, 23, 30.3, 33, 34 and 35 to the Financial Statements.

### 40. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk 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.

#### **Credit Risk**

This 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.

#### **Liquidity Risk**

Liquidity risk arises when the Group is unable to meet its financial obligations due to insufficient cash flow situations. 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.

#### **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 currency in which these transactions primarily denominated is in USD.

#### **Interest Rate Risk**

Interest Rate Risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on 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.

## Notes to the Financial Statements

For the year ended 31 March 2019

### 40. Financial Risk Management Objectives and Policies (Contd.)

#### 40.1 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 Audit Committee of the Company 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.

#### 40.2 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.

##### 40.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. 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 credit losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the Group at the reporting date is Rs. 84 Mn (2018 – Rs. 59 Mn).

The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

##### 40.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group does not held short term investments with the financial institutions.

##### 40.2.3 Cash and Cash Equivalents

The Group held cash and Cash Equivalents of Rs. 33 Mn as at 31st March 2019 (2018 – Rs. 84 Mn) which represents its maximum credit exposure on these assets.



### 40.3 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.

	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	More than 5 years Rs.	Total Rs.
<b>Group</b>						
Interest bearing loans & borrowing	-	21,693,952	87,328,076	74,807,086	-	<b>183,829,114</b>
Trade & other payables	-	333,627,199	15,670,225	-	-	<b>349,297,424</b>
	-	355,321,151	102,998,301	74,807,086	-	<b>533,126,538</b>
<b>Company</b>						
Interest bearing loans & borrowing	-	21,693,952	62,430,481	74,807,086	-	<b>158,931,519</b>
Trade & other payables	-	332,418,158	15,670,225	-	-	<b>348,088,383</b>
	-	354,112,110	78,100,706	74,807,086	-	<b>507,019,902</b>
<b>As at 31st March 2018</b>						
	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	More than 5 years Rs.	Total Rs.
<b>Group</b>						
Interest bearing loans & borrowing	-	26,761,983	80,285,950	178,849,543	-	285,897,476
Trade & other payables	-	283,684,373	39,977,111	-	-	323,661,484
	-	310,446,356	120,263,061	178,849,543	-	609,558,960
<b>Company</b>						
Interest bearing loans & borrowing	-	21,782,412	65,347,237	158,931,519	-	246,061,168
Trade & other payables	-	283,344,545	39,297,893	-	-	322,642,438
	-	305,126,957	104,645,130	158,931,519	-	568,703,606

## Notes to the Financial Statements

For the year ended 31 March 2019

### 40. Financial Risk Management Objectives and Policies (Contd.)

#### 40.4 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 four 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 & derivative financial instruments.

##### 40.4.1 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.185 Mn (2018 – Rs. 297 Mn) which represents its maximum credit exposure on these liabilities.

#### Interest Rate Sensitivity

The following table demonstrates the 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.
<b>Group</b>		
2019	+1 %	(1,788,495)
	-1 %	1,788,495
2018	+1 %	(449,030)
	-1 %	449,030
<b>Company</b>		
2019	+1 %	(1,589,315)
	-1 %	1,589,315
2018	+1 %	(384,507)
	-1 %	384,507

##### 40.4.2 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 currency primarily is USD.

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 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.

Group	Increase/ Decrease in Basis Points	Effect on Profit Before Tax Rs.
<b>2019</b>		
USD	5%	2,420,573
USD	-5%	(2,420,573)
<b>2018</b>		
USD	5%	2,150,782
USD	-5%	(2,150,782)

### 40.4.3 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.

### 40.4.4 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.

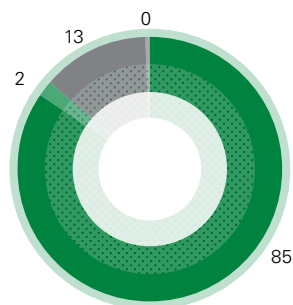
	Group		Company	
	As at 31.03.2019 Rs.'000	As at 31.03.2018 Rs.'000	As at 31.03.2019 Rs.'000	As at 31.03.2018 Rs.'000
<b>Interest Bearing Borrowing</b>				
Current portion of long term interest bearing borrowings	109,098	113,338	89,180	93,419
Payable after one year	76,328	184,193	76,328	164,275
	185,427	297,530	165,508	257,694
<b>Equity</b>	4,401,328	4,020,244	4,346,005	3,983,854
Equity & debts	4,586,754	4,317,774	4,511,513	4,241,548
Gearing ratio	4%	7%	4%	6%

## Value Added Statement

Figures in Rs.000'

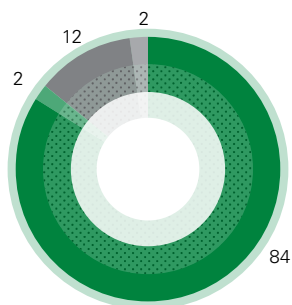
	Year ended 31.03.19	As a %	Year ended 31.03.18	As a %
<b>Value Added</b>				
Turnover	3,547,947		3,700,200	
Other Income	210,232		136,992	
	<b>3,758,179</b>	<b>100</b>	3,837,192	100
Purchase of goods and Services	(1,894,852)	(50)	(2,124,264)	(55)
Total Value Added	<b>1,863,327</b>	<b>50</b>	1,712,928	45
<b>Distributed as follows</b>				
To Employee, as remuneration	1,575,297	84.54	1,439,905	84.06
To Government, as lease rental	38,258	2.05	35,227	2.06
To Lenders, nt, as Interest on short & long term borrowings	7,472	0.41	26,731	1.56
Retained for re-investment and future growth	242,300	13.00	211,065	12.32
Depreciation	242,300	13.00	211,065	12.32
Reserves	-	-	-	-
	<b>1,863,327</b>	<b>100</b>	1,712,928	100

Distribution of Value Added 2018/19 (%)



● Remuneration ● Government  
● Depreciation ● Lenders

Distribution of Value Added 2017/18 (%)



● Remuneration ● Government  
● Depreciation ● Lenders

## Information on Estates

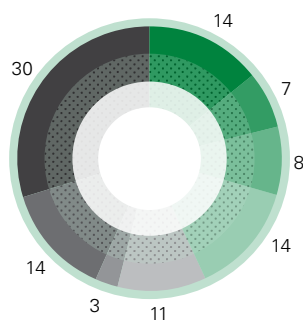
Year Ended 31st March 2019	Cultivated Area (ha.)							Total Area (ha.)	Annual Production Kg'000			Factory Details Crop Manfd.	No. of Workers	
	Other				Total	Tea	Rubber		Oil Palm					
	Tea	Rubber	Oil Palm	Projects -Tea -						Others				
Estate														
Nuwaraeliya District														
Dunsinane	447.04	-	-	67.46	101.75	616.25	790.00	971	-	-	Tea	744		
Sheen	216.30	-	-	69.17	110.25	395.72	503.75	595	-	-	Tea	514		
Fernlands	306.93	-	-	52.23	60.31	419.47	484.25	539	-	-	Tea	561		
Meddecembra	400.86	-	-	61.14	265.32	727.32	890.00	686	-	-	Tea	708		
Kandy District														
New Peacock	271.49	-	-	-	180.79	452.28	535.73	844	-	-	Tea	438		
Nayapane	231.90	-	-	-	220.65	452.55	576.50	591	-	-	Tea	438		
Galle District														
Devitura	35.86	127.94	347.74	-	86.92	598.46	896.22	63	90	3,042	Tea/ Rubber	312		
Talgaswella	33.20	122.88	612.23	-	22.68	790.99	1,033.85	179	110	7,124	Tea/ Rubber	406		
Gulugahakande	12.22	44.78	118.04	-	17.96	193.00	418.18	9	23	989	-	117		
Lelwala	12.50	51.11	72.00	-	4.30	139.91	240.35	27	39	574	Tea	102		
Ketandola	4.55	42.68	276.10	-	26.89	350.22	832.69	9	31	1,477	Tea	146		
Bentota	-	203.77	188.86	-	27.21	419.84	726.14	3	160	521	Rubber	232		
Elpitiya	-	282.13	315.69	-	20.16	617.98	910.36	1	207	3,360	Rubber	327		
Total	1,972.85	875.29	1,930.66	250.00	1,145.19	6,173.99	8,838.02	4,517	660	17,087		5,045		

## Information on Estates

	2018/19		
	Tea	Rubber	Oil Palm
Total Crop (Kg.000's)	4,517	660	17,087
Total NSA (Rs/Kg)	546	287	43
Y P H	1,674	905	14,286

	2017/18		
	Tea	Rubber	Oil Palm
Total Crop (Kg.000's)	4,555	563	15,956
Total NSA (Rs/Kg)	585	367	43
Y P H	1,696	679	13,743

### Land Utilisation (Hectares %)



- VP - Tea
- Seedling - Tea
- Rubber
- Oil palm
- Immature
- Other Projects - Tea
- Nurseries & Other Cultivation
- Buildings, Gardens, Jungle & Roads etc.,

## Shareholders and Investor Information

### 1) Distribution of Shareholding

Category	No. of shareholders	No. of shares	%
1-1000	10,399	3,339,227	4.59
1001-10,000	477	1,872,831	2.57
10,001-100,000	139	3,815,175	5.23
100,001-1,000,000	12	3,308,751	4.54
Over 1,000,000 Shares	2	60,530,446	83.07
	11,029	72,866,430	100.00

### 2) Composition of Shareholders

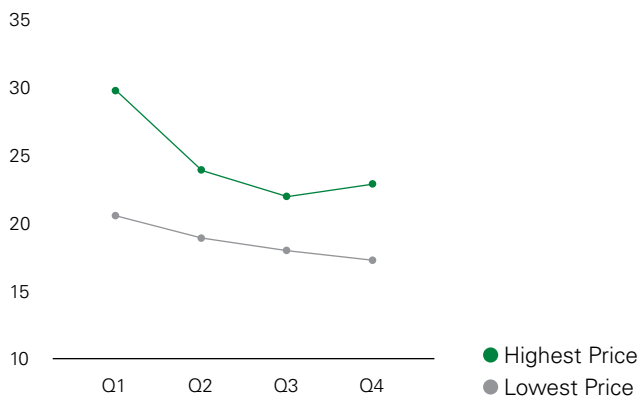
Category	No. of shareholders	No. of shares	%
Residents	11,011	71,670,707	98.36
Non Residents	18	1,195,723	1.64
Individuals	10,921	8,546,175	11.73
Institutions	108	64,320,255	88.27

### 3) Share Trading during the Year

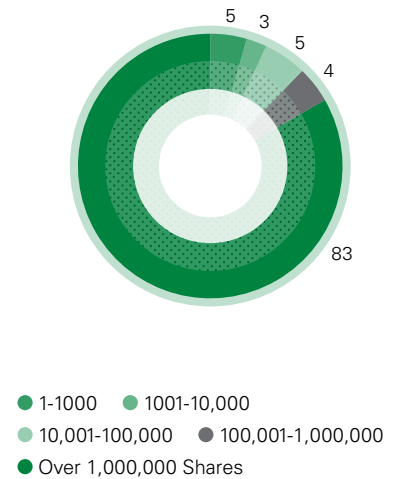
	2018/19	2017/18
Highest Price Traded (Rs)	<b>29.70</b>	33.70
Lowest Price Traded (Rs)	<b>17.30</b>	19.00
Last Traded Price (Rs)	<b>18.10</b>	27.40
Number of share transactions	<b>1,880.00</b>	7,385.00
Number of shares traded	<b>1,978,786.00</b>	15,582,657.00
Value of shares traded	<b>41,699,796.00</b>	468,044,240.60
Market Capitalisation	<b>1,318,882,383.00</b>	1,996,540,182.00

The float adjusted Market Capitalisation as at 31st March 2019 was Rs. 223,281,310/-. As the float adjusted market capitalisation less than Rs. 01 Bn with more than 10% public holding, Elpitiya Plantations PLC complies under option 2 in terms of rule 7.13.1 (b) (for Diri Savi Board companies) of the Listing Rules of the Colombo Stock Exchange.

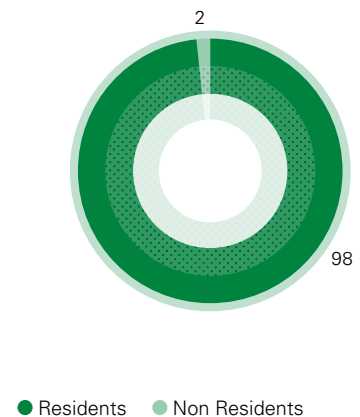
#### Share Trading During the Year (Rs.)



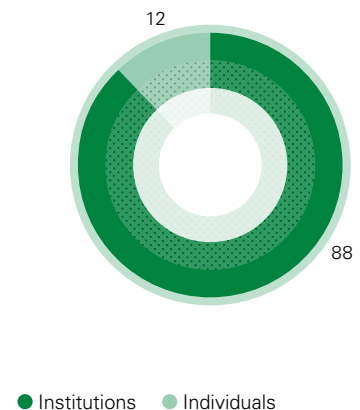
#### Distribution of Shareholding (%)



#### Composition of Shareholders (%)



#### Composition of Shareholders (%)





## Shareholders and Investor Information

### 4) Net Assets and Closing Price per Share

	2018/19	2017/18	2016/17
Net Assets per share (Rs.)	<b>59.64</b>	54.67	53.10
Closing Price (Rs.)	<b>18.10</b>	27.40	19.00

### 5) Public Holding

	No. of shares	%
Total no of shares	72,866,430	
Less: Holding by the parent company (ASPM)	44,917,354	61.64
Less: Shareholder exceeding 10%(S & T)	15,613,092	21.43
Public holding	12,335,984	16.93

Number

Public shareholders as at 31st March 2019	11,027
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### Public Holding

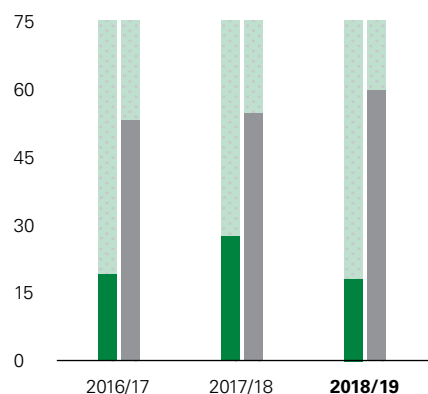
Excludes:

- 1) parent, subsidiary or associate companies .
- 2) subsidiaries or associates of the parent company
- 3) Directors, CEO, their spouses & children under 18 & their nominees.
- 4) Co. in which a director's holding exceeds 50% of the equity or where the Director controls the composition of the Board.
- 5) shareholders whose holding exceeds 10% of the issued capital.

### 6) Directors' Shareholdings during the period ended

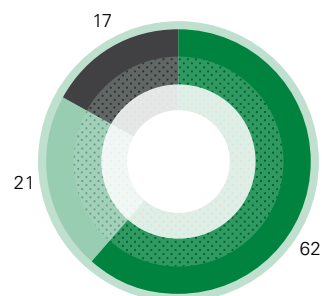
	31.03.2019	31.03.2018
Directors' Shareholdings	Nil	Nil

### Net Assets and Closing Price per Share (Rs.)



● Closing Price ● Net Assets per Share

### Public Holding (%)



● ASPM ● Shareholder Exceeding 10% ● Public Holding

## 7) 20 Major Shareholders Holding as At 31st March 2019

	Name of the Shareholder	Shareholding	%
1	Aitken Spence Plantation Managements PLC (ASPM)	44,917,354	61.64
2	Secretary to the Treasury (S & T)	15,613,092	21.43
3	Capital Trust Holdings Ltd	586,217	0.80
4	Sandwave Limited	463,538	0.64
5	J.B Cocoshell (Pvt) Ltd	427,872	0.59
6	Mr K C Vignarajah	370,504	0.51
7	Tranz Dominion, L.L.C	315,000	0.43
8	Seylan Bank PLC/Mohamed Mushtaq Fund	272,615	0.37
9	Dr.R.D Bandaranaike	210,696	0.29
10	Gulf East Finance Limited	152,815	0.21
11	People's Merchant Finance PLC/M M Furd	146,300	0.20
12	Bansei Securities Capital (Pvt) Ltd/Dawi Investment Trust (Pvt) Ltd	128,264	0.18
13	Mr M A Qasim	124,025	0.17
14	Mr A V Emmanuel	110,905	0.15
15	Seylan Bank PLC/Mr Shermal Hemaka Jayasuriya	91,000	0.12
16	Mr S B H Wanduragala	89,475	0.12
17	Mr Almuhairi	66,454	0.09
18	Mr Wijesekera	65,000	0.09
19	Mr Y H Abdulhossein	61,642	0.08
20	People's Leasing & Finance PLC/HI Line Trading (Pvt) Ltd	61,296	0.08
	Total No. of Shares	64,274,064	88.19

### Golden Shareholder

The Golden Share has been allotted to the Secretary to the Treasury for and on behalf of the State of Democratic Socialist Republic of Sri Lanka. The rights attached to the Golden Share are set out in the Articles of Association which are as follows:

- 1) The Golden Share shall only be held by the Secretary to the Treasury in his official capacity
- 2) The Golden Shareholder 's prior written concurrence is required
  - (a) To amend the definition of the words Golden Share or Golden Shareholder and the Articles setting out specific rights attached to such share
  - (b) To sub-lease, cede or assign the rights in part or all of the lands assigned to the Company
- 3) The Golden Shareholder is entitled to
  - (a) Call upon the Directors once in every three months if desired to meet with him or his nominees to discuss matters of the Company of interest to the State
  - (b) Inspect the books of accounts of the Company either by himself or by his nominees with due notice
  - (c) Receive within 60 days of the end of every quarter, a quarterly report relating to the performance of the Company
  - (d) Receive within 90 days from the end of each financial year, information relating to the Company in a pre-specified format.

## Ten Year Summary

Year ended 31st March * Company	2019 Rs.' 000	2018 Rs.' 000	2017 Rs.' 000	2016 Rs.' 000
<b>Trading Results</b>				
Revenue	3,522,380	3,680,776	2,996,400	2,419,784
Other income	235,452	159,598	279,065	414,405
<b>Gross profit</b>	<b>739,245</b>	<b>883,362</b>	<b>608,476</b>	<b>166,618</b>
Finance cost	(41,788)	(55,506)	(72,400)	(70,015)
<b>Profit/(loss) before tax</b>	<b>493,382</b>	<b>601,233</b>	<b>530,392</b>	<b>239,554</b>
Current tax	(73,634)	(72,465)	(42,364)	(24,178)
Deferred tax expenses relating to origination of temporary differences in the current year tax	-	(5,309)		
Increase in opening deferred taxes resulting from increase in tax rate	-	(185,253)		
<b>Profit/(loss) after tax</b>	<b>419,748</b>	<b>338,205</b>	<b>488,028</b>	<b>215,376</b>
<b>Balance Sheet</b>				
<b>Funds Employed</b>				
Stated Capital **	694,236	694,236	694,236	694,236
Timber reserve	765,958	780,376	778,722	756,836
Retained profits/(loss)	2,885,811	2,509,242	2,396,474	1,831,447
<b>Total equity</b>	<b>4,346,005</b>	<b>3,983,854</b>	<b>3,869,432</b>	<b>3,282,519</b>
<b>Non-current Liabilities</b>				
Redeemable Debentures	-	-	-	-
Interest Bearing Borrowings	76,328	164,275	194,113	271,300
Retirement Benefit Obligations	609,710	530,920	451,792	583,690
Deferred Income	212,214	231,325	248,592	263,801
Deferred Tax Liability	474,351	409,987	183,631	125,918
Net Liability to Lesser	161,993	165,676	168,718	172,254
<b>Total non-current liabilities</b>	<b>1,534,596</b>	<b>1,502,183</b>	<b>1,246,846</b>	<b>1,416,963</b>
<b>Assets Employed</b>				
Non-Current Assets	5,565,395	5,178,812	4,935,742	4,760,094
Current Assets	925,423	851,922	766,535	587,471
Current Liabilities	(610,217)	(544,696)	(585,999)	(648,082)
<b>Total</b>	<b>5,880,601</b>	<b>5,486,038</b>	<b>5,116,278</b>	<b>4,699,482</b>
<b>Key Indicators</b>				
EPS (Basic)	5.76	4.64	6.70	2.97
Dividend Per Share	1.25	2.25	1.00	0.50
Dividend Payout Ratio	22%	48%	15%	17%
Net Assets Per Share	59.64	54.67	53.10	45.05
Market Price Per Share	18.10	27.40	19.00	19.20
Price Earnings Ratio	3	6	3	6
Current Ratio	1.52	1.56	1.31	0.91
Equity to Total Assets	66.96	66.06	67.86	61.38
Return on Shareholder's Funds	9.66	8.49	12.61	6.56

\* 2012 and 2011 comparative year figures has been restated when the Group first time adopting the new Sri Lanka Accounting Standards (SLFRSs and LKASs).

\*\* Company has commenced to prepare consolidated financial statements from 31 March 2013, accordingly last reported comparative figures has also been restated.

2015 Rs.' 000	2014 Rs.' 000	2013 Rs.' 000	2012 Rs.' 000	2011 Rs.' 000	2010 Rs.' 000
2,579,265	2,782,392	2,833,456	2,512,971	2,601,501	2,215,126
237,040	213,560	193,976	106,623	99,056	81,098
389,264	505,055	619,791	326,933	594,432	241,211
(75,456)	(132,394)	(138,992)	(137,669)	(144,584)	(144,075)
368,370	379,381	477,372	148,201	384,233	63,817
(28,251)	(37,547)	(41,311)	1,883	(20,729)	-
340,119	341,833	436,061	150,084	363,504	63,817
694,236	694,236	694,236	694,236	694,236	694,236
725,733	685,902	716,366	714,268	688,965	-
1,622,047	1,417,207	1,030,852	581,538	482,990	323,761
3,042,016	2,797,345	2,441,454	1,990,042	1,866,191	1,017,997
-	-	-	-	-	75,000
185,765	376,218	385,661	561,431	831,279	878,672
623,059	542,459	573,472	554,800	464,155	448,410
164,796	178,519	183,139	195,782	206,712	186,517
90,816	76,866	42,873	11,001	12,884	-
175,528	178,676	181,704	184,614	187,413	190,104
1,239,964	1,352,738	1,366,849	1,507,628	1,702,442	1,778,703
4,430,228	4,208,644	4,043,195	3,894,822	3,680,388	2,910,616
639,323	592,253	602,248	449,446	502,187	774,102
(787,572)	(650,814)	(837,140)	(846,596)	(613,941)	(888,019)
4,281,979	4,150,083	3,808,303	3,497,672	3,568,634	2,796,700
4.67	4.69	5.98	2.54	4.99	1.23
0.75	0.75	0.50	-	0.36	0.25
16%	16%	8%	-	7%	20%
41.75	38.39	33.51	28.59	26.41	13.97
20.00	16.60	17.20	18.50	33.50	34.00
4	4	3	7	7	28
0.81	0.91	0.72	0.53	0.82	0.87
60.01	58.27	52.56	45.81	44.62	27.63
11.18	12.22	17.86	7.54	19.48	6.27

## Definitions

### Financial Terms

#### *Accounting Policies*

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

#### *Borrowings*

All interest bearing liabilities.

#### *Capital Employed*

Total assets less interest free liabilities and provisions.

#### *Cash Equivalents*

Liquid investments with original maturities of three months or less.

#### *Contingent Liabilities*

Conditions or situations at the Balance Sheet date, the financial effect of which are to be determined by future events which may or may not occur.

#### *Current ratio*

Current assets divided by current liabilities.

#### *Earnings per Share*

Profits attributable to ordinary shareholders divided by the number of ordinary shares in issue.

#### *Effective Tax Rate*

Income tax expenses divided by profit from ordinary activities before tax.

#### *Equity*

Shareholders' funds, i.e. share capital and reserves.

#### *Net Assets per Share*

Shareholders' funds divided by the number of ordinary shares.

#### *Price Earnings Ratio*

Market price of a share divided by earnings per share.

#### *Debt to Equity Ratio*

Interest-bearing borrowings divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

#### *Related Parties*

Parties who could control or significantly influence the financial and operating policies of the business.

#### *Return on Shareholder's Funds*

Attributable profits to the shareholders divided by shareholders funds.

#### *Segment*

Constituent business units grouped in terms of nature and similarity of operations.

#### *SLAS*

Sri Lanka Accounting Standards.

#### *UITF*

Urgent Issues Tasks Force of The Institute of Chartered Accountants of Sri Lanka.

#### *Working Capital*

Capital required to finance the day - to -day operations (current assets minus current liabilities).

#### *LKAS/SLFRS*

Sri Lanka Accounting Standards. (New)

## Non - Financial Terms

### *COP*

The Cost of Production. This generally refers to the Cost of producing a Kilo of produce. (Tea / Rubber / Oil Palm).

### *Crop*

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

### *Extent in Bearing*

The extent of land from which crop is being harvested. Also see "Immature Plantation".

### *Field*

An unit extent of land. Estates are divided in to fields in order to facilitate management.

### *Immature Plantation.*

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

### *Infilling*

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

### *Mature Plantation*

The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

### *NSA*

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees and cost of Gratis teas.

### *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.

### *Yield*

The average crop per unit extent of land over a given period of time (usually kgs. per hectare per year).

## Notice of Meeting

Notice is hereby given that the Twenty Seventh Annual General Meeting of Elpitiya Plantations PLC will be held at the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 3.00 p.m. on Thursday September 19, 2019, for the following purposes: -

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2019 with the Report of the Auditors thereon.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. Malik J Fernando who retires in terms of Article 92 of the Articles of Association, as a Director.
- To elect Dr. M P Dissanayake who was appointed to the Board with effect from 29th March 2019 and retires in terms of Article 98 of the Articles of Association, as a Director.
- To re-appoint Mr. Merrill J Fernando who is over the age of 70 years, as a Director by passing the following resolution as an Ordinary Resolution:

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. Merrill J Fernando who is 88 years of age and that he be re-appointed a Director of the Company.”

- To authorise Directors to determine contributions to charities
- To re-appoint the retiring Auditors Messrs. Ernst & Young and authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given.

By Order of the Board



**Aitken Spence Corporate Finance (Pvt) Ltd**  
*Secretaries*

23rd August 2019  
Colombo

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Office of the Registrars, SSP Corporate Services (Pvt) Ltd., No. 101, Inner Flower Road, Colombo 3, not less than forty-eight hours before the time fixed for the meeting.
3. Should the Dividend recommended is approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on 30th September 2019 and in accordance with the Rules of the Colombo Stock Exchange, the shares of the Company will trade ex- dividend with effect from 20th September 2019.



## Form of Proxy

I/We ..... of  
..... being a member/members  
of Elpitiya Plantations PLC hereby appoint .....  
of ..... (whom failing)

Mahinda Parakrama Dissanayake	(whom failing)
Rohan Marshall Fernando	(whom failing)
Merrill Joseph Fernando	(whom failing)
Malik Joseph Fernando	(whom failing)
Sumith Anura Bandara Ekanayake	(whom failing)
Sarath Carlyle Ratwatte	(whom failing)
Bogaha Watte Gedara Chandani Sagarika Bogahawatte	(whom failing)
Don Ariyaseela de Silva Wickramanayake	(whom failing)
Bhathiya Bulumulla	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the September 19, 2019, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this ..... day of ..... Two Thousand Nineteen.

.....  
*Signature*

**Note :**

Instructions as to completion are noted on the reverse hereof.

**Instructions as to Completion**

Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.

In the case of a Company/Corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Office of the Registrar, SSP Corporate Services (Pvt) Ltd No. 101, Inner Flower Road, Colombo 3 before 3.00 p.m. on September 17, 2019, being 48 hours before the time appointed for the holding of the meeting.

## Shareholder Feedback Form

Name (Optional):	
Address (Optional):	
Number of shares held (Optional):	

### 1. Business Development

Please rate the following areas (where applicable) on a scale of 1 to 5 (where 1 is the lowest and 5 is the highest);

	Lowest				Highest
	1	2	3	4	5
a) Quality and presentation of the annual report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Usefulness of the information in the interim financial statements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Likelihood of the financial information in the Annual Report to influence investment decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) Likelihood of the environmental information in the Annual Report to influence investment decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) Likelihood of the social information in the Annual Report to influence investments decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) Level of awareness about the Company's work towards ecosystem conservation after reading the Annual Report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g) Level of awareness about the Company's work towards socially inclusive development after reading the Annual Report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please tick more than one where applicable:

### 2. What channels of communication are preferred to receive information about Elpitiya Plantations PLC? :

News Articles <input type="checkbox"/>	Social Media <input type="checkbox"/>	Digital/Electronic Media <input type="checkbox"/>
Internet/Company Website <input type="checkbox"/>	Annual Report <input type="checkbox"/>	Others <input type="checkbox"/>

### 3. Out of the current sustainability priorities the Company is committed to work on, what areas do you feel Elpitiya Plantations PLC should focus more on?

Climate Change Risk Management <input type="radio"/>	Socially Inclusive Development <input type="radio"/>	Ecosystem Conservation <input type="radio"/>
Energy Management <input type="radio"/>	Water Security <input type="radio"/>	Management of Solid Waste, Effluents and Emissions <input type="radio"/>

### 4. Suggestions / Recommendations

The completed Feedback Form could be handed over to a Company representative at the end of the Annual General Meeting or mailed or hand delivered to the Company Secretary at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.



# Corporate Information

## Name

Elpitiya Plantations PLC

## Legal Form

A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 22 June 1992.

## Company Registration No.

PQ 171

## Registered Office

315, Vauxhall Street,  
Colombo 2,  
Sri Lanka

## Business Address

No. 305, Vauxhall Street,  
Colombo 2,  
Sri Lanka

## Directors

- ➔ Mr. J. M. S. Brito - *Chairman (resigned w.e.f. 29.03.2019)*
- ➔ Dr. M. P. Dissanayake - *Chairman (appointed w.e.f. 29. 03.2019)*
- ➔ Dr. R. M. Fernando - *Managing Director*
- ➔ Mr. B. Bulumulla - *Director/CEO*
- ➔ Mr. Merrill J Fernando
- ➔ Mr. Malik J Fernando
- ➔ Dr. S. A. B. Ekanayake
- ➔ Mr. S. C. Ratwatte
- ➔ Mrs. B. W. G. C. S. Bogahawatta
- ➔ Mr. D. A. de S. Wickramanayake

## Alternate Directors

- ➔ Ms. M. D. A. Perera - *Alternate Director to Mr. Malik J Fernando*
- ➔ Mr. A. T. S. Sosa - *Alternate Director to Mr. Merrill J Fernando*

## Chief Executive Officer

Mr. B. Bulumulla

## Managing Agent

Aitken Spence Plantation Managements PLC

## Secretaries

Aitken Spence Corporate Finance  
(Private) Limited

## Registrars

SSP Corporate Services (Pvt) Ltd.,  
101, Inner Flower Road,  
Colombo 3.

## Auditors

Messrs. Ernst & Young  
201, De Saram Place, Colombo 10.

## Lawyers

Julius & Creasy  
Attorneys – at – Law

## Bankers

- ➔ Bank of Ceylon - *Corporate Branch*
- ➔ Sampath Bank PLC - *Nawam Mawatha Branch*
- ➔ Hatton National Bank PLC - *Punchikawatta Branch*
- ➔ Cargills Bank PLC - *Corporate Branch*
- ➔ National Development Bank PLC - *Head Office Branch*
- ➔ Nations Trust Bank PLC - *Corporate Branch*

## Group Companies

- ➔ E. P. P. Hydro Power Company (Private) Limited
- ➔ Water Villas (Private) Limited
- ➔ Venture Valley (Private) Limited

## Joint Venture Companies

- ➔ A. E. N. Palm Oil Processing (Private) Limited
- ➔ Elpitiya Dianhong Jin Ya Tea Company (Private) Limited
- ➔ Elpitiya Lifestyle Solutions (Private) Limited



**Elpitiya Plantations PLC**  
**No. 315, Vauxhall Street, Colombo 2, Sri Lanka**