Making Inimitable History

elpitiya

ELPITIYA PLANTATIONS PLC
ANNUAL REPORT 2020/21

Making Inimitable History

It was a year in which our carefully planned strategy laid the groundwork for unrestricted growth, bearing fruit, literally and figuratively as we reaped the rewards of our hard work. Over the course of one of the most challenging years to date, we were able to record a groundbreaking, extraordinary year of profit and progress. We maintained our future ready attitude, hopeful for what lies ahead of us as we made headway in transforming and growing our greatest asset; our people. Not only were we strengthened by their commitment, but also inspired by their exemplary leadership, which helped us in journeying far and attaining our momentous milestones, which will be inimitable. Even in the face of seemingly insurmountable circumstances and uncertainty we made astronomical leaps, making the impossible a reality, all while achieving historic results at Elpitiya Plantations.

elpitiya

ELPITIYA PLANTATIONS PLC
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Contents

ABOUT THIS REPORT

This year, we present the 3rd Integrated Annual Report of Elpitiya Plantations PLC and its subsidiaries (herein referred to as the Group), providing a transparent and concise assessment of how we created value to our stakeholders. The Report is primarily targeted towards providers of financial capital, although the interests of other stakeholders have also been considered when determining Report content. Despite the numerous operating challenges presented by the COVID-19 pandemic, we have maintained consistency in our reporting practice, complying with both the quantitative and qualitative reporting disclosures required by the Integrated Reporting Framework and Global Reporting Initiative (GRI) Standards.

REPORTING SCOPE AND BOUNDARY

The Report covers the operations of Elpitiya Plantations PLC (EPP) and its subsidiaries, EPP Hydro Power Company (Pvt) Ltd, Water Villas (Pvt) Ltd and Escape Parks Ceylon (Pvt) Ltd for the period from 1st April 2020 to 31st of March 2021. The Group adopts an annual reporting cycle, and this Report builds on our previous Annual Report for the financial year ending 31st March 2020. Both the financial and non-financial disclosures pertain to the Group, unless specifically mentioned otherwise. There were no material changes to the Group's structure, size, or supply chain during the year under review.

APPROACH TO REPORTING

The Group's Integrated Report combines material input from across functions and business units; as environmental, social and governance (ESG) factors are embedded in the Group's integrated strategy, the Report contains information related to the management and impacts across a range of ESG factors.

Reporting Frameworks, Standards and Guidelines	How our Reporting is Assured	Time Frames and Forward-looking Statements
Financial Reporting • Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards • Companies Act No. 7 of 2007 **Narrative Reporting** • Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) **Sustainability Reporting** • GRI Standards - In Accordance 'Core' • UN Sustainability Development Goals (SDG's) **Corporate Governance** • Continuing Listing Requirements of the Colombo Stock Exchange • Code of Best Practice on Corporate Governance 2017, issued by Institute of Chartered Accountants of Sri Lanka	The Internal Audit function and the Group Audit Committee ensure the integrity of the financial reporting processes and internal controls. External assurance on the financial reporting has been provided by Messrs. Ernst and Young, Chartered Accountants. The integrity of the Sustainability and ESG information presented in this Report is ensured through review by the Aitken Spence Holdings PLC Group Sustainability Unit.	Forward-looking statements and forecasts relating to the Group's operating environment, financial performance, financial position and operations involve an element of uncertainty, given exposure to external factors which fall outside the Group's control. This could lead to actual results differing from the stated projections.

REPORTING IMPROVEMENTS

- Adoption of the Gender Parity Reporting Framework of CA Sri Lanka
- Adoption of the following new GRI standards- GRI 403: Occupational health and safety (2018) and GRI 303: Water and Effluents (2018)
- Adoption of the revisions to the Integrated Reporting Framework published in January 2021
- Increased connectivity of information through the use of navigation icons and signposting

ABOUT THIS REPORT

NAVIGATION ICONS

Capitals Defined in the Integrated Reporting Framework					
Financial Capital	Manufactured Capital	Human Capital	Social & Relationship Capital	Intellectual Capital	Natural Capital
Integrated Strategy					
Agriculture and Processing Strategy		Design 2020 Strategy		Sustainability Strategy	
Others					
Implications of COVID-19					

BOARD RESPONSIBILITY

The Board of Directors of Elpitiya Plantations PLC is ultimately responsible for ensuring the integrity of this Report. The Board is satisfied that the Report addresses all material matters and fairly represents the Group's integrated performance. The Board also confirms that the Report has been prepared in accordance with the <IR> Framework.

FEEDBACK

We are committed to consistently improving the quality and readability of our Annual Report and welcome your suggestions and comments. Please direct your feedback to,

Chief Operating Officer - Finance & IT Development
Elpitiya Plantations PLC
Level 09, Aitken Spence Tower I,
No. 305, Vauxhall Street,
Colombo 02,
Sri Lanka
info@elpitiya.com

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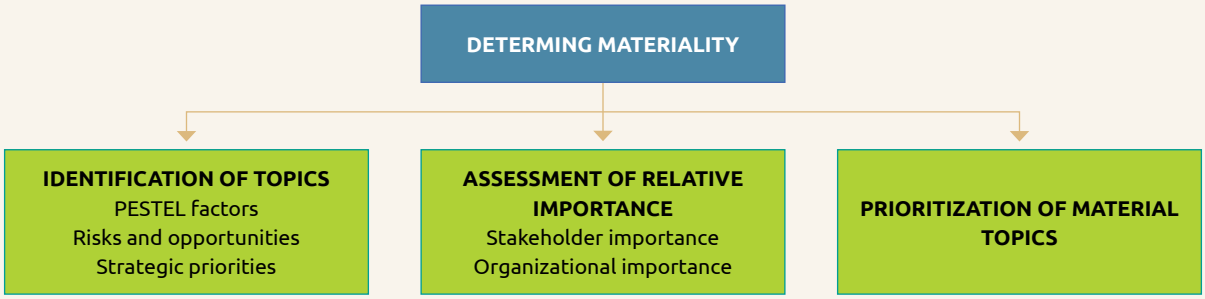
Scan this QR Code to view this Annual Report online

MATERIAL TOPICS 2020/21

The Group's material topics are defined as the issues which have the most significant impact on both the organization as well as stakeholder decisions. These topics inform our strategy and risk management and form the anchor of this Annual Report, as they reflect the critical information needs of our stakeholders. The process adopted for determining material issues is presented below:



The unprecedented conditions that prevailed during the year led to a shift in the Group's materiality landscape, resulting in the emergence of new risks. The material topics for 2020/21 are presented below. Please refer to page 115 for further information on the relevant GRI disclosures and topic boundaries for these topics.

Material Topic	Level of Importance		Change in Materiality Compared to 2019/20	Further Information
	Stakeholder Importance	Organizational Impact		
Pandemic related disruptions	H	H	New topic	Implications of COVID-19 (Page 7)
Financial performance	H	H	-	Performance in 2020/21 (Page 66) Financial Capital (Page 91)
Sustainable business growth	H	H	-	Adapting and thriving (Page 49)
Government policy	H	H	▲	External environment (Page 54)
Availability of labour	M	H	-	External environment (Page 54)
Labour productivity	M	H	-	Human Capital (Page 100)
Labour management relations	H	H	-	Human Capital (Page 100)
Occupational health and safety	H	H	▲	Human Capital (Page 100)
Competitive pricing	M	H	-	External environment (Page 54)
Product quality and reliability	M	H	-	Intellectual Capital (Page 107)
Corporate governance and risk management	H	H	▲	Corporate Governance External environment (Page 31) Risk Management External environment (Page 84)
Responsible consumption of resources	H	M	-	Natural Capital (Page 110)
Environmental impacts	H	H	-	Natural Capital (Page 110)
Relationships with surrounding communities	H	M	-	Social & Relationship Capital (Page 102)
Relationships with suppliers	M	M	-	Social & Relationship Capital (Page 102)

YEAR IN REVIEW

The Group marked a major milestone in its operating history during the year under review, delivering record breaking profitability and achieving the financial aspirations of DESIGN 2020 earlier than planned. The Group's achievements during the year are particularly remarkable given the unprecedented operating conditions that prevailed during the year and is testament to the agility and robustness of our holistic long-term strategy, which has afforded the Group a strong foundation to drive transformation growth.

HIGHLIGHTS OF 2020/21

OPERATING ENVIRONMENT

- Adverse weather conditions impacted Sri Lanka's tea volumes, although prices remained favourable for most part of the year
- Unfavorable policy developments including the ban of chemical fertilizer, ban on oil palm cultivation and wage-hike

IMPLICATIONS OF COVID-19

- The Plantation sector was largely resilient against the pandemic during the 1st wave, although infections escalated in the 2nd and 3rd waves
- Proactive and stringent health and safety measures implemented at all estates to protect employees and communities
- Delays in several planned projects due to travel restrictions and lockdowns

STRATEGIC PRIORITIES

Ongoing focus on our three-pronged strategy with developments in,

- Diversification with the commencement of commercial production of berries
- Entered into a shareholder agreement with SIM Leisure Group to develop and operate the proposed adventure theme park
- Automation and digitalization
- Succession planning and leadership development

PERFORMANCE

- +23% growth in revenue to Rs. 4.06 Bn
- 184% increase in profit after tax to Rs. 874.99 Mn, the highest in the Group's operating history
- 7% asset growth to Rs. 7.60 Bn
- Minimal debt levels with debt-to-equity ratio of 0.02
- Strong liquidity levels

PERFORMANCE HIGHLIGHTS

		Group		Company	
		2020/21	2019/20	2020/21	2019/20
Financial Performance					
Revenue	Rs. Mn	4,062	3,308	4,039	3,287
Gross profit	Rs. Mn	978	471	969	464
Operating expenses	Rs. Mn	476	416	473	413
Operating profit	Rs. Mn	771	382	770	323
Pre-tax profit	Rs. Mn	726	335	723	277
Taxation	Rs. Mn	149	-28	159	-35
Profit for the year	Rs. Mn	875	308	883	242
GP margin	%	24	14	24	14
OP margin	%	19	12	19	10
Net profit margin	%	22	9	22	7
Return on average equity	%	16.0	6.6	16.5	5.4
Financial Position					
Total assets	Rs. Mn	7,603	7,090	7,485	6,975
Non-current assets	Rs. Mn	6,718	6,309	6,541	6,097
Current assets	Rs. Mn	885	780	943	877
Shareholders' funds	Rs. Mn	5,464	4,626	5,350	4,505
Borrowings	Rs. Mn	133	88	133	88
Gearing ratio	Times	0.02	0.02	0.02	0.02
Interest cover	Times	16	8	16	7
Current ratio	Times	1.6	0.9	1.7	1.1
Investor information					
Earnings per share	Rs.	12.0	4.2	12.1	3.3
Dividend per share	Rs.	2.00	0.75	2.00	0.75
Net Asset Value per share	Rs.	75.0	63.5	73.4	61.8
Market value per share	Rs.				
Highest value		58.90	21.80	58.90	21.80
Lowest value		12.50	12.50	12.50	12.50
Closing as at 31st March		43.80	13.00	43.80	13.00
Market capitalization as at 31st March	Rs. Mn	3,192	947	3,192	947
Dividend pay out	%	17	18	17	23
Dividend cover	Times	6.0	5.6	6.1	4.4

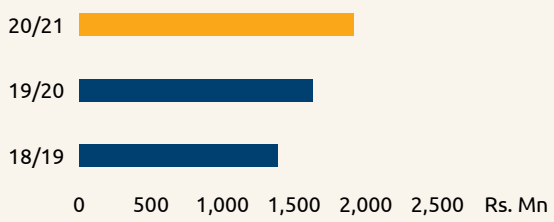
NON-FINANCIAL PERFORMANCE

Human Capital

4,865
Employees
(2019/20: 5,152)

54%
Female representation including 7% at management level

Payments to employees



5,611
Training hours
(2019/20: 7,300 hours)

Rs. 13 Mn
Investment in training

88%
Retention rate

32
Promotions

335
New recruits

96%
Satisfaction score

Manufactured Capital

Rs. 1,303 Mn
PPE

Rs. 320 Mn
Capital expenditure

Rs. 148 Mn
Investments in mechanization and automation

Intellectual Capital

5
No. of certifications

Rs. 14 Mn
R&D spend

15
New products/variants developed

Social and Relationship Capital

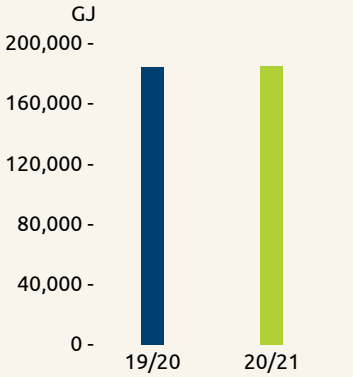
259
Housing units constructed

Rs. 34 Mn
Spent on medical screening

+1,000 beneficiaries
Distribution of school equipment

Natural Capital

Energy consumption



-2%
Reduction in carbon footprint

3%
Soil carbon levels

-80%
Reduction in chemical weedicides and pesticides

Carbon negativity in electricity consumption through renewable energy

FINANCIAL HIGHLIGHTS

Year ended 31 March	GROUP 2021 Rs.000	2020 Rs.000	Increase Decrease/ %
Turnover	4,062,191	3,307,620	23%
Gross profit	978,366	470,872	108%
Profit before tax	725,516	335,389	116%
Income tax Gain/(Expense)	149,476	(27,663)	-640%
Profit after tax	874,992	307,726	184%
Non-current assets	6,717,706	6,309,473	6%
Current assets	884,938	780,405	13%
Capital expenditures	622,900	568,001	10%
Earning per share	12.0	4.2	185%
Net assets per share	75.0	63.5	18%
Stated capital	694,236	694,236	-
Net assets	5,463,567	4,626,218	18%
Return on equity	16.0%	6.6%	140%

4,062Mn
Revenue

978Mn
Gross Profit

875Mn
Profit After Tax

24.1%
Gross Profit Margin

16.0%
Return on Equity

12.0
Earnings Per Share

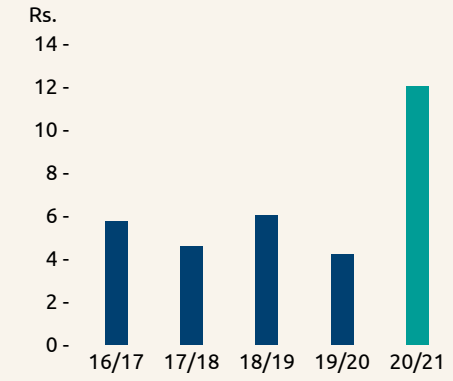
7,603Mn
Total Assets

6,718Mn
Non Current Assets

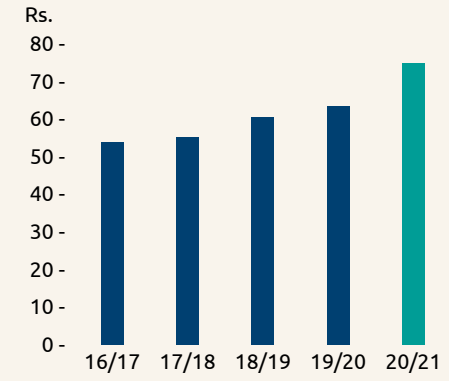
5,464Mn
Total Equity

FINANCIAL HIGHLIGHTS

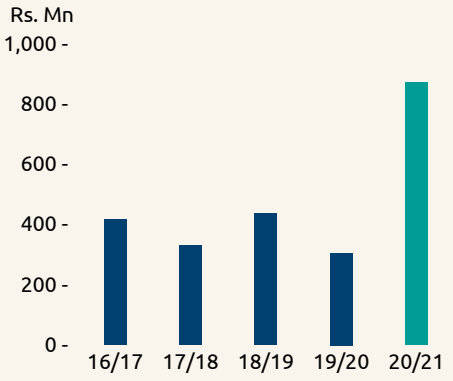
Earnings per Share



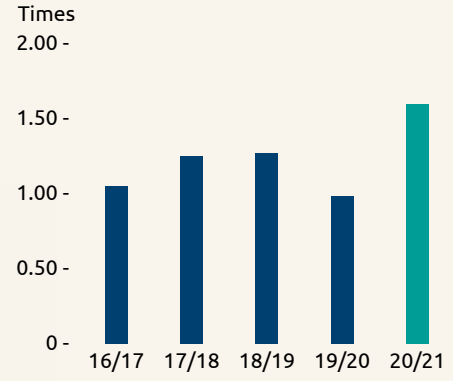
Net Assets per Share



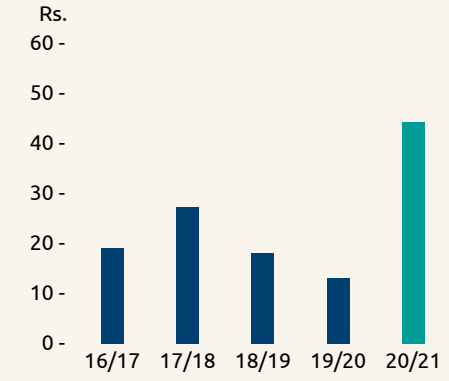
Profit After Tax



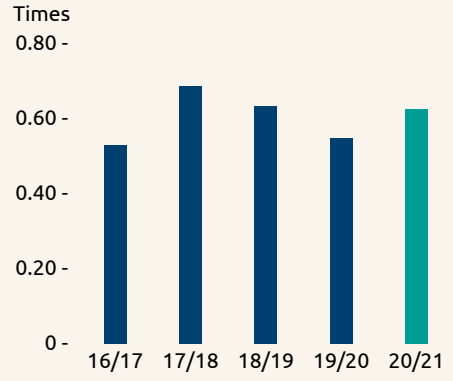
Current Ratio



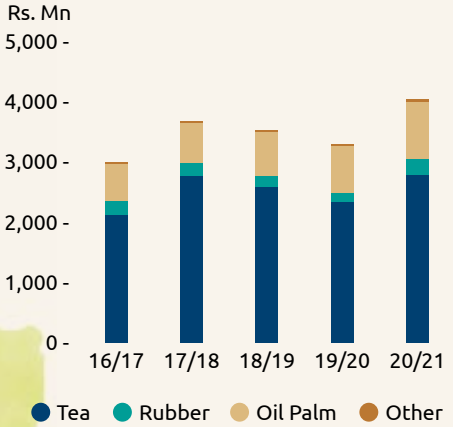
Market Price Per Share



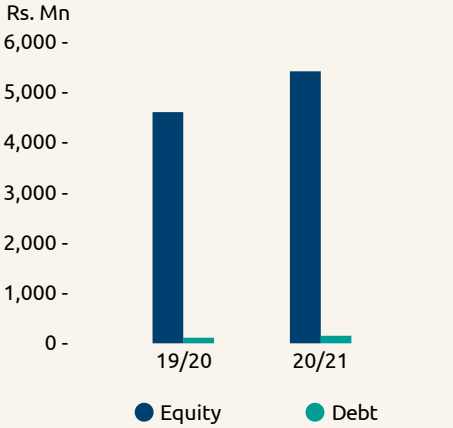
Asset Turnover Ratio



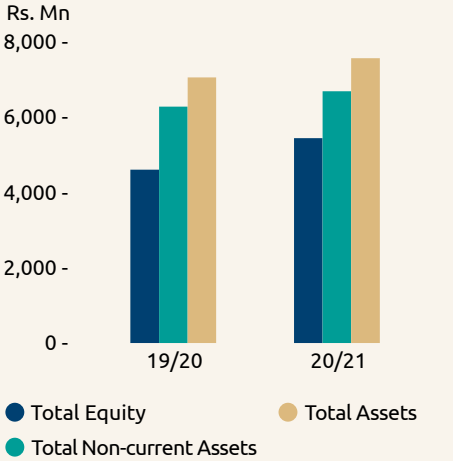
Turnover



Debt to Equity



Assets vs Equity



BOARD OF DIRECTORS

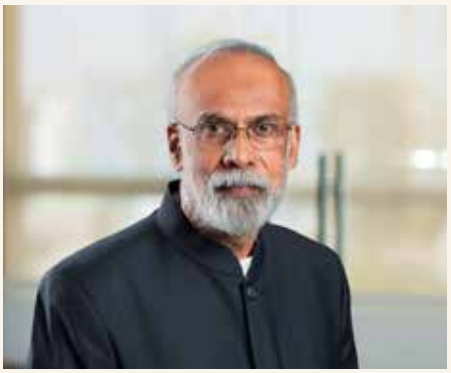
DR. P. DISSANAYAKE
Chairman

DR. R. M. FERNANDO
Managing Director

MR. B. BULUMULLA
Director/Chief Executive Officer

DESHAMANYA MERRILL J. FERNANDO
Non-Executive Director

MR. MALIK J. FERNANDO
Non-Executive Director



DR. S. A. B. EKANAYAKE
Independent Non-Executive Director

MR. S. C. RATWATTE
Independent Non-Executive Director

MRS. B. W. G. C. S. BOGAHAWATTA
Non-Executive Director

MR. D. A. DE S. WICKREMANAYAKE
Non-Executive Director

BOARD OF DIRECTORS

DR. M. P. DISSANAYAKE
Chairman

Dr. Dissanayake joined the Board of Elpitiya Plantations PLC on 15th March 2019.

Prior to his appointment as the Deputy Chairman and Managing Director of Aitken Spence PLC, he was 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, UK 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 of 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 sectors.

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

He is also the Co-Chairman of CINEC Campus, Hon. Consul 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 1st August 1997 and as Managing Director on 14th May 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 privatization 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 past Chairman of the Planters Association of Ceylon and is currently the President of the 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. B. BULUMULLA
Director/Chief Executive Officer

Mr. Bhathiya Bulumulla, who joined Elpitiya Plantations PLC in February 1999, was appointed as the Deputy Chief Executive Officer in July 2011 and as the Chief Executive Officer in July 2013. He was appointed as an Executive Director at Aitken Spence Plantation Managements PLC on 5th July 2016 and joined the Board of Directors of Elpitiya Plantations PLC on 2nd July 2018.

He also holds the position of Managing Director of Elpitiya Dianhong Jin Ya Tea Company (Private) Limited and Director of EPP Hydro Power Company (Private) Limited and Escape Parks Ceylon (Private) Limited.

He possesses over 35 years of experience in the Plantation Sector, out of which for the past 22 years he is serving at Elpitiya Plantations PLC.

Mr. Bulumulla actively involved in the expansion of Oil Palm Cultivation and many other diversified projects such as Solar Power Generation, Berry Cultivation, Expansion of Cinnamon cultivation/Value addition on Elpitiya Plantations PLC. He had been instrumental in setting up the Escape Adventure Theme Park jointly with a Malaysian Company and the digitization of the Field Level Activities on EPP's Plantations and integrating with the Financial Modules.

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.

Mr. Bulumulla is a fellow member of the National Institute of Plantation Management (NIPM) and member of the Board of Study of the Wayamba University 's External Degree Programme on Plantation management.

He is also an honorary member of the Board Directors of the Plantation Human Development Trust and currently holds the position of the Chairman of the Planters Association of Ceylon.

DESHAMANYA MERRILL J. FERNANDO
Non-Executive Director

Deshamanya Merrill J. Fernando was appointed to the Board of Elpitiya Plantations PLC on 1st August 1997 as a Director.

Deshamanya 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. Deshamanya 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.

BOARD OF DIRECTORS

MALIK J. FERNANDO
Non-Executive Director

Mr. Malik Fernando was appointed to the Board of Elpitiya Plantations PLC on 1st August 1997 as a Director.

Mr. Fernando is a Director of MJF Holdings & Dilmah Tea. Established by Deshamanya 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.

He 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.

Mr. Fernando 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 9th January 2009. He is a Past Chairman of the Ceylon Chamber of Commerce and of 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 privatization 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 University of Peradeniya. During his public-sector tenure, he also held a number of international positions including that of the Chairman of international Natural Rubber Organization 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 organizational transformation including culture change and coaching young professionals to realize their full potential.

MR. S. C. RATWATTE
Independent Non-Executive Director

Mr. Sarath Ratwatte was appointed as a Director to the Board of Elpitiya Plantations PLC on 10th April 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 organizations 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 (Private) Limited, Director – Ace Power Embilipitiya (Private) Limited and Director – Aitken Spence (Garments) Limited. He has also served on the Board of HNB Assurance PLC, as an Independent Non-Executive Director.

MRS. B. W. G. C. S. BOGAHAWATTA
Non-Executive Director

Mrs. Sagarika Bogahawatta was appointed as a Director to the Board of Elpitiya Plantations PLC on 17th March 2015. She is the Director (Human Resources Sector) of the Department of Project Management and Monitoring of the Ministry of Youth Affairs, Project Management and Southern Development. She is a Class I Officer of the Sri Lanka Planning Service who possesses experience over 20 years in the public sector, including 16 years experience in the Planning Service.

Mrs. Bogahawatta obtained a B.Sc. General Degree from the University of Kelaniya, Sri Lanka and 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 the countries such as Japan, Canada, Malaysia, Philippines, China, Singapore, South Korea and Thailand.

MR. D. A. DE S. WICKREMANAYAKE
Non-Executive Director

Mr. D. A. de S. Wickremanayake was appointed to the directorate of Elpitiya Plantations PLC on 2nd October 2017. In addition, he serves as a Director of Aitken Spence Plantation Managements PLC since 18th July 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 board 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 also is the Chairman of Mawbima Lanka Foundation, an organization 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 difference times.

He is a Member of the University Grant Commission Standing Committee on Agriculture, Veterinary, Medicine and Animal Science, Advisory Board Member of Sabaragamuwa University, Council Member of Ocean University, Faculty Representative for the Faculty of Technology, University of Colombo.

CORPORATE MANAGEMENT

MR. J. A. R. NISSANKA
Chief Operating Officer – Finance & IT Development

MR. P. S. DISSANAYAKE
Chief Operating Officer - Engineering & Project Management & Business Strategies

MR. A. G. GEETHKUMARA
Chief Operating Officer - Plantations & Sustainability

MR. M. I. IZZADEEN
Senior General Manager

MR. L. D. N. G. NANAYAKKARA
General Manager - Administration & Legal

MR. D. V. PATHIRANA
Deputy General Manager - Marketing

MR. M. D. JAYASHANTHA
Deputy General Manager - Marketing

MRS. M. A. D. T. P. EDIRISINGHE
Deputy General Manager – Human Resources

MR. E. M. S. V. GUNASENA
Senior Manager - Finance

CORPORATE MANAGEMENT

MR. P. D. W. WITHANAGE
Senior Manager

MR. S. M. D. THALGASWATTE
Senior Manager - IT

MR. V. A. A. D. VITHARANA
Senior Manager - Engineering & Projects

MR. M. A. A. S. MADAWALA ARACHCHI
Manager - Forestry

MR H. G. C. N. SENEVIRATNE
Manager - IT

ESTATE MANAGEMENT TEAM

Up Country

MR. L. M. C. P. LIYADIPITA
Deouty General Manager - Cluster I - Up Country & Meddecombra Estate

MR. U. A. E. G. UDUMULLA
Senior Manager - Dunsinane Estate

MR. D. A. U. A. BADDEVITHANA
Manager - Fernlands Estate

MR. D. A. S. B. SENERATH
Manager - Sheen Estate

Mid Country

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

ESTATE MANAGEMENT TEAM

Low Country

MR. D. U. H. BULUGAHAPITIYA
General Manager - Low Country & Talgaswella Estate

MR. R. B. S. DOUGLAS
Senior Manager - Katandola Estate

MR. N. T. DANDENIYA
Senior Manager - Elpitiya Estate

MR. N. M. S. B. NAWARATNE
Manager - Deviturai Estate

MR. K. I. C. ISURU
Manager - Bentota Estate

MR. K. S. GANEWATTA
Manager - Lelwala Estate

MR. S. S. B. KARUNARATHNE
Manager - Gulugahakande Estate


Making
inimitable
progress from
our inception

CHAIRMAN'S MESSAGE

"The trajectory of COVID-19 in Sri Lanka remains uncertain, particularly given the sharp surge in infections in recent weeks. Despite this uncertainty, I am confident that strategic changes made to our operating and revenue models and our long-term approach towards sustainability and stakeholder value will provide a solid foundation for resilience."

CHAIRMAN'S MESSAGE

Dear Shareholder,

I write to you at the close of what has been a year of extreme volatility and unprecedented challenges for many organizations around the world. In these trying times, Elpitiya Plantations demonstrated remarkable strength and resilience to deliver record profitability through the relentless efforts of a united team that maintained focus on a robust strategy. It therefore gives me great pleasure to present our Integrated Annual Report and Financial Statements for the year ending 31st March 2021.

OPERATING LANDSCAPE

The economic, social and human fallout of the pandemic has been unparalleled, with catastrophic loss of lives and livelihoods across the world. The global economy entered a recession in 2020, contracting by 3.3% reflecting widespread lockdowns, restrictions on mobility and weaker investor and consumer sentiments. Sri Lanka's economic woes were aggravated by capital outflows, which in turn led to a sharp drop in the country's foreign exchange reserves, thereby weakening the exchange rate. The Government adopted an accommodative monetary policy, offering unprecedented support to pandemic-hit businesses, in the form of debt moratoriums and concessionary funding schemes. In a bid to mitigate pressure on the Sri Lankan Rupee, the government also imposed import restrictions on selected non-essential items. While Sri Lanka's GDP contracted by 3.2% in 2020, the last quarters of the year saw a cautious recovery, supported by considerable monetary easing and reflecting organizations' adaptation to operating under conditions of restricted mobility.

Sri Lanka's plantation sector was classified as an essential service, which in turn enabled it to maintain operations relatively uninterrupted for most part of the year. Adverse weather, however continued to affect the country's tea production, with droughts during the first half of the year resulting in the total crop declining by 7.1% to 278.9 Mn kg during the year. On the other hand, prices for Sri Lankan tea surged by around 16% reflecting strong demand for black tea with the increased propensity towards healthy beverages and supply shortfalls in other tea- producing nations including India and Kenya. Unfortunately, unfavorable policy decisions continue to impinge on the long-term sustainability of the industry; the wage hike for plantation workers sans any link to productivity will insert insurmountable pressure on the cost of production, which already remains higher than regional counterparts due to Sri Lanka's low labour productivity and yields. Despite its good intentions, the sudden ban on chemical fertilizer has dealt a sharp blow to the country's agriculture sector, and will undoubtedly affect crop volumes, yields and worker incomes in the coming months. We remain deeply concerned that these dynamics could affect Sri Lanka's competitiveness in the global tea market, with the high cost of production, low volumes and weakening exchange rate eroding the country's competitive edge over the medium to long-term.

The country's rubber sector performed commendably in 2020, supported by a 5% increase in production and a surge in global rubber prices, given the sharp increase in demand for rubber-based personal protective equipment. The wage and fertilizer issues are likely to have similar repercussions on the country's rubber sector, threatening its survival in the medium-to-long term. Inconsistent policy direction also dealt a massive blow to the country's oil palm sector, with the Government imposing a ban on palm oil imports and mandating oil palm plantations to be uprooted gradually in coming years. In 2014, the Government encouraged the cultivation of oil palm, resulting in several RPCs (including EPP) investing in the crop. Unfortunately, the government's ad-hoc decision has undermined the possibility of future developments in this lucrative crop, closing a window of opportunity which had the potential to transform Sri Lanka's dwindling plantation sector through strong pricing, wider margins and improved profitability

IMPLICATIONS AND RESPONSE TO COVID-19

The country's plantation sector remained relatively resilient to the myriad challenges posed by COVID-19, particularly during the 1st and 2nd waves of infections. At EPP, the Board maintained proactive engagement with the Group's Management Committee, ensuring that emerging risks were identified and implications of the pandemic on the Group's financial performance, liquidity and stability was assessed on an ongoing basis. Our key priority was the safety of our employees, and the Group implemented a range of safety and hygiene protocols in line with the recommendations of the Health Authorities. With the reverse migration of family members to the estates following lockdowns and job losses, additional emphasis was placed on strengthening the medical and health services infrastructure within our estates. We also facilitated work-from-home arrangements for head office employees, supporting them through providing the necessary infrastructure wherever possible. At the point of writing this message, Sri Lanka is seeing a sharp surge in infections across the country with the emergence of the highly transmissible Delta variant. Against this backdrop, the safety of our employees remains the Group's foremost priority and we are monitoring daily infections within our estates while proactively facilitating vaccines for all employees.

Delivering on our shareholder commitments
Relentless focus on the Group's DESIGN 2020 strategy in recent years has driven EPP's transformation from a commodity-based business to a diversified and entrepreneurial entity. The Group's strategic interventions and developments during the year are detailed further in the Managing Director's Message on page 23 of this report. I am extremely proud to note that despite the numerous challenges that prevailed, the Group achieved the financial aspirations of DESIGN 2020 earlier than planned, thereby delivering on its shareholder commitments. Consolidated post-tax profit (before management fees) increased by 156% to reach Rs. 960 Mn- the highest profitability in the Group's operating history. Meanwhile, earnings per share nearly tripled to Rs.12.01 (2019/20: Rs. 4.22) while dividend for the year amounted to Rs. 2.00. Meanwhile, the Group's share price also more than tripled to close the year at Rs. 43.80, reflecting favourable investor sentiments on the Group's upside potential.

GOVERNANCE AND LEADERSHIP

EPP's strong corporate governance practices provided a solid foundation in navigating the numerous external complexities of the year. Board activities continued uninterrupted during the year, with meetings shifting to digital platforms and the Board maintaining proactive engagement with the Group's leadership team. Key areas of board focus during the year included identifying and managing emerging external risks, proactively assessing the evolving nature of the pandemic, ensuring the safety of our people and pursuing further diversification of our businesses in line with the aspirations of DESIGN 2020. During the year, EPP also entered into a Shareholders Agreement with Sim Leisure Group Limited and Escape Parks Ceylon (Private) Limited to develop and operate the proposed state-of-the-art adventure park.

SUSTAINABILITY AT EPP

The Group's success is partly attributed to its unique approach towards sustainability, as we have proactively sought to integrate sustainability thinking into our business strategy, operations, and processes. A holistic Sustainability Strategy, which is aligned to the aspirations of 6 selected Sustainable Development Goals has provided a solid platform to drive our social and environmental goals while addressing long-term issues facing Sri Lanka's plantation industry such as climate change, declining yields, and outdated technology. Despite the challenges of the year, we continued to make progress in our sustainability journey through further reducing dependence on fossil fuels, increasing rainwater harvesting, enhancing soil quality and preserving our biological assets. Considerable focus was also placed on empowering and supporting our estate communities and automating our operations to drive improved productivity. We continued to make inroads in our corporate reporting practice, and I am extremely proud to report that the Group's Integrated Annual Report for 2019/20 emerged as the winner in the Plantations Sector at the CMA Integrated Reporting Awards 2020 as well as at the ACCA Sustainability Reporting Awards 2020.

WAY FORWARD

The trajectory of COVID-19 in Sri Lanka remains uncertain, particularly given the sharp surge in infections in recent weeks. Despite this uncertainty, I am confident that strategic changes made to our operating and revenue models and our long-term approach towards sustainability and stakeholder value will provide a solid foundation for resilience. We believe that DESIGN 2020 has positioned the Group in good stead to capture emerging opportunities and the Group is keen to invest further in pursuing exciting and innovative business propositions. However, policy consistency and a conducive industry environment is a critical prerequisite in ensuring the commercial and social success of our ventures. We therefore urge the Government to pursue balanced, evidence-based policies which would ensure the sustainability of the country's agriculture sector while protecting the livelihoods of the thousands of employees engaged in the sector. The ban on chemical fertilizer and the proposed increase in wages remain significant threats to the industry and will undoubtedly insert further pressure on the industry's cost base and affect its commercial and social sustainability. Furthermore, given the generally long-term nature of the industry's investments and returns, we look forward to the Government extending the lease periods granted to the RPCs thereby providing confidence to long-term investors.

ACKNOWLEDGEMENTS

I take this opportunity to extend my sincere gratitude to my colleagues on the Board for their valuable counsel and continued guidance in an extremely challenging year. The commitment and dedication of the Group's Leadership Team and all our employees has been nothing short of remarkable this year and I thank each and every one of you for successfully facing the numerous difficulties presented. I also 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 them in the coming years as well.

Dr. Parakrama Dissanayake
Chairman

31st August 2021

MANAGING DIRECTOR'S REPORT

"Having achieved the financial aspirations of DESIGN 2020 before the target date, we are now aptly positioned to drive further transformation of our business through continued focus on diversification, leadership development and value addition. "

Elpitiya Plantations PLC demonstrated remarkable resilience and agility to achieve record-breaking profitability in a year rife with unprecedented challenges. The Group recorded a revenue growth of 23% to Rs. 4,062 Mn while post-tax profit nearly tripled to Rs. 875 Mn, making FY 2020/21 our best performing year to date. This commendable achievement attests to the validity and timeliness of our long-term strategy and the Elpitiya team's relentless efforts in driving these aspirations.

OPERATING CONTEXT

The disruptions and wide-ranging implications of the COVID-19 pandemic rendered the year under review one of the most difficult ones in living memory. The Sri Lankan economy contracted by 3.6% in 2020 reflecting the pervasive socio-economic impacts of the pandemic. Although the Agriculture Sector recorded a contraction of 2.4% in 2020, reflecting adverse weather and pandemic related disruptions, tea and rubber prices remained buoyant amidst increased global demand particularly towards the second half of 2020 and first quarter of 2021. That said, unfavorable policy developments as described in further detail the Chairman's Message on page 20 of this report, adversely affected operations of the plantation sector during the year. The Central Bank of Sri Lanka adopted an accommodative monetary policy in order to stimulate economic activity, resulting in market interest rates

trending downwards for most part of the year. Meanwhile, the Sri Lankan Rupee faced considerable pressure during the year, depreciating by 2.6% against the US dollar as at the end of 2020 with increased volatility towards the end of the year. Pressure on the exchange rate has continued throughout the first and second quarters of 2021 with the Rupee depreciating by 6.3% during the three months ending March 2021. Inflation remained broadly within the targeted range of 4-6 percent during the period under review although some increase was witnessed during the first six months of 2021.

GROUP PERFORMANCE

Consolidated revenue increased by 23% driven primarily by the Tea Sector, although all our business lines recorded topline expansion during the year. Meanwhile gross profit nearly doubled to Rs. 978 Mn reflecting improved pricing on tea and rubber as well as the Group's strategic efforts to increasing contributions from high-yielding crops. Ongoing emphasis on cost management and efficiency enabled EPP to contain the increase in overhead costs to 13% during the year. Resultantly, profit for the year nearly tripled to Rs. 875 Mn, the highest in the Group's operating history. Meanwhile the Group's financial position remained strong, with equity funding 72% of total assets and gearing levels as low as 2%.

TEA SECTOR PERFORMANCE

The tea sector performed well during the year supported by strong prices resulting from supply disruptions in key producing markets and increased demand for black tea globally. Consequently, tea NSA (Net Sales Average) increased by 16% during the year while tea sector revenue grew by almost 20% to Rs. 2,802 Mn in FY 2020/21. Revenue growth, better margins and our ongoing efforts to drive greater cost efficiencies enabled the sector to record an impressive 450% growth in PBT to Rs. 408 Mn despite continued pressure on cost of production.

RUBBER SECTOR PERFORMANCE

Rubber prices remained favourable in 2020, driven by the surge in demand for rubber-based personal protective equipment such as gloves and masks. As a result, the rubber sector's revenue witnessed a growth of almost 68% in FY 2020/21. Higher revenue during the year combined with our ongoing efforts to reduce cost of production and operating expenses resulted in sector losses declining from Rs. 82.1 Mn in FY 2019/20 to Rs. 7.5 Mn in FY 2020/21.

OIL PALM SECTOR PERFORMANCE

A major contributor to Group profits, the oil palm sector performed well in FY 2020/21 recording a 22% increase in revenue and 19% increase in PBT. In April 2021 however the Government imposed a ban on palm oil imports and ordered oil palm plantations in the country to be replaced with rubber trees and other crops over the next decade. This move represents a complete reversal of the Government's previous policy, which had encouraged the cultivation of oil palm given its potential to transform the country's plantation sector through increased profitability and better yields. We therefore urge the Government to re-consider this decision, in view of the long-term benefits oil palm could generate to the RPCs, plantation sector employees and the broader economy.

STRATEGIC DIVERSIFICATION

Our strategic investments in key areas such as renewable energy, high value horticulture and commercial forestry continued to generate dividends, contributing Rs. 119 Mn to Group revenue in FY 2020/21. Ongoing efforts to strategically diversify our revenue streams and transform our operations from a purely commodity-based business to a more diversified, dynamic and sustainable business enabled us to move up the value chain in our core businesses, explore business opportunities in growth areas and enter strategic partnerships that create greater synergies. During the year, we expanded our renewable energy generation capacity by 383kW and launched a pioneering organic cinnamon out-grower project to strengthen our presence in the cinnamon value chain. Having commenced commercial operations of strawberries last year, we continued to move forward with our "Berries Project", with successful pilot projects for Blueberries, Blackberries and Raspberries. We also continued to expand our short-term fruit cultivation with over 01 Ha of tropical fruits such as soursop, passionfruit and pineapple while strategically expanding our Agarwood cultivation. Construction work on phase one of our world-class ESCAPE theme park in Galle which was scheduled to commence in December 2020 was delayed as a result of the COVID-19 pandemic. We however continue to closely engage with our joint venture partners for the project, Sim Leisure Group Ltd, Singapore and are on track to commence construction work shortly.

EMPOWERING OUR PEOPLE

Our employees including the 4,409 plantation workers on our estates form the backbone of our operation. During the year, strategic emphasis was placed on implementing stringent health and safety protocols to ensure the well-being of our employees and minimize the spread of infections within our estates. These measures enabled EPP to continue its operations relatively uninterrupted. We are committed to creating an enriching and empowering work environment that enhances the dignity of labour and improves the socio-economic condition of all our people. Targeted skill development programs for all levels of employees and innovative opportunities for individuals to actively participate in the Company's growth journey provide greater job satisfaction and career progression opportunities while building a pipeline of future leaders.

Although our operations are still largely labour intensive, we are increasingly investing in field and factory mechanization to enhance labour productivity. The mechanization drive continues to open up new, more rewarding career opportunities for our employees.

PROTECTING OUR PLANET

As an operation which relies heavily on natural resources, we view environmental consciousness not only as the right thing to do but also as an integral part of our long-term business viability. Our award-winning sustainability strategy "Haritha Shakthi", focuses on the core areas of water productivity, sustainable agricultural practices, renewable-energy generation, mechanization and skill development to achieve sustainable growth, while addressing critical issues in the plantation sector. We are currently harvesting almost 254 Mn liters of rainwater with 77 rainwater ponds spread out across our estates as part of our water management efforts. Sustainable agricultural practices such as the application

of bio- fertilizer, biological weed control and soil carbon management are increasingly adopted across our estates while the implementation of the Rainforest Alliance Environmental Management System ensures that environmental best practices are strictly adhered to across our operations. During the year we increased our renewable energy generation capacity by 6% through additional investments in solar and bio-mass projects; resultantly, we generated 132% of our electricity requirement thereby continuing to maintain carbon negativity in electricity consumption.

SUPPORTING OUR COMMUNITIES

With agriculture being declared an essential service, the plantation sector continued to operate during the lockdowns. Safeguarding the health and safety of all our employees and wider communities was therefore a key priority and we took every effort to minimize the risk of COVID-19 transmission and support our communities through the pandemic. Personal Protective Equipment was distributed across plantation communities with strict social distancing and safety protocols implemented across all locations. We also carried out campaigns to create awareness on precautionary measures whilst carrying out random testing in all our estates. With the roll-out of the vaccination program in the country, we are closely engaging with the health authorities to ensure all our employees and their families are fully vaccinated.

We continue to support the socio-economic development of our estate communities, allocating Rs. 131 Mn in FY 2020/21 towards infrastructure development including housing units, roads, sanitation facilities and medical facilities. Meanwhile community projects such as the provision of nutrient supplements and school supplies to children, scholarship programs for estate community youth and health screening programs continued uninterrupted.

WAY FORWARD

Having achieved the financial aspirations of DESIGN 2020 before the target date, we are now aptly positioned to drive further transformation of our business through continued focus on diversification, leadership development and value addition. While the short-term economic outlook is dampened by the recent surge in infections and the country's weakening external position, we remain confident that the accommodative monetary policy and businesses' adaptation to operating under conditions of restricted mobility will offer a degree of resilience. For the plantation sector, the proposed wage model sans link to any productivity metrics and the ban imposed on chemical fertilizer, is likely to directly impact production volumes, yields and estate sector income levels over the medium-term. Meanwhile policy inconsistency regarding oil palm continues to damper our future returns from this sector. As an organization we will continue to engage with the regulators and industry stakeholders in creating an industry environment that is conducive for future investments while safeguarding the livelihoods of nearly 4,490 people employed in the estate sector.

ACKNOWLEDGEMENTS

I take this opportunity to thank the Chairman and Board of Directors, for their unwavering support and guidance. I also wish to acknowledge the dedication and commitment of our Management, staff and estate workers during these trying times. Last, but not least my heartfelt appreciation to our customers, business partners, shareholders and other stakeholders for continuing to support us.

Dr. Rohan Fernando
Managing Director

31st August 2021

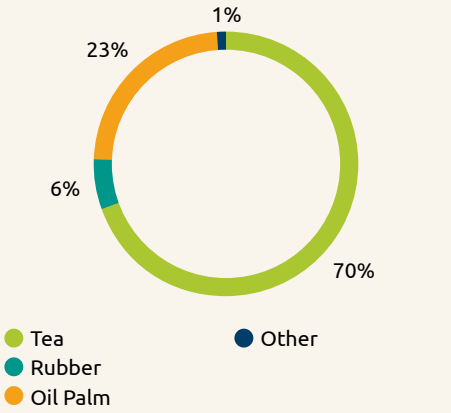
MR. B. BULUMULLA
Director/Chief Executive Officer

"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."

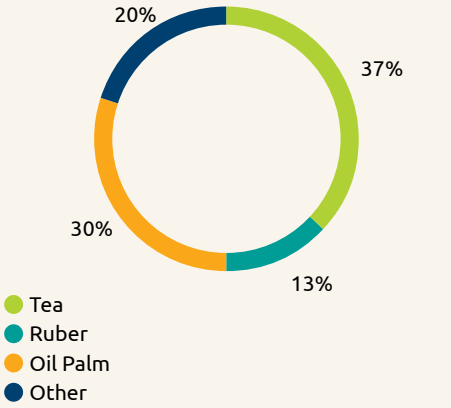
PORTFOLIO OF BUSINESSES

Elpitiya Plantations PLC (EPP) is one of Sri Lanka's leading Regional Plantation Companies (RPC) cultivating tea, rubber, oil palm and other crops in over 8,800 hectares across 13 estates. Through a bold and transformative strategy launched several years ago, the Group has gradually transitioned from a primarily commodity-based business to a dynamic, vibrant and diversified business with strategic interests in non-traditional crops, renewable energy, speciality tea and others. EPP is also an industry-leader in sustainability, having embedded with economic, social and environmental considerations to its overall business strategy and decision-making. EPP is part of the Aitken Spence PLC Group, one of Sri Lanka's most respected and diversified conglomerates.

Revenue Composition



Land Cultivated



FINANCIAL STABILITY AND PERFORMANCE

Rs. 4 Bn
Revenue

Rs. 875 Mn
Profit-after-tax

Rs. 7.6 Bn
Totals assets

Rs. 5.5 Bn
Shareholders' funds

2%
Debt to equity ratio

16%
Return on Equity

PEOPLE AND PARTNERSHIPS

4,865
Employees

+35,000
Estate communities

540
Suppliers

7
Markets served

TEA

69%
Revenue contribution

37%
Land cultivation

4,451,162 KG
Production

RUBBER

6%
Revenue contribution

13%
Land cultivation

650,286 KG
Production

OIL PALM

23%
Revenue contribution

30%
Land cultivation

16,554,790 KG
Production

OTHER

1%
Revenue contribution

182,480 GJ
Energy generated from renewable sources

102.32 HA
Cinnamon cultivated

894.88 HA
Commercial forestry cultivated

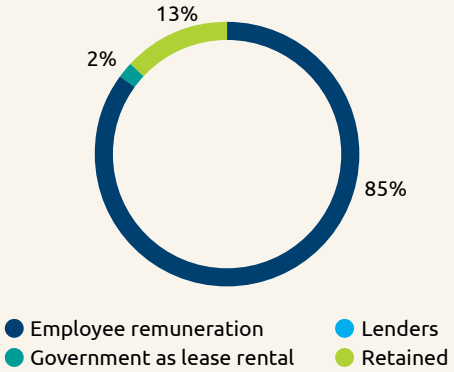
4 HA
Berries cultivated

OUR IMPACTS AND COMMITMENT TO SUSTAINABILITY

EPP adopts a strategic approach towards managing its economic, social and environmental impacts through a holistic sustainability strategy, which aims to mitigate adverse impacts while addressing long-term issues facing the country's plantation sector including climate change, declining yields and use of outdated technology. This strategy is also aligned to 6 selected Sustainability Development Goals and centers on the key pillars of water productivity, sustainable agricultural practices, renewable energy generation, mechanization and skill development.

ECONOMIC IMPACTS

Economic Value Created



Rs. 18.3 Mn
Tax contributions

Rs. 2,741 Mn
Export revenue - Direct/indirect

SOCIAL IMPACTS

54.10%
Female participation rate

7%
Management level representation

Training and Skills Development

5,611
Training hours

Rs. 13 Mn
Investment in training

15
Average training hours

ENVIRONMENTAL IMPACTS

Renewable Energy Generation

3,453MW
of Hydropower

1,536MW
of Solar power

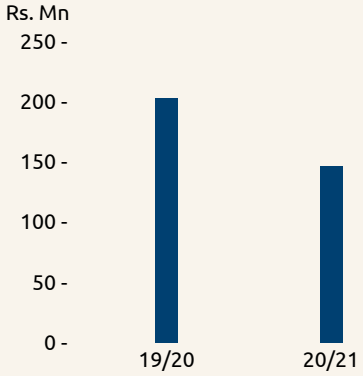
Energy Consumption

88%
Reliance on renewable energy

Carbon negativity in electricity consumption through renewable energy generation
(132% of electricity consumption)

335
Employment opportunities created including 324 at estate level

Investment in Factory Modernization



Empowering Communities

Rs. 131 Mn
Community investment

295
New housing units

4 KM
New roads constructed

Certified mother and child friendly estates

Educational support for 26 students

Nutrient supplements for over 50 children

Rainwater Harvesting

Rainwater is harvested and retained across all estates through 77 ponds
80% water consumption through rainwater harvesting
254 Mn liters of water

Restoration of natural forest covers

Increased green cover by 10%

Enriching Soil Quality

Carbon levels increased to over **3%**

50% reduction in chemical fertilizer

4.85 Mn kgs of organic compost applied

80% reduction in chemical weedicide/ pesticides

Sustainable Bio-mass

Sustainable cultivation of Eucalyptus, Bamboo, Calliandra and Acacia to meet 100% of the thermal energy requirement of the estates by the year 2030.

TRACK RECORD OF VALUE CREATION

Since its privatization in 1992, EPP's journey of growth has been extraordinary, with the Group transforming itself from one of the weakest RPCs to one of the most profitable in the industry within a period of less than 20 years. The Group's success has been driven by a cohesive and holistic strategy centering on long-term stakeholder value creation, with earnings reinvested to drive future growth. Our strategy has also focused on multi-stakeholder value creation with emphasis placed on economic, social and environmental sustainability, to proactively address the inherent vulnerabilities of a traditional agricultural business model.

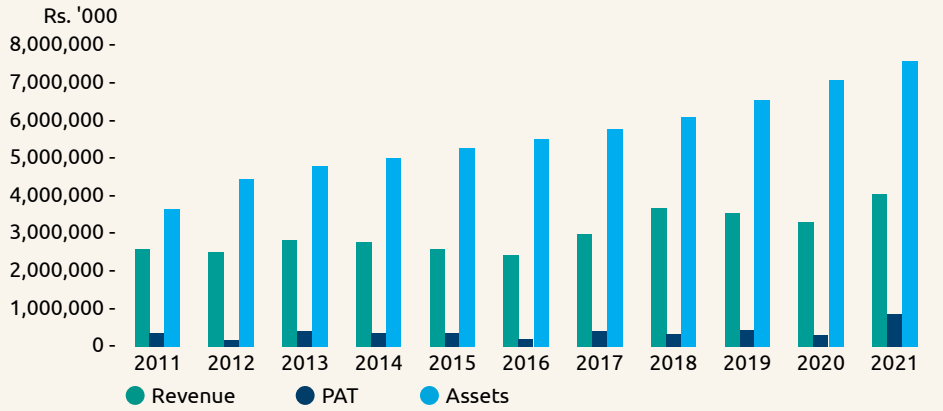
56% revenue growth

348% CAGR profits

>+100% growth in assets

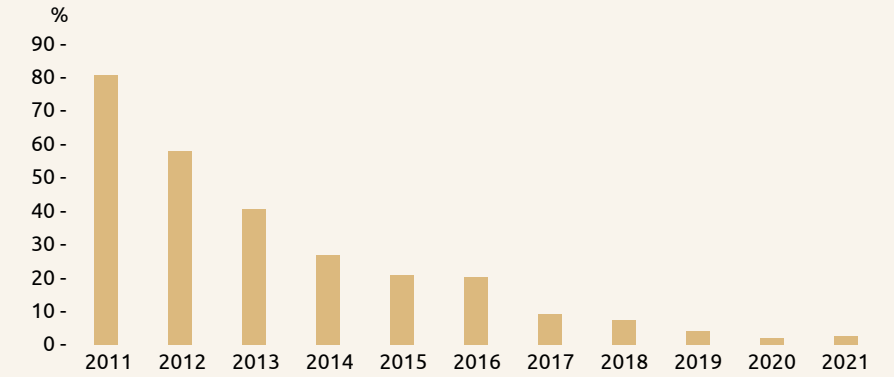
Driven by strategic diversification, ongoing reinvestment and replanting and developing human resources, underpinned by strong leadership capabilities.

A Decade of Growth



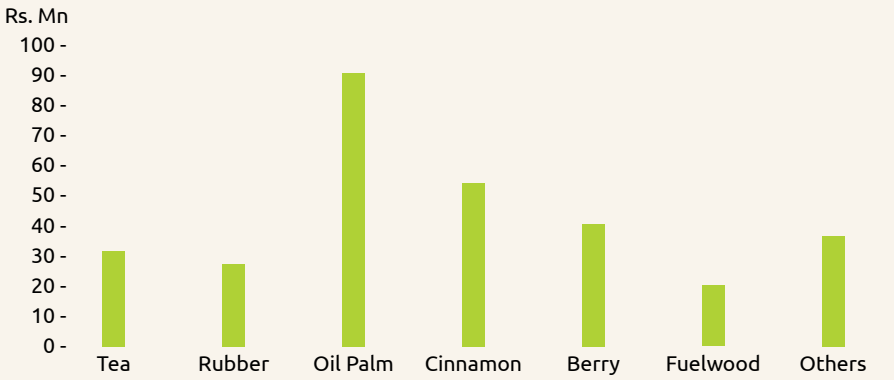
Gradual rationalization of borrowings and profit retention has resulted in a stronger balance sheet

Debt to Equity



Since its take over of EPP in 1997, the Company has invested nearly Rs.5.0 bn in tea and rubber replating, oil palm cultivation and other crops such as cinnamon, coconut and fruit.

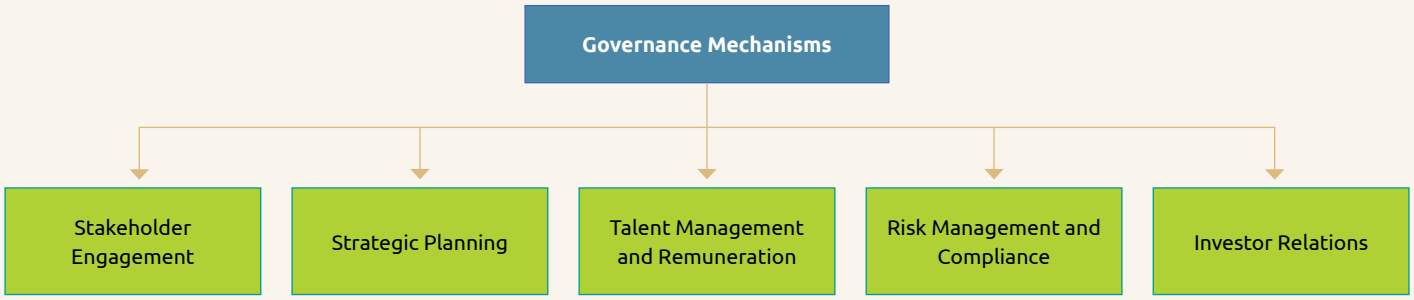
Investment in Planting/Replanting 2020/21



CORPORATE GOVERNANCE

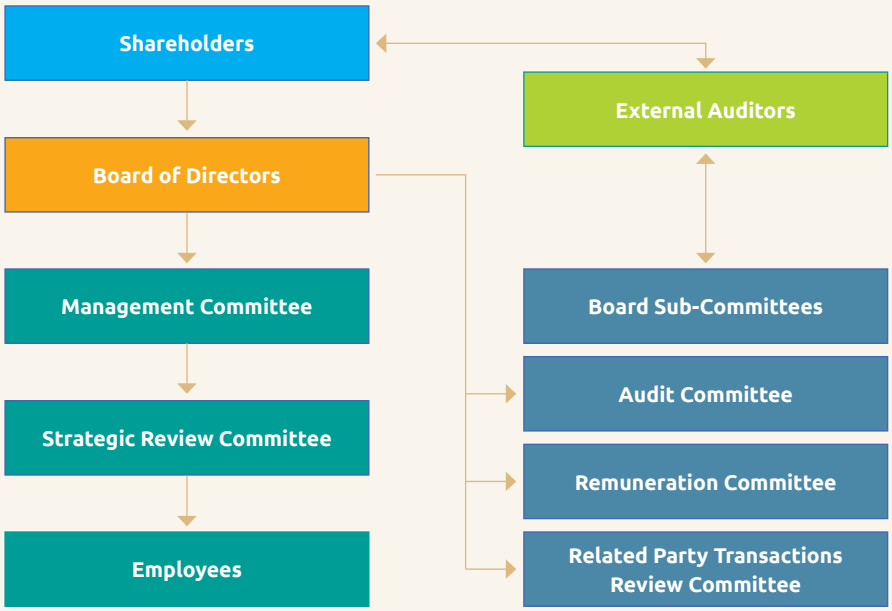
EPP's Corporate Governance framework and practices provide a strong platform for sustainable value creation and are underpinned on accountability, integrity and transparency. As a subsidiary of the Aitken Spence Group, EPP's corporate governance practices are aligned to that of its ultimate parent and customized to reflect industry-specific factors and sensitivities. The Group's governance framework is based on the following internal and external instruments:

External instruments		Internal Standards and Principles
Mandatory Compliances	**Voluntary Compliances**	
• Companies Act No. 7 of 2007 • Listing Rules of Colombo Stock Exchange (CSE) • Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars • Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 • Foreign Exchange Act No. 12 of 2017 • Shop and Office Employees 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 Benefits Ordinance, etc. • Inland Revenue Act No. 24 of 2017	• Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka – 2017 • United Nations Global Compact (UNGC) • Women's Empowerment Principles • Management Systems (Environment & Social) • Integrated Reporting Framework • Global Reporting Initiative Standards • Codes of regulatory authorities, professional institutions and trade associations	• Articles of Association • Group's Code of Ethics & Professional Conduct • Group internal policy frameworks • Board and Board sub-committee terms of reference • Human Resources Policies • Health and Safety Policies • Environmental Policies • Integrated Sustainability Policy and Implementation of Framework



GOVERNANCE STRUCTURE

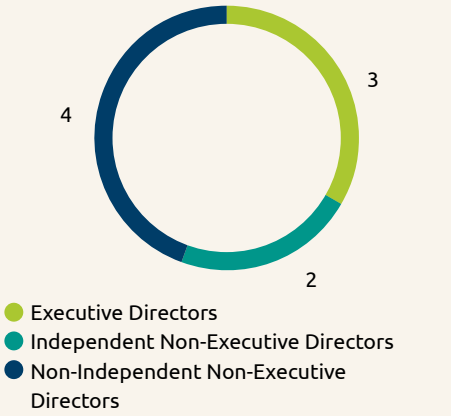
The Board of Directors is the highest governing body and decision-making authority. It holds overall responsibility for determining the Group's strategic direction, providing leadership and ensuring that risks are managed in line with the Group's risk profile. The Board is assisted by three Board-Sub 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.



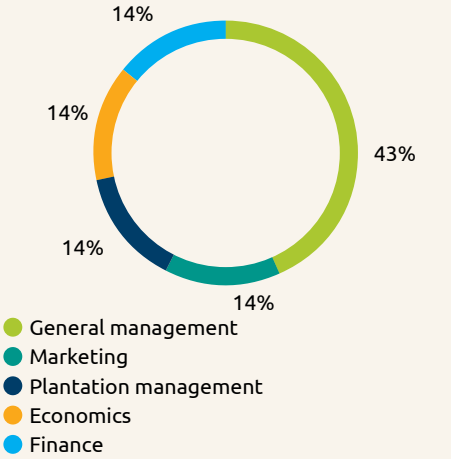
BOARD OF DIRECTORS

EPP's Board comprises of 9 Directors who combine diverse skills and industry expertise, which in turn enrich discussions and enhance the overall effectiveness of decision making. The Board consists of 6 non-executive directors, of whom 2 are engaged as independent directors. Directors are diverse in demographic profile, skills and qualifications and industry experience.

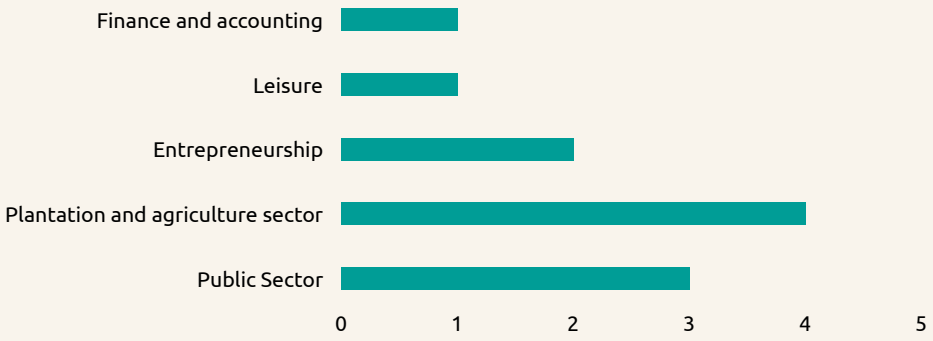
Board Composition



Skills and Qualifications



Industry Experience



BOARD CONTRIBUTION TO VALUE CREATION

ASSESSING THE IMPLICATIONS OF COVID-19

- Evaluation of potential implications on liquidity, financial performance and financial position
- Activating business continuity and emergency response plans
- Measures to ensure the safety and well-being of all employees
- Frequent monitoring of infections

DRIVING STRATEGY

- Monitor progress against goals of DESIGN 2020
- Pursuing new opportunities in line with the diversification agenda
- Explore avenues for value addition
- Ongoing focus on mechanization and automation

SUSTAINABILITY FOCUS

- Expanding renewable energy generation
- Implementing good agricultural practices in line with the Group's Sustainability Policy
- Ongoing efforts on community empowerment through meaningful and impactful engagement

EFFECTIVE RISK MANAGEMENT

- Monitor external developments including government policy, implications of climate change, commodity prices and global geopolitics and their impact on the Group's risk landscape
- Evaluate regular risk updates from the management

1. MANDATORY COMPLIANCES

1.1 Compliance with the Companies Act No. 07 of 2007

Section Reference	Requirement	Compliance Status	Reference
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, whether as a shareholder of another company or otherwise.	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	Please refer Financial Statements on pages 132 to 192 of this Annual Report.
168 (1) (c)	Auditor's Report on the Financial Statements of the Company and the Group.	Compliant	Please refer Independent Auditor's Report on pages 128 to 131 of this Annual Report.
168 (1) (d)	Change of accounting policies during the accounting period.	Compliant	Please refer Note 3 to the Financial Statements on pages 141 to 152 of this Annual Report.
168 (1) (e)	Particulars of entries in the Interest Register made during the accounting period.	Compliant	Please refer the Annual Report of the Board of Directors on pages 120 to 122 of this Annual Report.
168 (1) (f)	Remuneration and other benefits paid to the Directors during the accounting period.	Compliant	Please refer Note 9 to the Financial Statements on page 157 of this Annual Report.
168 (1) (g)	Total amount of donations made by the Company and the Group during the accounting period.	Compliant	Please refer Note 9 to the Financial Statements on page 157 of this Annual Report.
168 (1) (h)	Directorate of the Company and the Group as at the end of the accounting period along with the changes that occurred during the accounting period.	Compliant	Please refer Corporate Information on inner back cover 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	Please refer Note 9 to the Financial Statements on page 157 of this Annual Report.
168 (1) (j)	Relationship or interest of the Auditors with the Company or any of its subsidiaries.	Compliant	Please refer the Annual Report of the Board of Directors on pages 120 to 122 of this Annual Report.
168 (1) (k)	The Annual Report of the Board of Directors be signed on behalf of the Board.	Compliant	Please refer the Annual Report of the Board of Directors on pages 120 to 122 of this Annual Report.

1.2 Compliance with the continuing listing requirements - Section 7.6, section 7.10 and section 9.3.2 on corporate governance rules for listed companies, issued by the Colombo Stock Exchange.

Section Reference	Requirement	Compliance Status	Reference
7.6	**Contents of Annual Report**		
7.6.(i)	Names of persons who during the financial year were Directors of the entity	Compliant	Please refer Corporate Information on inner back cover of this Annual Report.
7.6.(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Compliant	Please refer Corporate Information on inner back cover of this Annual Report.
7.6.(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Compliant	Please refer Shareholder and Investor Information on pages 196 to 197 of this Annual Report.
7.6.(iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Compliant	Please refer Shareholder and Investor Information on pages 196 to 197 of this Annual Report.

Section Reference	Requirement	Compliance Status	Reference
7.6.(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	Compliant	Please refer Shareholder and Investor Information on pages 196 to 197 of this Annual Report.
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	Please refer Risk Management on pages 84 to 88 of this Annual Report.
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Please refer Human Capital on pages 96 to 100 of this Annual Report.
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Compliant	Please refer Note 15 to 16 to the Financial Statements on pages 164 to 167 of this Annual Report.
7.6.(ix)	Number of shares representing the Entity's stated capital	Compliant	Please refer Shareholder and Investor Information on pages 196 to 197 of this Annual Report.
7.6.(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Compliant	Please refer Shareholder and Investor Information on pages 196 to 197 of this Annual Report.
7.6.(xi)	Ratios and market price information	Compliant	Please refer Shareholder and Investor Information on pages 196 to 197 of this Annual Report.
7.6.(xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Compliant	Please refer Note 15 to 16 to the Financial Statements on pages 164 to 167 of this Annual Report.
7.6.(xiii)	If during the year the entity has raised funds either through an initial public offering and/or a further issue of securities (as applicable)	Compliant	The Company had no public issues, rights issues or private placements during the year under review.
7.6.(xiv)	Employee share option/purchase schemes (if any)	Compliant	As at date, the Company has no share option/ purchase schemes made available to its Directors or employees.
7.6.(xv)	Corporate Governance Disclosures.	Compliant	Please refer Corporate Governance on pages 31 to 48 of this Annual Report.
7.6.(xvi)	Related Party Transactions in terms of Sections 9	Compliant	Please refer Note 32 to the Financial Statements on pages 184 to 186 of this Annual Report.
7.10 and 9.3.2	**Corporate Governance Compliance**		
7.10.1	**Non-Executive Directors (NED)**		
(a)	The Board of Directors shall include at least two NEDs or equivalent to one third of the total number of Directors whichever is higher	Compliant	Six out of the nine Board Members are NEDs.
7.10.2	**Independent Directors**		
(a)	Two or one-third of NEDs, whichever is higher, should be independent	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	A declaration is submitted by all NEDs annually confirming their independence/non-independence in compliance with the relevant statutory regulations.

Section Reference	Requirement	Compliance Status	Reference
7.10.3	**Disclosures relating to Directors**		
(a)	The Board shall make a determination annually as to the Independence/ Non-Independence of each NED. The names of Directors determined to be independent shall be disclosed in the Annual Report	Compliant	Independence of the NEDs has been determined by the Board based on the annual declaration and taking into the account of all the other information and circumstances. The criteria for determining the independence of the NEDs could be found in Corporate Governance on page 36 of this Annual Report.
(b)	Criteria not met by the Non-Executive Directors and basis for determining to be independent	Compliant	The criteria for determining the independence of the NEDs could be found in Corporate Governance on page 36 of this Annual Report.
(c)	Publication of a brief resume of each Director including the Director's areas of expertise.	Compliant	Please refer the Profiles of the Directors on pages 12 to 14 listing out the names and a brief resume of each Director set out in this Annual Report.
(d)	Submission of a brief resume to the Colombo Stock Exchange (CSE) upon appointment of a new Director to the Board	Compliant	Upon appointment of a new Director to the Board, the Company makes an announcement to the Colombo Stock Exchange with a brief resume of such Director containing the nature of his expertise, relevant interest, other directorships held, membership in Board Committees and the nature of appointment. There were no new appointments to the Board during the year under review.
7.10.4	**Criteria for Defining Independence**		
a.to h.	Requirements for determining independence of a Director	Compliant	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. **Dr. S. A. B. Ekanayake** The Board is of the view that although the period of service of Dr. Ekanayake exceeds nine years as a Board member, it does not compromise his independence and objectivity in discharging his duties as a Director. Therefore, in consideration of the above, the Board determined that Dr. Ekanayake is "independent" as per the Listing Rules. **Mr. S. C. Ratwatte** Mr. Ratwatte is construed to be an Independent Non-Executive Director as he conforms to the relevant criterion for independence.

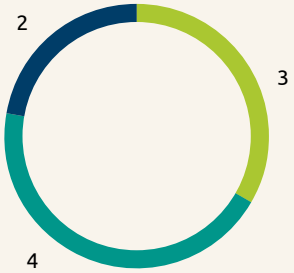
Section Reference	Requirement	Compliance Status	Reference
7.10.5	**Remuneration Committee**		
(a)	The Committee shall comprise of two independent Directors or Non-Executive Directors a majority of whom shall be independent, whichever is higher. One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Compliant	Two out of the three members of the Remuneration Committee are Independent Non-Executive Directors. Mr. Malik J. Fernando, Non-Executive Director is the Chairman of the Committee.
(b)	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer (CEO) and the Executive Directors	Compliant	The Remuneration Committee is responsible of reviewing policy of remuneration packages of Executive Directors and the CEO, and recommend the same to the Board.
(c)	The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration policy c) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer Remuneration Committee Report on page 125 and Note 9 to the Financial statements on page 157 of this Annual Report.
7.10.6	**Audit Committee**		
(a)	• The Audit Committee shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom are Independent, whichever shall be higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors. • Chief Executive Officer (CEO) and the Chief Operating Officer (COO) - Finance shall attend committee meetings. • The Chairman of the Audit Committee or one member shall be a member of a professional accounting body.	Compliant Compliant Compliant	The Audit Committee is composed of Non-Executive Directors, two of whom are Independent Directors. Dr. S. A. B. Ekanayake who is an Independent Non-Executive Director is the Chairman of the Committee. Mr. B. Bulumulla, Director/CEO and Mr. J. A. R. Nissanka, COO - Finance attend the meetings by invitation. Mr. S. C. Ratwatte, member of the Committee is a fellow member of the Chartered Institute of Management Accountants, UK.
(b)	Audit Committee Functions Should be as outlined in the Section 7.10 of the Listing Rules:	Compliant	Please refer Audit Committee Report on page 124 and the Board of Director's Statement on Controls on page 127 of this Annual Report.
(c)	Disclosure in the Annual Report: • The Annual Report should set out the Names of the Directors comprising the Audit Committee • Determination of the independence of the Auditors and disclose the basis for such determination • A Report of the Audit Committee setting out the manner of compliance	Compliant	Please refer Audit Committee Report on page 124 and Annual Report of the Board of Directors on pages 120 to 122 of this Annual Report.
9.3.2	**Related Party Transactions Review Committee**		
9.3.2	• Details pertaining to Non-Recurrent Related Party Transactions • Details pertaining to Recurrent Related Party Transactions • Report of the Related Party Transactions Review Committee • Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Compliant	Please refer Related Party Transactions Review Committee Report on page 126 and Annual Report of the Board of Directors on pages 120 to 122 of this Annual Report.

2. Voluntary Compliances

The Compliance levels with the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka

SECTION 1 : THE COMPANY
A. DIRECTORS
A.1 The Board
The Board consists of three Executive Directors and six Non-Executive Directors out of which two Directors are independent Directors and four of whom are Non-Independent Directors. The Chairman, Managing Director and Director/CEO serve as Executive Directors. 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 12 to 14 of this Annual Report.

Board Composition



- Executive Directors
- Non - Independent Non - Executive Directors
- Independent Non - Executive Directors

Quality of the Board

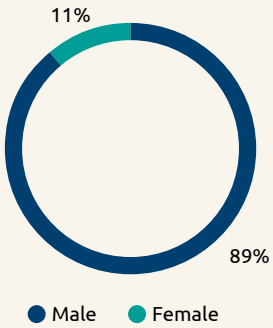
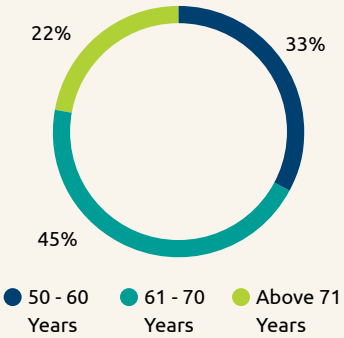
Executive Directors
Dr. M. P. Dissanayake *Chairman* Dr. Dissanayake holds extensive experience in maritime and logistics including Chairman/ Board positions in public service.
Dr. R. M. Fernando *Managing Director* Dr. Fernando counts in-depth experience in plantation management and played a pivotal role in the Plantations Privatization 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.
Mr. B. Bulumulla *Director/CEO* Employed at Elpitiya Plantations for a period of over 20 years, and a career spanning in the plantation sector for over 30 years, Mr. Bulumulla holds a Diploma in Plantation Management from the National Institute of Plantation Management (NIPM) along with 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.

Independent Non-Executive Directors
Dr. S. A. B. Ekanayake Dr. Ekanayake held numerous senior positions in the public sector which includes the Plantations Sector. He holds a PhD in Economics from Australia National University where he conducted research on 'Economics of Human Capital'. He has widely published on economics, human capital, agriculture and environment related areas in Sri Lanka and overseas.
Mr. S. C. Ratwatte Mr. Ratwatte is a fellow of the Chartered Institute of Management Accountants, UK and has over 30 years of work experience in the fields of financial and treasury management, project evaluation and development.
Non-Independent Non-Executive Directors
Deshamanya Merrill J. Fernando Deshamanya Merrill J. Fernando is the founder of the MJF Group of Companies and Sri Lanka's global tea brand, DILMAH. 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.
Mr. Malik J. Fernando Mr. Fernando holds a B.Sc. in Business Management from Babson College U.S. He is a Director of MJF Holdings & Dilmah Tea established by Deshamanya Merrill J. Fernando. Mr. Fernando is also the Managing Director of Resplendent Ceylon, the first Sri Lankan luxury resort brand.
Mrs. B. W. G. C. S. Bogahawatte Mrs. Bogahawatte possesses 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 Masters in Public Administration (Policy) from the Flinders University, Australia.
Mr. D. A. de S. Wickremanayake Mr. Wickremanayake is the founder Chairman/Managing Director of Master Divers (Pvt) Ltd., which created a landmark area of activity in the shipping industry and is a Member of the University Grant Commission Standing Committee on Agriculture, Veterinary Medicine and Animal Science.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
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:

Director	12th May 2020	14th July 2020	28th October 2021	18th March 2021
Dr. M. P. Dissanayake (Chairman)	√	*	√	√
Dr. R. M. Fernando (Managing Director)	√	√	√	√
Mr. B. Bulumulla (Director/CEO)	√	√	√	√
Mr. Malik J. Fernando/ Ms. M. D. A. Perera *(Alternate to Mr. Malik J. Fernando)*	√	√	√	√
Deshamanya Merrill J. Fernando/ Mr. A. T. S. Sosa *(Alternate to Deshamanya Merrill J. Fernando)*	√	√	√	√
Dr. S. A. B. Ekanayake	√	√	√	√
Mr. S. C. Ratwatte	√	√	√	√
Mrs. B. W. G. C. S. Bogahawatte	*	*	*	*
Mr. D. A. de S. Wickremanayake	√	√	√	√

Present - √ Excused - *

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
			Board's Gender Diversity  **Age Distribution** 
A.1.2	Role of the Board	Compliant	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: • Maximizing shareholder value, • Formulating, communicating, implementing and monitoring the business goals, objectives, strategies and policies of the Company, • Ensuring adherence to appropriate accounting policies and practices, • Setting priorities and communicating values and ethical standards for Management, • Ensuring proper risk management and audit systems covering all aspects of the business are in place and implemented, • Ensuring due compliance with applicable laws of the country and institute best practices on ethical, legal, health, environmental and safety standards for the Company, • Reviewing and approving the Operational and Financial Budgets and monitoring performance against the Budgets, • Reviewing and approving major investments and business proposals recommended by the Management Committee, • Approving the annual and interim Financial Statements and recommending dividends for approval by the shareholders, • The Board is responsible ultimately, for the Company's financial performance, • The Directors obtain independent professional advice, whenever required at the Company's expense in discharging their duties.

Key Areas of Board Focus In 2020/21

Strategy	Leadership & Risk	Governance	Finance
• Reviewed the group strategy and implemented new ventures. • Strategized the Group's business segments and gave direction to implementing new ventures.	• 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.	• Evaluation of the Governance structure. • Ensure compliance • Implementation of legislation to accommodate necessary changes.	• Overview of preparation and presentation. • Optimization of implementation. • Capital allocation, financing and funding.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
A.1.3	Compliance with laws and access to independent professional advice and services and training of Directors	Compliant	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 panelists in their respective areas of proficiency. The Directors are briefed on changes in laws and regulations as applicable from time to time. 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.
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	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. Directors of Elpitiya Plantations PLC and the Group are indemnified by the Company.
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	Decision to combine the posts of Chairman and CEO	Not Applicable	The functions of the Chairman, Managing Director and CEO 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.
A.2 Chairman's Role			
A.3.1	Chairman's role in preserving good corporate governance	Compliant	Our Chairman, Dr. M. P. Dissanayake is responsible for: • The effective discharge of the Board's functions, • Ensuring effective participation by the individual Directors to make their contribution on matters under consideration prior to taking decisions, • Ensuring the balance between the Executive and Non-Executive Directors is maintained and views considered and ascertained, • Ensuring that the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and stakeholders.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
A.4 Financial Acumen			
A.4	Ensuring the availability of sufficient financial acumen within the Board	Compliant	Please refer the Profiles of the Directors on pages 12 to 14 in this Annual Report. Ms. M. D. A. Perera, Alternate Director to Mr. Malik J. Fernando is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. Mr. A. T. S. Sosa, Alternate Director to Deshamanya Merrill J. Fernando is an Associate Member of the Chartered Institute of Management Accountants – UK, Fellow member of Certified Management Accountants of Sri Lanka.
A.5 Board Balance			
Board Composition Elpitiya Plantations PLC is governed by a well-balanced Board. It is composed of three Executive Directors (the Chairman, Managing Director and Director/CEO), two Independent Non-Executive Directors and four Non- Independent Non-Executive Directors. The Board is comprised of a balanced number of Executive and Non- Executive Directors that no individual or small group could dominate the decision making.			
A.5.1	Inclusion of sufficient Non-Executive Directors	Compliant	The Board consists of six Non-Executive Directors of whom two are Independent Directors. The profiles of the Non-Executive Directors are provided on pages 13 to 14 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	The Board is composed of two Independent Non-Executive Directors namely, Dr. S. A. B. Ekanayake and Mr. S. C. Ratwatte. 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. Annually, the Non-Executive Directors submit a signed declaration of his independence/non-independence in accordance with the requirements of the relevant statutory regulations.
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	Mr. A. T. S. Sosa, Alternate Director to Deshamanya Merrill J. Fernando and Ms. M. D. A. Perera, Alternate Director to Mr. Malik J. Fernando are not executives of the Company.
A.5.8	Senior Independent Director (SID)	Not Applicable	The Roles of the Chairman and the CEO are distinct.
A.5.9	Annual meeting of Chairman with Non-Executive Directors	Compliant	The Chairman meets with the Non-Executive Directors as and when necessary.
A.5.10	Recording of dissent in minutes	Compliant	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
A.6 Supply of Information			
A.6.1/ A.6.2	Obligation of the Management to provide appropriate and timely information	Compliant	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. 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.
A.7 Appointments to the Board			
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 subcommittees 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	The Articles of Association of the Company empowers the Board of Directors to either fill a casual vacancy or appoint additional Directors to the Directorate of the Company. A formal and transparent procedure is adopted for the appointment of Directors to the Board. Upon the appointment of a Director, the Company discloses same to the Colombo Stock Exchange (CSE) together with a brief resumé of such Director containing the nature of his expertise, other directorships held, memberships in Board Committees and the nature of the appointment.
A.8 Re-Election			
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 of Association of the Company 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.
A.8.3	Resignation of a Director	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 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.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
A.10 Disclosure of information in respect of Directors			
A.10.1	Profiles of the Board of Directors and other related information	Compliant	Please refer Board Profiles on pages 12 to 14 of this Annual Report.
A.11 Appraisal of the Chief Executive Officer (CEO)			
A.11.1/ A.11.2	Setting financial and non-financial targets and performance evaluation	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/ B.1.5	Establish process for developing policy on executive remuneration and individual director's remuneration.	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. No director is involved in deciding his/her own remuneration. Please refer Remuneration Committee Report on page 125 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	Please refer Remuneration Committee Report on page 125 of this Annual Report.
B.2.6	Executive share options	Compliant	As at date, the Company has no share options available to its Directors.
B.2.7	Performance-related remuneration	Compliant	Please refer Remuneration Committee Report on page 125 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.2.10	Levels of remuneration for NEDs	Compliant	Please refer Remuneration Committee Report on page 125 of this Annual Report.
B.3 Disclosure of Remuneration			
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	Please refer Remuneration Committee Report on page 125 and note 9 to the Financial Statements on page 157 of this Annual Report.
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings			
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. Board use the AGM to communicate with shareholders and encourage their participation.
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.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
C.1.4	Availability of Chairmen of Board Committees at the AGM	Compliant	The Chairmen of the Audit, Remuneration and Related Party Transactions Review Committees are present at the AGMs.
C.1.5	Notice of General Meetings and the summary of the 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.
C.2 Communication with Shareholders			
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.	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.
C.3 Major and Material Transactions			
C.3.1/ C.3.2	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.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial and Business Reporting (The Annual Report)			
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 & Young, Chartered Accountants.
D.1.3	Declaration made by the Chief Executive Officer (CEO) and Chief Operating Officer (COO) - Finance in maintaining accurate financial records and in compliant with the appropriate accounting standards	Compliant	Please refer the Statement of Financial Position of this Annual Report contain a declaration by the Deputy Chairman and Managing Director and the Chief Operating Officer - Finance.
D.1.4	Directors' Report declarations	Compliant	Please refer Annual report of the Board of Directors on the Affairs of the Company on pages 120 to 122 of this Annual Report.

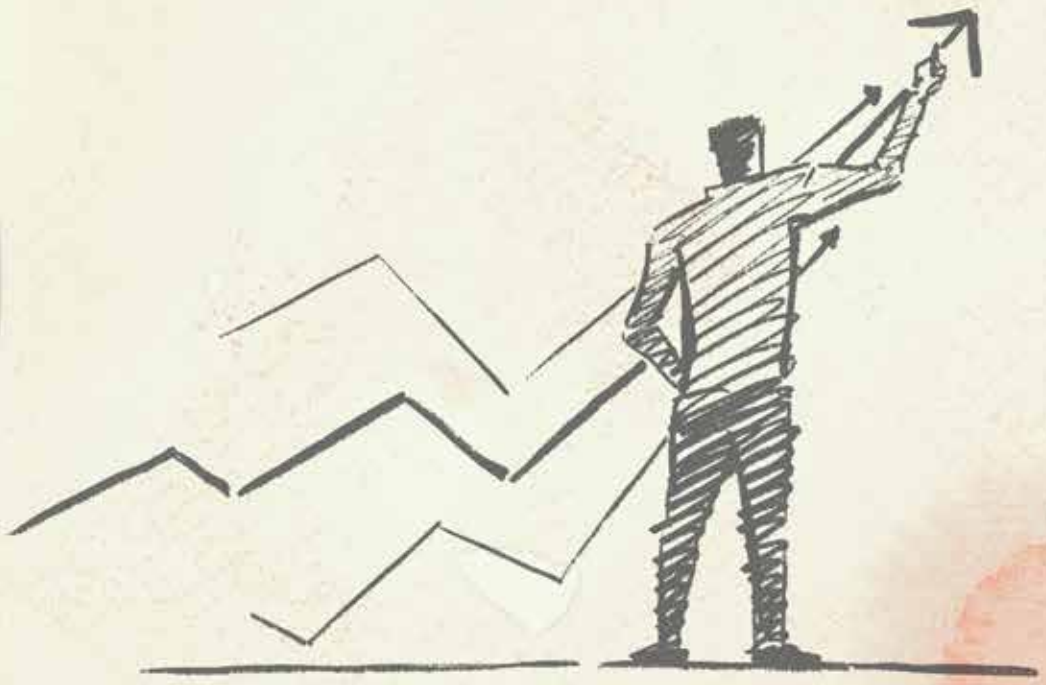
Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
D.1.5	Statements on responsibilities for preparation of financial statements and internal control	Compliant	Please refer Statement of Directors' Responsibilities on page 123, Independent Auditor's Report on pages 128 to 131 and Board of Directors' Statement on Internal Controls on page 127 of this Annual Report.
D.1.6	Contents of Management Discussion & Analysis	Compliant	Please refer About the Company on pages 26 to 30, Chairman's Message on pages 20 to 22 and Managing Director's Report on pages 23 to 25 of 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 (EGM) would be called to propose the way forward.
D.1.8	Disclosure of related party transactions	Compliant	Please refer the Related Party Transactions Review Committee Report on page 126 of this Annual Report.
D.2 Risk Management and Internal Control			
D.2.1	Board's responsibility to monitor the company's risk management and internal control systems	Compliant	Please refer Board of Directors' Statement on Internal Controls on page 127 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	Please refer Board of Directors' Statement on Internal Controls on page 127 of this Annual Report.
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	Please refer Board of Directors' Statement on Internal Controls on page 127 of this Annual Report.
D.3 Audit Committee			
D.3.1	Composition of the Committee	Compliant	Please refer Audit Committee Report on page 124 of this Annual Report.
D.3.2	Duties of the Committee	Compliant	Please refer Audit Committee Report on page 124 of this Annual Report.
D.3.3	Disclosures	Compliant	Please refer Audit Committee Report on page 124 of this Annual Report.
D.4 Related Party Transactions Review Committee			
D.4.1/ D.4.2	Composition of the Committee	Compliant	Please refer Related Party Transactions Review Committee Report on page 126 of this Annual Report.
D.4.3	Authority and duties of the Committee	Compliant	Please refer Related Party Transactions Review Committee Report on page 126 of this Annual Report.
D.5 Code of Business Conduct & Ethics			
D.5.1	Disclosure of the presence of a Code of Business Conduct & Ethics for Directors and Key Management Personnel and declaration of compliance	Compliant	The Company has adopted the Aitken Spence Group's Code of Ethics & Professional Conduct which provides employees with guidance in recognizing and handling areas of ethical ambiguity with guidance on how to report unethical conduct and to nurture a culture of openness and accountability.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
D.5.2	Presence of a process to promptly 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	Please refer Related Party Transactions Review Committee Report on page 126 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 Group's Code of Ethics & Professional Conduct. Please refer Board of Directors' Statement on Internal Controls on page 127 of this Annual Report.
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	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. Shareholders are encouraged and provided the opportunity to raise their concerns, seek clarifications on relevant matters with the Chairman and the Board of Directors at the Annual General Meeting.
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 and the Interim Financial Statements which are readily available in the Colombo Stock Exchange website and the Company's website, provide sufficient information required for investors to make well-informed decisions.
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.

Code Reference	Corporate Governance Principle	Compliance Status	Disclosure
G. INTERNET OF THINGS AND CYBERSECURITY			
G.1	Process to identify how the external IT devices could connect to the organization's network	Compliant	Please refer Risk Management on pages 84 to 88 of this Annual Report.
G.2	Appointment of a Chief Information Security Officer (CISO)	Compliant	The functions of the CISO is carried out by the Aitken Spence Group IT Division 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	Please refer Risk Management on pages 84 to 88 of this Annual Report.
G.4	Independent periodic review of the effectiveness on the cybersecurity risk management and the scope and the frequency of the review	Compliant	Please refer Risk Management on pages 84 to 88 of this Annual Report.
G.5	Cybersecurity process	Compliant	Please refer Risk Management on pages 84 to 88 of this Annual Report.
H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)			
H.1 ESG Reporting			
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 recognized, managed, measured and reported		Please refer the Capital Management on pages 90 to 113 of this Annual Report.
H.1.2	Environmental Factors		Please refer Natural Capital section on pages 110 to 113 of this Annual Report.
H.1.3	Social Factors		Please refer Human Capital and Social & Relationship Capital section on page 96 and 102 of this Annual Report.
H.1.4	Governance		Please refer Risk Management on pages 84 to 88 and Corporate Governance Report on pages 31 to 48 of this Annual Report.
H.1.5	Board's role on ESG Factors		ESG concerns of the Group is spearheaded by Dr. Rohan Fernando with the support and leadership of the Chairman. 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.

ADAPTING AND THRIVING

The unprecedented operating conditions that prevailed in 2020/21 necessitated a realignment and refinement of our strategic priorities. The Group's ability to swiftly navigate these complexities and adapt to shifting dynamics reflects the resilience of its strategy and the spirit of its people.



VALUE CREATION MODEL

The Group's value creation model is graphically depicted below and demonstrates how key capital inputs (as defined by the Integrated Reporting Framework) are transformed to generate outputs and outcomes for stakeholders as well as broader socio-economic and environmental impacts. These impacts are directly linked to the Group's CREDO which center on 7 long-term outcomes we aspire to generate.

CAPITAL INPUTS

Financial Capital
Shareholders' funds: **Rs. 5.46 Bn**
Debt: **Rs. 133.08 Mn**
(Page 91)

Manufactured Capital
Property Plant and Equipment of Rs 1.30 Bn consisting of factory infrastructure and other facilities
(Page 94)

Human Capital
Skilled and diverse board
4,865 employees committed and performance-oriented employees
(Page 96)

Social and Relationship Capital
Relationships with out-growers, brokers, buyers, communities and non -governmental organizations
(Page 102)

Intellectual Capital
Tacit knowledge
Systems, processes and standards
R & D Capabilities
(Page 107)

Natural Capital
Land: **8,838 hectares**
Raw materials (Fertilizer): **4,236Tonnes**
Water use: **182,813 m3**
Energy consumption: **185,366 GJ**
(Page 110)

External Trends:

VALUE CREATION

Cultivation of tea, rubber and oil palm

Plantation Businesses

Commercial forestry
Intercrops
High value horticulture
Palm oil processing
Speciality tea
Cinnamon value addition
Hydro power/solar power generation
Eco/natural/adventure tourism

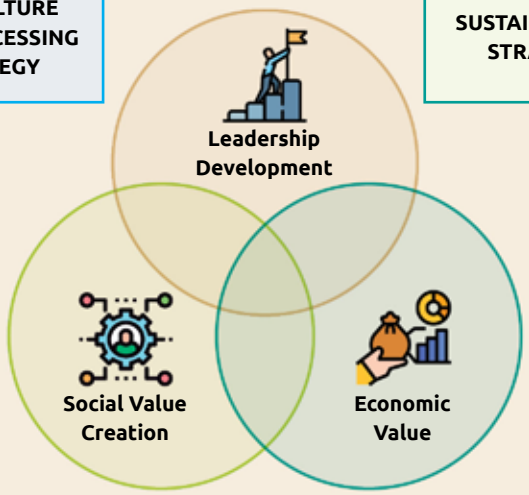
Diversified Businesses

A TRANSFORMATIONAL STRATEGY

DESIGN 2020

AGRICULTURE AND PROCESSING STRATEGY

SUSTAINABILITY STRATEGY



Macro-economic Developments

Government Policy

OUTPUTS

+ Revenue: Rs. 4.06 Bn (+23%)
+ Profit after tax: Rs. 874.84 Mn (>100%)

+ Capital expenditure Rs. 623 Mn

Payments to employees Rs.1,915 Mn

+ Payments to Suppliers Rs. 653 Mn
+ Investments in community engagement: Rs. 131 Mn

+ Sustainable agricultural practices
+ Culture of learning and knowledge sharing

- Effluent discharge: 26,264 Litres
- Carbon footprint: 3,455.10 tCO2e

+ positive impact
- negative impact

OUR CREDO

- Enhance our shareholder value
- Continuous strategic HRD initiatives
- Enhancing employees' quality of life
- Opportunities for value addition to our resource base
- Improve competitive advantage of through innovation
- High quality in all aspects of operations
- Pursue environmentally-friendly operations

OUTCOMES (Linked to our CREDO)

Shareholders
Superior shareholder returns through diversified revenue streams (Page 91)

Employees
Attractive remuneration and opportunities for skill and career development (Page 96)

Customers
Consistent product quality and value-added product offerings (Page 103)

Suppliers
Stronger partnerships that offer opportunities for mutual growth

Communities
Meaningful and impactful relationships with estate communities

Positive environmental impacts through focus on long-term environmental sustainability

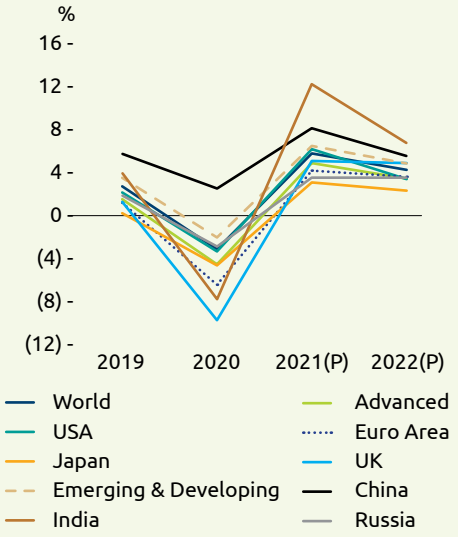
Implications of Climate Change | **Labour Shortages** | **Commodity Prices**

THE OPERATING ENVIRONMENT

GLOBAL ECONOMY

The global economy contracted by 3.3% in 2020 reflected the unprecedented impacts of the COVID-19 pandemic. Advanced economies and Emerging markets decelerated by 4.7% and 2.2% respectively as widespread lockdowns and social distancing requirements brought economic activity to a standstill resulting in significant job losses. However, the road to recovery appears to be clearer, with the successful rollouts of vaccinations coupled with unprecedented policy support driving a faster than expected rebound from the third quarter of 2020, particularly in advanced economies. The IMF projects the global economy to recover with a growth of 6% in 2021, driven primarily by advanced economies and swift adaptation to post-pandemic realities. That said, recovery is expected to be divergent, varying significantly on countries' access to the vaccination and effectiveness of policy support.

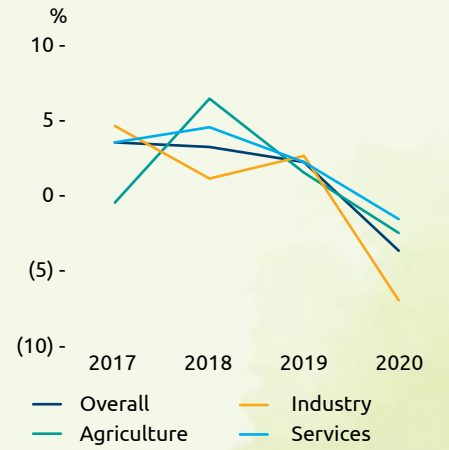
Global Economy



SRI LANKAN ECONOMY

The broad-based implications of COVID-19 resulted in significant economic and social scarring in Sri Lanka with the GDP contracting by 3.6% in 2020, the sharpest fall since independence. All sub-sectors of the economy recorded contraction, with pandemic induced lockdowns and mobility restrictions affecting both demand and supply side dynamics. The Agriculture sector decelerated by 2.4% as the positive impact of the favourable weather conditions was outweighed by the effects of the pandemic. The sharp decline in economic activity drove the unemployment rate above 5% for the first time since 2009, while the mobility restrictions led to a sharp decline in the labour participation rate.

Sri Lanka - GDP Growth



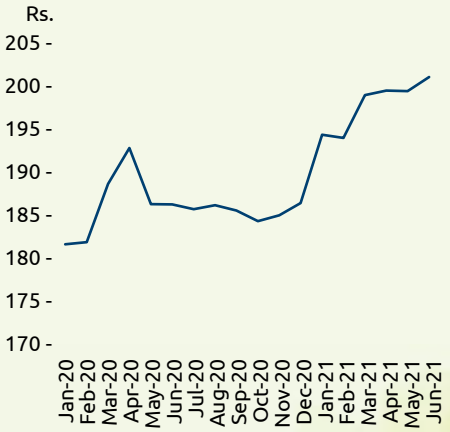
INTEREST RATES

The Central Bank adopted an accommodative monetary policy throughout the year with a view to stimulating economic growth. Policy rates were reduced multiple times, resulting in market interest rates trending downwards for most part of the year.

EXCHANGE RATES

The sharp decline in tourist earnings together with the outflow from equity and debt markets given stress in global markets, led to significant pressure on the country's external position. Resultantly, the Rupee devalued by 3.2% in 2020 and a further 3.4% during the first quarter of 2021.

USD/LKR Exchange Rate Movement

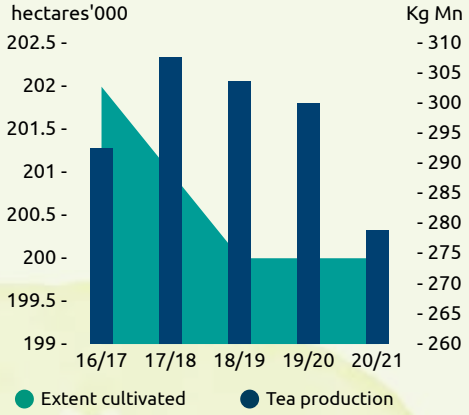


PLANTATION SECTOR

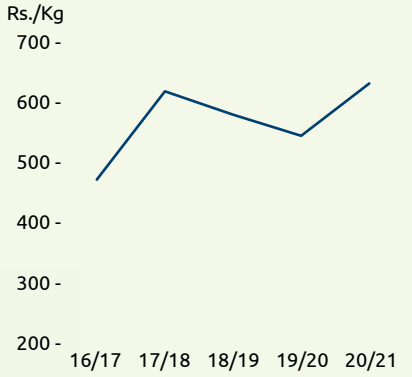
Sri Lanka's plantation sector was declared an essential service following the outbreak of the pandemic and remained resilient during the first and second waves. The Sector, was however, affected by the sharp rise in infections during the third wave, which in turn impacted production volumes. The Sector continues to also be plagued by inconsistent and ad-hoc policies which have inserted further pressure on cost of production while threatening the long-term survival of the industry. Key industry developments during the year are highlighted below:

Tea

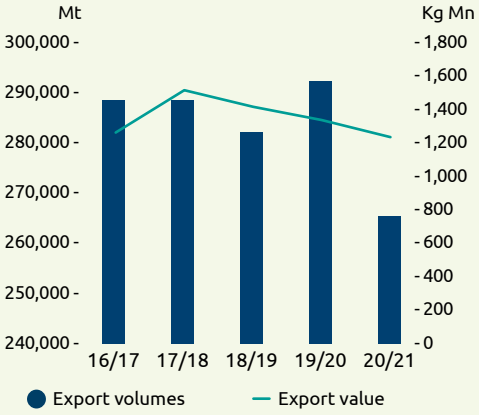
Sri Lanka's Tea Production



Colombo Auction Tea Price



Tea Export Income



Production

Sri Lanka's tea production declined by 7.1% reflecting adverse conditions and pandemic-related disruptions to operations. Production of high medium and low grown tea declined by 1.3%, 0.9% and 10.5% respectively.

Pricing

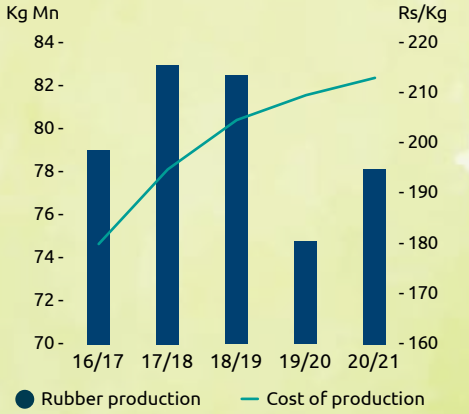
Demand for Sri Lankan was favourable during the year, reflecting increased propensity towards healthy beverages and supply shortfalls in other tea- producing nations including India and Kenya. Resultantly, average price increased by 15.9% during the year, with prices at the Colombo Tea Auction outperforming regional markets.

Exports

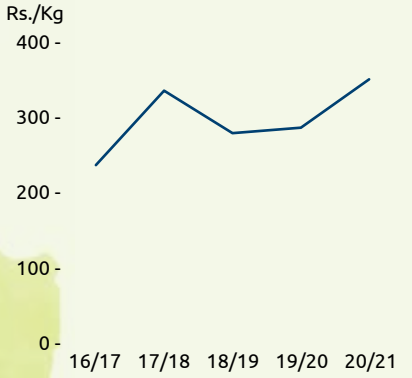
Despite the stronger prices, Sri Lanka's tea export value declined by 8% in 2020 mainly due to a 9% fall in export volumes.

Rubber

Rubber Production



Rubber Prices at Colombo Auction (RSS1)



Production

While dry weather conditions and fewer tapping days in the first half of the year, affected production, Sri Lanka's rubber crop increased by 5% supported by favourable weather conditions and attractive pricing in the second half of the year.

Pricing

Rubber prices remained attractive for most part of the year, increasing by 22% supported by stronger global prices following the surge in demand for PPE such as gloves. Global demand increased in view of the faster-than-anticipated recovery in the Chinese market and lower rubber production in Thailand and other regional markets in Southeast Asia.

Oil Palm

Inconsistency in government policy has been a major impediment to the sustainable growth of oil palm in Sri Lanka Despite government approval in 2014, the government subsequently banned cultivation and in 2020 mandated companies to gradually uproot oil palm and cultivate alternative crops. 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.

RESPONDING TO EXTERNAL DYNAMICS

A PESTEL analysis enables the Group to effectively identify and respond to emerging dynamics in the operating landscape, which could present both opportunities and risks.

P (Political) factors		
Risks		**Opportunities**
The ban on chemical fertilizers is expected to lead to significant declines in productivity, volumes and ultimately cost of production, which in turn would affect Sri Lanka's competitiveness in the global tea market. The proposed increase in the wages of plantation sector workers without any link to productivity is expected to result in increased cost of production while impacting productivity and worker income levels.	**Government policy including,** The ban on chemical fertilizers Wage hike for estate sector workers	Increase reliance on organic fertilizer and commence the production of organic fertilizer
Slower demand from major tea buying countries given protracted economic recovery	Geopolitical dynamics	Economic recovery of advanced countries following successful vaccine rollouts
Low interest income generated on investments	Accommodative monetary policy	Opportunity for accessing low-cost borrowings
Our Response ● Ongoing engagement with policy makers through industry associations in implementing a more equitable remuneration model ● Exploring alternatives to chemical fertilizers ● Revenue diversification ● Link to strategy: Design 2020, Agriculture and Processing strategy, Sustainability strategy		
E (Economic) factors		
Risks		**Opportunities**
Further depreciation of the Sri Lankan Rupee could affect the country's competitiveness in the international tea market	Macro-economic vulnerabilities stemming from depleted foreign currency reserves and high external debt position	-
The Group is directly exposed to declines in commodity prices through its exposure to tea and rubber	Fluctuations in commodity prices	The price of natural rubber is positively correlated to crude oil prices and presents an opportunity for improved profit margins.
Our Response ● Strategic emphasis on diversifying revenue sources to reduce exposure to traditional commodity markets such as tea and rubber ● Leverage the Aitken Spence PLC Group's expertise in effectively managing foreign currency risk ● Link to strategy: Sustainability strategy		

S (Social) factors		
Risks		**Opportunities**
Increased employee vulnerability to health and safety risks Potential disruptions to estate and other operations	COVID-19 related disruptions stemming from the emergence of new variants and rapid escalation of infections	-
An ageing working population in the country's estate sector and reluctance of younger generations to seek employment in the sector, has resulted in a shortage of labour	Availability of labour	Attracting the younger demographics through an enhanced employee value proposition centering on improving dignity of labour
Increased price sensitivity in buying markets could affect Sri Lanka's competitiveness in the global market, particularly given the country's high cost of production and weakening exchange rate	Changing customer preferences	Increased demand for orthodox black tea due to its anti-viral properties, given increased prevalence towards healthy beverages
Our Response ● Long-term HR strategy to strengthen employee value proposition ● Stringent and proactive measures to ensure employee health and safety ● Link to strategy: Design 2020, Sustainability strategy		
T (Technology) factors		
Risks		**Opportunities**
-	Transition of the Colombo Tea Auction to a digital platform	Sri Lanka's ability to swiftly transition to a digital platform, enabled the country to benefit from the surge in demand for tea, particularly given disruptions to operations in other tea producing countries.
Potential labour unrest	Digitalization and automation of operations	Increased mechanization of operations could address prevalent labour shortages in the industry Improved visibility of field-level information through integrated IT systems will lead to better decision making and stronger controls.
Our Response ● Increased focus on driving digitalization and automation of operations ● Stringent and proactive measures to ensure employee health ● Link to strategy: Design 2020, Agriculture and Processing Strategy		

E (Environmental) factors		
Risks		**Opportunities**
Erratic weather patterns and rising temperatures affect the volume and quality of crops and could have a significant impact on the Group's financial performance	Implications of climate change Water scarcity	Explore ecologically sound cultivation practices to minimize adverse environmental impact Increase renewable energy generation to offset the Group's carbon footprint
Water stresses could impact the quantity and quality of production as well as lead to increased costs	Erosion of soil quality	Increase rainwater harvesting capacity and recycling of used water
Affect yields and quality of crops		Ongoing efforts in place to increase carbon levels and water retention levels
Our Response • Ongoing emphasis on crop diversification, renewable energy, soil quality and rainwater harvesting • Link to strategy: Design 2020, Sustainability strategy		
L (Legal) factors		
Risks		**Opportunities**
Direct implications on the Group's financial performance	Ban on the cultivation of oil palm with the Government requiring companies to uproot current cultivations in a phased manner.	
Our Response • Exploring avenues for revenue diversification • Link to strategy: Design 2020, Sustainability strategy		

STAKEHOLDER VALUE CREATION

The unprecedented conditions that prevailed during the year necessitated a strengthening of the Group's stakeholder engagement exercises, thereby ensuring that emerging needs and concerns were identified. Key stakeholders are identified and prioritized depending on the degree to which each group can influence or are influenced by our decisions. The Group's approach to selecting, prioritising and engaging with stakeholders is presented below:

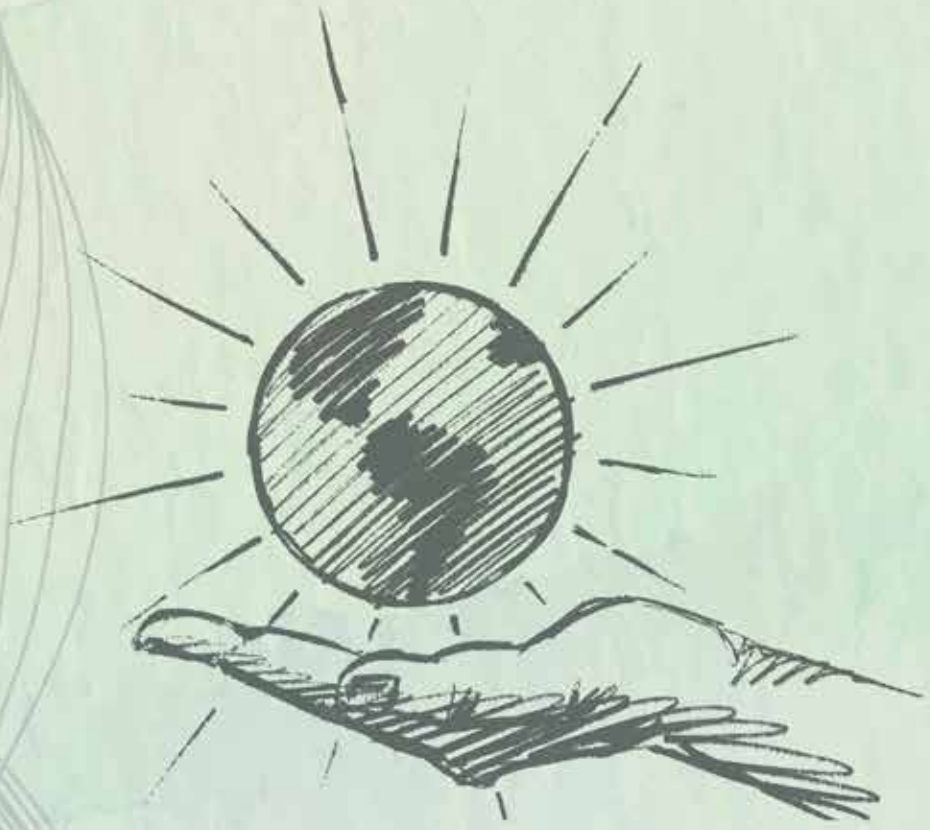
Stakeholder Identification → **Stakeholder Privatization** → **Stakeholder Engagement** → **Identification of Needs/Concerns** → **Addressing Needs Through Strategy**

Results of our stakeholder engagement during the year under review is presented below:

Stakeholder group	Method and frequency of engagement	Topics and concerns raised	Our response
Shareholders	• Quarterly and annual Financial Statements • Press Releases (Continuous) • Annual Report • Annual General Meeting • CSE Announcements (Continuous)	• Impact of the pandemic on financial performance, stability and employee well-being • Financial performance • Sustainable business growth • Corporate governance and risk management	Transparent and ongoing communication with shareholders and a proactive strategy which ensured continued shareholder value creation (refer to page 91)
Employees	• Daily Forums • Employee Surveys • Complaint registers maintained at all estates • Monthly meetings with union representatives	• Health and well-being and adequacy of COVID-19 preventive measures • Attractive remuneration and benefits • Workplace safety • Opportunities for training and development • Career progression and succession	Strategic emphasis on ensuring employee health and safety while offering opportunities for training and development and career progression. (refer to page 96)
Customers	• One-to-one meetings (Continuous) • Interaction through digital platforms (ongoing)	• Product quality • Sustainable business practices • Reliability of supply • Competitive pricing • Operational efficiency	Superior customer value proposition centering on product quality and good social and environmental practices
Suppliers	• One-to-one meetings (Continuous) • Site visits	• Timely payments • Opportunities for growth	Pursue mutual opportunities for growth and value creation
Regulators	• One-to-one meetings at estate level with local government agent and provincial councils. (Continuous) • Meetings at corporate level with relevant ministries and other officials • Engagement through industry bodies and associations (continuous)	• Ensuring compliance to all relevant health and safety protocols • Regulatory compliance • Contribution towards creating a conducive industry environment • Job creation and community development	Ongoing engagement with regulators and the government in creating a conducive and equitable operating landscape.
Community	• Village forums (Continuous) • One-to-one meetings with Estate Managers and General Managers(Continuous) • CSR initiatives	• Ensuring safety of estate communities • Impact on environment from operations • Community relations • Meaningful community development projects	Engage in strategic and impactful CSR projects which deliver long-term value.

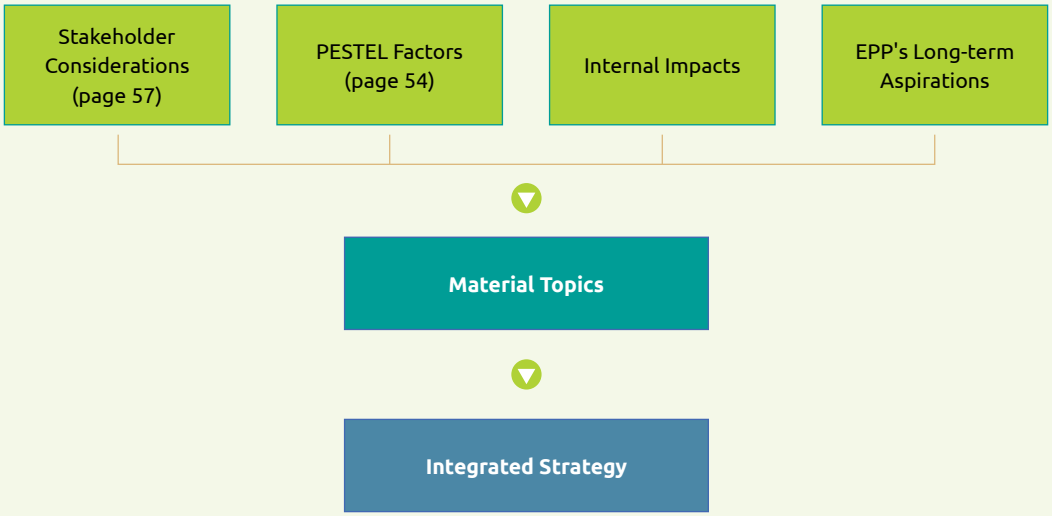
A TRANSFORMATIONAL STRATEGY

The Group's three-pronged corporate strategy comprising Agriculture & Processing, DESIGN 2020 and Sustainability aims to transform EPL to a diverse, dynamic and agile organization, generation superior stakeholder value while ensuring preservation of the environment.



INTEGRATED APPROACH TO STRATEGY

The Group's three-pronged corporate strategy is designed to transform EPP from a traditional, commodity-based organization to a diverse, entrepreneurial and dynamic entity with strong social and environmental consciousness. EPP adopted an integrated and holistic approach in formulating this strategy, taking into consideration critical challenges in the plantation industry, emerging opportunities as well as stakeholder needs.



Agriculture and Processing Strategy
Increase crop yields and labour productivity through field and factory mechanization and better agricultural practices.

Design 2020
Create greater economic and social value through revenue diversification and leadership development.

Sustainability Strategy
Ensure a sustainable and responsible operation through social and environmental consciousness.

DELIVERING OUR STRATEGY

AGRICULTURE AND PROCESSING STRATEGY

The Group's Agriculture and Processing Strategy aims to increase crop yields and labour productivity, thereby addressing the persistent challenges of labour shortages and low yields through mechanization and better agricultural practices. EPP has made considerable progress in driving these aspirations in recent years, delivering gradual improvements in crop yields, productivity and product quality.

Strategic Initiatives 2020/21

- 80% capacity expansion through investments Dunsinane and New Peacock estates
- Digitalization and automation of field-level information thereby enabling better monitoring, improved accuracy of information, optimization of labour and improved decision making
- Sustainable agricultural practices including precision agriculture techniques, use of organic compost to improve soil organic levels and soil fertility as well as water retention levels

Key Performance Indicators

	2019/20	2020/21
Tea-yield per hectare	1,661	1,794
Rubber-yield per hectare	804	1,073
Oil palm-yield per hectare	13,930	12,662
Net Sales Average -Tea (Rs.)	503.07	585.63
Time saved through digitalization (man hours)	-	48,900

Resources Allocated in 2020/21

Rs. 148 Mn
Investment in factory modernization

Rs. 5.3 Mn
Investment in automating field-level information

Improvements in monitoring field and factory level operating parameters

5,611
training hours

Challenges in Driving Strategy

- Operational disruptions stemming from COVID-19
- Adverse weather conditions
- Shortage in fertilizer

Way Forward

- Drive further crop diversification through pursuing the cultivation of short-term crops such as cinnamon and pineapple
- Pursue opportunities in manufacturing organic fertilizer

A TRANSFORMATIONAL STRATEGY

DESIGN 2020

The Group's forward-thinking, holistic DESING 2020 strategy seeks to transform EPP to a diverse and entrepreneurial organization through venturing into new businesses and driving value addition while developing the Group's leadership capabilities. Having successfully achieved the financial goals set out in DESIGN 2020 prior to the expected target, the Group is now positioned leverage the strong foundation placed to drive further transformation of its business model.

Strategic Initiatives 2020/21

- Commenced commercial cultivation of berries
- Ventured into the cultivation of organic cinnamon through an out-grower model, partnering over 41 farmers
- Strengthening value-added product portfolio in speciality tea and berries while exploring avenues for new distribution models
- Leveraging strategic partnerships to explore new business opportunities including entering into a shareholder agreement with SIM Leisure Group Singapore for the construction and operation of an Adventure Theme Park

Crop	Extent Cultivated (ha)
Oil palm	1,790
Commercial forestry	895
Cinnamon	102
Coffee	12
Fruit cultivation	30

Resources Allocated in 2020/21	
	**Rs. 54.5 Mn** Investments in cultivation of non-traditional crops
	**600 acres** devoted to organic cinnamon cultivation
	Ongoing investment in training and development

Challenges in Driving Strategy

- Delays in the Theme Park project given travel restrictions and lockdowns
- Escalation in health and safety concerns
- Policy inconsistency

Way Forward

- Accelerate progress in the social value creation pillar through increased investments to CSR projects benefitting estate communities
- Ongoing focus on expanding our presence in non-traditional crops including cinnamon, organic cinnamon and fruits among others
- Pursue new distribution models and value-added products in berries and other fruits

A TRANSFORMATIONAL STRATEGY

SUSTAINABILITY STRATEGY

EPP's Sustainability Strategy is a core component of its three-pronged corporate strategy and has been designed to effectively address several critical challenges impacting the long-term sustainability of the plantation sector. The Sustainability Strategy centers on six specific sustainability aspirations with measurable targets and KPIs and is aligned to six specific Sustainable Development Goals.

EPP's SUSTAINABILITY STRATEGY

SUSTAINABILITY ISSUES

CLIMATE CHANGE

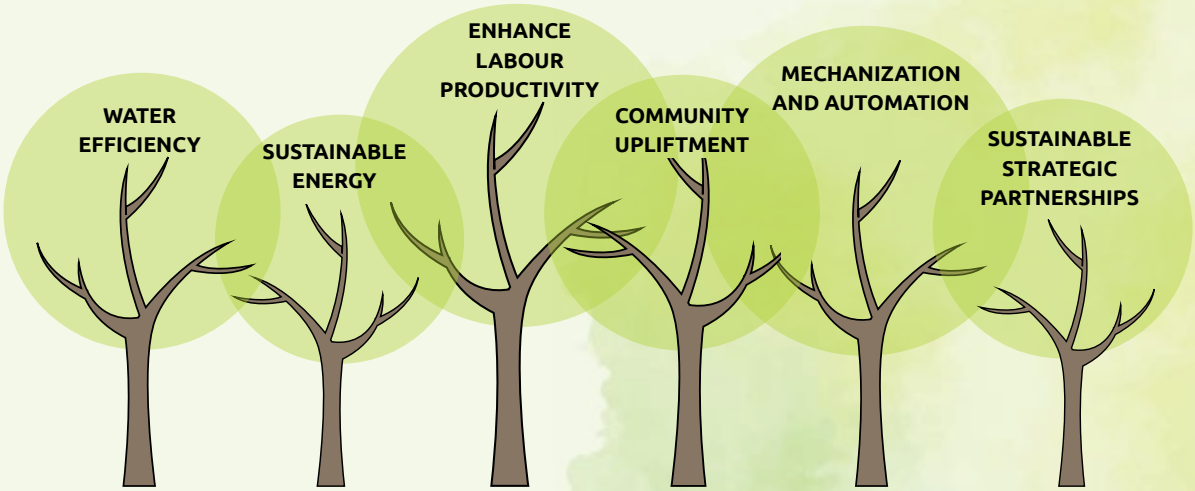
The impacts of climate change have continued to intensify , impacting the plantation sector through erratic weather patterns, rising temperatures and fluctuations in rainfall.

MAN POWER CONSTRAINTS

Limited availability of labour and an increasingly aging workforce in the plantation sector, have directly impacted the Sector's long-term sustainability.

LOW YIELDS

Lower yields and persistently rising cost of production could over the medium to long-term affect Sri Lanka's competitiveness in the international tea market.



SUSTAINABLE STRATEGIC PARTNERSHIPS

Initiative	KPI	Goal	Actual (20/21)
Goal 1: To be the most water efficient plantation company			
Establish 52 ponds increase rainwater harvesting capacity	Rainwater harvested (ltr)	180 Mn	254 Mn
Irrigate tea and oil palm land with harvested rainwater	% of plantations irrigated	25	50.00 Ha
Increase water shed land extent	% of total land	5	01.24%
Increase catchment areas	% of total land	15	10.5%
Increase carbon level of soil	% of carbon	5	3
Provide potable water to all estate households	% of households with potable water	100%	64%
Create awareness on sustainable use of water resources	Number of Awareness Programmes	25	25
Goal 2: To achieve Self-sufficiency in energy through sustainable energy sources			
Electrical energy requirements to be met /set off by Hydro Power and Solar Power generation	% of energy fulfilled through renewable energy	100%	132%
Full thermal energy requirement through estate grown sustainable biomass sources	% of thermal energy requirements	100%	04%
Goal 3: To enhance land productivity by at least 10% by 2025 whilst protecting the biodiversity in the area			
Reduce chemical fertiliser application	% of reduction	50%	5%
Reduce chemical pest control	% of reduction	80%	32%
Reduce chemical weed control by 80%	% of reduction	80%	71%
Increase green cover by 10%	% of increase	10%	5%
Goal 4: To be the leader in mechanization and automation within the plantation sector			
Drive factory process automation	% of processes automated	100%	32.1%
Increase field mechanization	% of operations mechanized	75%	54.8%
Goal 5: Gain competitive advantage through sustainable strategic partnerships			
Widen knowledge base through collaborations **Strategic partnerships for new business developments.** The Group has formed strategic partnerships with several organizations and stakeholders in line with its aspirations for business diversification and value addition. These include SLINTECH, private sector organizations and smallholders.			
Goal 6: Promote Community Upliftment and Youth Empowerment			
Increase employment from local communities	% of permanent employees hired from local community	90%	95%
Increase access to health and educational facilities	% of community with access	100%	100%

SUSTAINABILITY HIGHLIGHTS OF 2020/21

Our journey towards being the most sustainable Plantations Company by 2025

EPP's holistic Sustainability Policy clearly defines its triple-bottom-line aspirations in achieving long-term economic, social and environmental sustainability. The Policy is aligned to 6 selected SDGs which we believe have the potential to address several pertinent issues facing Sri Lanka's plantation sector.

PROGRESS MADE IN 2020/21

PEOPLE PILLAR

295	1,033	Rs. 34.45 Mn	
Housing units	Beneficiaries of education support	Investment in health screening	Certified as Mother & Child-friendly estates

- Investment of Rs. 131 Mn in improving living conditions, including construction of housing units (295), new community development centres, new roads and infrastructure development in partnership with the Ministry
- Water and sanitation improvements providing new water projects and toilets at an investment of Rs3.24 Mn.
- Health screening and improvements to medical facilities at an investment of Rs.34.45 Mn
- Mother and Child-friendly plantation projects with Save the Children Fund Rs-53,000.
- Elders home to care for senior citizens at an investment of Rs2.7 Mn.
- Free uniforms, textbooks, and other school materials distributed for 1033 school going children. Rs1.77 Mn.
- Scholarships for 10 A/L students and 16 university students currently with MJF fund.
- Nutrient supplements distributed for 23 orphans and 36 differently abled children.
- Implementation of HACCP-ISO-22,000-2018, food safety system in processing centers.

A TRANSFORMATIONAL STRATEGY

PLANET PILLAR

80% Reliance on rainwater	**53%** Organic fertilizer applied	**132%** electrical energy generated through renewable energyscreening	**10%** Increase in green cover

- Harvesting 254 Mn litres of rainwater with 77 rainwater harvesting ponds to maintain 5% of the estate land extent as watersheds.
- Application of 4.85 Mn Kgs of organic compost, which amounted to 53.30% of fertilizer inputs by reducing 50% chemical fertilizer to improve the soil carbon levels->03%, Soil water holding capacity and soil nutrient.
- Reducing application of Chemical weedicides and pesticides by 80% by implementing cultural, mechanical, and biological methods.
- Increasing green cover by 10% by planting trees in boundaries, ravines, roadsides, restoration of stream reservations, catchment areas with native species for development of animal corridoes and protecting biodiversity.
- Implementation of Rainforest Alliance environmental management system.
- Generation of renewable electrical energy-(4,988,863 -kWh) amounting to 132% of our electrical energy consumption from national grid, thereby emerging as a Carbon neutral Plantation company.
- Sustainable thermal energy supply with planting of bamboo and fuelwood to be self-sufficient with the 30,000 Cu, Mts, thermal energy demand
- Awareness programme on conserving water, preserving water resources and prevention of water pollution.

PROFIT PILLAR

Rs. 79 Mn Revenue generated from renewable energy	**Automation and mechanization**	**Diversification of revenue sources**	**Strategic partnerships**

- To be self-sufficient with electrical and thermal energy requirement thus saving expenditure on electrical/ thermal energy demand for our operations.
- Additional revenue of Rs. 79 Mn generated from renewable energy during the year.
- Automation of factory process and mechanization of field work to improve efficiency by saving man days, time, and expenditure.
- Implementation of Design -2020 for diversification of business portfolio to reach targeted profit.
- Transformation of the company from commodity-based entity into an innovative, entrepreneurial company that creates the maximum business and social value with the new corporate strategy comprising Agriculture & processing strategy, Design -2020, and Sustainability strategy.
- Synergy through strategic partnerships – Escape Parks Ceylon (Private) Limited Adventure Park, Tropical fruit cultivation with CBL and organic cinnamon.

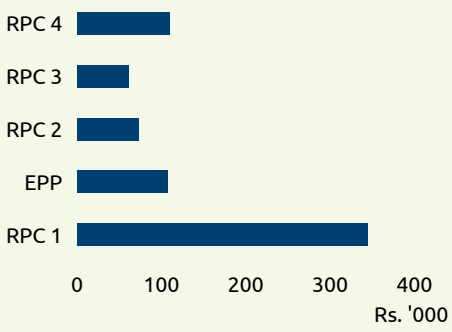
PERFORMANCE IN 2020/21

PERFORMANCE AGAINST COMPETITION

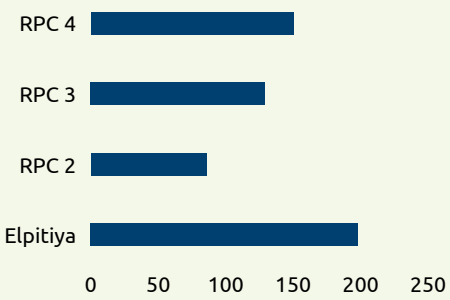
EPP has continued to perform well against industry counterparts, in terms of growth, profitability and yields. The Group's evolution from one of the weakest RPCs in the Sector to one of the strongest, has been underpinned by a transformational strategy and long-term approach to value creation, which has enabled the Group to direct targeted investments towards enhancing its triple bottom line value proposition. In addition to the increased diversification of its earnings profile, which has enabled stronger resilience to external factors, EPP has also placed strategic emphasis on strengthening its balance sheet- gradually reducing its debt level to achieve record-low leverage in recent years.

	Revenue CAGR (%)- 4 years	Cumulative earnings- Rs. Mn
RPC 1	21%	4,181
EPP	32%	2,282
RPC 2	32%	1,780
RPC 3	71%	1,263
RPC 4	9%	1,869

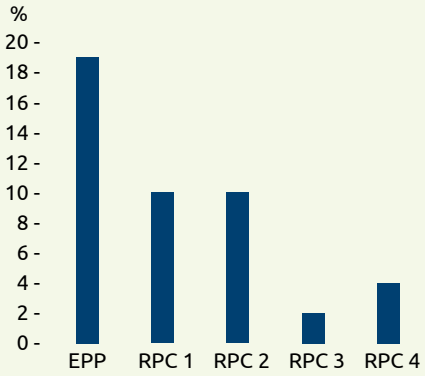
Profit Per Hectare



Tea- Yield Per Hectare



Capex as a % of Revenue

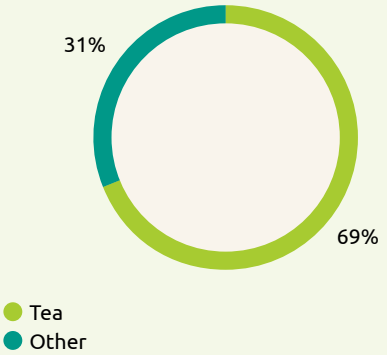


TEA SECTOR

PERFORMANCE IN 2020/21

The tea sector delivered an excellent performance during the year recording a 20% growth in revenue and a 450% growth in pre-tax-profit. Whilst strong tea prices globally supported this growth, our unwavering commitment to quality and excellence enabled us to capitalize on the opportunities presented and record an above average performance during the year.

Revenue Contribution



PERFORMANCE IN 2020/21

HIGHLIGHTS OF 2020/21

+20%	+450%	+7%	585.63
Revenue	PBT	Production	NSA

Strategic Priorities

- Enhancing labour productivity and crop yields
- Factory modernization and capacity expansion

- Enhance dignity of labour
- Implementing good agricultural practices

Operating Environment

+ Strong tea prices
- Adverse policy developments including ban on fertilizer and wage hike of plantation sector workers
- Unfavorable weather conditions, particularly during the first half of the year

Capital Value Creation

Pre-tax-profit of Rs. 407.6 Mn (+450%)

4,451,162 kg of crops (+6%)
1,794 kg yield per hectare

Rs. 700 mn payments to employees

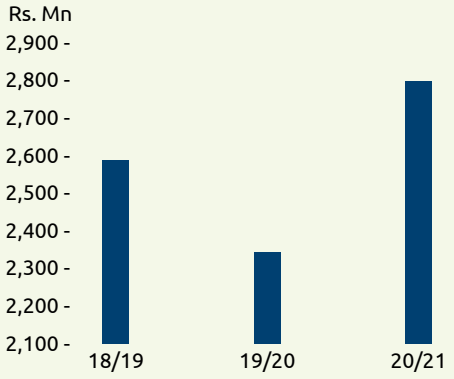
Net Sales Average of Rs. 585.63 (+16%)

IMPLICATIONS OF COVID-19

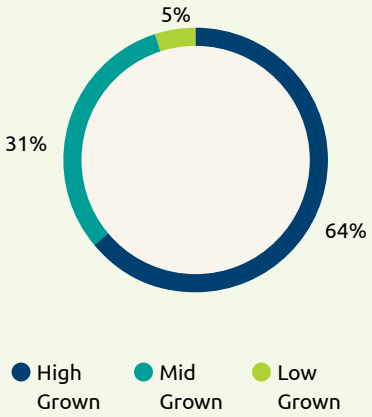
- The Sector remained largely resilient during the first wave of the pandemic in early FY 2020/21, although operations have been impacted in the 2nd and 3rd waves with the infection spreading across estate communities
- Sri Lanka quickly transitioned to a digital auction platform, thereby ensuring the continuity of the tea logistics process
- Necessitated increased investments in employee health and safety including provision of PPE, hand sanitisers and access to medical care

PERFORMANCE IN 2020/21

Tea Revenue



Production by Region



PERFORMANCE

Revenue grew by 20% to Rs. 2,802 Mn in FY 2020/21 buoyed by strong prices resulting from supply shortages in key producing markets and increased demand for black tea. EPP's NSA (Net sales Average) increased by 16% to 585.63 per Kg compared to Rs. 503.07 per Kg during the comparable period last year reflecting elevated tea prices in the Colombo Tea Auction throughout 2020 and the first quarter of 2021. Despite continued pressure on the cost of production due to higher wage costs and fertilizer costs, the sector recorded an exceptional PBT of Rs. 407.6 Mn, a 450% growth compared to FY 2019/20.

PRODUCTION AND YIELDS

In line with national production trends, EPP also recorded a decline in crop owing to adverse weather conditions. Total tea production during the year amounted to 4,451,162 Kg, a 6% increase compared to FY 2019/20. That said, tea yield per hectare increased from 1,661 Kg to 1794 Kg during the year reflecting our continued emphasis on improving yields through field mechanization and improving soil quality through sustainable agricultural practices, which also enabled us to maintain yields above the industry average.

Cost of production increased by 5% reflecting consistent increases in wages and fertilizer costs. We are committed to driving productivity improvements and enhancing efficiency to lower our cost of production and continued with our field mechanization and digitization efforts.

VALUE ADDITION

We continued to pursue opportunities in value-addition in our own brand Harrow Ceylon Choice, expanding the product range through research and development and innovation. We also continued to expand our distribution channels in this segment, seeking increased penetration in both the local and international markets.

WAY FORWARD

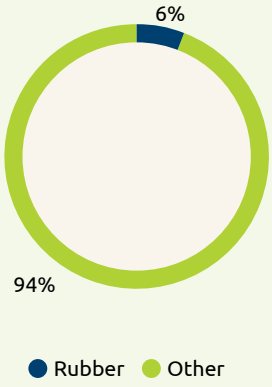
Tea prices are expected to stabilize in FY 2021/22 as global production levels recover and demand normalizes. The outlook for Sri Lanka remains challenging, particularly given the imposition of the recent wage hike, which is not linked to employee productivity and therefore could directly impact production volumes, productivity and the income of tea pluckers. Meanwhile the Government imposed ban on chemical fertilizers is also expected to negatively impact the plantation sector in terms of lower crop volumes and fertilizer shortages in the short to medium term. Notwithstanding these challenges, we remain committed to driving productivity, efficiency and quality gains through ongoing investments in factory and field mechanization, sustainable agricultural practices and HR development.

RUBBER SECTOR

PERFORMANCE IN 2020/21

Strong global rubber prices towards the latter half of 2020 enabled the rubber sector to record an impressive revenue growth of 68% during FY 2020/21. Although we have made a strategic decision to reduce our dependence on rubber by converting low yielding lands to more lucrative crops, we continue to focus on improving quality, moving up the value chain and expanding our sales channels.

Contribution to Group Revenue



PERFORMANCE IN 2020/21

HIGHLIGHTS OF 2020/21

+68%	+91%	+18%	379.53
Revenue	PBT	Production	NSA

Strategic Priorities

- Improving crop yields and quality
- Enhance productivity of labour
- Value addition along the rubber value chain

Operating Environment

+ Surge in prices following strong global demand for rubber prices
- Adverse weather conditions impacting production
- Unfavorable policy decisions relating to chemical fertilizer and wage hike of estate workers

Capital Value Creation

Reduction of losses to Rs. 7.49 Mn

650,286 kg of crops (+18%)
1,073 kg yield per hectare (+33%)

Rs. 246 Mn payments to employees

01 New customer acquired

IMPLICATIONS OF COVID-19

- Strong demand for rubber given the global surge in demand for rubber-based PPE resulted in a sharp increase in rubber prices

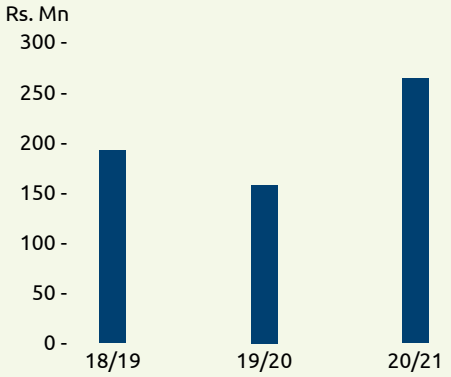
PERFORMANCE

The Rubber sector recorded a revenue growth of almost 68% during the year due to a surge in natural rubber prices towards the end of 2020. Demand strengthened in view of the sudden escalation in demand for PPE such as gloves and masks, following the outbreak of the COVID-19 pandemic. Demand conditions were also supported by the faster-than-anticipated economic recovery in Chinese together with increased demand from Thailand. Revenue growth coupled with ongoing efforts to reduce cost of production and operating expenses resulted in sector losses declining from Rs. 82.1 Mn in FY 2019/20 to Rs. 7.5 Mn in FY 2020/21.

PRODUCTION AND YIELDS

In line with our diversification strategy, the Group has sought to reduce dependence on rubber by diversifying into alternative crops. Consequently EPP's rubber cultivation as at the end of FY 2020/21 amounted to 763 Ha compared to 1,249 Ha in FY 2016/17. Sustained efforts to improve crop yields such as improving soil quality, safeguarding against weather vagaries and introducing more efficient harvesting techniques however have resulted in better yields, which improved from 804 kg/ ha in FY 2019/20 to 1073 kg/ ha in FY 2020/21. Total production for the year however, increased by 18% reflecting adverse weather conditions.

Rubber Revenue



VALUE ADDITION

In line with its diversification and value addition strategy, the Group has sought to strengthen its presence in the value-added rubber segment, venturing into the production of sole crepe and colored sole crepe. We aggressively sought customer acquisition in this product line, thereby engaging in direct selling and mitigating exposure to the public auction.

WAY FORWARD

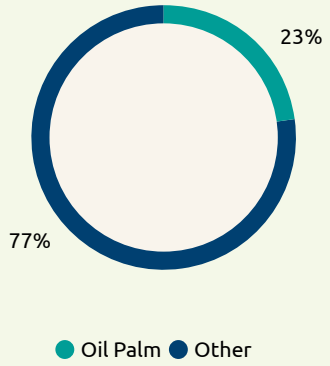
The recovery of advanced economies, rising crude oil prices and sustained demand for PPE amidst the ongoing COVID-19 pandemic is expected to drive demand for natural rubber, upholding global rubber prices during the remainder of 2021. Despite the optimistic short term outlook, taking into consideration the relatively lower returns from rubber in the long run, we will continue to convert unproductive rubber lands to more lucrative crops, and focus on moving up the rubber value chain to reduce the dependence on volatile auction prices.

OIL PALM SECTOR

PERFORMANCE IN 2020/21

The Oil Palm sector performed well during the year, although future growth prospects have been severely hindered by the recent ban, which necessitates gradual uprooting. We are confident that with sustainable agricultural practices and clear policy we can derive the expected benefits of oil palm with minimal impact to the environment. We therefore urge the government to re-assess its stance on oil palm cultivation, considering the potential benefits of the crop on the industry, its stakeholders and the overall economy.

Contribution to Group Revenue



PERFORMANCE IN 2020/21

HIGHLIGHTS OF 2020/21

+22%	+19%	-4%	57.39
Revenue	PBT	Production	NSA

Strategic Priorities

- Sustainable agricultural practices
- Mechanization to achieve efficiency gains
- Industry engagement

Operating Environment

- \- Ban on oil palm, necessitating gradual uprooting and cultivation of alternative crops
- \+ Strong demand resulting in better pricing

Capital Value Creation

Profit after tax of Rs. 562.26 Mn

16,554,790 kg of crops (-4%)

Rs. 579 Mn payments to employees

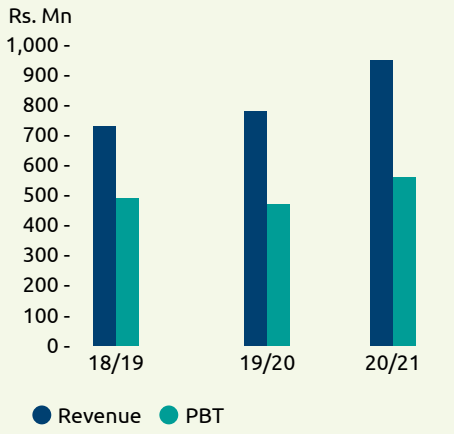
Rainwater harvested irrigation scheme

IMPLICATIONS OF COVID-19

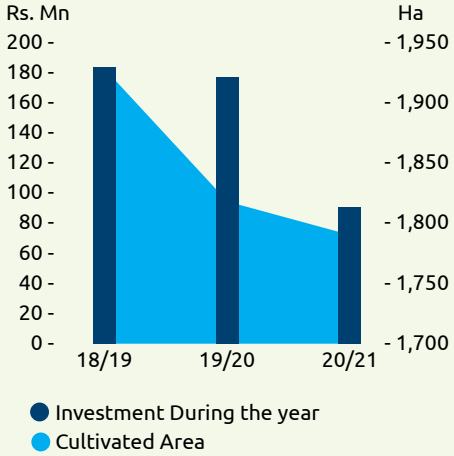
- The Sector remained largely resilient during the first wave of the pandemic in early FY 2020/21, although operations have been impacted in the 2nd and 3rd waves with the infection spreading across estate communities.

PERFORMANCE IN 2020/21

Revenue & PBT



Investment in the Sector



PERFORMANCE

The oil palm sector continued to perform well in FY 2020/21 recording a revenue growth of 22% to Rs. 950.2 Mn. The growth was supported by consistently high NSA's during the period under review due to strong domestic demand for palm oil. Sector profits too improved during the year with PBT increasing 19% to Rs. 562.3 Mn compared to Rs. 471.1 Mn in FY 2019/20.

INVESTMENTS

EPP has made significant investments in the oil palm industry over the years. The Group currently has 1,790.35 hectares of cultivated oil palm land in seven of its low country estates and almost Rs. 15.8 Mn worth of seedlings stocked in nurseries. EPP is also a joint venture partner of AEN Palm Oil Processing (PVT) Ltd, a partnership between Agalawatta Plantations, Elpitiya Plantations & Namunukula Plantations to manufacture crude palm oil. Policy inconsistency with regards to the expansion of oil palm cultivations however has severely hindered the growth prospects of this highly lucrative crop. Following the Government ban on new oil palm cultivation in 2019, we curtailed our expansion plans and instead focused on improving crop yields, driving greater process efficiencies, and improving the quality of our existing crop extent. To this end several field operations including pruning and harvesting have now been mechanized. We also systematically expanded the rainwater harvested irrigation scheme to maintain the water content of our oil palm lands.

PRODUCTION AND YIELDS

Total crop in FY 2020/21 amounted to 16,554,790 kg compared to 17,322,970 Kg in FY 2019/20. Crop yield per Hectare meanwhile declined from 13,930 kg/ Ha in FY 2019/20 to 12,662 kg/ha in FY 2020/21 mainly on account of the unfavorable weather conditions that prevailed during certain months.

WAY FORWARD

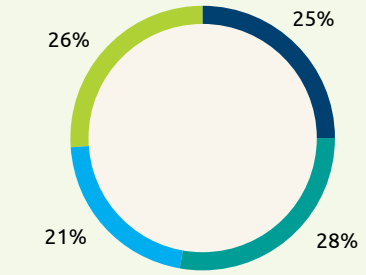
The sudden decision to ban oil palm cultivation in Sri Lanka and gradually remove existing oil palm cultivations is a significant blow to the plantation sector that has invested heavily in the industry since 2014. We therefore urge the Government to reconsider this drastic decision considering the overall impact on the plantation sector. As a lucrative crop requiring limited land and escalating demand, we reiterate that oil palm has the potential to transform the country's dwindling plantation sector while generating export earnings and saving foreign exchange through import substitution of edible oils. We are confident that by adopting sustainable agricultural practices, we can reap the true benefits from this crop and look forward to engaging with the government to arrive at a mutually acceptable way forward.

STRATEGIC INVESTMENTS

PERFORMANCE IN 2020/21

The Group continues to pursue diversification through strategic investments in sectors such as renewable energy, high value horticulture and commercial forestry. These investments are still in nascent stages and are expected to emerge as more significant contributors to earnings over the medium-to-long term.

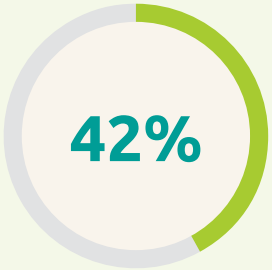
Revenue Contribution from Diversified Operations

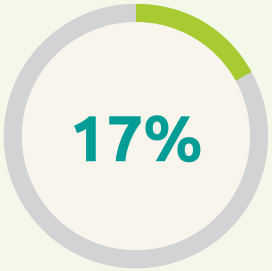
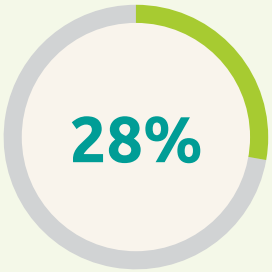


- Commercial Forestry
- Mini Hydro Power
- Solar Power
- Other

PROGRESS IN 2020/21

Having identified the strategic need to transform the Group from a purely commodity-based operation to a more dynamic and sustainable business, EPP embarked on a transformational journey in FY 2017/18 pursuing gradual diversification of its operations and revenue streams. Accordingly, the Group now has significant interests in key growth industries such as renewable energy, high value horticulture, commercial forestry and leisure.

Total Investment to Date	Revenue Contribution (as a % of total non core income)	Developments
Rs. 584 Mn		**Renewable Energy** EPP's renewable energy portfolio includes three mini hydro projects and nine rooftop solar projects with a total generation capacity of 6,056 KW. Having completed solar implementation all our factories we have now commenced solarizing our bungalow roofs to increase our internal solar generation capacity. We are also looking to expand our renewable energy portfolio beyond our own estates with several investments in third-party solar roofs and mini hydro plants to further enhance our revenue generation capacity from renewable energy. We are also venturing overseas, with a wind power and mega hydro power project in the pipeline. In addition to our commercial aspirations, this initiative has also enabled the Group to drive its environmental objectives through reducing reliance on fossil-fuel based energy sources and thereby offsetting our carbon footprint.

Total Investment to Date	Revenue Contribution (as a % of total non core income)	Developments
Rs. 355 Mn		**Other Crops** **Berries Project** A key project under DESIGN 2020, the 'Berries project' aims to cultivate four varieties of berries; strawberries, blueberries, blackberries and raspberries on selected estates. Commercial operations have commenced for strawberries while other berries are also in the pilot stage awaiting field cultivation. Upon commercialization of all four berry varieties, we hope to derive a significant advantage as the first company in Sri Lanka to cultivate and market the full range of berries. **Cinnamon Project** EPP's cinnamon cultivation spanning 102.32 Hectares continued to perform well during the year generating a revenue of Rs. 20 Mn in FY 2020/21. During the year we focused on increasing yields and streamlining the processing operation by establishing a centralized processing unit . During the year we also launched an organic Cinnamon project , where we partner with certified out-grower farmers to exclusively purchase organic cinnamon. The project which will provide us access to over 600 acres of organic certified cinnamon cultivation is scheduled to commence commercial operations in August 2021. The project is certified by Control Union Certifications, an independent, global certification body specializing in organic farming. **Tropical Fruit Cultivation** EPP also cultivates and markets a range of tropical fruit including soursop, passionfruit and pineapple for both the local and export markets. While continuing to expand the range of short-term fruit crops, we are also exploring innovative fruit-based products such as pulps and jams based on customer and product research. These products are available in the market under the brand name Tropifruit .
Rs. 1,089 Mn		**Commercial Forestry** We have added Agarwood to our commercial timber plantation which currently spans an extent of 895 Hectares and includes a range of commercial timber plants such as Eucalyptus, Albizzia and Alstonia. During the year we invested Rs. 5 Mn in land upkeep and in expanding our Agarwood extent while focusing more on the marketing aspect of the operation. The biological asset value of our timber plantation increased to Rs. 1.08 Bn as at the end of FY 2020/21 due to continued developments during the year. In addition to the above, we are currently in the process of exploring the possibility of a joint venture to manufacture organic fertilizer on a commercial scale.
Rs. 20 Mn	**Leisure** EPP entered into a joint venture partnership in 2020 with Sim Leisure Group Ltd, Singapore, a leading theme park developer, to set up a world-class ESCAPE theme park in Deviturai. Although the COVID-19 pandemic delayed construction work on phase 1 which was scheduled to commence in December 2020, we continued to closely engage with our joint venture partners and plan on commencing construction work shortly. We remain confident about the project given that it is the first of its kind in Sri Lanka and considering the potential for domestic and regional travel post COVID-19.	

RISK MANAGEMENT

INTRODUCTION

THE BOARD IS COMMITTED TO MAINTAINING A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL IN THE GROUP AND IS PLEASED TO PROVIDE THE FOLLOWING STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL WHICH OUTLINES THE NATURE OF INTERNAL CONTROL OF THE GROUP DURING THE FINANCIAL YEAR ENDED 31 MARCH 2021 PURSUANT TO THE CONTINUING LISTING REQUIREMENTS.

THE RISK MANAGEMENT PROCESS AND SYSTEM OF INTERNAL CONTROL ARE DESIGNED TO MEET THE GROUP'S NEEDS AND TO MANAGE THE RISKS TO WHICH IT IS EXPOSED.

BEING A COMPANY, WHICH IS PART OF A DIVERSIFIED GROUP, A COMPREHENSIVE RISK APPROACH IS VITAL TO THE COMPANY FOR THE APPROPRIATE AND ADEQUATE EXECUTION OF RISK MANAGEMENT TO ACCOMPLISH THE STRATEGIC OBJECTIVES

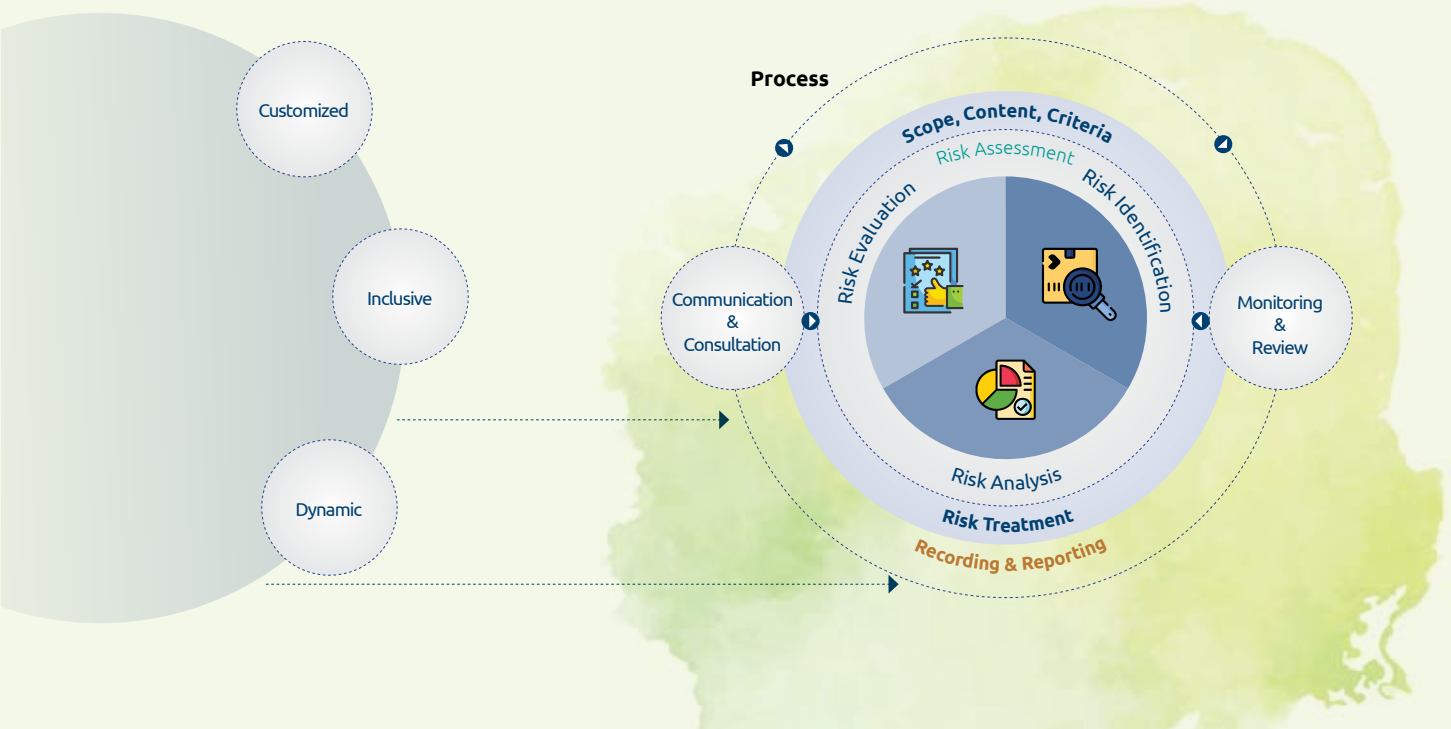
In today's volatile, uncertain, complex and ambiguous business environment, it's imperative that the Group anticipates future challenges and addresses its risks strategically. In Elpitiya Plantations PLC, our governance structure accords a dynamic balance of Board and Management working within a corporate ecosystem of risk management and internal controls. This is to effectively steer the Group in meeting its long-term objectives and deliver value to the Group's stakeholders within the realm of accountability, transparency, integrity and ethics.

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 recognizes its primary responsibility towards stakeholders is to ensure the long-term viability of the Group. Accordingly, the Group is aware that risk is an integral and unavoidable component of its business, characterized by threats and opportunities stemming from both the internal and external environment. It fosters a risk conscious corporate culture in all decision making cognizant 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.

The Group strives to foster a risk-aware corporate culture in all decision making. Our policy, therefore, is to achieve an optimum balance between risk incurred and potential returns to shareholders and stakeholders



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)	To ensure a top-down review of risk is conducted on an annual basis as part of the annual strategic planning update which ensures the risk implications of any changes in strategy are identified, assessed and documented.
Business Unit/Operating Unit/ Project	Quarterly Update	Bottom Up (as part of the periodic monthly management review process)	To ensure updating of risks occurs on a quarterly basis by appropriate risk management personnel who are in a position to know about changes in risks and are able to identify, assess, document and escalate key risks.
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)	To ensure appropriate risk management activities occur on and as required basis for major projects/ proposals by appropriate project staff cognizant of the projects' lifecycle stage.

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

The Risk Assessment activity identifies and prioritizes key risks and the existing controls/ measures to prevent and/ or mitigate the key risks along with any planned actions to manage the risks.

The Risk Treatment activity involves the development of action plans and subsequent execution of these plans.

The Risk Monitoring (or Assurance) activity validates whether the existing controls are designed and operating effectively to prevent/ mitigate the risk and to assess whether improvement actions are on track and are completed on time.

RISK APPETITE

Risk appetite is the level of risk we are willing to take in order to execute a strategy. The following table describes the level of risk and respective treatment available in the risk management process.

Risk Level	Risk Treatment	Risk Response
Low	**Acceptable** Unlikely to require specific application of resources; manage by routine procedures.	Monitor and review.
Moderate	**Acceptable** Unlikely to cause much damage and/or threaten the efficiency and effectiveness of the program/activity. Treatment plans to be developed and implemented by operational managers.	Manage by specific monitoring or response procedures.
High	**Generally, not acceptable.** Likely to cause some damage, disruption or breach of controls.	Senior management attention needed and management responsibility specified. Treatment plans to be developed and reported.

RISK TREATMENT

Risk treatment involves developing a range of options for mitigating the 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.

- Risk acceptance – 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

The Group's risk landscape shifted considerably during the year, reflecting unprecedented changes in the external environment. The outbreak of the COVID-19 pandemic, together with unfavorable developments in the policy landscape, resulted in the emergence of new risks during the year under review, necessitating strategic agility and adaptability.

Strategic Risk - A possible source of loss that might arise from the pursuit of an unsuccessful business.

Business Risk	Moderate Risk	Control

- Risks that arise from the decisions that the Board takes about the products or services that the organization 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.
- Risk of formulating and implementing fundamental corporate strategies which are 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 derive 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.

Pandemic-related disruptions	High Risk	Mitigate and Control

- The Plantation Sector remained relatively resilient against the COVID-19 virus during the 1st and 2nd waves of the pandemic; however, the recent surge in infections with the spread of more transmissible variant in the country and the resultant lockdowns could impact production volumes.
- Rising infections within our estates could result in disruptions to operations, impacting operational cost and employee morale, given increased vulnerability to health and safety risks.
- The Group has implemented all required health and safety protocols recommended by the Health Authorities and continues to vigilantly monitor infections on a daily basis. Infected persons are provided required facilities to isolate, thereby curtailing the risk of cross-infection in our operating locations.

Risk of Climatic Change	High Risk	Mitigate and Control

- Adverse weather conditions may affect production volumes, yields and quality 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 unfavorable climatic changes. In addition, various research programs on soil & foliar analysis for fertilizer recommendations, shade-planting, fuel wood planting, pest & disease control, etc. are carried out together with the Tea and Rubber Research Institutes.

Unfavorable policy developments	High Risk	Mitigate and Control

- The ban on chemical fertilizer, increase in wages and ban on oil palm cultivation is likely to have considerable impacts on the commercial sustainability of the Plantation Sector
- In addition to increased pressure on the Sector's already-high cost base, these unfavorable policy developments are likely to lead to a decline in production volumes, adversely affect productivity and yields and impact the earnings of plantation sector workers.
- Diversification of revenue sources to reduce dependence on the Plantations Sector
- Proactive engagement with industry counterparts in persuading the Government to seek evidence-based regulations

Product Quality Risk	Moderate Risk	Share

- 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 engages closely 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 provides ongoing training to all employee cateogires such as Field Workers, Factory Workers and Executives on the aspects of the quality and adopting TQM procedures.

Human Capital and Labor Risk	High Risk	Mitigate and Control

- 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 unionized 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 Employer's Federation of which the Company is a member. This ensures industrial peace between the Managements and Trade Unions.
- Effective training and motivations programs, incentive schemes, close evaluations of employee performance to retain skilled human capital within the company.

Risk of Assets Misappropriation	Moderate Risk	Control

- Risk of theft 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.

Compliance Risk	High Risk	Mitigate and Control

- Risk of non-compliance with the laws and other regulations established in respective industries.
- Non-compliance with laws and regulations would affect continuity of operations operations, loss of reputations and brad, 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	Low Risk	Accept

- 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.

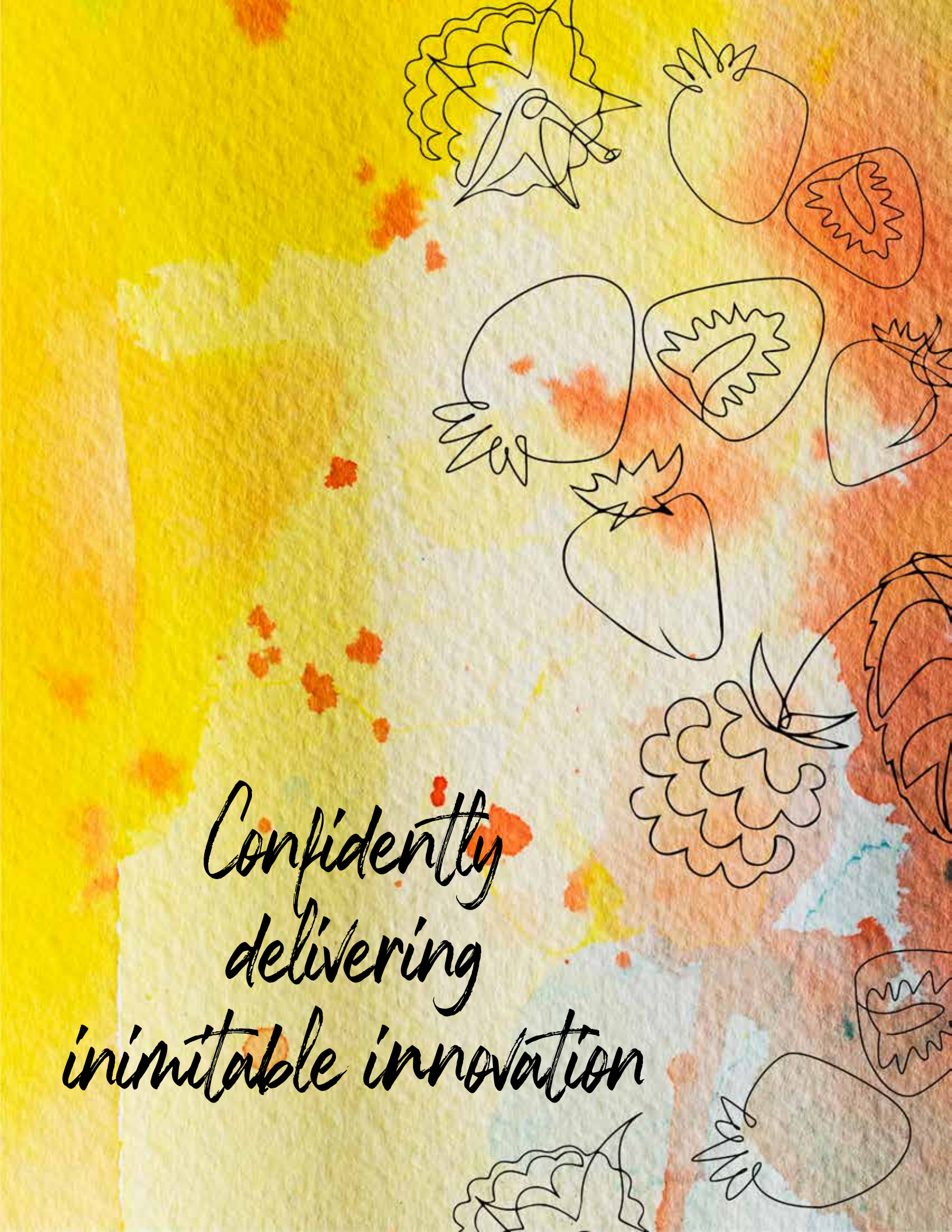
Interest Rate	Low Risk	Accept

- 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 utilization 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, analyzing, 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 gage 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


Confidently
delivering
inimitable innovation

CAPITAL MANAGEMENT

MAKING TRADE-OFFS

As the Group allocates resources to drive its corporate strategy, it inevitably makes trade-offs in capitals reflecting the limited availability of resources, balancing of often competing stakeholder interests and short-and-long-term nature of goals. The trade-offs we made during the year are given below:

AGRICULTURE AND PROCESSING STRATEGY	
	As the Group increases investments in mechanization and automation, its reliance on people will gradually reduce.
	Factory development, mechanization and automation will gradually strengthen the Group's manufactured capital, but require an outlay of financial capital in the short-term

DESIGN 2020	
	Diversification to non-traditional crops require an outlay of financial resources in the short to medium-term; however, the benefits are likely to accrue over the longer-term following market acceptance and scale advantages
	As the Group pursues investments in new products and value additions, it can enhance its intellectual capital through strong brands and organizational capital
	As the Group pursues diversification, it will be compelled to invest financial and human capital over the short-term in developing markets. However, this will enable the Group to enhance its Social & Relationship with the attraction and retention of new customers.

SUSTAINABILITY STRATEGY	
	Preserving and enriching quality of soil through organic fertilizer and reducing reliance on chemical fertilizer will require increased financial investments, particularly given the shortage of organic fertilizer in the short-term.
	As the Group embeds sustainability thinking into its processes and operations, it can nurture a strong base or organizational learning on sustainable agricultural practices while propagating this knowledge across the supply chain.

FINANCIAL CAPITAL

The Group achieved a record-breaking financial performance in a year rife with numerous external challenges, thereby delivering on its shareholder commitments. Revenue for the year increased by 23% while profit after tax nearly tripled to Rs. 874.99 Mn, making 2020/21 the Group's most profitable year to date.

Strong performance supported by broad-based improvements in all segments

23% increase in revenue

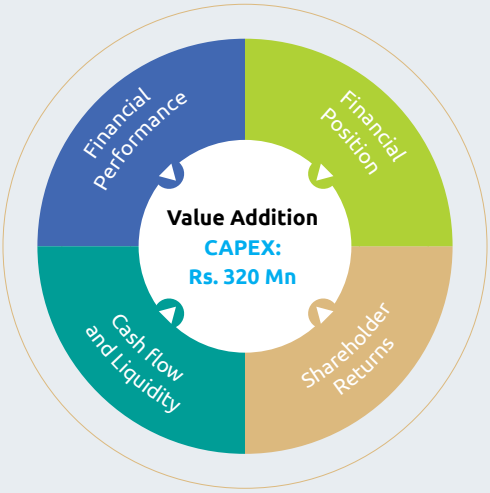
184% increase in PAT

Healthy financial position

0.02 gearing levels

7% asset growth

72% funded by equity



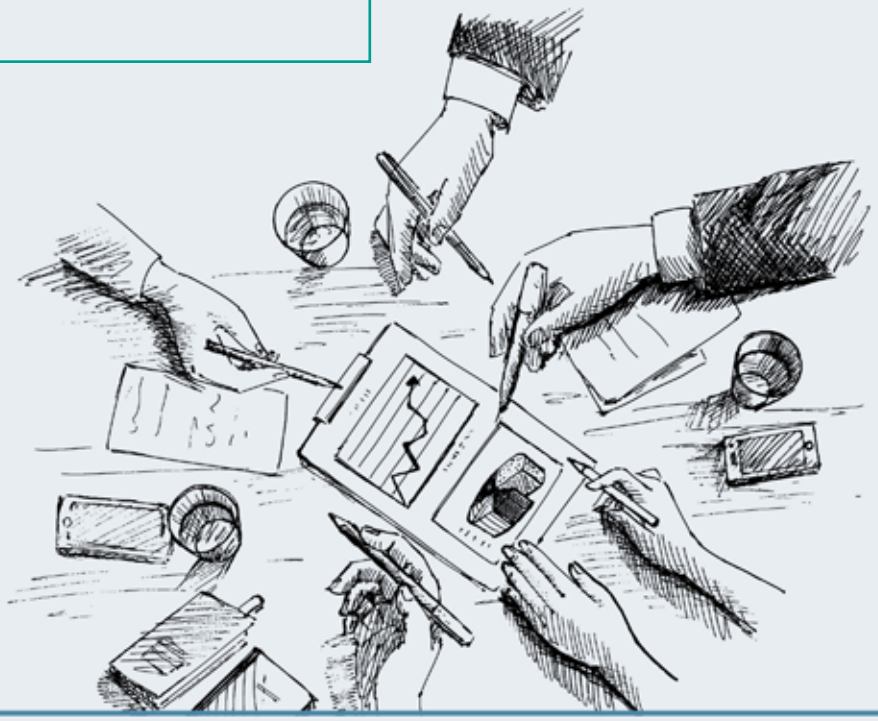
Strong cash flow generation supported by improved performance

Rs. 452 Mn
Net increase in CCE

Rs. 12.01 earnings per share

Rs. 2.00 dividends per share

Tripling of share price during the year



Way Forward ➤

- Planned investments in the construction of the Group's adventure park in Galle
- Pursuing increasing diversity of revenue sources in line with the DESIGN 2020 strategy
- Ongoing focus on productivity and efficiency improvements

CAPITAL MANAGEMENT

REVENUE

EPP's consolidated revenue increased by 23% to Rs. 4.06 Bn during the year, reflecting broad-based improvements in all revenue categories. Tea accounted for 69% of total revenue and recorded healthy growth of 20% in view of the near 16% increase in NSA, despite the 7% drop in production volumes. Revenue from rubber surged by 68% driven by the surge in global rubber prices, despite a marginal drop in volumes. The oil palm sector grew by 22% during the year reflecting persistently attractive prices and strong demand. The Others Sector recorded a top line growth of 75% supported by improvements in both renewable energy and commercial forestry. Despite improvements in both tea and rubber, the reliance on these sectors have continued to decelerate reflecting the Group's diversification strategy; accordingly, these sectors collectively accounted for 75% of revenue, compared to 76% the year before. Potential earnings from oil palm have been significantly impacted by the government's ban on oil palm cultivation, which has undermined our investments in this Sector since 2014.

Segment	Contribution %	Growth y-o-y (%)
Tea	69	+20
Rubber	6	+68
Oil palm	23	+22
Others	1	+75

GROSS PROFIT

Consolidated gross profit more than doubled to Rs. 978.36 Mn during the year, supported by broad-based improvements in the pricing of our key crops- tea, rubber and oil palm. Meanwhile the Group's GP margin widened to 24% from 14% the previous year, supported by better pricing as well as improved yields in both tea and rubber (Please refer to business line reviews on pages 66 to 83 for further information). Going forward however, margins are expected to come under pressure- particularly in the event that the proposed wage hike is implemented; the ban on chemical fertilizer is also expected to result in cost pressures, given the limited supply of organic fertilizer in the country.

OPERATING PROFIT

The Group's operating profit (prior to deducting management fees) surged by 97% to Rs.892.86 Mn, reflecting improvements in core performance of all business lines, stronger contributions from the Group's joint venture as well ongoing emphasis on productivity and cost efficiencies. Other income recorded a decline of 38% to Rs.139.54 Mn, mainly due to a one-off insurance claim of Rs.80 Mn in the previous year; income from solar power projects increased by 44% during the year. Share of profit from joint ventures increased by 65% to Rs. 90.46 Mn reflecting strong contributions from AEN Oil Palm Processing (Pvt) Ltd. Resultantly, the Group's operating profit margin widened to 19% from 12% the previous year.

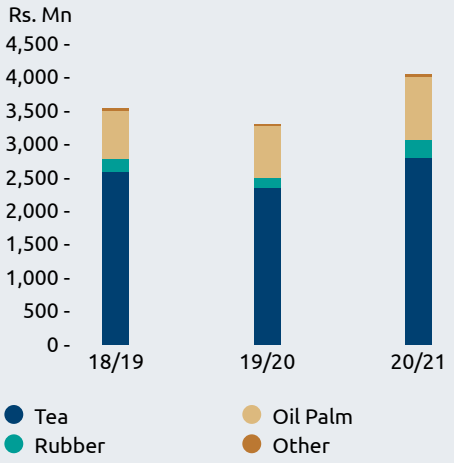
PRE-AND POST-TAX PROFIT

The Group's net finance expenses remained relatively unchanged at Rs. 46.21 Mn, given the Group's relatively low levels of gearing. Overall consolidated pre-tax profit more than doubled to Rs. 725.52 Mn, supported by improvements in top line and profitability margins. Value creation to the government (in the form of tax payments) amounted to Rs. 18.3 Mn during the year. Resultantly, the Group's profit for the year nearly tripled to Rs.874.99 Mn from Rs. 307.73 Mn the previous year; this reflects the highest profitability in EPP's operating history. The Group's ability to achieve record profitability in a year rife with unprecedented external challenges, attests to the robustness and resilience of EPP strategy.

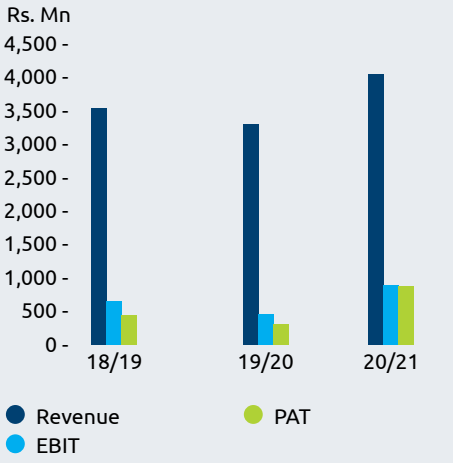
BALANCE SHEET STRENGTH

The Group's financial position is healthy reflecting consistent asset expansion, a strong equity base and low gearing levels. Total assets increased by 7% to Rs.7.06 Bn during the year, supported by ongoing capital expenditure, investments in field development and improved liquidity levels. Capex for the year amounted to Rs. 319.81 Mn and included investments in new factories, solar power generation and factory development. Meanwhile investments in working capital Increase by 783% during the

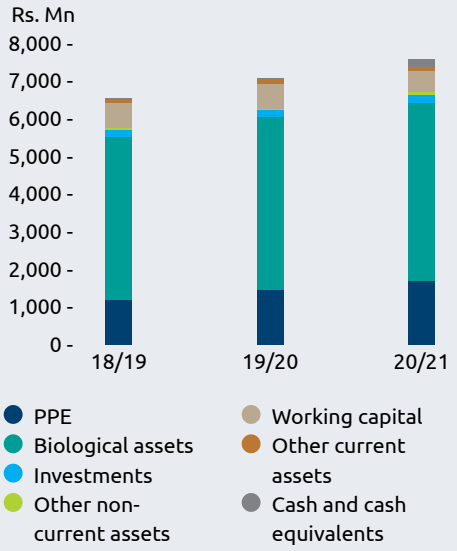
Revenue Composition



Profitability Trends



Asset Composition



year. The Group's asset composition remained relatively unchanged with non current assets accounting for 89% of the Group's balance sheet.

CAPITAL AND LIABILITIES

The Group's equity base strengthened during the year, supported by improved profit generation; accordingly, shareholders' funds increased by 18% to Rs. 5.46 Bn and accounted for 72% of the Group's total balance sheet. Following the settlement of its overdraft facility, the Group's exposure to borrowings remain negligible with a debt to equity ratio of 0.02. This provides ample room for the Group to expand its borrowings to fund future expansion, if and when the need arises.

CASH FLOW

The Group's cash flow positioned strengthened in line with the overall improvement in performance during the year. Net cash inflow from operating activities nearly doubled to Rs.1.03 Bn (2019/20: Rs.520.09 Mn) supported by broad-based improvements in all business segments. Net cash outflow from investing activities amounted to Rs.523.68 Mn reflecting investments in factory development, capacity expansion as well as field development activities. Meanwhile, net cash outflow from financing activities was Rs.55.79 Mn. Overall, the net change in cash and cash equivalents for the year amounted to an inflow of Rs. 451.60 Mn, strengthening the Group's liquidity position.

WAY FORWARD

- Ongoing focus on diversifying revenue sources including renewable energy, berries and other tropical fruits
- Increased investments directed towards the construction of the Group's adventure park in Galle
- Focus on productivity and efficiency improvements

Adequacy of Financial Capital for Future Plans

The Group's strong balance sheet and relatively low debt levels enables the Group to expand its borrowing base to fund future investments.

MANUFACTURED CAPITAL

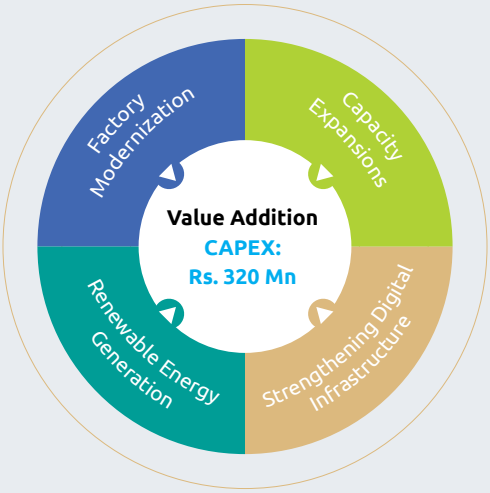
EPP has continued to invest in enhancing both its physical and digital infrastructure, with emphasis on factory development, mechanization and automation. These efforts have resulted in improved efficiencies, product quality and increased visibility of information to drive better decision making.

Increased mechanization, factory modernization and upgrade

Rs. 148 Mn investment

Completed the construction of 2 CTC factories

80% increase in capacity

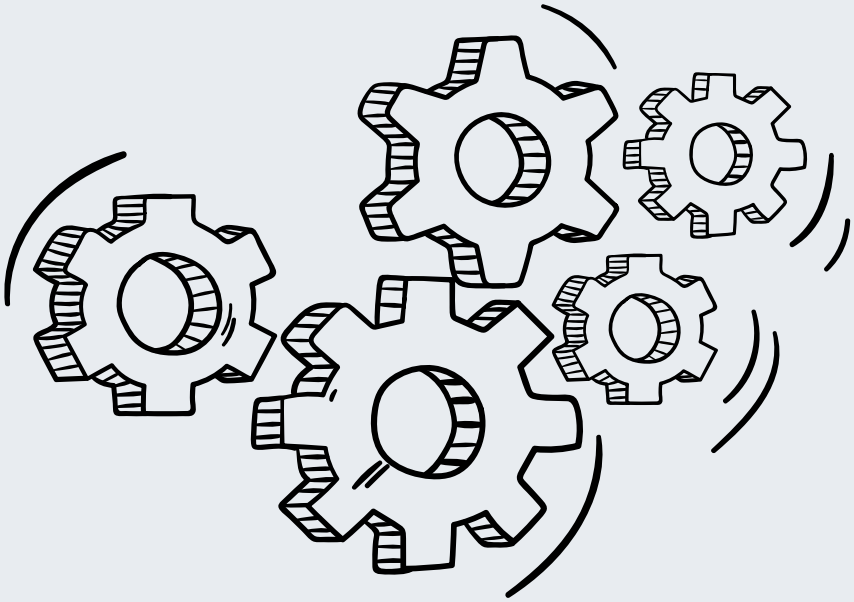


Increased investments in solar power generation

+52% increase in solar power generation during the year

Improved monitoring of operational parameters and integration of financial information

Rs. 5.3 Mn investments in digital



Way Forward ➤

- Planned construction of the Group's adventure park in Galle
- Ongoing investments in automation and mechanization
- Increased investments in solar power generation and improving energy efficiency

CAPITAL MANAGEMENT

Manufactured capital comprises the Group's physical infrastructure including factories, machinery and equipment and digital infrastructure (hardware, IT Systems) which enable smooth smcontinuity of operations. As at end-March 2021, EPP's Manufactured capital amounted to Rs. 1.68 Bn, accounting for 22% of consolidated assets; capital expenditure for the year amounted to Rs. 319.81 Mn.

	Investment in 20/21 (Rs. Mn)
Buildings	25.54
Furniture and fittings	1.47
Water and sanitation	0.92
Motor vehicles	10.78
Equipment, plant, and machinery	65.15
Solar power	95.42

Outcomes of Investments

- Increase in capacity
- Reduced reliance on labour
- Productivity/efficiency improvements
- Increased renewable energy generation
- Improved monitoring of information

PHYSICAL INFRASTRUCTURE

Investment in factory development amounted to over Rs. 149 Mn during the year, as the Group focused on expanding capacity and increasing automation and mechanization. Key developments during the year included the following

- Completed the construction of 2 CTC factories in Dunsinane and New Peacock estates which commenced in 2019/20. Following these investments, the manufacturing capacity of the two estates are expected to increase by approximately 70% and 90% respectively.
- Investments in boilers within these factories to enhance steam capacity
- Solar PV fitted systems in 3 factories, enabling an increase in the Group's solar power generation capacity
- Ongoing investments in mechanization including shear plucking, harvesting machines and mechanized harvesting in oil palm.

DIGITAL INFRASTRUCTURE

In recent years, the Group has placed strategic emphasis on enhancing its digital capabilities with the aim of improving the quality of information and decision making. A major achievement in the Group's digitalization journey has been the automation of field-level data, which has enabled the replacement of Kangani chits and offered access to comprehensive, real-time data.

Automation of Kangani chits			
60,000 Chits replaced annually	48,900 Man hours saved annually	Complete visibility of integrated field-level information	Timely management decisions and improved communication
Improvements in IT literacy of estate employees		Better mobility and flexibility in entering data	

Other investments in digital capabilities included:

- Cloud-based monitoring of solar generation information
- Improved monitoring of operating parameters, which are captured in digital form and uploaded to the cloud.
- Facilitated work-from-home arrangements for head office employees, providing the necessary hardware and software infrastructure
- Digitalization of estate-workers' salary payments through performance dashboards, which enable improved, real-time monitoring of productivity levels
- Streamlined reporting processes at estate level through implementing the Estate Finance Module, thereby integrating the finance module to estate level data and increasing the visibility, accuracy and reliability of information.

WAY FORWARD

- Complete boiler house for the Nayapane factory, which will result in improved energy efficiency
- Further investments in automation, particularly in field activities
- Commenced construction of the Group's adventure park in Galle

Adequacy of Manufactured Capital for Future Plans

With recent investments in factory and digital infrastructure the Group is well positioned to drive its strategic aspirations in achieving efficiency and optimal resource allocation.

HUMAN CAPITAL

Our team of 4,865 employees including 4,409 estate workers is the bedrock of our operation, and an integral part of our value creation process. Empowering our employees through skill development remains a priority as we strive to achieve greater worker productivity and develop a leadership pipeline for the future.

STRATEGY AND VALUE CREATION IN 2020/21

Focus on productivity, technical and soft skill development.

5,611 training hours

15 average training hours per employee

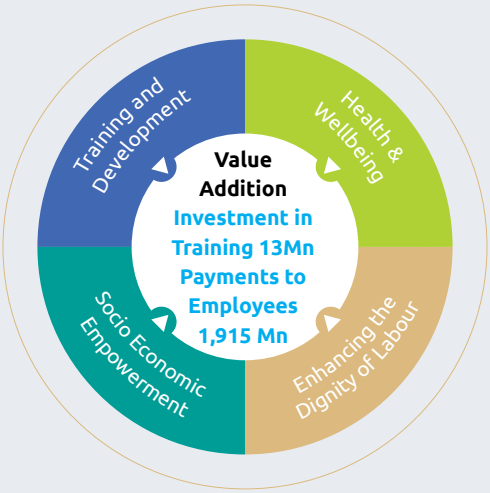
Rs. 13 Mn investment in training and development

Stringent measures to safeguard the well-being of our team through,

Rs. 34 Mn investment in health and safety

Distribution of PPE, immunity boosters, sanitization equipment

Strengthen the medical infrastructure in estates



Ongoing investments in enhancing the socio-economic conditions of our estate worker community.

Rs. 131 Mn investments

1,033 beneficiaries

Initiative to redefine job roles and create attractive career pathways that provide greater job satisfaction and career progression opportunities.

32 promotions

Way Forward ➤

- Increase worker productivity through skill development and better monitoring.
- Enhance the dignity of labour by empowering employees and offering progressive career opportunities to attract and retain a new generation of estate workers.
- Develop a future ready leadership pipeline with the requisite skills to steer the company into the future.

MANAGEMENT APPROACH

Our governance structures and policies are aligned to the Aitken Spence Group, aim to adopt HR best practices that foster a vibrant, empowered and equitable work environment for all our employees. A centralized HR department is responsible for the overall HR function and closely co-ordinates with divisional heads to ensure alignment between business strategy and HR strategy. The HR function is supported by an HR information System (HRIS) which ensures that performance is monitored on an ongoing basis against identified KPI's. The Aitken Spence PLC HR Committee provides oversight on the implementation of the Group's people agenda. meanwhile provides guidance and oversite through regular engagement. We ensure that all laws and regulations including laws pertaining to child labour and forced/ compulsory labour are strictly adhered to. No cases of child labour or forced labour were reported during the year. We are also an equal opportunity employer and strive to create an inclusive and equitable culture through strong policies and employee practices. There were no reported incidents of discrimination during the year.

The Group's HR policies have been designed to ensure compliance with all relevant regulations and labour laws while embracing industry and international best practice in people management.

OUR POLICY FRAMEWORK

CREATING A REWARDING WORK ENVIRONMENT	AN INCLUSIVE AND CONDUCIVE ORGANIZATIONAL CULTURE	ENSURING EMPLOYEE WELL-BEING
Rewards and Remuneration Policies • Equal opportunity policy • Rewards and benefits • Performance management policy	**Employee Engagement and Management** • Recruitment policy • Training and development policy • Promotions policy • Code of Ethics	**Policies Relating to Working Conditions** • Health and Safety

OUR TEAM

The composition of our team reflects the diversity of our operations. Almost 95% of our permanent employees are hired from communities surrounding our estates and include 4,409 workers across 13 estates.

Information on employees and other workers		
By Gender	Male	2,235
	Female	2,630
	Total	**4,865**
By Region	Head Office	101
	Upcountry	3,309
	Low Country	1,455
	Total	**4,865**

4,865 employees

54.06% female representation

96% permanent employees

98% estate sector workers

43 years average age of employees

Gender Parity at EPP

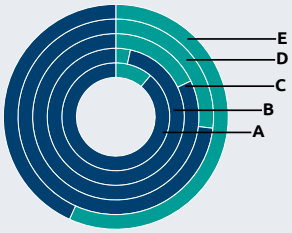
EPP's overall female representation is relatively high at 54.06%, reflecting the norm in the plantations sector which has traditionally employed females as tea-pluckers. The Group's HR policies and strategy aims to create a diverse workplace in which women can thrive in an equitable and inclusive organizational culture.

Policies and Standards			
Equal opportunity employer	Equality in pay	Mother and Child Friendly estate certification from Save the Children	Sexual harassment policy

Processes and Practices Encouraging Gender Parity

- Flexible working hours and options to work from home
- Child-care facilities for estate sector workers
- Paid maternity leave for 84 working days
- Comprehensive health and medical care for workers and their children
- Established grievance mechanisms for addressing possible issues of discrimination and/or sexual harassment

Female Representation

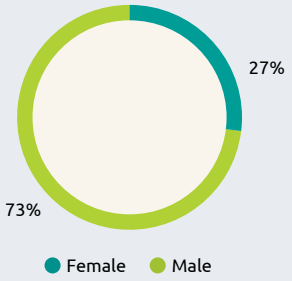


		Male	Female
A	Board of Directors	89%	11%
B	Senior Management and above	97%	3%
C	Executive	82%	18%
D	Non-executive	73%	27%
E	Others	43%	57%

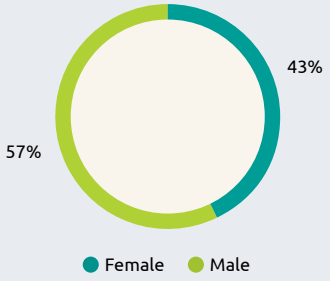
Key Departments

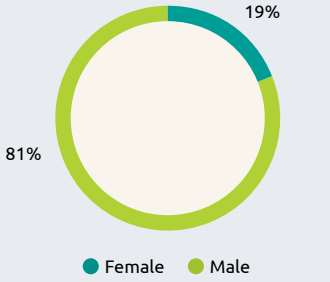
Finance: 29%
HR: 40%
Marketing: 33%
Procurement : 100%

Training Opportunities



Movement and Career Progression Among Women





Team Movements

Despite pandemic-related disruptions we continued to expand our team, in line with our strategic aspirations. Accordingly, we added 335 new employees to the team. Meanwhile, a definitive decision was made to retain all our employees during the pandemic, with zero layoffs across the organization. Natural turnover amounted to 12% during the year.

New Recruitment		Employee Turnover
No.		No.
	By Gender	
144	Female	370
191	Male	251
	By Age	
42	Under 30	55
46	30-50	282
247	Over 50	284
	By Region	
10	Head office	12
241	Upcountry	330
84	Low Country	279

People Strategy in 2020/21

EPP's People Strategy during the year, was shaped by developments in the operating landscape and aligned to the Group's long-term business strategy, as graphically illustrated below: resolution

EXTERNAL DEVELOPMENTS/TRENDS

The Wages Board mandated a 34% increase in wages in March 2021, resulting in the daily wage paid to plantation sector workers increasing to a flat rate of Rs. 1,150 sans any link to productivity. Given the massive financial impact of this decision and adverse effects on productivity, the Planters' Association has sought legal action and is presently awaiting a decision.

Increasingly aging workforce in the estates, given the younger generations' reluctance to enter the sector and pursue alternative employment.

Increased vulnerability to health and safety risks following the outbreak of the COVID-19 pandemic.

STRATEGIC PRIORITIES

- Enhance employee productivity through training and development and knowledge sharing
- Increase dignity of labour through offering clear pathways for career progression
- Ensuring the health and safety of all employees through stringent protocols

Training and Development

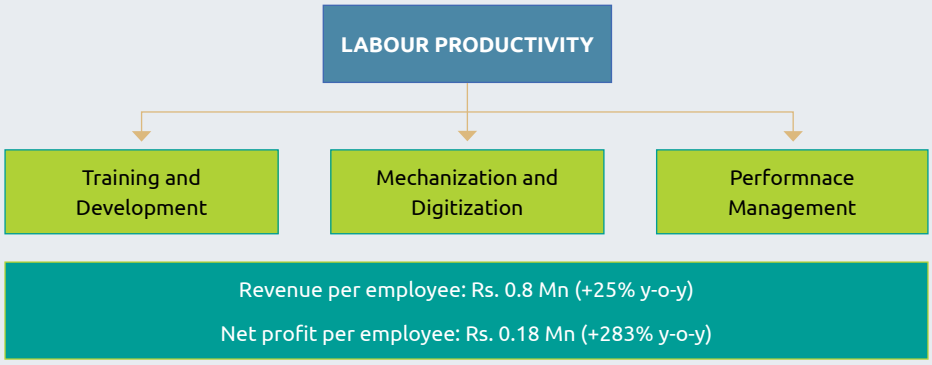
All employees including estate workers are offered a multitude of opportunities to develop their occupational and soft skills which in turn has contributed to higher levels of productivity and employee satisfaction. During the year we invested Rs. 13 Mn Mn to provide over 5,611 training hours to over 100 employees. Although we were unable to continue our overseas training programs due to the COVID -19 pandemic, we strengthened our online and inhouse training propositions thereby offering continuous learning opportunities. A successful initiative conducted during the year were estate worker led PMT circles, where workers engage through small groups to share knowledge, drive innovation and increase productivity.

Key training programmes conducted during the year included the following:

Skills Developed	Program Details	No. of Participants
Leadership and technical skills	Service Leadership	4
	Child protection awareness	50
	Accountability and learning	4
	Technical skills for increasing yields	3
Sustainability and environmental practices	Sustainable plantation methods	5
	Environmental management based on ISO 14001	2
	Energy conservation and management	6
Soft skills	English language	15
	Sign language	3

Productivity

We see productivity enhancement as a critical success factor of our journey ahead and continue to focus on driving productivity in all areas of our operation. Our mechanization and digitization efforts are supported by training and development as well as robust performance management systems that ensure that our employees are adequately equipped and rewarded for their efforts. All employees are appraised bi-annually based on pre-determined goals and targets while estate worker productivity is closely monitored through a digitized real time data capturing at estate level.



Career Pathways and Progression

Attracting a second generation of estate workers and retaining youth within the industry remains a key challenge in the plantation sector. We aim to proactively address this issue by offering greater career progression opportunities, skill development opportunities and new career pathways to enhance the dignity of estate labour, making it more attractive to a new generation of estate youth. These efforts have also enabled us to create a strong leadership pipeline, aptly positioning the Group for its next stage of growth. During the year, 32 employees were promoted.

Employee Health and Well-being

A comprehensive Health and Safety policy sets out the standards, guideline and practices which ensures a safe and injury-free work environment for all employees. The Collective Agreement with estate workers also covers key elements of employee health and safety such as access to medical facilities and safe working conditions.

Estate-wise Safety Committees are in place to identify and assess potential safety vulnerabilities in the estates and surrounding communities. This mechanism also ensures worker participation and consultation in health and safety aspects. Trained medical officers and good health infrastructure is available on all estates for medical emergencies. Estate-wise health camps are also conducted with medical checkups and clinical care facilities. All staff are also entitled to medical allowances and annual medical check-ups as part of their benefits packages.

All welfare and managerial staff are trained on health and safety issues while regular training programs and awareness creation programs are conducted for staff and estate workers. During the year a total of 13 programs were conducted across our estates and other locations to create awareness on the COVID-19 pandemic, implications and preventative measures.

HEALTH AND SAFETY RECORD

Work-related Injuries

	No.
High Consequence Injuries	Nil
Recordable Injuries	Nil
Fatalities	Nil

Remuneration and Benefits

Estate worker wages and benefits are typically agreed on through a Collective Agreement with the trade unions. We also offer a comprehensive range of benefits that provide estate workers a " Womb to Tomb" proposition, which includes benefits including housing facilities, medical facilities , and childcare facilities among others . As part of our "womb to tomb" proposition we also offer financial support for estate worker's children's education, special assistance for children with special needs and retirement home facilities for retired estate workers.

We also continue to explore innovative remuneration models such as profit-sharing schemes which encourage greater productivity and enhance the dignity of estate labour through greater engagement. The digitization of estate worker salary calculation with real time data capture has also facilitated a more streamlined, transparent process.

Implications of COVID-19

As the COVID-19 pandemic began to unfold across the country, we proactively put in place precautionary measures to reduce the risk of transmission among our staff and estate communities. This included the following:

- Distribution of free personal protective equipment
- Strict social distancing and safety protocols
- Work from home arrangements facilitated for office employees
- Ongoing awareness programme
- Random testing for the COVID-19 virus
- Facilitating vaccinations for all employees in partnership with the health authorities

REMUNERATION MODEL

COMPREHENSIVE REMUNERATION PACKAGES	INNOVATIVE REVENUE MODELS	DIGITIZATION OF SALARY CALCULATION
• Wide range of benfits for employee and family • Womb to tomb proposition	• Profit sharing schemes • Confirmed fixed salaries for certain Estate workers categories • Incentive schemes	• A more streamlined transparent process

INDUSTRIAL RELATIONS

Approximately 82% of our employees are represented by 12 trade unions. We respect our employees right to freedom of association and continue to maintain cordial relations with the unions. During the year, we engaged closely with union representatives to ensure employee concerns arising from the pandemic situation were highlighted and addressed. We also continued to closely engage with our other employees through formal and informal channels ensuring that a close dialog was maintained throughout the pandemic period. Approximately one month of notice is given to employees regarding significant operational changes.

Total remuneration paid: Rs. 1,915 Mn (+3% y-o-y)

Remuneration per employee: Rs. 0.4 Mn (+9.2% y-o-y)

WAY FORWARD

- Increased focus on plucker productivity, with plans in place to develop productivity dashboards for all employees, which will enable the real-time monitoring of performance and productivity related information
- Drive initiatives to enhance the quality of life of workers with focus on work-life balance
- Special initiative to redefine job roles and competency frameworks with a view to building a strong talent pipeline

Adequacy of Human Capital for Future Plans

Labour shortages remain an industry-wide phenomenon, given the aging workforce in the plantation sector. With approximately 21% of our estate workers above the age of 50 years, we are adopting proactive measures to entice the younger generations to enter the plantation sector.

SOCIAL AND RELATIONSHIP CAPITAL

Effective relations with our main stakeholders create long-term value and business sustainability resulting in both individual and collective growth. The Group has therefore continued to nurture strong ties with customers, suppliers, business partners, regulators and communities.

Ongoing focus on enhancing the Group's customer value proposition

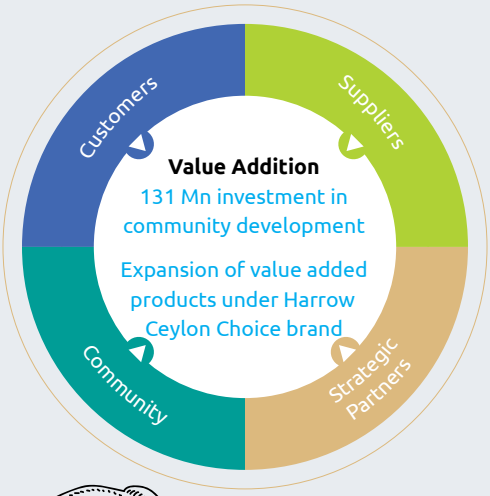
1
Innovation

5
Product-related certifications

69% customer satisfaction

Opportunities to pursue mutual growth and propagation of sustainable practices

Rs. 653 Mn
Payments to suppliers



Long-term commitment to creating positive, meaningful change in communities

Rs. 3.9 Mn
Investment in CSR

Strategic partnerships are formed to drive our product and business diversification strategies.

Way Forward ➤

- Broaden customer value through expanding our product range in value-added tea and other products.
- Strengthen the social pillar of our sustainability strategy through ongoing investments in community empowerment and development.
- Exploring new channels including modern trade and owned outlets to reach the customer.

CUSTOMERS

Our long-standing customer relationships are built on trust and reliability. Effective engagement plays a vital role in maintaining our market presence. Our customer base primarily consists of commodity brokers for tea and rubber products, while value added products such as oil palm and cinnamon are sold directly to the buyers. During the year we were successful in expanding our customer base by enhancing our product portfolio and maintaining proactive engagement.

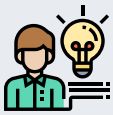
Superior Quality
Application of precision agricultural and production practices combined with conformity to international and best practices ensures superior quality products. This is reflected in the attractive prices received at the Colombo Tea Auction.

Effective Engagement
Effective communication channels are used to strengthen customer relations.

- Engaging with buyers through market intermediaries such as brokers
- Facilitating customer visits to factories and other operating locations
- Direct engagement with B2B customers
- International trade fairs
- Own retail outlets under Harrow Ceylon Choice brand

Commitment Towards Environmental and Social Sustainability
Our sustainability agenda is a key component of our overall business strategy. Our key areas of focus are,

- Responsible agricultural practices
- Water productivity
- Efforts to enhance the quality of life of the communities through various CSR projects



Innovation
Ongoing efforts in driving process automation through increased investments in digitalization and mechanization as well product innovations focused on expanding the Group's product range.

Customized Offerings
Effective engagement with customers has enabled us to understand and effectively respond to their emerging needs through new product variants. For instance, during the year, the Group launched a wellness tea in view of increased prevalence for healthy beverages.

Customers

- 5 Tea Brokers
- 1 Rubber Broker
- 2 Direct Buyers
- 2 Palm oil Buyers

Highlights of 2020/21

- Strengthened relationships through customized product offerings
- Customer acquisition through product diversification (eg: colored crepe rubber, tropical fruits etc.)
- Initiated a mechanism to measure customer satisfaction

Value Delivered

- Customer satisfaction score of 69% and ranking in the 'Excellent' category- among the highest in the Aitken Spence Group
- 4,451,162 kg of tea
- 650,286 kg of rubber
- 16,554,790 kg of oil palm
- 7,266 kg of cinnamon
- Variety of teas under Harrow Ceylon Choice

SUPPLIERS

We infuse value along our supply chain by sourcing approximately 99% of our requirements locally. Our supply base comprises of individuals, SMEs, local and foreign corporates and relationships are nurtured on trust, mutual reliability and transparency. All suppliers are assessed for conformity to quality and regulatory requirements priors to being selected.

Fair Dealing

- Detailed supplier assessments carried out before selection
- Transparency in all dealings
- Fair contract drawn and adhered to
- Timely and fair payment

Effective Engagement

Continuous engagement to maintain trust, reliability and superior quality.

- Supplier visits and annual audits
- International trade fairs
- Networking events
- After sales service

Sustainability and Responsibility

All suppliers are subject to regular social and environmental assessments to ensure conformity to regulatory requirements as well as industry best practice.

Supplier Development

We share our expertise with bought leaf suppliers on plucking, manuring, storing, and transporting. This ensures the quality of the products we procure while enabling suppliers increase their productivity and efficiency.

Suppliers

- Bought leaf suppliers
- Fertilizer suppliers
- Suppliers of packing material
- Seed suppliers
- Machinery and equipment suppliers

Value Delivered

- Rs. 653 Mn paid to suppliers
- Supplier development through knowledge sharing.

COMMUNITY VALUE CREATION

We remain cognizant of the inherent socio-economic vulnerabilities of estate sector workers and are committed to driving their socio-economic improvement through impactful community engagement projects. In addition to the projects initiated by EPP, the Group has also partnered with NGOs and other international agencies to uplift the living standards of estate communities. The Group adopts a strategic approach towards community engagement and development with long-term impacts tracked and assessed on an ongoing basis. Key areas of focus include child development and education, nutrition, healthcare and infrastructure development.

Implications of COVID-19 on estate communities and our response

- Increased vulnerability to health and safety risks
- Reverse migration of labour from urban areas
- Restricted mobility caused difficulties in accessing essential items

- Implemented home gardening programs across all our estates to ensure food security
- Provision of dry rations, medicines and personal protective equipment
- Offered employment opportunities for those who lost their livelihoods
- Awareness and prevention programmes
- Estate ambulance discharged free of charge

Progress made in 2020/21 is as follows:

Education and Development	Health and Wellbeing	Community Infrastructure and Development	Living Conditions

EDUCATION AND CHILD DEVELOPMENT		
Our efforts are directed at enhancing the education standards of the children of estate workers through providing educational support and development activities.		
Projects undertaken	**Investment (Rs. Mn)**	**Beneficiaries**
Constructing new child development centers and upgrading existing ones in partnership with the World Bank and PHDT	38.7	+200
Distribution of school books, uniform materials, stationery and gifts	1.8	1,033
Scholarships for advanced level and university students together with the MJF Fund		10 A/L and 16 university students
Educational program for ordinary level students	20	+100
Conversion of 3 estate buildings into 3 ICT centres to help the estate young generation to leverage their ICT skills	0.28	+100
LIVING CONDITIONS		
EPP continues to invest in upgrading housing and sanitation facilities of estate sector workers and their families.		
Construction of latrines, hand washing units and reconstruction of toilets in partnership with Korea International Cooperation Agency	9.5	+3,500
Construction of over 350 housing units in partnership with the Indian Government	417.04	+1,600
Construction of 295 new housing units, community centres and new roads with the assistance of the Government	124.86	+1,500
Construction of sanitary facilities and initiation of a new safe water project	3.24	+1,000
HEALTH AND WELL-BEING		
Ongoing efforts to enhance the health and medical infrastructure and facilities within the estates.		
Health camps conducted in all estates including dental and ayurvedic camps and clinics for women	34.45	+250
Health screening and improvement made to medical facilities		+150
Provision of nutrition supplements		23 orphans and 36 differently abled children
Awareness programme on Dengue fever		45
Renovation of the Ketandola Base Hospital		+150
Blood donation campaign		200
COMMUNITY INFRASTRUCTURE DEVELOPMENT		
Roads, water supply and power supply to houses constructed under Indian Govt. funded housing programme.	8.8	50 families
Renovation of places of worship in the Amugoda , Ketandola , Thalagaspe divisions	0.1	+100

Please note that projects carried out by estates have been clustered together.

OUR PARTNERSHIPS

We have formed partnerships with several organizations, both local and foreign to facilitate our strategic direction and business growth. These collaborations play a vital role in our sustainable growth and we strive to build mutually beneficial relationships with all partners. These partnerships include;

- SIM Leisure Group of Malaysia for the construction of the Adventure Park
- Smallholder partnerships for organic cinnamon
- Ceylon Biscuits Limited,

WAY FORWARD

- Ongoing investments in community engagement and empowerment, through focusing on the Social Pillar of our Sustainability Strategy
- Enhance our product proposition in brand equity in value added tea and other products
- Exploring new distribution channels

Adequacy of Social & Relationship Capital for Future Plans

The strong relationships we have nurtured with diverse customers, communities and business partners has positioned the Group in good stead to pursue its diversification and growth aspirations under DESIGN 2020.

INTELLECTUAL CAPITAL

Our intellectual capital is represented by our brand, tacit knowledge and domain expertise we have garnered over the years, innovative capabilities together with systems and processes that enable us to achieve our strategic aspirations. These elements have played a vital role in enabling resilience to numerous external challenges while driving our transformational journey.

Our brand value reflects the quality of our products, advanced manufacturing practices and ongoing efforts in sustainable agriculture.

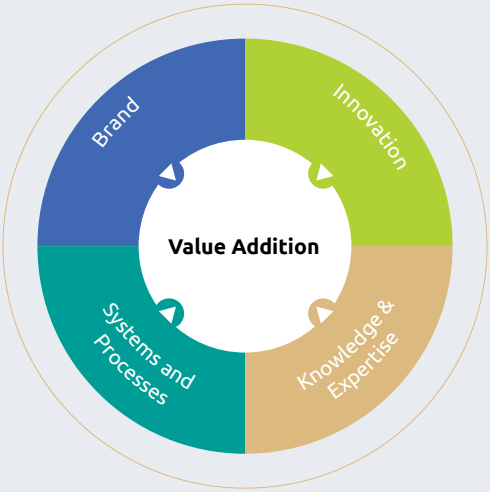
8%
Premium commanded over tea NSA

3
New brands developed

Innovation is a key component of our business strategy. We strive to expand our presence through product innovation while driving productivity and efficiency through process innovation.

Rs. 14 Mn
Investment in R&D

15 New products/variants developed



Continued focus on refining systems and processes to drive efficiencies and productivity improvements

5
Certifications obtained

Knowledge and expertise we have gathered over the years makes a significant contribution to our value creation process while providing us a competitive edge over the others.

5,611 training hours offered

Way Forward ➤

- Pursue increased diversification of products and brands, with focus on tropical fruits and berries.
- Expanding the value-added product ranges tea and cinnamon.
- Ongoing focus on process automation and digitalization.

BRAND EQUITY

EPP has continued to command premium pricing at the Colombo Tea Auction, attesting to the strength of its brand, which is typically associated with the brand attributes of superior quality, good agricultural practices and sustainability. We have sought to strengthen both the equity and range of our brands in line with the aspirations of DESIGN 2020. Key initiatives during the year under review included the following:

- Expansion of value-added tea range under our flagship brand Harrow Ceylon Choice by introducing a wellness range
- Increasing our presence in cinnamon by expanding to organic cinnamon.
- Development of new brands in diversified products including tropical fruits,
- Ongoing engagement with industry stakeholders

INNOVATION

The Group made significant headway in achieving the targets set for product and process innovation set out in DESIGN 2020 corporate strategy. These developments include.

PRODUCT INNOVATION	PROCESS INNOVATION
• Commencing commercial cultivation of strawberries, raspberries and blueberries • Production of organic cinammon under a outgrower model. • Community project to cultivate bee honey in estates • Expanding the product range under Harrow Ceylon Choice • Expanding product range in diversified products including tropical fruits and berries	• Continuous investments in field and factory mechanization to drive quality,yield and productivity. • Digitization of field level information gathering by replacing "kankani chits" with smart devices. This has increased the accuracy and integration of data which enabled us to make timely deciosns. • Ongoing factory automation enabling realtime montoring through a cloud based system. • Pursuing alternative distribution channels for our branded products

SYSTEMS AND PROCESSES

We make continuous investments in improving, optimizing and strengthening our systems and processes to achieve operational efficiency. Embracing the technological advancements in agricultural and production practices has enabled the Group improvements while achieving both our environmental and commercial aspirations. Meanwhile ongoing investments in automation and digitalization has offered access to real-time information resulting in effective monitoring and cost savings. Our commitment to achieve excellence in product quality and efficiency is evident by the domestic and international accreditations and certifications we have been awarded.

Certification	Estates Certified
Rainforest Alliance	Dunsinane, Sheen, Fernlands, Meddecombra, New Peacock, Nayapane
Ethical Tea Partnership	All tea estates
Forest Stewardship Council	All estates
ISO 22000.2005 HACCP	Dunsinane, Meddecombra, Fernlands, New Peacock, Nayapane, Talgaswella and Devitura

KNOWLEDGE AND EXPERTISE

The tacit knowledge we have fostered over the years has given us the opportunity to contribute to industry growth by actively participating in industry forums. Several members of our senior management provide leadership or play an active role in industry bodies to share their expertise for the benefit of the sustainability of the industry.

Designation	Industry Bodies Represented
Managing Director	• Chairman of United Nations Global Compact Network, Sri Lanka • A member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT) • President, Palm Oil Industry Association of Sri Lanka
Director/ Chief Executive Officer	• Fellow member of the National Institute of Plantation Management National Institute of Plantation Management • Member of the Board of Study of the Wayamba University 's External Degree Programme on Plantation management. • Board of Director of the Plantation Human Development Trust (PHDT) • Chairman of Planters Association of Sri Lanka
Chief Operating Officer – Engineering, Project Management and Business Strategies	• Member of the ICT Committee of Institute of Engineers, Sri Lanka (IESL) • Member of the Industry Consultative Committee – Faculty of Technology – University of Colombo
Chief Operating Officer – Plantations	• Treasurer – Ceylon Cinnamon Geographical Indication Association (CCGIA)
Chief Operating Officer – Finance and IT Development	• Member of Institute of Chartered Accountants, Sri Lanka (ICASL) • Member of Institute of Certified Management Accountants of Sri Lanka (CMA)
Senior Manager - Finance	• Member of Institute of Chartered Accountants, Sri Lanka (ICASL)

WAY FORWARD

- Pursuing the development of innovative products and brands in line with the Group's DESIGN 2020 aspirations
- Exploring new distribution channels
- Ongoing investments in enhancing processes and agricultural practices

Adequacy of Intellectual Capital for Future Plans

The unique capabilities of the Group's leadership team, the tacit knowledge harnessed over the years and the Group's robust systems and processes have afforded it a strong platform to pursue its future growth plans.

NATURAL CAPITAL

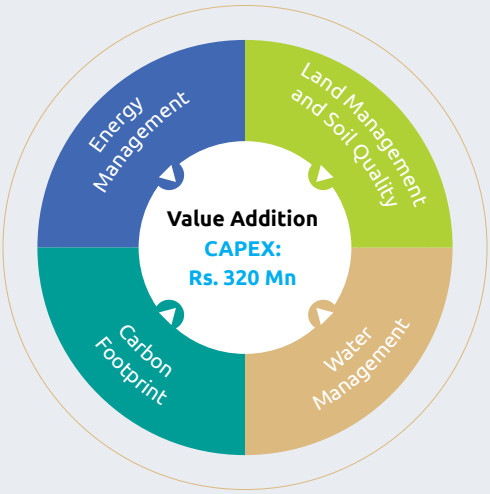
As an organization which relies heavily on natural inputs, we are increasingly aware of the interdependencies between our environment and the Group's triple bottom line sustainability. Consequently, environmental sustainability has gained centre stage in our Sustainability Strategy, and we have continued to make good progress in achieving our environmental aspirations.

Increased focus on renewable energy generation

95%
Reliance on renewable energy

3%
Increase in renewable energy generation

2%
reduction in GHG emissions



Enriching soil quality to improve yields and nutrition levels

>3%
Soil carbon levels

53%
Organic fertilizer

Increased reliance on rainwater to reduce dependence on ground water sources

80%
Reliance on rainwater

245 Mn
Rainwater harvested

Way Forward ➤

- Pursue gradual reduction in chemical fertilizer through producing organic fertilizer, cultural and biological methods
- Expansion of solar power generation
- Pursue sustainable sourcing of biomass through bamboo cultivation

APPROACH TO ENVIRONMENTAL MANAGEMENT

EPP's Environmental Policy is broadly aligned to that of the Aitken Spence Group and enhanced to reflect the sensitivities of the Plantation Sector. The environmental policy is a key component of the Group's clearly defined sustainability agenda and is founded on 3 selected SDGs which we believe reflect the most pertinent environmental issues faced by the industry. The policy is centered on the 3 main pillars of land management, water management and sustainable energy management with specific targets and objectives defined.

ENVIRONMENTAL FOCUS AREAS

Land Management	Energy Management	Water Management

Environmental Compliance

All our estates comply with the relevant environmental regulations of the Central Environmental Authority while 6 estates have obtained the Rainforest Alliance certification. During the year there were no incidents of non-compliance to environmental law or regulations.

BIOLOGICAL ASSETS

The Group has a land base of 8,800 hectares belonging to 13 estates situated in up, mid and low-country regions. Continued investments are made in replanting and upkeeping of land in order to increase productivity, rejuvenate land and yield better returns. During the year we invested Rs. 303 Mn in field development and enhancing biological assets.

Crop	Total Extent (Ha)	Investment in 2020/21 (Rs. Mn)
Tea	2,165.82	31.93
Rubber	762.85	27.38
Oil palm	1,790.35	91.18
Commercial forestry	894.88	20.31

Over the years, we have placed strategic emphasis on enriching the quality of soil, with the aim of both enhancing our yields and preserving natural resources. Gradual improvements in the carbon levels in soil have supported increased water retention and soil nutrition. The measures adopted are listed below:

- Consciously reducing the usage of chemical fertilizer through application of organic compost
- Cultural and biological methods to reduce the application of chemical weedicides including smoking, manual picking of weeds etc.

2025 LAND MANAGEMENT GOALS

- Increase land productivity by 10% by 2025
- Reduce chemical weed controls by 80%
- Reduce chemical pest control by 80%
- Reduce chemical fertilizer by 50%

Progress in 2020/21	
Use of organic fertilizer	4.9 mn KGs 53% of total fertilizer
Chemical fertilizer	50% reduction
Soil carbon levels	>3%
Chemical pesticides	80% reduction

Protecting Biodiversity

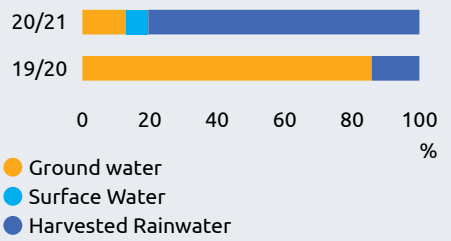
Our land bank includes over 740 hectares of land that is rich with biodiversity and home to several endangered species of fauna and flora. We have undertaken a comprehensive inventory of the biological assets through a series of surveys and assessments conducted over the years. Under the guidance of the Rainforest Alliance, we have established an effective biodiversity conservation program which includes initiatives such as;

- Creating buffer zones between cultivated areas and natural forest areas
- Increasing green cover by planting trees in boundaries, ravines and roadsides
- Restoration of natural streams
- Developing animal corridoes
- Conducting regular awareness programs on protecting the eco system
- Designating our estates polythene free areas by providing the community with bio-degradable bags

WATER MANAGEMENT

Water scarcity is emerging as a key issue in the plantation sector, as climate change and unreliable weather patterns have threatened the supply of water. Water is a key resource in plantations, and the Group relies on ground and surface water sources as well as rainwater. The Group's main priority in water management has been to harvest rainwater through ponds, thereby reducing the reliance on ground and surface water sources.

Water Consumption



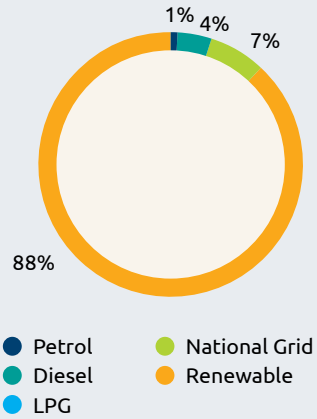
During the year, harvested rainwater increased by 11% compared to the previous year and accounted for 80% of EPP total water consumption. Rainwater is harvested through 77 ponds situated across all 13 estates. Accordingly, reliance on ground water sources decreased by 72% during the year. Meanwhile, we also understand the importance of sustaining watersheds and through our water harvesting ponds we maintain 5% of the total land extent as watersheds.

2025 GOAL

- To build 52 ponds with a total capacity of 180 Mn liters for water harvesting
- To increase the total watershed area to 5%

Progress in 2020/21	
No. of ponds	77
Rainwater harvested	147 Mn litres
Reliance on rainwater	80%
Total watershed area	5%

Energy Sources



Effluent Discharge

Wastewater discharged from our operations/ estate communities are treated prior to being released to water bodies or reused. All factories are fitted with waste-water treatment plants while housing units are equipped with waste-water tanks. We have embarked on a project under the guidance of the Engineering faculty of the University of Peradeniya to install a zero-discharge liquid plant for treating Palm Oil effluent at AEN Palm Oil processing Pvt Limited Mill.

26,246 m3
Water treated and/or re-used

14%
Recycled

ENERGY MANAGEMENT

Generation of renewable energy is a key component of both our environmental policy and diversification strategy. Consequently, we have continued to invest in green energy sources such as hydro power, solar power and biomass. Developments and results during the year are listed below:

- All factory roofs are fitted with solar systems and cloud-based monitoring system; plans are underway to expand the same to all estate bungalows.
- Commenced bamboo plantation for thermal dryers with the aim of becoming self-sufficient in the sourcing of renewable biomass
- Ongoing investments in energy saving initiatives such as VFDs in our dryer motors and the use of LED bulbs.

As a result of these efforts, the Group's total energy consumption declined by 1% during the year. During the previous year we achieved a milestone by generating energy through renewable sources 3% in excess on our electrical energy consumption and within the current year we have been successful in increasing this to 32%.

Renewable Energy Generated (GJ)	2020/21
Bio-mass	152,237
Briquettes	10,534
Hydro	14,169
Solar	5,540
Total	182,480

51% increase in solar power generation

7% increase in hydro power generation

15,143 tCO2e offset by renewable energy

95% reliance on renewable energy

EMISSIONS

Due to our continued focus on renewable energy we were successful in reducing our direct GHG emissions. During the previous year we achieved carbon negativity in electricity consumption and continued to make progress in this through increased generation of renewable energy. Emissions reduced and/ or offset through the Group's efforts amounted to 15,413 tCO_2e during the year. EPP computes GHG emissions based on the Green House Gas Protocol published by the World Resource Institute.

Emission	2019/20	2020/21	%
Gross direct (Scope 1) GHG emissions tCO_2e	640	636	-1%
Energy indirect (Scope 2) GHG emissions tCO_2e	2,898	2,820	-3%
Total GHG emissions tCO_2e	3,538	3,455	-2%
Total Emissions offset and/ or reduced tCO_2e	14,810	15,413	4%

MATERIAL AND WASTE MANAGEMENT

Based on the nature of our business, the majority of materials used by are renewable material such as green leaf, latex and packing material. The non-renewable inputs comprise fertilizer, weedicides and pesticides in both solid and liquid foam. As discussed above, we have placed strategic focus on reducing the consumption of chemical fertilizer and increasing reliance on organic materials.

We have also implemented responsible waste management practices which includes composting, recycling and eco-friendly disposal.

Type of waste	2019/20	2020/21
Paper (tons)	67.8	1.0
Iron scrap (tons)	0.4	1.7
Composted waste (tons)	3,917.8	394.7
Food waste (tons)	1.0	1.4

WAY FORWARD

- Increase reliance on organic fertilizer to reduce dependence on chemical-based fertilizer
- Ongoing efforts to increase renewable energy generation
- Pursue sustainable sourcing of biomass through bamboo cultivation

Adequacy of Natural Capital for Future Plans

Erratic weather and shifts in rainfall patterns have led to escalating water stress, with the Group intends to address through collecting and storing rainwater. The Group's proactive efforts in enriching soil and renewable energy generation have enabled it to mitigate exposure to these elements to a certain degree.

APPENDIX 1: DISCLOSURES ON MATERIAL TOPICS

The following table maps the Group's material topics with the relevant topics prescribed by the GRI Standards. There were no significant changes to the Group's topic boundaries during the year under review.

Material Topic	Relevant GRI Disclosure	Topic Boundary
Pandemic related disruptions	-	Relates to the Group's operations and external stakeholders in our communities
Financial performance	-	Group's operations
Sustainable business growth	GRI 201: Economic performance GRI 202: Market presence	Group's operations and impacts along the value chain
Government policy		Group's operations
Availability of labour	GRI 401: Employment	Group's operations
Labour productivity	GRI 404: Training and education	Group's operations
Labour management relations	GRI 402: Labour management relations GRI 407: Freedom of association and collective Bargaining GRI 405: Diversity and equal opportunity GRI 406: Non discrimination GRI 408: Child labour GRI 409: Forced or compulsory labour	Group's operations and impacts across the supply chain
Occupational health and safety	GRI 403: Occupational health and safety	Group's operations and community relationships
Competitive pricing	-	Group's operations
Product quality and reliability	GRI 416: Customer health and safety GRI 417: Marketing and labelling	Group's operations
Corporate governance and risk management	GRI 307: Environmental compliance GRI 419: Socio economic compliance	Group's operations and risks stemming from external environment
Responsible consumption of resources	GRI 301: Materials GRI 302: Energy GRI 303: Water	Group's operations
Environmental impacts	GRI 304: Biodiversity GRI 305: Emissions GRI 306: Effluents and Waste	Group's operations
Relationships with surrounding communities	GRI 203: Indirect economic impacts GRI 413: Local communities	Group's operations and adjacent communities
Relationships with suppliers	GRI 204: Procurement Practices GRI 414: Supplier social assessment GRI 308: Supplier environmental assessment	Group's operations and impacts across the supply chain

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 Organization	4	
	102-2 Activities, brands, products and services	24	
	102-3 Location of headquarters	209	
	102-4 Location of operations	26	
	102-5 Ownership and legal form	209	
	102-6 Markets served	26	
	102-7 Scale of the organization	8, 9	
	102-8 Information on employees and other workers	97	
	102-9 Supply chain	104	
	102-10 Significant Changes to the organization and its supply chain	4	
	102-11 Precautionary principle	111	
	102-12 External initiatives	4	
	102-14 Statement from senior decision maker	22	
	102-16 Values, principles, norms and standards of behaviour	51	
	102-18 Governance Structure	32	
	102-40 List of stakeholder groups	57	
	102-41 Collective bargaining agreements	101	
	102-42 Identifying and selecting stakeholders	57	
	102-43 Approach to stakeholder engagement	57	
	102-44 Key topics and concerns raised	57	
	102-45 Entities included in the consolidated financial statements	140	
	102-46 Defining report content and topic boundary	6, 114	
	102-47 Material topics	6	
	102-48 Restatement of Information	6	
	102-49 Changes in reporting	6	
	102-50 Reporting period	6	
	102-51 Date of most recent report	6	
	102-52 Reporting cycle	6	
	102-53 Contact point for questions regarding Report	6	
	102-54 Claims of reporting in accordance with GRI Standards	6	
	102-55 GRI context index	115	
	102-56 External assurance	6	
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	28	
	103-3 Evaluation of the Management Approach	28	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	28	
	201-2 Financial Implications and other risks and opportunities due to climate change	62	
Indirect Economic Impacts			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	102	
	103-2 The Management Approach and its components	102	
	103-3 Evaluation of the Management Approach	105	
GRI 203 Indirect Economic Impacts	203-1 Infrastructure investments and services supported	105	
	203-2 Significant indirect economic impacts	105	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	104	
	103-2 The Management Approach and its components	104	
	103-3 Evaluation of the Management Approach	104	
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	104	
Materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	114	
	103-3 Evaluation of the Management Approach	113	
GRI 301: Raw materials	301-1: Raw materials used by weight or volume	113	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	112	
	103-3 Evaluation of the Management Approach	112	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	112	
	302-4 Reduction of energy consumption	112	
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	111	
	103-3 Evaluation of the Management Approach	111	
GRI 303: Water 2016	303-1 Water withdrawal by source	111	
	303-3 Water Recycled and reused	111	
BIO Diversity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114, 111	
	103-2 The Management Approach and its components	111	
	103-3 Evaluation of the Management Approach	111	
GRI 304 Biodiversity 2016	GRI 304-1 Operational sites owned, leased managed in adjacent to, protected arear and areas of high bio diversity value outside of protected areas	111	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	113	
	103-3 Evaluation of the Management Approach	113	
GRI 305 Emissions 2016	GRI 305-1 Direct (Scope 1) GHG emissions	113	
	GRI305-2 Energy Indirect (Scope 2) GHG emissions	113	
	GRI 305-5 Reduction in GHG emissions	113	
Effluents			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	112	
	103-3 Evaluation of the Management Approach	112	
GRI 306 : Effluents and Waste	GRI 306-1 Water discharge by quality and destination	112	
	GRI 306-2 Waste by type and disposal method	112	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	111	
	103-3 Evaluation of the Management Approach	111	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	111	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	114	
	103-2 The Management Approach and its components	96	
	103-3 Evaluation of the Management Approach	96	
GRI 401: Employment 2016	401-1 Employee hires and turnover	99	
Labour/ Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	101	-
	103-2 The Management Approach and its components	114	-
	103-3 Evaluation of the Management Approach	101	-
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	101	-
Occupational Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	100, 114	-
	103-2 The Management Approach and its components	100	-
	103-3 Evaluation of the Management Approach	100	-
GRI 403: Health and Safety 2016	403-4 Health and safety topics covered in formal agreements with trade unions	100	-
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	98, 114	-
	103-2 The Management Approach and its components	98	-
	103-3 Evaluation of the Management Approach	98	-
GRI 404: Training and education	404-2 Programs for upgrading skills and transition assistance programmes	100	-
	404-3 Percentage of employees receiving regular performance and career development reviews	101	-
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	101	
	103-2 The Management Approach and its components	101	
	103-3 Evaluation of the Management Approach	101	
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	101	
Local communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	62	-
	103-2 The Management Approach and its components	62	
	103-3 Evaluation of the Management Approach	62	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	105	-
Socio economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	111	-
	103-2 The Management Approach and its components	111	-
	103-3 Evaluation of the Management Approach	111	-
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	111	-

Achieving inimitable success in a tumultuous year

FINANCIAL INFORMATION

FINANCIAL CALENDAR 2020/21

Interim Financial Statements

Interim Financial Statement for the 3 months ended 30th June 2020	Released on 14th August 2020
Interim Financial Statement for the 6 months ended 30th September 2020	Released on 12th November 2020
Interim Financial Statement for the 9 months ended 31st December 2020	Released on 12th February 2021
Interim Financial Statement for the 12 months ended 31st March 2021	Released on 25th May 2021

Audited Financial Statements

Audited Financial Statements for the year ended 31st March 2021	Approved on 27th May 2021

Dividends

First and Final Dividend for the year ended 31st March 2021	Recommended on 23rd August 2021

Annual General Meeting

28th Annual General Meeting	18th September 2020
29th Annual General Meeting	24th September 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 Directors are pleased to submit their Report together with the Audited Financial Statements for the year ended 31st March 2021.

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. GROUP STRUCTURE

The Group Structure is given on page 140.

3. REVIEW OF PERFORMANCE

The Chairman's and the Managing Director's reviews contain a detailed account of the year's operations and developments of the Group.

4. BUSINESS REVIEW/FUTURE DEVELOPMENT

A review of financial and operational performance and future business developments of the Group is contained in the Chairman's Message on pages 20 to 22, Managing Director's Report on pages 23 to 25 and About the Company on pages 26 to 30.

5. AUDITOR'S REPORT

The Company's Auditors Messrs. Ernst & Young, Chartered Accountants carried out an audit on the Financial Statements of the Company and the Group as at 31st March 2021, and their Report is given on pages 128 to 131.

6. 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 141 to 152.

7. REVENUE AND PROFITS

1. Revenue for the Year

The revenue of the Group for the year ended 31st March 2021 was Rs. 4,062,190,951/- (2019/2020 – Rs. 3,307,620,492/-) while the Company's revenue was Rs. 4,039,616,202/- (2019/2020 –Rs. 3,287,441,534/-). An analysis of the income is given in note 6 to the Financial Statements.

2. Financial Results

The profit earned by the Group for the year ended 31st March 2021 amounted to Rs. 874,991,874/- (2019/20 – Rs. 307,726,228/), whilst the Company recorded a profit amounted to Rs. 882,509,775/- (2019/20 – Rs. 241,710,181 /-).

The Group's total comprehensive income for the year is Rs. 891,998,000/- (2019/20 – Rs. 288,352,711/-) while the Company recorded a total comprehensive income of Rs. 899,515,901/- (2019/20 – Rs. 222,336,663/-).

The Consolidated Income Statement along with the Company's Income Statement for the year are given on page 132. Details of transfers to/from reserves in respect of the Group and the Company are shown in the Statement of Changes in Equity on page 136.

3. Donations

During the year donations amounting to Rs. 1,160,000/- were made by the Company, while no donations were made by the other Group entities during the year.

4. Taxation

A detailed statement of the income tax rates applicable is set out on pages 157 to 159.

5. Dividend

The Directors recommended a First and Final dividend payment of Rs. 2.00 per share for the year ended 31st March 2021. The dividend is paid out of profits by the Company. 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 First and Final dividend.

8. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

1. Stated Capital and Reserves

The Capital and the Reserves of the Company as at 31st March 2021 is given below:

Details are as follows:

Stated Capital (Rs.)	694,236,120
Timber Reserve	797,640,002
Retained Earnings	3,857,869,721
Total Equity	5,349,745,843

2. Property, Plant and Equipment

Details of the Property, Plant and Equipment are given in note 16 to the Financial Statements on pages 166 to 167 of the Annual Report.

3. Contingent Liabilities

Details of the contingent liabilities are disclosed in note 35 to the Financial Statements on page 188 of the Annual Report.

9. EVENTS OCCURRING AFTER THE REPORTING DATE

The events occurred after the reporting date have been disclosed in Note 36 to the Financial Statements page 188 of the Annual Report.

10. HUMAN RESOURCE

The number of persons employed by the Company at year end was 4,865 (31.03.2020 - 5,152) of which 4,769 (31.03.2020 - 5,056) are engaged in employment outside the District of Colombo.

11. SHAREHOLDER INFORMATION

There were 11,188 shareholders as at 31st March 2021. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 196 to 197 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2021 are given on page 197 of this Annual Report. The percentage of the shares held by the public as at 31st March 2021 was 16.93% which was in the hands of 11,186 public shareholders.

Information relating to earnings, net assets, market price per share are given in the financial highlights on pages 10 to 11 and the shareholders and the investor information on pages 196 to 197 of the Annual Report.

12. CORPORATE GOVERNANCE

The Company's corporate governance practices are set out on pages 31 to 48 of the Annual Report.

12. THE BOARD

13.1 Board of Directors

The Board of Directors of the Company as at the date of the Report are as follows:

	Executive	Non-Executive	Independent
Dr. M. P. Dissanayake (Chairman)	√		
Dr. R. M. Fernando (Managing Director)	√		
Mr. B. Bulumulla	√		
Deshamanya 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. Wickremanayake		√	

*Mr. A. T. S. Sosa holds the office as the Alternate Director to Deshamanya Merrill J. Fernando
**Ms. M. D. A. Perera holds the office as the Alternate Director to Mr. Malik J. Fernando

13.2 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)

14 RE- APPOINTMENT OF DIRECTORS WHO ARE OVER 70 YEARS OF AGE AND RE-ELECTION OF DIRECTORS

The Board recommended that Deshamanya Merrill J. Fernando and Mr. D. A. de S. Wickremanayake who are over 70 years of age and vacate office in terms of Section 210(2)(b) of the Companies Act No. 07 of 2007 be re-appointed as Directors of the Company in terms of Section 211 of the Companies Act No. 07 of 2007 specially declaring that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Directors.

Dr. S. A. B. Ekanayake who retires by rotation in terms of Article 92 and 93 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting. The Board recommended his re-election.

15 DIRECTORS' INTEREST IN TRANSACTIONS

The Directors at the meetings have disclosed their interest in transactions with the Company during the year under review, the details of which are set out in the notes to the financial statements on page 186. The disclosures so made were duly recorded in the Interest Register.

16 INTEREST REGISTER

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

17 DIRECTORS' REMUNERATION

A sum of Rs. 44,150,817/- (2019/20 – Rs. 32,336,984/-) was paid as Directors' fees during the financial year 31st March 2021.

18 DIRECTORS' SHAREHOLDINGS

None of the Directors hold shares in the Company.

19. RELATED PARTY TRANSACTIONS

Related party transactions of the Group are disclosed in note 32 to the Financial Statements. These interests have been duly declared by the Directors.

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 2020, which required additional disclosures in the annual report under Section 9.3.2(a) of the Listing Rules.

The Key Management Personnel of the Company disclose the proposed Related Party Transactions (if any) falling under the ambit of Section 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 Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2021.

20. 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.

21. RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the Listing Rules of the Colombo Stock Exchange are given under Financial Highlights on pages 10 to 11 and Shareholders and Investor Information on pages 196 to 197 of this report.

22. 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 84 to 88 of this Report.

23. ANNUAL GENERAL MEETING

The Twenty Ninth (29th) Annual General Meeting of your Company will be held virtually, on 24th September 2021 at 2.00 p.m.

24. 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 minimize 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.

25. 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.

26. AUDITORS

The Financial Statements for the year ended 31st March 2021 have been audited by Messrs. Ernst & Young, Chartered Accountants who offer themselves for re-appointment. The Report of the Auditors on the Financial Statements is given on pages 128 to 131 of the Annual Report.

The audit fee payable by the Company to the Auditors' Messrs. Ernst & Young, Chartered Accountants was Rs. 3,033,000/- (2019/20 – Rs. 3,140,000/-). In addition to the above, Rs. 59,400/- was payable by the Company for the permitted audit related and non audit related services including tax advisory services in respect of the year under review.

Messrs. Ernst & Young, Chartered Accountants, the Auditors are also the auditors of subsidiaries and joint ventures of the group. The amount payable by the Group to Messrs. Ernst & Young, Chartered Accountants as audit fees for the year ended 31st March 2021 was Rs. 3,208,900/- (2019/20 – Rs. 3,308,900/-) while a further sum of Rs.157,135 /- is payable for permitted audit and non audit related services including tax advisory services in respect of the year under review.

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 (Private) Limited
Secretaries

Colombo
31st August 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No. 07 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 the Group for the year ended 31st March 2021 incorporated in this Report have been prepared in accordance with the Companies Act No. 07 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 minimize and detect fraud, 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 to 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 2021, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs). 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 2021 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2021 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,
Elpitiya Plantations PLC

Aitken Spence Corporate Finance (Private) Limited
Company Secretaries

Colombo
31st August 2021

AUDIT COMMITTEE REPORT

COMPOSITION

Chairman
Dr. S. A. B. Ekanayake
Independent Non-Executive

Members
Mr. S. C. Ratwatte
Independent Non-Executive

Mr. Malik J. Fernando / Ms. M. D. A. Perera
(Alternate Director to Mr. Malik J. Fernando)
Non-Executive

The Audit Committee comprises of two Independent Non-Executive Directors and a Non-Executive Director. The Committee is chaired by Dr. S. A. B. Ekanayake, an Independent Non-Executive Director. Mr. S. C. Ratwatte, Independent Non-Executive Director is a fellow of the Chartered Institute of Management Accountants, UK. The profiles of the Committee Members are given on page 14 of this Report.

COMMITTEE MEETINGS

The Committee met three times during the year under review with the attendance of the entirety of its members 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. All the other matters were passed by Circular Resolutions.

ATTENDANCE BY INVITATION

Dr. R. M. Fernando, Managing Director, Mr. B. Bulumulla, Director / Chief Executive Officer and Mr. R. Nissanka, Chief Operating Officer - Finance together with Mr. H. K. A. Rathnaweera, the Chief Internal Auditor of Aitken Spence PLC and Mr. Vigneshwaran, Manager - Internal Audit, Plantations, who carry out regular internal audits in the estates have attended the meetings by invitation. In addition to the above, the estate General Managers and Managers whose audit reports are reviewed and discussed were also present at the respective meetings.

RESPONSIBILITIES

The Audit Committee undertakes on behalf of the Board, the 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 YEAR

Financial Statements and Financial Control

- Reviewed the Quarterly and Annual Financial Statements of the Company.
- 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.

Risk Management and Internal Control

- Reviewed and discussed the reports arising from office, factories 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 in the estates and in the company.

Internal Audit

- Reviewed the audit reports 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.
- Continued to ensure the co-ordination between Group Internal Audit and the External Auditors.

External Audit

- Assessed the performance of the External Auditors, Messrs. Ernst & Young, Chartered Accountants 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.

Criteria determining the independence of External Auditors

The Committee is of the view that Messrs. Ernst & Young, Chartered Accountants meet the criteria in determining their independence and the following factors were taken into consideration by the Committee to ascertain the independence:

- the Company did not have any transactions with the External Auditors,
- no significant material transactions between the External Auditors and the companies in the Group, and
- no shares held by the External Auditors.

RE-APPOINTMENT OF EXTERNAL AUDITORS

The Committee considered the independence of the External Auditors, Messrs. Ernst & Young, Chartered Accountants and given its recommendation to the Board to re-appoint the External Auditors of the Company for the current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

Dr. Anura Ekanayake
Chairman
Audit Committee

Colombo
31st August 2021

REMUNERATION COMMITTEE REPORT

COMPOSITION

Chairman
Mr. Malik J. Fernando/ Ms. M. D. A. Perera
(Alternate to Mr. Malik J. Fernando)
Non-Executive

Members
Dr. S. A. B. Ekanayake
Independent Non-Executive

Mr. S. C. Ratwatte
Independent Non-Executive

The Remuneration Committee comprises of two Independent Non-Executive Directors and a Non-Executive Director. Their profiles are given on page 14 of this report.

COMMITTEE MEETINGS

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

INDEPENDENCE OF THE COMMITTEE MEMBERS

The members are independent of management and are able to exercise independent judgment when making decisions of the Committee, as they do not have any business or other relationships with the Company or its employees.

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 which prevail were also considered in recommending increases in remuneration.

ACTIVITIES OF THE REMUNERATION COMMITTEE DURING THE YEAR

- Recommended the remuneration payable to the Directors and to the Senior Executives.
- Evaluated 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,
- Evaluated the achievements as well as unaccomplished targets and results which are used to determine the performance-based incentives,
- Reviewed and evaluated the effectiveness and applicability of the Remuneration Policy.

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

Mr. Malik J. Fernando
Chairman
Remuneration Committee

Colombo
31st August 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION

Chairman
Mr. S. C. Ratwatte
Independent Non-Executive

Members
Mr. Malik J. Fernando / Ms. M. D. A. Perera
(Alternate Director to Mr. Malik J. Fernando)
Non-Executive

Dr. S. A. B. Ekanayake
Independent Non-Executive

The Related Party Transactions Review Committee is composed of three Non-Executive Directors, of whom, 02 are Independent Non-Executive Directors. The Committee is chaired by Mr. S. C. Ratwatte who is an Independent Non-Executive Director. Their profiles are given on page 14 of this Report.

COMMITTEE MEETINGS

The Committee met once in every quarter during the year under review with the attendance of all its members.

KEY RESPONSIBILITIES OF THE COMMITTEE

The Committee's main objective is to review all proposed Related Party Transactions prior to the completion of the transactions according to the procedures laid down by the Section 9 of the Listing Rules of the Colombo Stock Exchange and its responsibilities on behalf of the Board 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 (KMP)
- Regularly report to the Board on the Committee's activities

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Company are the Board of Directors of the Company.

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

- All proposed Related Party Transactions as well as post quarter confirmations were reviewed at quarterly meetings of the Committee.
- Activities of the Committee are communicated to the Board quarterly by tabling the minutes of the Committee Meeting at Board Meetings.
- The Committee reviewed the Group Related Party Transactions Review Committee Charter and no changes were made.

DISCLOSURE IN TERMS OF SECTION 9.3.2 OF THE LISTING RULES

Note number 32.7 on page 186 of this Annual Report carries the Disclosure in terms of Section 9.3.2(b) of the Listing Rules of the Colombo Stock Exchange.

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

Colombo
31st August 2021

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The Board 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 unauthorized 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 122.

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 84 to 88.

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 2021 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
31st August 2021

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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eysl@lk.ey.com
ey.com

BW/NKMS/MHM

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 2021, 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 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
1. Measurement of Bearer Biological Assets	
As at 31 March 2021, The bearer biological assets classified as Mature and Immature plantations of the Group amounted to Rs.2,797 Mn and Rs. 881 Mn respectively. Assessing the carrying value of bearer biological assets was a key audit matter due to; ● The magnitude of the balance and its relative significance to total assets (48%) of the Group; ● The determination of costs to be capitalized as immature plantations; ● Degree/level of subjectivity and management judgments involved in Identification of; - the point at which transfers to be made from immature plantations to mature plantations; and - the triggers of impairment (if any).	Our audit procedures included the following amongst others: ● We assessed the processes and controls in place to ensure proper identification of the expenses to be capitalized relating to immature plantations. ● We validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. ● We assessed if the timely transfers from respective immature to matured plantation categories are made focusing on ageing profile of immature plantations. ● We reviewed the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are duly identified, assessed for probable impairment losses and duly accounted for in the financial statements. We also assessed the adequacy of the related disclosures given in Notes 3.8.7.1, 4.4 and 18.1 in the financial statements relating to the significant judgements and estimates.
2. Valuation of Consumable Biological Assets	
As at 31 March 2021, consumable biological assets of the Group carried at fair value amounted to Rs.1,072 Mn, while gain on such valuation for the year amounted to Rs. 34 Mn. The fair value of the Consumable Biological assets was determined by an external valuer engaged by the Group. Assessing the carrying value of consumable biological asset was a key audit matter due to: ● The magnitude of the balance and its significance to total assets (14%) of the Group; and ● The degree of judgments and estimates involved and the complexity of the valuation process. Key areas of significant judgments, estimates and assumptions included the following: ● Discount Rate ● Expected timber volume ● Average current market price	Our audit procedures included the following amongst others; ● We evaluated the competence, capability and objectivity of the external valuer engaged by the Group. ● We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value of consumable biological assets. ● We assessed the completeness and accuracy of the key data used by the external valuer to the underlying data, by tracing those to the underlying books and records maintained by the group. This also included assessing the appropriateness & consistency of the application of the formula used for deriving the expected timber volume. ● We assessed the reasonableness of the key assumptions used, in particular the discount rate, expected timber volume and average current market price by comparing those with the industry practices that are generally used in determining fair value of consumable biological assets. We have also assessed the adequacy of the disclosures made in Notes 18.2 and 18.3 to the financial statements relating to the significant judgements and estimates.

Key audit matter	How our audit addressed the key audit matter
3. Valuation of Retirement benefit obligation	
The retirement benefit obligation of the Group amounted to Rs. 623 Mn as at 31 March 2021. The present value of retirement benefit obligation was determined based on the actuarial valuation carried out by an external actuary engaged by the Group. Assessing the present value of retirement benefit obligation was a key audit matter due to: ● The magnitude (Rs. 623 Mn) and the relative significance of the balance to total liabilities of the Group (29% of total liabilities); ● The complexity of the valuation process; and ● The level of significant judgments and assumptions involved in measurement including the management's assessment on the current status of the wage and salary growth rate negotiations as described in Note 35 to the financial statements. Key areas of significant judgments, estimates and assumptions included the following: ● Discount rate ● Future salary and wage growth rates	Our audit procedures included the following amongst others: ● We assessed the competency, capability and objectivity of the external actuary engaged by the Group. ● We read the external actuary's report and understood the key estimates made and the approach taken by the actuary in determining the present value of retirement benefit obligation. ● We assessed the assumption for salary growth rates considering the historical collective agreements and management's assessment of the probable implications of wage/salary growth rate negotiations described in Note 35 to the financial statements. ● We assessed the reasonableness of the discount rate used by the actuary, considering the government treasury bond yield rates published by the Central Bank of Sri Lanka ● We validated the key inputs used by the actuary to the underlying data held by the Group. We have also assessed the adequacy of the disclosures made in Notes 29 and 35 to the financial statements relating to the significant judgements, estimates and impact on retirement benefit obligation resulting from wage negotiations.

Other Information included in the 2021 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- 2440.

27 May 2021
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Revenue	6	4,062,190,951	3,307,620,492	4,039,616,202	3,287,441,534
Cost of sales		(3,083,824,605)	(2,836,748,476)	(3,070,389,302)	(2,823,897,951)
Gross profit		978,366,346	470,872,016	969,226,900	463,543,583
Gains on change in fair value of biological assets	21.2	40,219,780	48,652,946	40,219,780	48,652,946
Other income and gains	7	139,535,620	223,948,731	233,769,017	223,610,092
Administrative expenses		(355,714,488)	(344,284,409)	(352,348,576)	(341,146,327)
Management fee and workers profit share		(121,134,566)	(71,991,624)	(121,134,566)	(71,991,624)
Finance expenses	8.1	(48,315,004)	(49,258,348)	(48,315,004)	(47,875,674)
Finance income	8.2	2,102,742	2,470,129	1,908,855	2,175,062
Share of profit from joint ventures	20.2.1	90,455,307	54,980,056	-	-
Profit before taxation	9	725,515,735	335,389,497	723,326,405	276,968,058
Tax expense	10	149,476,139	(27,663,269)	159,183,370	(35,257,877)
Profit for the year		874,991,874	307,726,228	882,509,775	241,710,181
Attributable to:					
Equity holders of the parent		875,266,508	307,853,956	882,509,775	241,710,181
Non-controlling interest		(274,634)	(127,728)	-	-
Profit for the year		874,991,874	307,726,228	882,509,775	241,710,181
Earnings per share	12.1	12.01	4.22	12.11	3.32

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 140 to 192 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Profit for the year		874,991,874	307,726,228	882,509,775	241,710,181
Other comprehensive income					
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)					
Actuarial gain/(loss) on retirement benefit obligations	29	19,001,258	(22,527,346)	19,001,258	(22,527,346)
Tax effect	10.4.2	(1,995,132)	3,153,828	(1,995,132)	3,153,828
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)		17,006,126	(19,373,518)	17,006,126	(19,373,518)
Total other comprehensive income for the year, net of tax		17,006,126	(19,373,518)	17,006,126	(19,373,518)
Total comprehensive income for the year net of tax		891,998,000	288,352,711	899,515,901	222,336,663
Attributable to:					
Equity holders of the parent		892,272,634	288,480,439	899,515,901	222,336,663
Non-controlling interest		(274,634)	(127,728)	-	-
Total comprehensive income for the year (net of tax)		891,998,000	288,352,711	899,515,901	222,336,663

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 140 to 192 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
ASSETS					
Non-current assets					
Right-of-use asset	15	381,198,970	382,232,400	381,198,970	382,232,400
Freehold property, plant and equipment	16	1,303,341,731	1,078,643,518	1,111,148,252	869,656,580
Intangible assets	17	17,866,451	17,451,454	15,262,794	14,847,797
Bearer biological assets	18.1	3,678,079,866	3,553,394,945	3,678,079,866	3,553,394,945
Consumable biological assets	18.2	1,072,435,279	1,045,351,839	1,072,435,279	1,045,351,839
Other non current asset	19	43,835,428	42,488,017	43,835,428	42,488,017
Investments	20	220,948,469	189,910,456	239,290,290	189,290,290
Total non-current assets		6,717,706,196	6,309,472,629	6,541,250,881	6,097,261,865
Current assets					
Produce on bearer biological assets	21	16,528,034	10,384,921	16,528,034	10,384,921
Inventories	22	323,530,078	338,311,814	323,495,673	338,277,409
Trade and other receivables	23	235,655,044	301,590,230	229,942,844	260,638,445
Income Tax recoverable		89,037	89,037	89,037	89,037
Amounts due from related parties	32.4	97,033,734	100,548,658	163,468,420	245,785,180
Cash and cash equivalents	24	212,101,772	29,480,015	209,697,664	22,133,313
Total current assets		884,937,699	780,404,675	943,221,672	877,308,304
Total assets		7,602,643,895	7,089,877,303	7,484,472,554	6,974,570,171
EQUITY AND LIABILITIES					
Equity					
Stated capital	25	694,236,120	694,236,120	694,236,120	694,236,120
Timber reserve		797,640,002	790,869,691	797,640,002	790,869,691
Retained earnings		3,976,495,680	3,145,643,179	3,857,869,721	3,019,773,953
Total equity attributable to equity holders of the parent		5,468,371,802	4,630,748,990	5,349,745,843	4,504,879,764
Non-controlling interest		(4,805,188)	(4,530,554)	-	-
Total equity		5,463,566,614	4,626,218,436	5,349,745,843	4,504,879,764
Non-current liabilities and deferred income					
Interest bearing borrowings	27	103,574,000	17,250,000	103,574,000	17,250,000
Lease liabilities	28	340,249,799	317,509,958	340,249,799	317,509,958
Retirement benefit obligations	29	623,264,833	602,695,578	623,092,358	602,569,718
Deferred income	30	185,557,842	200,352,755	185,557,842	200,352,755
Deferred tax liability	11	332,754,226	496,951,471	331,016,238	506,455,616
Total non-current liabilities		1,585,400,699	1,634,759,762	1,583,490,238	1,644,138,048

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Current liabilities					
Interest bearing borrowings	27	29,508,000	70,419,043	29,508,000	70,419,043
Lease liabilities	28	2,836,566	4,055,960	2,836,566	4,055,960
Trade and other payables	31.	378,867,430	293,355,330	376,862,380	291,978,552
Amounts due to related parties	32.5	142,029,527	190,116,716	142,029,527	190,116,716
Income tax liabilities		435,059	1,969,967	-	-
Bank Overdrafts	24	-	268,982,089	-	268,982,089
Total current liabilities		553,676,582	828,899,105	551,236,473	825,552,361
Total liabilities		2,139,077,281	2,463,658,867	2,134,726,711	2,469,690,408
Total equity and liabilities		7,602,643,895	7,089,877,303	7,484,472,554	6,974,570,171
Net Assets Per Share (Rs.)		74.98	63.49	73.42	61.82

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

Chief Operating Officer - Finance

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 140 to 192 form an integral part of these Financial Statements.

27 May 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
Group	Stated capital Rs.	Timber reserve Rs.	Retained earnings Rs.	Total Rs.	Non-controlling interest Rs.	Total equity Rs.
Balance as at 31 March 2019	694,236,120	765,957,917	2,945,536,415	4,405,730,452	(4,402,826)	4,401,327,626
Effect of adoption of SLFRS 16 Leases	-	-	27,621,138	27,621,138	-	27,621,138
Balance as at 01 April 2019 (Adjusted)	694,236,120	765,957,917	2,973,157,553	4,433,351,590	(4,402,826)	4,428,948,764
Profit for the year	-	-	307,853,956	307,853,956	(127,728)	307,726,228
Other comprehensive income for the year	-	-	(19,373,518)	(19,373,518)	-	(19,373,518)
Total comprehensive income for the year	-	-	288,480,438	288,480,438	(127,728)	288,352,710
Gains/(loss) on change in fair value of Consumable biological assets transferred to the timber reserve	-	49,558,658	(49,558,658)	-	-	-
Realized gain on harvested timber trees	-	(24,646,885)	24,646,885	-	-	-
Interim & Final dividend	-	-	(91,083,038)	(91,083,038)	-	(91,083,038)
Balance as at 31 March 2020	694,236,120	790,869,691	3,145,643,179	4,630,748,990	(4,530,554)	4,626,218,436
Profit for the year	-	-	875,266,508	875,266,508	(274,634)	874,991,874
Other comprehensive income for the year	-	-	17,006,126	17,006,126	-	17,006,126
Total comprehensive income for the year	-	-	892,272,634	892,272,634	(274,634)	891,998,000
Gains/(loss) on change in fair value of Consumable biological assets transferred to the timber reserve	-	34,076,666	(34,076,666)	-	-	-
Realized gain on harvested timber trees	-	(27,306,356)	27,306,356	-	-	-
Interim & Final dividend	-	-	(54,649,822)	(54,649,822)	-	(54,649,822)
Balance as at 31 March 2021	694,236,120	797,640,002	3,976,495,680	5,468,371,802	(4,805,188)	5,463,566,614

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 140 to 192 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs.	Timber reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 31 March 2019	694,236,120	765,957,918	2,885,810,963	4,346,005,001
Effect of adoption of SLFRS 16 Leases	-	-	27,621,138	27,621,138
Balance as at 01 April 2019 (Adjusted)	694,236,120	765,957,918	2,913,432,101	4,373,626,139
Profit for the year	-	-	241,710,181	241,710,181
Other comprehensive income for the year	-		(19,373,518)	(19,373,518)
Total comprehensive income for the year	-	-	222,336,663	222,336,663
Gains/(loss) on change in fair value of Consumable biological assets Transferred to the timber reserve	-	49,558,658	(49,558,658)	-
Realized gain on harvested timber trees	-	(24,646,885)	24,646,885	-
Interim & Final dividend	-	-	(91,083,038)	(91,083,038)
Balance as at 31 March 2020	694,236,120	790,869,691	3,019,773,952	4,504,879,764
Profit for the year	-	-	882,509,775	882,509,775
Other comprehensive income for the year	-	-	17,006,126	17,006,126
Total comprehensive income for the year			899,515,901	899,515,901
Gains/(loss) on change in fair value of Consumable biological assets transferred to the timber reserve	-	34,076,666	(34,076,666)	-
Realized gain on harvested timber trees	-	(27,306,356)	27,306,356	-
Interim & Final dividend	-	-	(54,649,822)	(54,649,822)
Balance as at 31 March 2021	694,236,120	797,640,002	3,857,869,721	5,349,745,843

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 140 to 192 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Cash flows from operating activities					
Profit before tax		725,515,735	335,389,497	723,326,405	276,968,058
Adjustments for;					
Depreciation and amortization	9	279,874,438	248,756,047	270,604,331	239,527,822
Provision for defined benefit plans	29	114,612,869	101,360,956	114,566,254	101,332,416
Items written back	7	(1,064,832)	(501,431)	(1,064,832)	(501,431)
Amortization of grants	7	(13,833,295)	(13,476,066)	(13,833,295)	(13,476,066)
Finance expenses	8.1	48,315,004	49,258,347	48,315,004	47,875,674
Finance income	8.2	(2,102,742)	(2,470,129)	(1,908,855)	(2,175,062)
Gain on biological assets	18.2	(40,219,780)	(48,652,945)	(40,219,780)	(48,652,946)
Amortization of deferred income from sub lease	7	(4,395,036)	(4,644,897)	(4,395,036)	(4,644,897)
Profit on sale of other trees	7	(19,682,655)	(28,351,989)	(19,682,655)	(28,351,989)
Profit from sale of Timber Trees	7	(20,664,394)	(28,008,112)	(20,664,394)	(28,008,112)
Amortization of Right of use asset - Land	7	(5,479,310)	(5,479,310)	(5,479,310)	(5,479,310)
Share of profit of joint venture	20.2.1	(90,455,307)	(54,980,056)	-	-
Dividend Income	7	-	-	(94,368,645)	-
Provision for Doubtful Receivables		14,076	16,326,417	14,076	16,326,417
Provision for nurseries		10,255,160	-	10,255,160	-
Gain on PPE disposal	7	(4,850,000)	(4,645,890)	(4,850,000)	(4,645,890)
Operating profit before working capital changes		975,839,932	559,880,441	960,614,428	546,094,685
(Increase)/decrease in inventories	21	5,591,408	43,466,426	5,591,408	42,964,995
(Increase)/decrease in trade and other receivables	22	12,304,732	28,873,364	12,430,386	33,653,554
(Increase)/decrease in amounts due from related parties	32.4	3,514,924	(36,647,979)	82,316,759	(43,987,409)
Increase/(decrease) in trade and other payables	31	85,512,100	(96,430,013)	84,469,948	(96,363,800)
Increase/ (decrease) in amount due to related parties	32.5	(48,087,189)	20,951,513	(48,087,189)	20,951,513
Cash generated from operating activities		1,034,675,907	520,093,753	1,097,335,740	503,313,537
Cash received from sublease of land	30.2	3,330,636	3,608,242	3,330,636	3,608,242
Cash received from sale of trees		67,653,405	81,007,000	67,653,405	81,007,000
Finance cost paid		(6,288,172)	(7,478,857)	(6,288,172)	(6,096,183)
Finance income received		755,330	887,453	561,443	592,386
Retirement benefit obligations paid	29	(74,628,477)	(90,501,458)	(74,628,477)	(90,501,458)
Tax paid		-	(12,651,624)	-	(12,651,624)
Grants received	30.1	5,582,092	8,130,767	5,582,092	8,130,767
Net cash flow from operating activities		1,031,080,721	503,095,275	1,093,546,667	487,402,667
Cash flows from investing activities					
Field development expenditure	18	(303,093,464)	(366,368,303)	(303,093,464)	(366,368,303)
Purchase of property, plant and equipment	16	(319,806,855)	(201,632,903)	(327,330,208)	(197,124,417)
Proceeds from sale of property, plant and equipments		4,850,000	6,300,000	4,850,000	6,300,000
Dividend Received		94,368,645	-	94,368,645	-
Investment in Subsidiary		-	-	(50,000,000)	-
Net cash used in investing activities		(523,681,674)	(561,701,206)	(581,205,027)	(557,192,720)
Net cash Inflow before financing activities		507,399,048	(58,605,932)	512,341,640	(69,790,053)

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group 2021 Rs.	Group 2020 Rs.	Company 2021 Rs.	Company 2020 Rs.
Cash flows from financing activities					
Payment of government lease rentals	28.1	(44,555,868)	(43,596,740)	(44,555,868)	(43,596,740)
Payment of lease	28.2	(2,002,468)	(4,574,498)	(2,002,468)	(4,574,498)
Proceeds from loans		159,368,797	18,427,200	159,368,797	18,427,200
Settlement of loans		(113,955,841)	(109,607,700)	(113,955,841)	(89,689,676)
Dividend paid		(54,649,822)	(91,083,038)	(54,649,822)	(91,083,038)
Net cash used in financing activities		(55,795,202)	(230,434,776)	(55,795,202)	(210,516,752)
Net increase in cash and cash equivalents		451,603,846	(289,040,708)	456,546,440	(280,306,806)
Cash and cash equivalents at the beginning of the year	A	(239,502,074)	49,538,635	(246,848,776)	33,458,030
Cash and cash equivalents at the end of the year	B	212,101,772	(239,502,074)	209,697,664	(246,848,776)
NOTE: A					
Cash and cash equivalents at the beginning of the year					
Cash and bank balances		29,480,015	49,538,635	22,133,313	33,458,030
Bank overdrafts		(268,982,089)	-	(268,982,089)	-
		(239,502,074)	49,538,635	(246,848,776)	33,458,030
NOTE: B					
Cash and cash equivalents at the end of the year					
Cash and bank balances		212,101,772	29,480,015	209,697,664	22,133,313
Bank overdrafts		-	(268,982,089)	-	(268,982,089)
		212,101,772	(239,502,074)	209,697,664	(246,848,776)

Figures in brackets indicate deductions.
Notes to the Financial Statements from pages 140 to 192 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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 2021 comprise the Company and its Subsidiaries namely, EPP Hydro Power Company (Pvt) Ltd., Water Villas (Pvt) Ltd,Escape Parks Ceylon (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 & Selling of speciality Tea	Fernland Estate- Harrow Factory
Escape Parks Ceylon (Pvt) Ltd (Formerly known as 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 authorization for issues

The Financial Statements of Elpitiya Plantations PLC for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 27 May 2021.

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 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.

2.4 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

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID–19 on the Company and its subsidiaries and the appropriateness of the use of the going concern basis. The Group has evaluated the resilience of its businesses, considering a wide range of factors such as expected revenue streams, profitability, cost management initiatives implemented by the Group, changes in working capital, management of capital expenditure, debt repayments, cash reserves and available sources of financing including unutilized facilities and in order to be able to continue business under current global economic conditions.

Having presented the outlook to the Board, the Directors are satisfied that the Company, 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.

Liquidity Risk Management

The Group has ensured that it maintains sufficient liquidity reserves to meet all its operational and investment requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements, particularly on account of the impact of COVID-19.

Interest Rate Risk

The global outbreak of the novel COVID-19 pandemic has resulted a consecutive reduction in policy rates and monetary easing policies by CBSL to encourage banks and finance companies to reduce lending rates. The Group has been closely monitoring these developments and devising strategies to ward off any adverse effect caused in the form of interest rate risk.

Impact on Assets & Impairments

The Group has mitigated the impact of COVID-19. The measures the Group has taken to mitigate the impact of COVID 19 on crop intake, revenue generation is successful and therefore no requirement to impair of Biological Assets, Debtors and Other Assets of the Group.

3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. 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(s) 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized 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, which is 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 to measures the Non-Controlling Interest in the acquiree 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 09 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with SLFRS 09. Other contingent consideration that is not within the scope of SLFRS 09 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized 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 recognized 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 recognized 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 (CGU) 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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 recognize 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 recognizes 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 recognizes 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 recognized 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.

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 realized or intended to sell or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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 terms of the liability that could, at the option of the counterparty, results in its settlement by the issue of equity instruments do not affect its classification.

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 summarized in the following notes:

- Consumable biological assets Note 18.2
- Produce on Bearer Biological Assets Note 21

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 recognized 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 recognized in other comprehensive income (OCI) 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 recognized 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 recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

3.7 Cash dividend to equity holders of the parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized 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 recognized in the statement of profit or loss.

3.8 Property, plant and equipment

3.8.1 Recognition and measurement

Property Plant and Equipment is recognized 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 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 capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewize, when a major inspection is preformed, its cost is recognized 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 recognized 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 utilization or at the time the asset is commissioned.

3.8.3 De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized 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 derecognized and gains are not classified as revenue.

3.8.4 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 the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

a) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor vehicles 10 years

Depreciation

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

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

b) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Note 28 to the financial statements.

c) Short-term leases and leases of low-value assets
The Group does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low values assets.

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. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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 amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized 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 amortized, 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 recognized in the Income Statement when the asset is derecognized.

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

Intangible assets name	Useful Lives	Amortization method used	Internally Generated Or acquired
Software	5 Years	amortized 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 capitalized and amortized 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 include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognize 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 fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber 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 capitalized where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance. Infilling costs so capitalized 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 capitalized 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 capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized 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 capitalization are determined in accordance with the in LKAS 23 - Borrowing Costs'. The Borrowing Cost Capitalization rate for the year 2020/2021 is 3.03% (2019/2020 – 10.67%).

The amount so capitalized is disclosed in Note 8.1 to the Financial Statements.

3.8.7.4 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using 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 18.2.

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 recognized is derecognized 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 derecognized 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, Group recognize agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized 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 Group 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
Oil Palm – Bought Mill NSA less cost of harvesting & transport

3.8.8 Depreciation and amortization

a) Depreciation

Depreciation is recognized 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 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 derecognized. 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.

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 amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized 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 cash equivalents 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 amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

and

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

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

Financial instruments at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

and

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized 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 IAS 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 recognized 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 amortized 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 recognized 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 derecognized 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 risk +s 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 recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.9.1.4 Impairment of financial assets
The Group recognizes 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 recognized 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.9.2.2 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 recognized in the statement of profit or loss.

(b) Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization 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 derecognized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

3.10 Inventories

Finish goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realization 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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 recognized. 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 recognized 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 recognized 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 recognized as an expense in profit and loss in the periods during which services are rendered by employees.

The Group 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 Group are members of the Employees Trust Fund to which the Group contributes 3% on the consolidated salary of such employees.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized 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 recognized in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognized in other comprehensive income are recognized immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognized 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 or ordinary shares outstanding during the period.

3.18 Deferred income - Grants and subsidies

Government grants are recognized 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 recognized 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 recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

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 amortized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

Dividend income is recognized when the right to receive payment is established.

- **Interest Income**

Interest income is recognized based on effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized 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 recognized 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 recognized 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 (refer Note 4.1.1).

Current income tax relating to items recognized directly in equity is recognized 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.

EPP Hydro Power Company (Pvt) Ltd
Company is liable for income tax on its business profit at the rate of 14% and investment income at the rate of 24%. (2019/2020 – Business income is liable at 14%; interest income is liable at 24%).

Escape Parks Ceylon (Pvt) Ltd (Pvt) Ltd
Company is liable for Investment income at the rate of 24% to 31 March 2021 (2019/2020 – 24%).

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 recognized 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 recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, 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 recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized 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 realized 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized 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 recognized 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 recognized 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 14 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 utilization, 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 recognized 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 recognized in the Financial Statements of the Group are as follows:

4.1 Taxation

4.1.1 Current Tax

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years with effect from 01 April 2019 and Agro processing is liable at 14%. Accordingly, where applicable, the Group has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates.

4.1.2 Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized 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 (Amendment) Bill issued on 18.03.2021, company is identified separately business income as agro farming & agro processing for the purpose of calculating income tax liability. Accordingly, the company has separated assets and liabilities as at 31 March 2021 as Agro farming and Agro processing for the deferred tax purpose.

Further, Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, 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 11 to the Financial Statements.

4.1.3 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities.

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 18.3.

4.4 Bearer Biological Assets

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

4.5 Leases - Estimating the incremental borrowing rate

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

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.

5.1 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS 16 -Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

5.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – ("IBOR reform")

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform. These amendments to various standards are effective for the annual reporting periods beginning on or after January 01, 2021.

5.3 Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16,if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 01 June 2020.

5.4 Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

5.5 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to
IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. CA Sri Lanka is in the process of adopting amendment made by IASB with a future effective date to IAS 41. Management intend to assess the probable implications of such amendment on financial statements, once those are locally adopt. The amendments are not expected to have a material impact on the Group.

5.6 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

5.7 Amendments to LKAS 1: Classification of Liabilities as Current or Noncurrent

In March 2021 , ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

6. REVENUE

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Tea	2,802,321,184	2,344,797,691	2,802,321,184	2,344,797,691
Rubber	263,933,512	157,165,635	263,933,512	157,165,635
Oil Palm	950,151,602	779,556,925	950,151,602	779,556,925
Others	45,784,653	26,100,241	23,209,904	5,921,283
	4,062,190,951	3,307,620,492	4,039,616,202	3,287,441,534

7. OTHER INCOME

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Amortization of Leasehold right to use of Land (Note 30.3)	5,479,310	5,479,310	5,479,310	5,479,310
Amortization of deferred income from sub lease	4,395,036	4,644,898	4,395,036	4,644,898
Amortization of capital grants	13,833,295	13,476,066	13,833,295	13,476,066
Gain on PPE disposal	4,850,000	4,645,890	4,850,000	4,645,890
Income from sub lease	5,504,400	5,311,477	5,504,400	5,311,477
Insurance Claim Received	-	80,000,000	-	80,000,000
Item written back	1,064,832	501,431	1,064,832	501,431
Income from Solar Power Projects	33,791,120	23,482,932	33,791,120	23,482,932
Sale of other trees	19,682,655	28,351,989	19,682,655	28,351,989
Profit from sale of Timber Trees	20,664,394	28,008,112	20,664,394	28,008,112
Revenue on Sheen mini hydro power project	13,237,277	14,718,382	13,237,277	14,718,382
Revenue on dunsinane mini hydro power project	9,053,348	7,064,818	9,053,348	7,064,818
Sundry income	7,979,952	8,263,426	7,844,704	7,924,787
Dividend Income	-	-	94,368,645	-
	139,535,620	223,948,731	233,769,017	223,610,092

8. FINANCE INCOME AND FINANCE EXPENSES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
8.1 Finance expenses				
Overdraft interest	8,163,803	21,902,981	8,163,803	21,902,981
Term loan interest	5,549,369	13,075,876	5,549,369	11,693,202
Interest on government lease	42,026,833	41,779,491	42,026,833	41,779,491
	55,740,004	76,758,348	55,740,004	75,375,674
Amount capitalized	(7,425,000)	(27,500,000)	(7,425,000)	(27,500,000)
	48,315,004	49,258,347	48,315,004	47,875,674
8.2 Finance Income				
Interest income	560,895	887,453	367,008	592,386
Interest Income on lease	1,347,412	1,305,995	1,347,412	1,305,995
Exchange Gain	194,435	276,681	194,435	276,681
	2,102,742	2,470,129	1,908,855	2,175,062
8.3 Net Finance Expense	46,212,262	46,788,219	46,406,149	45,700,612

9. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Auditors fees	3,208,900	3,200,150	3,033,000	3,032,000
Depreciation and amortization	279,874,438	248,756,047	270,604,331	239,527,822
Define benefit plan costs	114,612,869	101,360,956	114,566,254	101,332,416
Defined contributions plan cost - EPF and ETF	254,249,219	230,914,407	254,249,219	230,630,087
Staff costs	1,661,688,023	1,627,220,137	1,661,688,023	1,625,608,991
Director fees & other emoluments	44,150,817	32,336,984	44,150,817	32,336,894
Donations	1,160,000	610,000	1,160,000	610,000

10. INCOME TAX

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
10.1 Income tax expense				
10.1.1 Income Tax				
Tax on current year profits	8,379,114	1,909,537	8,046,926	-
Under / (Over)provision in respect of previous years	(1,662,875)	(575)	204,214	(575)
Unclaimable Economic Service Charge Written Off	10,000,000	-	10,000,000	-
Deferred tax expense/ (reversal)	(166,192,378)	25,754,307	(177,434,510)	35,258,452
	(149,476,139)	27,663,269	(159,183,370)	35,257,877
10.1.2 Statement of Comprehensive Income				
Deferred tax expense / (Reversal)	1,995,132	(3,153,828)	1,995,132	(3,153,828)
	1,995,132	(3,153,828)	1,995,132	(3,153,828)

10.2 Reconciliation of the accounting profit and tax on current year

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit before tax	725,515,735	335,389,497	723,326,405	276,968,058
Profit from equity accounted investees	(90,455,307)	(54,980,056)	-	-
Adjusted accounting profit chargeable to income taxes	635,060,428	280,409,441	723,326,405	276,968,058
Aggregate disallowed items	764,996,639	484,816,797	755,312,908	475,379,727
Aggregate allowed items	(858,640,841)	(658,262,287)	(845,128,088)	(658,161,790)
Business profit	541,416,226	106,963,951	633,511,225	94,185,995
Interest income	560,895	887,453	367,008	592,386
Tax exempt	(424,717,312)	(76,713,460)	(424,717,312)	(76,713,460)
Tax loss brought forward and utilized	(81,676,654)	(18,064,921)	(175,632,064)	(18,064,921)
Taxable income	35,583,155	13,073,023	33,528,857	-
Income Tax @ 14%	285,655	1,827,067	-	-
Income Tax @ 24%	8,093,459	888	8,046,926	-
Income Tax @ 28%	-	81,582	-	-
Income tax expense charged to Statement of Profit or Loss	8,379,114	1,909,537	8,046,926	-

10. INCOME TAX (CONTD.)

10.3 Tax losses carried forward

	Group / Company	
	Rs.	Rs.
Tax losses brought forward	706,072,589	723,545,126
Adjustments on finalization of liability	9,878,859	592,384
Tax losses arising during the year	-	-
Utilization of tax losses	(175,632,064)	(18,064,921)
Tax losses carried forward	540,319,384	706,072,589

10.4 Deferred tax expense

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
10.4.1 Statement of Profit or Loss				
Origination and (reversal) of temporary differences	(166,192,378)	25,754,307	(177,434,510)	35,258,452
	(166,192,378)	25,754,307	(177,434,510)	35,258,452
10.4.2 Statement of Comprehensive Income				
Tax effect on actuarial gain/(loss) on retirement benefit obligations	1,995,132	(3,153,828)	1,995,132	(3,153,828)
	1,995,132	(3,153,828)	1,995,132	(3,153,828)
Total Deferred tax expense/ (reversal)	(164,197,246)	22,600,479	(175,439,378)	32,104,623

11. DEFERRED TAX LIABILITY

	Group		Company	
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	496,951,471	474,350,993	506,455,616	474,350,993
Amount originated during the year transferred to Statement of Profit or Loss	(166,192,378)	25,754,307	(177,434,510)	35,258,452
Amount originated during the year transferred to Other Comprehensive Income	1,995,132	(3,153,828)	1,995,132	(3,153,828)
At the end of the year	332,754,226	496,951,471	331,016,238	506,455,616

Composition of deferred tax liabilities;	Group		Company	
	2021	2020	2021	2020
Deferred tax liabilities;	Rs.	Rs.	Rs.	Rs.
Tax effect on temporary difference of Property, plant and equipment	50,897,225	50,618,511	49,141,616	60,105,036
Tax effect on temporary difference of biological assets	422,846,229	645,278,439	422,846,229	645,278,439
Tax effect on temporary difference of Right-of-use-of-land	33,775,243	43,262,786	33,775,243	43,262,786
	507,518,696	739,159,736	505,763,087	748,646,261
Deferred tax assets;				
Tax effect on temporary difference of provisions for obsolete items	(1,334,309)	(343,293)	(1,334,309)	(343,293)
Tax effect on temporary difference of expected credit losses	(6,173,067)	(8,228,785)	(6,173,067)	(8,228,785)
Tax effect on temporary difference of lease liability	(36,024,068)	(44,738,883)	(36,024,068)	(44,738,883)
Tax effect on temporary difference of retirement benefit obligation	(55,588,313)	(90,047,141)	(55,570,692)	(90,029,520)
Tax effect on tax losses available for offsetting future taxable income	(75,644,714)	(98,850,163)	(75,644,714)	(98,850,163)
	(174,764,471)	(242,208,265)	(174,746,850)	(242,190,644)
	332,754,226	496,951,471	331,016,238	506,455,616

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 March, 2021 is 10.5% (2019/2020-14%) for the company and 14% for the subsidiary (2019/2020 -14%).

12. EARNINGS PER SHARE

	Group		Company	
	2021	2020	2021	2020
12.1 Earnings Per Share				
Profit attributable to ordinary shareholders of the parent (Rs.)	875,266,508	307,853,956	882,509,775	241,710,181
Weighted average number of ordinary shares	72,866,430	72,866,430	72,866,430	72,866,430
Earnings per share (Rs.)	12.01	4.22	12.11	3.32

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 .

13. DISTRIBUTIONS MADE AND PROPOSED

	Company	
	2021 Rs.	2020 Rs.
Cash dividends on ordinary shares declared and paid		
Final dividend for 2021: Nil per share (2020 :Rs.1.25)	-	91,083,038
Interim dividend for 2021 : Rs. 0.75 per share (2020 :Rs. Nil per share)	54,649,823	-
	54,649,823	91,083,038

14. SEGMENT INFORMATION

14.1.a Segment results

Group	Tea 2021 Rs.	Tea 2020 Rs.	Rubber 2021 Rs.	Rubber 2020 Rs.
Revenue	2,802,321,184	2,344,797,691	263,933,512	157,165,635
Operating expenses				
Revenue expenditure	(2,244,103,293)	(2,039,819,126)	(183,533,665)	(223,770,141)
Depreciation / amortization	(100,323,235)	(158,544,212)	(71,591,619)	(10,626,802)
Other non cash expenses - gratuity	(50,336,774)	(72,276,271)	(16,298,231)	(4,844,489)
Segmental results	407,557,883	74,158,082	(7,490,004)	(82,075,797)
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				
Profit for the year				

14.1.b Segment Assets

Group				
Non current assets				
Cost	3,501,981,543	3,311,166,501	2,040,885,929	1,659,673,725
Accumulated depreciation and amortization	(1,169,692,788)	(795,764,681)	(657,348,444)	(433,935,654)
	2,332,288,754	2,515,401,820	1,383,537,485	1,225,738,071
Unallocated non current assets Cost				
Accumulated depreciation and amortization				
Investments				
Other non current asset				
Total non current assets				
Current assets	239,671,057	300,345,784	11,877,760	20,683,709
	239,671,057	300,345,784	11,877,760	20,683,709
Unallocated current assets				
Total current assets				
Total assets				

14.1.c Segment Liabilities

Group				
Non current liabilities	444,426,313	458,674,125	29,788,730	30,743,723
Current liabilities	398,880,521	559,946,987	26,735,915	37,531,777
	843,306,834	1,018,621,112	56,524,644	68,275,500
Unallocated non current liabilities				
Total liabilities				
Capital and resources				
Total equity and liabilities				

14.1.d Segment capital expenditure

Cost	233,167,683	209,021,257	35,215,218	62,085,732

Oil Palm		Others		Total	
2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
950,151,602	779,556,925	45,784,653	26,100,241	4,062,190,951	3,307,620,492
(282,167,485)	(231,766,233)	(16,261,213)	(8,550,964)	(2,726,065,656)	(2,503,906,464)
(70,051,874)	(52,709,980)	(12,833,112)	(9,628,602)	(254,799,840)	(231,509,596)
(35,671,087)	(24,029,138)	(653,018)	(182,518)	(102,959,109)	(101,332,416)
562,261,156	471,051,574	16,037,309	7,738,156	978,366,346	470,872,016
				40,219,780	48,652,946
				139,535,620	223,948,731
				(355,714,488)	(344,284,409)
				(121,134,566)	(71,991,624)
				90,455,307	54,980,056
				771,727,998	382,177,716
				2,102,742	2,470,129
				(48,315,004)	(49,258,348)
				725,515,736	335,389,497
				149,476,139	(27,663,269)
				874,991,874	307,726,227
2,476,083,539	2,360,362,331	592,415,541	193,568,889	8,611,366,552	7,524,771,446
(544,965,363)	(484,036,279)	(52,065,736)	(21,306,394)	(2,424,072,331)	(1,735,043,008)
1,931,118,176	1,876,326,052	540,349,805	172,262,495	6,187,294,221	5,789,728,438
				406,170,417	413,693,772
				(143,145,998)	(128,951,710)
				6,450,318,641	6,074,470,500
				220,948,466	189,910,456
				46,439,085	45,091,674
				6,717,706,196	6,309,472,629
10,255,160	17,117,893	61,726,102	164,427	323,530,078	338,311,813
10,255,160	17,117,893	61,726,102	164,427	323,530,078	338,311,813
				561,407,622	442,092,862
				884,937,700	780,404,675
				7,602,643,894	7,089,877,303
147,755,011	152,491,872	1,294,778	1,284,143	623,264,833	643,193,863
132,612,751	186,161,285	3,447,392	4,760,770	561,676,578	788,400,819
280,367,762	338,653,157	4,742,170	6,044,913	1,184,941,411	1,431,594,682
				962,135,867	1,032,064,184
				2,139,077,278	2,463,658,866
				5,463,566,614	4,626,218,436
				7,602,643,895	7,089,877,303
108,334,848	228,598,270	248,326,923	68,295,949	625,044,669	568,001,208

14. SEGMENT INFORMATION (CONTD.)

14.2.a Segment results .

Company	Tea 2021 Rs.	Tea 2020 Rs.	Rubber 2021 Rs.	Rubber 2020 Rs.
Revenue	2,802,321,184	2,344,797,691	263,933,512	157,165,635
Operating expenses				
Revenue expenditure	(2,244,103,293)	(2,039,819,126)	(183,533,665)	(223,770,141)
Depreciation / amortization	(100,323,235)	(158,544,212)	(71,591,619)	(10,626,802)
Other non cash expenses - gratuity	(50,336,774)	(72,276,271)	(16,298,231)	(4,844,489)
Segmental results	407,557,883	74,158,082	(7,490,004)	(82,075,797)
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				

14.2.b Segment Assets

Company				
Non current assets				
Cost	3,501,981,543	3,311,166,501	2,040,885,929	1,659,673,725
Accumulated depreciation and amortization	(1,169,692,788)	(795,764,681)	(657,348,444)	(433,935,654)
	2,332,288,754	2,515,401,820	1,383,537,485	1,225,738,071
Unallocated non current assets Cost				
Accumulated depreciation and amortization				
Investments				
Other non current asset				
Total non current assets				
Current assets	239,671,057	300,345,784	11,877,760	20,683,709
	239,671,057	300,345,784	11,877,760	20,683,709
Unallocated current assets				
Total current assets				
Total assets				

14.2.c Segment Liabilities

Company				
Non current liabilities	444,426,313	458,674,125	29,788,730	30,743,723
Current liabilities	398,880,521	559,946,987	26,735,915	37,531,777
	843,306,834	1,018,621,112	56,524,644	68,275,500
Unallocated non current liabilities				
Total liabilities				
Capital and resources				
Total equity and liabilities				

14.2.d Segment capital expenditure

Company				
Cost	233,167,683	209,021,257	35,215,218	62,085,732

Oil Palm		Others		Total	
2021	2020	2021	2020	2021	2020
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
950,151,602	779,556,925	23,209,904	5,921,283	4,039,616,202	3,287,441,534
(282,167,485)	(231,766,233)	(12,546,016)	(4,928,672)	(2,722,350,459)	(2,500,284,172)
(70,051,874)	(52,709,980)	(3,113,005)	(400,369)	(245,079,734)	(222,281,362)
(35,671,087)	(24,029,138)	(653,018)	(182,518)	(102,959,109)	(101,332,416)
562,261,156	471,051,574	6,897,865	409,724	969,226,900	463,543,583
				40,219,780	48,652,946
				233,769,017	223,610,092
				(352,348,576)	(341,146,327)
				(121,134,566)	(71,991,624)
				769,732,554	322,668,670
				(48,315,004)	(47,875,674)
				1,908,855	2,175,062
				723,326,405	276,968,057
				159,183,370	(35,257,877)
				882,509,775	241,710,181
2,476,083,539	2,360,362,331	592,415,541	193,568,889	8,611,366,552	7,524,771,446
(544,965,363)	(484,036,279)	(52,065,736)	(21,306,394)	(2,424,072,331)	(1,735,043,008)
1,931,118,176	1,876,326,052	540,349,805	172,262,495	6,187,294,221	5,789,728,438
				143,401,254	143,401,254
				(72,570,312)	(67,646,132)
				70,830,942	75,755,121
				239,290,290	189,290,290
				43,835,428	42,488,017
				6,541,250,880	6,097,261,866
10,255,160	17,117,893	61,691,697	130,022	323,495,674	338,277,408
10,255,160	17,117,893	61,691,697	130,022	323,495,674	338,277,408
				619,725,999	539,030,896
				943,221,674	877,308,304
				7,484,472,554	6,974,570,171
147,755,011	152,491,872	1,122,303	1,158,283	623,092,358	643,068,003
132,612,751	186,161,285	1,007,287	1,414,026	559,236,473	785,054,075
280,367,762	338,653,157	2,129,590	2,572,309	1,182,328,831	1,428,122,078
				960,397,879	1,041,568,329
				2,134,726,711	2,469,690,407
				5,349,745,843	4,504,879,764
				7,484,472,554	6,974,570,171
108,334,848	228,598,270	248,326,923	63,787,460	625,044,672	563,492,719

15. RIGHT- OF- USE- ASSETS

	Notes	Group / Company 2021 Rs.	2020 Rs.
Right-of-use-asset- land	15.1	321,668,980	309,019,903
Right -of - use -asset- immovable bearer biological assets	15.2.1	49,785,493	62,363,532
Right -of - use -asset - other property plant and equipments	15.2.2	4,227,936	4,412,976
Right -of - use -asset- motor vehicles	15.3	5,516,562	6,435,988
		381,198,970	382,232,400

15.1 Right-of-use asset- land

This Right-of-use asset- Land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset- Land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 January 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset- Land" and "Lease Liability" has been enhanced. “Right-of-use asset- Land” have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the Statement of Financial Position date is 24 years.

	Notes	Group / Company 2021 Rs.	2020 Rs.
Cost			
At the beginning of the year		321,380,699	279,120,479
Transferred in due to initial application of SLFRS 16		-	(141,065,347)
Transition adjustment due to initial application of SLFRS 16		-	183,325,567
Adjustment on reassessment of lease liability		26,051,951	-
Transferred in due to reassessment of lease liability		(12,360,796)	-
At the end of the year		335,071,854	321,380,699
Amortization			
At the beginning of the year		12,360,796	141,065,347
Transferred out due to initial application of SLFRS 16		-	(141,065,347)
Transferred out due to reassessment of lease liability		(12,360,796)	-
Amortization for the year		13,402,874	12,360,796
At the end of the year		13,402,874	12,360,796
Written down value		321,668,980	309,019,903

15.2 Right-of-use asset- Immovable estate assets on lease other than Right-of-use asset- land

At the time of privatization of plantation estates, all immovable assets in these estates (Note 15.2.1 and Note 15.2.2) have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. These assets have accounted in accordance with SLFRS 16 - Leases.

15.2.1 Right-of-use asset- immovable bearer biological assets

	Group / Company		
	Immature Plantations Rs.	Mature Plantations Rs.	Total Rs.
At Cost			
Balance 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 in 2002/2003	-	(1,389,400)	(1,389,400)
Transferred to joint venture in 2015/2016	-	(19,773,222)	(19,773,222)
Balance as at 31.03.2021	-	357,567,968	357,567,968
Amortization			
Accumulated amortization as at 01.04.2020	-	295,204,436	295,204,436
Amortization during the year	-	12,578,040	12,578,040
Accumulated amortization as at 31.03.2021	-	307,782,475	307,782,475
Written down value as at 31.03.2021	-	49,785,493	49,785,493
Written down value as at 31.03.2020	-	62,363,532	62,363,532

15.2.2 Right -of - use - of - other 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.
At Cost						
Balance 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 in 2002/2003	-	-	-	(3,390,250)	-	(3,390,250)
Transferred to joint venture in 2015/2016	-	-	-	(5,536,000)	-	(5,536,000)
Balance as at 31.03.2021	4,214,618	4,028,217	1,564,267	64,075,893	47,785,047	121,668,042
Amortization						
As at 1 April 2020	2,594,229	2,113,684	686,212	64,075,893	47,785,047	117,255,066
Amortization for the year	79,521	76,004	29,514	-	-	185,040
As at 31 March 2021	2,673,750	2,189,688	715,726	64,075,893	47,785,047	117,440,106
Written down value as at 31.03.2021	1,540,868	1,838,529	848,541	-	-	4,227,936
Written down value as at 31.03.2020	1,620,389	1,914,533	878,055	-	-	4,412,976

15.3 Right-of-use asset - motor vehicles

	Group / Company	
	2021 Rs.	2020 Rs.
Cost		
As at 1 April	16,855,000	-
Transferred from freehold property, plant and equipments	-	16,855,000
Additions	-	-
At the end of the year	16,855,000	16,855,000
Amortization		
At the beginning of the year	10,419,012	-
Transferred from freehold property, plant and equipments	-	9,499,585
Amortization during the year	919,427	919,427
At the end of the year	11,338,439	10,419,012
Written Down Value	5,516,562	6,435,988

16. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	As at 1 April 2020 Rs.	Additions/ Transfer In Rs.	Disposals Rs.	As at 31 March 2021 Rs.	As at 1 April 2020 Rs.	Additions/ Transfer In Rs.	Disposals Rs.	As at 31 March 2021 Rs.
At Cost								
Buildings	133,639,234	25,537,480	-	159,176,713	133,639,234	25,537,480	-	159,176,713
Motor vehicles	276,915,362	10,780,000	(5,300,000)	282,395,362	276,915,362	10,780,000	(5,300,000)	282,395,362
Plant and machinery	396,261,982	53,442,508	-	449,704,490	396,261,982	53,442,508	-	449,704,490
Furniture and fittings	14,082,908	1,471,920	-	15,554,828	14,082,908	1,471,920	-	15,554,828
Equipment	150,139,318	11,709,193	-	161,848,510	150,139,318	11,709,193	-	161,848,510
Water sanitation	255,249,127	918,600	-	256,167,728	255,249,127	918,600	-	256,167,728
Solar power assets	109,690,066	95,416,671	-	205,106,737	109,690,066	95,416,671	-	205,106,737
	1,335,977,996	199,276,371	(5,300,000)	1,529,954,368	1,335,977,997	199,276,371	(5,300,000)	1,529,954,367
Assets on Mini Hydro Power Projects								
Plant and machinery	150,811,101	-	-	150,811,101	57,744,429	-	-	57,744,429
Equipment	12,821,693	-	-	12,821,693	4,152,104	-	-	4,152,104
Motor vehicles	263,089	-	-	263,089	99,889	-	-	99,889
Furniture and fittings	24,500	-	-	24,500	24,500	-	-	24,500
Civil constructions	215,502,891	-	-	215,502,891	81,380,332	-	-	81,380,332
	379,423,274	-	-	379,423,274	143,401,254	-	-	143,401,254
Total cost	1,715,401,270	199,276,371	(5,300,000)	1,909,377,642	1,479,379,251	199,276,371	(5,300,000)	1,673,355,621

	Group				Company			
	As at 1 April 2020 Rs.	Charge for the year Rs.	Disposals Rs.	As at 31 March 2021 Rs.	As at 1 April 2020 Rs.	Charge for the year Rs.	Disposals Rs.	As at 31 March 2021 Rs.
Depreciation								
Buildings	13,367,703	3,365,349	-	16,733,053	13,367,703	3,365,349	-	16,733,053
Motor vehicles	167,884,604	20,156,693	-	188,041,297	167,884,604	20,156,693	-	188,041,297
Plant and machinery	202,849,850	16,030,986	-	218,880,837	202,849,850	16,030,986	-	218,880,837
Furniture and fittings	11,931,428	377,769	-	12,309,197	11,931,428	377,769	-	12,309,197
Equipment	118,279,685	12,541,427	-	130,821,112	118,279,685	12,541,427	-	130,821,112
Water sanitation	162,362,887	11,786,647	-	174,149,535	162,362,887	11,786,647	-	174,149,535
Solar Power Assets	5,477,531	5,976,484	-	11,454,015	5,477,531	5,976,484	-	11,454,015
	682,153,689	70,235,356	-	752,389,045	682,153,689	70,235,356	-	752,389,045
Assets on Mini Hydro Power Projects								
Plant and machinery	62,340,282	7,540,555	-	69,880,837	32,869,167	2,887,221	-	35,756,388
Equipment	12,402,944	125,622	-	12,528,566	4,152,104	-	-	4,152,104
Motor vehicles	218,900	20,400	-	239,300	99,889	-	-	99,889
Furniture and fittings	7,350	2,450	-	9,800	7,350	2,450	-	9,800
Civil constructions	53,982,236	6,505,260	-	60,487,496	30,517,622	2,034,508	-	32,552,131
	128,951,712	14,194,286	-	143,145,998	67,646,132	4,924,179	-	72,570,312
Total depreciation	811,105,401	84,429,643	-	895,535,044	749,799,821	75,159,536	-	824,959,357
Written down value	904,295,869			1,013,842,598	729,579,430			848,396,264

	Group				Company			
	As at 1 April 2020 Rs.	Additions Rs.	Transfer Out Rs.	As at 31 March 2021 Rs.	As at 1 April 2020 Rs.	Additions Rs.	Transfer Out Rs.	As at 31 March 2021 Rs.
Buildings	61,564,566	107,109,721	(38,917,439)	129,756,847	27,294,068	103,009,703	(27,294,068)	103,009,703
Solar power assets	80,863,875	23,444,429	(80,863,875)	23,444,429	80,863,875	23,444,429	(80,863,875)	23,444,429
Plant and machinery	31,919,209	136,297,857	(31,919,209)	136,297,857	31,919,209	136,297,857	(31,919,209)	136,297,857
	174,347,650	266,852,007	(151,700,523)	289,499,133	140,077,152	262,751,989	(140,077,152)	262,751,989
Total carrying value	1,078,643,519			1,303,341,731	869,656,580			1,111,148,252

16.1 The cost of fully depreciated and still in use assets of the company amounts to Rs. 235 Mn as of 31 March 2021.

17. INTANGIBLE ASSETS

		Group		Company	
		2021	2020	2021	2020
	Notes	Rs.	Rs.	Rs.	Rs.
Software	17.1	15,262,794	14,847,797	15,262,794	14,847,797
Goodwill	17.2	2,603,657	2,603,657	-	-
		17,866,451	17,451,454	15,262,794	14,847,797

17.1 Software

	Group/Company			
	Balance As at 01.04.2020 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
At Cost				
Software	24,746,329	5,379,000	-	30,125,329
	24,746,329	5,379,000	-	30,125,329

	Group/Company			
	Balance As at 01.04.2020 Rs.	Amortization for the year Rs.	Disposals Rs.	Balance As at 31.03.2021 Rs.
Amortization				
Software	9,898,532	4,964,003	-	14,862,535
	9,898,532	4,964,003	-	14,862,535
Carrying Value	14,847,797			15,262,794

17.2 Goodwill

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At cost				
At the beginning of the year	2,603,657	-	-	-
Acquisition of operations	-	2,603,657		
At the end of the year	2,603,657	2,603,657	-	-
Accumulated amortization and impairment	-	-	-	-
	-	-	-	-
Carrying amount	2,603,657	2,603,657	-	-

The recoverability amount of goodwill is determined with reference to the 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.

18. BIOLOGICAL ASSETS

18.1 Bearer Biological Assets

	Group/Company	
	2021	2020
	Rs.	Rs.
Cost		
At the beginning of the year	4,596,385,731	4,247,116,876
Additions during the year	282,780,335	349,268,855
Cost of Disposals	(6,590,138)	
At the end of the year	4,872,575,927	4,596,385,731
Depreciation		
At the beginning of the year	1,042,990,786	909,410,401
Charge for the year	158,095,413	133,580,385
Cost of Disposals	(6,590,138)	
At the end of the year	1,194,496,061	1,042,990,786
Carrying amount	3,678,079,866	3,553,394,945

	Immature Plantations				
	Tea	Rubber	Oil Palm	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
At cost					
At the beginning of the year	139,820,622	241,630,307	484,690,683	132,555,960	998,697,572
Additions during the year	31,931,846	27,379,685	91,185,627	132,283,177	282,780,335
Transfers to	(47,415,165)	(80,508,838)	(270,089,030)	(2,411,113)	(400,424,146)
At the end of the year	124,337,303	188,501,154	305,787,279	262,428,024	881,053,760

	Mature Plantations				
	Tea	Rubber	Oil Palm	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
At cost					
At the beginning of the year	1,082,648,029	1,278,043,483	1,181,258,276	55,738,371	3,597,688,159
Transfers from	47,415,165	80,508,838	270,089,030	2,411,113	400,424,146
Disposal Cost	-	(6,590,138)	-	-	(6,590,138)
At the end of the year	1,130,063,194	1,351,962,183	1,451,347,306	58,149,484	3,991,522,167
Depreciation					
At the beginning of the year	302,152,115	400,850,099	319,928,691	20,059,881	1,042,990,787
Charge for the year	32,479,441	63,902,174	59,062,914	2,650,884	158,095,413
Disposal Cost	-	(6,590,138)	-	-	(6,590,138)
At the end of the year	334,631,556	458,162,135	378,991,605	22,710,765	1,194,496,061
Carrying amount of Mature Plantations	795,431,638	893,800,048	1,072,355,701	35,438,719	2,797,026,106

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 15 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 capitalized Borrowing Cost amounting to Rs. 7,425,000/- (2020 - Rs. 27,500,000/-) as part of the immature plantations.

18. BIOLOGICAL ASSETS (CONTD.)

18.2 Consumable Biological Assets

Managed timber plantation	Group/Company 2021 Rs.	2020 Rs.
At the beginning of the year	1,045,351,839	1,003,340,618
Increase due to development	20,313,129	17,099,448
Cost of harvested timber trees	(27,306,356)	(24,646,885)
Gain arising from changes in fair value less cost to sell due to physical changes	34,076,666	49,558,658
At the end of the year	1,072,435,279	1,045,351,839

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.

18.3 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
			2020/2021	2019/2020	
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.

18.3.1 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%
Sensitivity variation sales price		
As at 31 March 2021	(107.24)	107.24
As at 31 March 2020	(104.54)	104.54

18.3.1 Sensitivity Analysis

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber 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)	
Percentage increase/decrease in discount rate	**+ 1%**	**- 1%**
As at 31 March 2021	(19.76)	22.04
As at 31 March 2020	(19.55)	21.97

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2020 (2019 - Nil).
There are no commitments for the development or acquisition of biological assets .

19. OTHER NON CURRENT ASSETS

	Group/Company	
	2021	**2020**
	Rs.	**Rs.**
Lease Receivable		
Gross lease receivable	71,400,000	71,400,000
Less: Finance income allocated to future periods	(27,564,572)	(28,911,983)
Net lease receivable	43,835,428	42,488,017

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 sublease arrangement. As a result of that, above balance represents, lease rental receivables from ELpitiya Dianhong Jin Ya Tea Company (pvt) Ltd over a period of 17 years from 31March 2021 to 31 March 2045.

19.1 Future minimum rentals receivable as at 31st March are as follows;

	Group/Company	
	2021	**2020**
	Rs.	**Rs.**
Within one year	-	-
After one year but not more than five years	-	-
More than five years	71,400,000	71,400,000
	71,400,000	71,400,000

20. INVESTMENTS

		Group		Company	
		2021	2020	2021	2020
	Note	Rs.	Rs.	Rs.	Rs.
Investments in subsidiaries	20.1	-	-	151,300,010	101,300,010
Investments in joint ventures	20.2	220,948,466	189,910,456	87,990,280	87,990,280
		220,948,466	189,910,456	239,290,290	189,290,290

20.1 Investments in subsidiaries

			Group		Company	
Unquoted	Percentage of holding		2021	2020	2021	2020
	2021	2020	Rs.	Rs.	Rs.	Rs.
EPP Hydro Power Company (Pvt) Ltd	100%	100%	-	-	150,000,000	100,000,000
Water Villas (Pvt) Ltd	50%	50%	-	-	10	10
Escape Parks Ceylon (Pvt) Ltd	100%	100%	-	-	1,300,000	1,300,000
			-	-	151,300,010	101,300,010

20.2 Investments in joint ventures

			Group		Company	
Unquoted	Percentage of holding		2021	2020	2021	2020
	2021	2020	Rs.	Rs.	Rs.	Rs.
AEN Palm Oil Processing (Pvt) Ltd	33.33%	33.33%	214,414,440	174,409,300	6,990,270	6,990,270
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	50%	50%	6,534,026	15,501,156	81,000,010	81,000,010
			220,948,466	189,910,456	87,990,280	87,990,280

20.2.1 Share of profit from joint ventures

		Group		Company	
		2021	2020	2021	2020
	Note	Rs.	Rs.	Rs.	Rs.
AEN Palm Oil Processing (Pvt) Ltd	20.2.2	99,422,436	75,259,669	-	-
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	20.2.3	(8,967,129)	(20,279,613)	-	-
		90,455,307	54,980,056	-	-

20.2.2 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. Summarized financial information of this joint venture are set out below.

	Company	
	2021	2020
	Rs.	Rs.
Current assets, including cash and cash equivalents Rs.81,409,494 /- (2020 - Rs. 129,876,596/-)	283,527,101	316,539,684
Non current assets	740,210,329	552,230,891
Current liabilities, including tax payable. Rs.1,249,608 /- (2020 - Rs. 35,999,070/-)	(173,008,101)	(165,910,723)
Non current liabilities, including deferred tax liabilities. Rs.37,848,773/- (2020- Rs.25,423,212/)	(207,486,009)	(179,631,952)
Total Equity	643,243,320	523,227,900
Group's carrying amount of the investment	214,414,440	174,409,300
Summarized statement of profit or loss of AEN Palm Oil Processing (Pvt) Ltd.		
Revenue	3,740,213,029	3,228,606,762
Cost of sales	(3,251,267,704)	(2,853,298,248)
Other income	7,023,945	8,343,582
Administration expenses including depreciation Rs. 3,705,195 /- (2020- Rs.3,820,761/-)	(129,618,676)	(114,450,974)
Impairment of Assets	-	-
Finance cost	(15,636,792)	(23,145)
Profit Before Tax	350,713,803	269,177,977
Income tax expense	(52,446,496)	(42,274,807)
Profit for the year	298,267,307	226,903,170
Total comprehensive income for the year	298,267,307	226,903,170
Group's share of profit for the year	99,422,436	75,634,390
Previous year tax adjustment	-	(374,721)
Group's share of profit / (loss) for the year after previous year tax adjustment	99,422,436	75,259,669
Group's share of profit before tax	116,904,601	89,725,992
Group's share of profit after tax	99,422,436	75,259,669

	Group	
	2021	2020
	Rs.	Rs.
Number of shares invested	699,027	699,027
Dividend received	94,368,645	-

20. INVESTMENTS (CONTD.)

20.2.3 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. Summarized financial information of this joint venture are set out below.

	Company	
	2021	2020
	Rs.	Rs.
Current assets, including cash and cash equivalents Rs. 3,305,792/- (2020 - Rs. 3,965,086/-)	71,420,468	67,583,986
Non current assets	160,731,458	169,982,427
Current liabilities, including tax payable Rs.480,068/- (2020- Rs.907,276/-)	(69,005,597)	(61,297,288)
Non current liabilities	(69,254,363)	(64,442,900)
Total Equity	93,891,965	111,826,225
Group's carrying amount of the investment	46,945,983	55,913,113
Unrealized gain on assets transferred to Joint Venture	(40,411,957)	(40,411,957)
Total Group's carrying amount of the investment	6,534,026	15,501,156
Summarized statement of profit or loss of Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd.		
Revenue	11,837,187	16,048,144
Cost of sales including depreciation Rs. 3,041,585 /= (2019- Rs. 3,134,325/-)	(25,309,712)	(42,684,955)
Other income	3,087,844	5,005,089
Administration expenses	(3,126,560)	(3,656,811)
Finance cost	(2,740,676)	(2,509,934)
Profit/ (Loss) Before Tax	(16,251,916)	(27,798,467)
Income tax expense	(1,682,342)	(10,328,322)
Profit / (Loss) for the year	(17,934,258)	(38,126,789)
Total comprehensive income for the year	(17,934,258)	(38,126,789)
Group's share of profit / (loss) for the year	(8,967,129)	(19,063,395)
Previous year tax adjustment	-	(1,216,218)
Group's share of profit / (loss) for the year after previous year tax adjustment	(8,967,129)	(20,279,613)
Group's share of profit/(loss) before tax	(8,125,958)	(13,899,234)
Group's share of profit/(loss) after tax	(8,967,129)	(20,279,613)

	Group	
	2021	2020
	Rs.	Rs.
Number of shares invested	8,100,001	8,100,001
Dividend received	-	-

20.2.4 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 2021.

21. PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group/Company	
	2021	2020
	Rs.	Rs.
As at 1st April	10,384,921	11,290,634
Change in fair value less cost to sell	6,143,113	(905,713)
As at 31st March	16,528,034	10,384,921

21.1 Fair Value Hierarchy for Non Financial Assets as at 31 March

Group/Company Non Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Produce on Bearer Biological Assets*	31-Mar-21	-	16,528,034	-
	31-Mar-20	-	10,384,921	-

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

21.2 Gain/(Loss) On Fair Value Of Biological Assets

		Group/Company	
	Note	2021 Rs.	2020 Rs.
Consumable Biological Assets - Gain/(loss) arising from changes in fair value less cost to sell	18.2	34,076,666	49,558,658
Produce on Bearer Biological Assets - Gain/(Loss) arising from changes in fair value less cost to sell	21.1	6,143,113	(905,713)
Total Change in Fair Value of Biological Assets		40,219,780	48,652,945

22. INVENTORIES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Nurseries	28,911,340	25,251,751	28,911,340	25,251,751
Harvested crop	252,070,501	266,090,157	252,070,501	266,090,157
Spares and consumables	55,254,188	49,420,697	55,219,783	49,386,292
	336,236,029	340,762,605	336,201,624	340,728,200
Less: Provisions for Inventories	(12,705,951)	(2,450,791)	(12,705,951)	(2,450,791)
	323,530,078	338,311,814	323,495,673	338,277,409

23. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2021	2020	2021	2020
	Note	Rs.	Rs.	Rs.	Rs.
Produce debtors		72,889,765	39,509,460	72,889,765	33,531,065
Advance and prepayments		29,227,915	67,359,219	29,227,915	67,359,219
Employee related debtors		23,560,844	24,771,665	23,560,844	24,771,665
Other debtors		117,570,799	177,530,087	111,858,599	142,556,698
		243,249,322	309,170,432	237,537,122	268,218,647
Impairment of doubtful debtors	23.1	(7,594,278)	(7,580,202)	(7,594,278)	(7,580,202)
		235,655,044	301,590,230	229,942,844	260,638,445

23.1 Movement for impairment of doubtful debtors

	Group/Company	
	2021	2020
	Rs.	Rs.
At the beginning of the year	7,580,202	7,500,558
Impairment Provision	14,076	79,644
At the end of the year	7,594,278	7,580,202

23.2 As at 31 March , the ageing analysis of trade and other receivables is, as follows:

		Neither Past		Past due but not impaired			
	Total	due nor impaired	< 30 days	30-60 days	61-90 days	91-120 days	>120 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Company							
2021	224,336,125	97,202,585	66,328,443	10,853,367	6,945,340	35,412,112	7,594,278
2020	268,218,647	65,916,973	52,506,687	70,525,676	38,975,902	32,713,208	7,580,202

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
24.1 Favorable cash and bank balances				
Cash at bank	211,871,533	29,202,994	209,467,425	21,856,292
Cash in Hand	230,239	277,021	230,239	277,021
	212,101,772	29,480,015	209,697,664	22,133,313
24.2 Unfavorable bank balances				
Bank overdraft	-	268,982,089	-	268,982,089
	-	268,982,089	-	268,982,089

25. STATED CAPITAL

	Group		Company	
	2021	2020	2021	2020
	Number	Number	Rs.	Rs.
25.1 Stated Capital				
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.

27. INTEREST BEARING LOANS AND BORROWINGS

	2021			2020		
	Payable within one year Rs.	Payable after 1year less than 5years Rs.	Total payable Rs.	Payable within one year Rs.	Payable after 1year less than 5years Rs.	Total payable Rs.
27.1 Group						
Term loan facilities (Note 27.2.1)	29,508,000	103,574,000	133,082,000	70,419,043	17,250,000	87,669,043
	29,508,000	103,574,000	133,082,000	70,419,043	17,250,000	87,669,043
27.2 Company						
Term loan facilities (Note 27.2.1)	29,508,000	103,574,000	133,082,000	70,419,043	17,250,000	87,669,043
	29,508,000	103,574,000	133,082,000	70,419,043	17,250,000	87,669,043

27.2.1 Term loan facilities

Company	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Total Repayable after 05 years Rs.	Total As At 31.03.2021 Rs.	As At 31.03.2020 Rs.	Facility details
Long Term Loans						
Tea securitising loans						
Central Finance Company Limited	-	-	-	-		
Sri Lanka Tea Board I	-	-	-	-	3,333,333	
Sri Lanka Tea Board II	-	-	-	-	1,160,378	
	-	-	-	-	4,493,711	
Other long term loan facilities						
Sampath Bank PLC	-	-	-	-	1,761,246	
Nations Trust Bank PLC	-	-	-	-	20,420,791	
Bank of Ceylon	-	-	-	-	28,186,975	
National Development Bank PLC	4,500,000	12,750,000	-	17,250,000	21,750,000	I
Bank of Ceylon I	12,504,000	10,412,000	-	22,916,000	-	II
Bank of Ceylon II	12,504,000	10,412,000	-	22,916,000	-	III
Sampath Bank	-	70,000,000	-	70,000,000	-	IV
	29,508,000	103,574,000	-	133,082,000	72,119,012	
Short Term Loans						
Sri Lanka Tea Board	-	-	-	-	11,056,320	
	-	-	-	-	11,056,320	
Grand Total	29,508,000	103,574,000	-	133,082,000	87,669,043	

27.3 Details of the interest bearing loans and borrowing facilities

Group

Facility details	Rate of interest	Terms of repayment
I	6.73% (Annual)	Installments shall be repayable 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 installments of Rs.375,000/- .
II	AWPLR- 0.4% p.a	Installments shall be repaid in 24 equal monthly installments of Rs.1,042,000/-
III	AWPLR- 0.4% p.a	Installments shall be repaid in 24 equal monthly installments of Rs.1,042,000/-
IV	AWPLR- 0.5% p.a	Installments shall be repaid in 47 equal monthly installments of Rs.2,100,000/- and a final installment of Rs.1,300,000 after a grace period of 12 months.

27.4 Changes in Liabilities arising from financing activities

Company	1-Apr-20 Rs.	Non Cash Movement Rs.	Cash Flows Rs.	New leases Rs.	31-Mar-21 Rs.
Current interest- Bearing loans and Borrowings	70,419,043	-	(40,911,043)	-	29,508,000
Current Obligations under lease liabilities	4,055,960	(2,002,468)	783,074	-	2,836,566
Non- Current interest- Bearing loans and Borrowings	17,250,000	-	86,324,000	-	103,574,000
Non-Current Obligations under lease liabilities	317,509,958	26,051,951	(3,312,110)	-	340,249,799
	409,234,960	24,049,484	42,883,921	-	476,168,365

Group	1-Apr-20 Rs.	Non Cash Movement Rs.	Cash Flows Rs.	New leases Rs.	31-Mar-21 Rs.
Current interest- Bearing loans and Borrowings	70,419,043	-	(40,911,043)	-	29,508,000
Current Obligations under lease liabilities	4,055,960	(2,002,468)	783,074	-	2,836,566
Non- Current interest- Bearing loans and Borrowings	17,250,000	-	86,324,000	-	103,574,000
Non-Current Obligations under lease liabilities	317,509,958	26,051,951	(3,312,110)	-	340,249,799
	409,234,960	24,049,484	42,883,921	-	476,168,365

28. LEASE LIABILITIES

		Group/Company	
		2021	2020
	Note	Rs.	Rs.
Lease liability on right-of-use asset- land	28.1	343,086,365	319,563,450
Lease liability on right-of-use asset - motor vehicles	28.2	-	2,002,468
		343,086,365	321,565,917

28. LEASE LIABILITIES (CONTD.)

28.1 Lease liability on right-of-use asset- land

	Group/Company	
	2021	2020
	Rs.	Rs.
Balance as at the beginning of the year	319,563,450	165,676,270
Transition Adjustment due to initial application of SLFRS 16	-	155,704,429
Adjustment on reassessment of lease liability	26,051,951	-
Accretion of interest	42,026,833	41,779,491
Payments	(44,555,868)	(43,596,740)
Balance as at the end of the year	343,086,365	319,563,450
Current	2,836,566	2,053,492
Non - Current	340,249,799	317,509,958

28.1.1 Maturity analysis of lease liabilities are as follows;

	Group/Company	
	2021	2020
	Rs.	Rs.
Payable within one year		
Gross liability	44,555,868	43,596,740
Finance cost allocated to future periods	(41,719,302)	(41,543,248)
	2,836,566	2,053,492
Payable within two to five years		
Gross liability	178,223,472	174,386,960
Finance cost allocated to future periods	(162,982,392)	(163,133,270)
Net liability	15,241,080	11,253,690
Payable after five years		
Gross liability	846,561,492	871,934,800
Finance cost allocated to future periods	(521,552,773)	(565,678,532)
Net liability	325,008,719	306,256,268

28.2 Lease liability on right-of-use asset - motor vehicles

	Group/Company	
	2021	2020
	Rs.	Rs.
Balance as at the beginning of the year	2,002,468	-
Transferred from interest bearing loans and borrowings	-	6,576,966
Accretion of interest	-	-
Payments	(2,002,468)	(4,574,498)
Balance as at the end of the year	-	2,002,468
Current	-	2,002,468
Non - Current	-	-

29. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs	Rs.	Rs
At the beginning of the year	643,193,863	609,807,019	643,068,003	609,709,699
Current service cost	48,330,201	39,344,147	48,283,586	39,315,607
Interest cost	66,282,668	62,016,809	66,282,668	62,016,809
Liability experience loss/ (gain) arising during the year	(16,425,122)	22,527,346	(16,425,122)	22,527,346
Liability loss/ (gain) due to changes in assumptions during the year	(2,576,136)	-	(2,576,136)	-
Payments	(74,628,477)	(90,501,458)	(74,628,477)	(90,501,458)
At the end of the year	664,176,997	643,193,863	664,004,522	643,068,003
Current (Classified under Trade & Other Pyables - Note 31)	40,912,164	40,498,285	40,912,164	40,498,285
Non - Current	623,264,833	602,695,578	623,092,358	602,569,718

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 require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit.

The retirement benefit obligation as at 31 March 2021 of the Group is based on the actuarial valuation carried out by Messers Piyal S Gunatilleke and Associates. According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2021, the actuarial present value of promised retirement benefits obligation amounted to Rs. 664,004,522/-. 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 714,959,538/-.

The expenses are recognized in the income statement in the following line items;

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs	Rs.	Rs
Cost of sales	114,566,254	101,360,956	114,566,254	101,332,416
	114,566,254	101,360,956	114,566,254	101,332,416

Actuarial gain on defined benefit plan has been recognized in Statement of Other Comprehensive Income in terms of provisions in LKAS 19.

29.1 Maturity analysis of the payments

The following payments are expected on retirement benefit obligation in future years

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs	Rs.	Rs
Within the next 12 months	64,399,924	102,960,295	64,399,924	102,960,295
Between 1 and 5 years	300,718,024	284,166,017	300,718,024	284,166,017
Beyond 5 years	299,059,049	256,067,551	298,886,574	255,941,691
Total expected payments	664,176,997	643,193,863	664,004,522	643,068,003
Weighted average duration (years) of defined benefit obligation	9.4 years	9.6 years	9.4 years	9.6 years

29. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

29.2 The principal assumptions used in determining the retirement benefit obligation were;

	Salary increment rate	Retirement age	Daily wage rate	Discount rate
2020/2021				
Workers	5.68% (per annum)	60 years	700/-	8.00%
Staff	7.5% (per annum)	55 years		8.00%
2019/2020				
Workers	18% (every two years)	60 years	700/-	11.00%
Staff	10% (per annum)	55 years		11.00%

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)	
Percentage increase/decrease in discount rate	**+ 1%**	**- 1%**
As at 31 March 2021	(49.13)	56.82
As at 31 March 2020	(39.67)	57.48

	Impact on Retirement benefit obligations (In Rs. Mn)	
Percentage increase/decrease in salary / wage increment rate.	**+ 1%**	**- 1%**
As at 31 March 2021	53.56	(47.24)
As at 31 March 2020	54.34	(37.78)

30. DEFERRED INCOME

		Group/Company	
		2021	2020
	Note	Rs.	Rs.
Deferred grants and subsidies	30.1	90,198,492	98,449,695
Sub lease income	30.2	35,255,902	36,320,303
Deferred income on right of use asset - land	30.3	60,103,448	65,582,758
		185,557,842	200,352,755

30.1 Deferred grants and subsidies

	Group/Company	
	2021	2020
	Rs.	Rs.
At the beginning of the year	98,449,695	103,794,995
Add: Grants received during the year	5,582,092	8,130,767
Less: Amortization for the year	(13,833,295)	(13,476,067)
At the end of the year	90,198,492	98,449,695

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	
	2021	2020
	Rs.	Rs.
At the beginning of the year	36,320,302	37,356,957
Add: Cash received for the year	3,330,636	3,608,242
Less: Amortization for the year	(4,395,036)	(4,644,897)
At the end of the year	35,255,902	36,320,302

30.3 Deferred income on Right of use asset - Land

	Group/Company	
	2021	2020
	Rs.	Rs.
At the beginning of the year	65,582,758	71,062,069
Deferred income received during the year	-	-
Less: Amortization for the year	(5,479,310)	(5,479,310)
At the end of the year	60,103,448	65,582,758

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 amortized on straight line basis commencing from 1st April 2016.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade creditors	48,245,240	37,081,974	48,245,240	37,081,974
Employee related creditors	189,022,322	156,561,217	189,022,322	156,561,217
Other payables and accruals	141,599,868	99,712,139	139,594,818	98,335,361
	378,867,430	293,355,330	376,862,380	291,978,552

32. RELATED PARTY TRANSACTIONS

32.1 Terms and conditions of transactions with related parties

The Group and the Company carried out transactions in the ordinary course of business with the following related entities. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash

32.2 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group as per 31 March 2020 audited financial statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

32.3 Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2020 audited financial Statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act other than the matters disclosed in Note 32.7 to the financial statements.

32.4 Amounts due from related parties

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Subsidiaries				
EPP Hydro Power Company (Pvt) Ltd	-	-	39,307,702	111,140,759
Water Villas (Pvt) Ltd	-	-	6,608,686	6,373,786
Escape Parks Ceylon (Pvt) Ltd	-	-	20,518,309	27,721,987
	-	-	66,434,697	145,236,532
Equity Accounted Investees				
Joint Venture Companies				
AEN Palm Oil Processing (Pvt) Ltd	11,509,497	23,261,514	11,509,497	23,261,514
Elpitiya Dianghong Jin Ya Tea Company (Pvt) Ltd	65,088,050	57,086,292	65,088,050	57,086,292
Elpitiya Lifestyle Solutions (Pvt) Ltd (Note 32.4.1)	5,510,935	9,822,407	5,510,935	9,822,407
	82,108,483	90,170,213	82,108,483	90,170,213
Other Related Companies				
Aitken Spence C & T Inv.	298,472	298,472	298,462	298,462
Aitken Spence Agriculture (Pvt) Ltd	14,626,778	10,079,973	14,626,778	10,079,973
	14,925,251	10,378,445	14,925,241	10,378,435
	97,033,734	100,548,658	163,468,420	245,785,180

32.4.1 Elpitiya Lifestyle Solutions (Pvt) Ltd

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current account balance	56,707,774	61,019,246	56,707,774	61,019,246
	56,707,774	61,019,246	56,707,774	61,019,246
Impairment	(51,196,839)	(51,196,839)	(51,196,839)	(51,196,839)
	5,510,935	9,822,407	5,510,935	9,822,407

32.5 Amounts due to related parties

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Ultimate Parent				
Aitken Spence PLC	4,825,485	5,209,230	4,825,485	5,209,230
	4,825,485	5,209,230	4,825,485	5,209,230
Parent				
Aitken Spence Plantation Managements PLC	137,204,042	184,907,486	137,204,042	184,907,486
	137,204,042	184,907,486	137,204,042	184,907,486
	142,029,527	190,116,716	142,029,527	190,116,716

32.6 Transactions with related parties

	Company	
	2021 Rs.	2020 Rs.
Ultimate Parent		
Rendering of services	(5,046,365)	(4,712,492)
Receiving of services	272,962,621	249,123,880
Parent		
Rendering of services	(156,004,638)	(98,081,432)
Receiving of services	108,301,194	113,823,714
Subsidiaries		
Issue of ordinary shares	(50,000,000)	-
Rendering of services	10,821,535	11,839,440
Equity Accounted Investees		
Sale of goods	933,866,471	768,392,655
Rendering of services	34,790,844	31,085,634
Other Related Companies		
Rendering of services	11,828,431	10,177,163

32.7 Joint Venture

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party transactions entered into during 2020/2021 Rs.	Aggregate value of Related Party transactions entered into during 2019/2020 Rs.	Aggregate value of related party transactions as a % of Net Revenue	Terms and Conditions of the Related Party Transactions
AEN Palm Oil Processing (Pvt) Ltd	Joint Venture	Sale of goods	916,721,162	736,774,898	23%	Sale of Fresh Fruit Bunches (FFB) as day to day operations of the Company - Price will decide based on Ripe & Unripe weight of bunches.
		Rendering of services	30,829,885	17,830,270		

During the year company supplied Rs.917 MN (2019/20 - Rs. 737 MN) worth of oil palm FFB to AEN Palm Oil processing (Pvt) Ltd in day to day operations of the company and aggregate value of these transactions are exceed 10% of the gross revenue/income of the company as per latest audited financial statements.

32.8 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.

32.9 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 Amortization) subject to a maximum limit of Rs. 85 Mn per annum excluding taxes.

32.10 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 PLC permanent Overdraft Facility
- Corporate guarantee of Rs.100 Mn for Sampath Bank Berry project loan
- Corporate guarantee of Rs.50 Mn for Bank of Ceylon Working capital loan
- Corporate guarantee of Rs. 200 Mn for Bank of Ceylon Ran Aswenna Loan

33. ASSETS PLEDGE

Company

Facility obtained from	Security	Facility amount	Outstanding Balance as at 31.03.2021	Carrying amount pledged 2021	Carrying amount pledged 2020
		Rs.	Rs.	Rs.	Rs.
Bank of Ceylon - Bank overdraft	Primary mortgage over estate produce consisting of Tea, Rubber, Oil Palm, Coffee, Coconuts, Clove and Paddy on estate.	175,000,000	-	38,076,699	39,648,738
	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.				
Hatton National Bank PLC- Bank overdraft	Primary floating mortgage bond for Rs. 10 Mn. over leasehold property at "Talgaswella Estate" in Galle.	50,000,000	-	10,871,041	11,319,865
	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.	175,000,000	-	8,459,438	8,808,696

34. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date.	2021 Rs. Mn	2020 Rs. Mn
Approved by Board and Contracted for	12.34	59.11
Approved by Board and Not contracted for	811.52	671.37

35. CONTINGENCIES

No known contingent liabilities exist as at the date of financial position other than the matters disclosed in below note to the financial statements.

35.1 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.

35.2 Court of Appeal Case No CA WRIT 143/2021

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently The Wages Board without considering objections of the RPC's decided the daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazette its decision on 05th March 2021.

Therefore, a "Writ Application" was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the Gazette issued by the Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and, therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavorable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be Rs. 93 Mn charge on other comprehensive income for the year ended 31 March 2021.However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

36. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

37. 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.

37.1 Financial Risk Management Framework
The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyze 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.

37.2 Credit Risk
Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

37.2.1 Trade and Other Receivables
The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The 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. 73 Mn (2020 – Rs. 33.5 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.

37.2.2 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 minimize 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.

37.2.3 Cash and Cash Equivalents
The Group held cash and Cash Equivalents of Rs. 212 MN as at 31st March 2021 (2020 – Rs. 29 MN) which represents its maximum credit exposure on these assets.

37.2.4 Amounts due from
The Group held amounts due from related parties of Rs.97 MN as at 31st March 2021 (2020 – Rs. 100 MN) which represents its maximum credit exposure on these balances.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.3 Liquidity Risk

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

The Group does not concentrate on a single financial institution, thereby minimizing 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 scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31st March 2021	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Interest bearing loans & borrowing	-	9,323,227	27,841,030	103,574,000	-	140,738,257
Lease Liabilities	-	11,138,967	33,416,901	178,223,472	846,561,492	1,069,340,832
Trade & other payables	-	327,957,656	9,997,611	-	-	337,955,267
Amounts due to related parties	142,029,527	-	-	-	-	142,029,527
	142,029,527	348,419,850	71,255,542	281,797,472	846,561,492	1,690,063,883
Company						
Interest bearing loans & borrowing	-	9,323,227	27,841,030	103,574,000	-	140,738,257
Lease Liabilities	-	11,138,967	33,416,901	178,223,472	846,561,492	1,069,340,832
Trade & other payables	-	325,952,605	9,997,611	-	-	335,950,216
Amounts due to related parties	142,029,527	-	-	-	-	142,029,527
	142,029,527	346,414,799	71,255,542	281,797,472	846,561,492	1,688,058,832

As at 31st March 2020	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	>5 years Rs.	Total Rs.
Group						
Interest bearing loans & borrowing	-	27,808,752	52,450,804	17,250,000	-	97,509,556
Lease Liabilities	-	13,141,435	33,416,901	178,223,472	846,561,492	1,071,343,300
Trade & other payables	-	248,124,336	4,732,709	-	-	252,857,045
Amounts due to related parties	190,116,716	-	-	-	-	190,116,716
Bank overdraft	268,982,089	-	-	-	-	268,982,089
	459,098,805	289,074,523	90,600,414	195,473,472	846,561,492	1,880,808,706
Company						
Interest bearing loans & borrowing	-	27,808,752	52,450,804	17,250,000	-	97,509,556
Lease Liabilities	-	13,141,435	33,416,901	178,223,472	846,561,492	1,071,343,300
Trade & other payables	-	246,747,558	4,732,709	-	-	251,480,267
Amounts due to related parties	190,116,716	-	-	-	-	190,116,716
Bank overdraft	268,982,089	-	-	-	-	268,982,089
	459,098,805	287,697,745	90,600,414	195,473,472	846,561,492	1,879,431,928

37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise 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.

37.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group held long term and Short term borrowings with floating interest rates of Rs.133 Mn (2020 – Rs.88) 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.
Group		
2021	+1%	(137,132)
	-1%	137,132
2020	+1%	(349,789)
	-1%	349,789
Company		
2021	+1%	(137,132)
	-1%	137,132
2020	+1%	(243,099)
	-1%	243,099

37.4.2 Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These 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.

	Increase/ decrease in basis points	Effect on profit before tax Rs.
Group		
2021		
USD	5%	3,107,207
USD	-5%	(3,107,207)
2020		
USD	5%	2,833,148
USD	-5%	(2,833,148)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

37.4.3 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However, company does not hold any quoted shares as at reporting date.

37.4.4 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

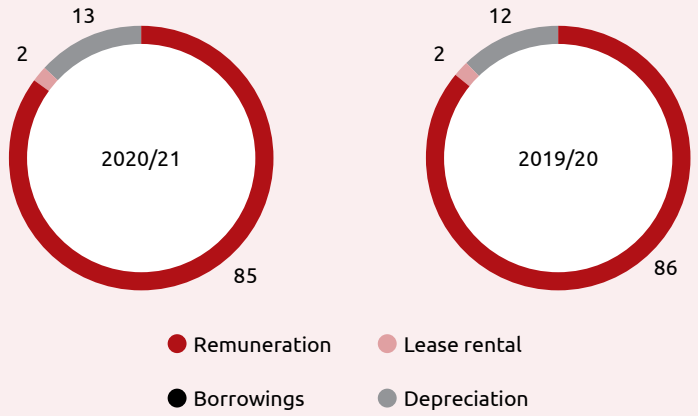
The gearing ratio at the reporting date is as follows.

	Group		Company	
	As at 31.03.2021 Rs.'000	As at 31.03.2020 Rs.'000	As at 31.03.2021 Rs.'000	As at 31.03.2020 Rs.'000
Interest bearing borrowing				
Current portion of long term interest bearing borrowings	29,508	70,419	29,508	70,419
Payable after one year	103,574	17,250	103,574	17,250
	133,082	87,669	133,082	87,669
Equity	5,463,567	4,626,218	5,349,746	4,504,880
Equity & debts	5,596,649	4,713,887	5,482,828	4,592,549
Gearing ratio	2%	2%	2%	2%

VALUE ADDED STATEMENT

Figures in Rs.000'	Year ended 31.03.21	As a %	Year ended 31.03.20	As a %
Value Added				
Turnover	4,062,191		3,307,620	
Other Income	141,638		226,419	
	4,203,829	100	3,534,039	100
Purchase of goods and Services	(1,663,255)	(40)	(1,377,891)	(39)
Total Value Added	2,540,574	60	2,156,148	61
Distributed as follows				
To Employee,				
as remuneration	1,915,937	85.31	1,858,134	86.18
To Government,				
as lease rental	44,556	1.98	41,779	1.94
To Lenders,nt, as Interest on short & long term				
borrowings	5,549	0.24	7,479	0.36
Retained for re-investment and future growth	279,874	12.46	248,756	11.54
Depreciation	279,874	12.46	248,756	11.54
Reserves	-	-	-	-
	2,245,917	100	2,156,148	100

Distribution of Value Added (%)



INFORMATION ON ESTATES

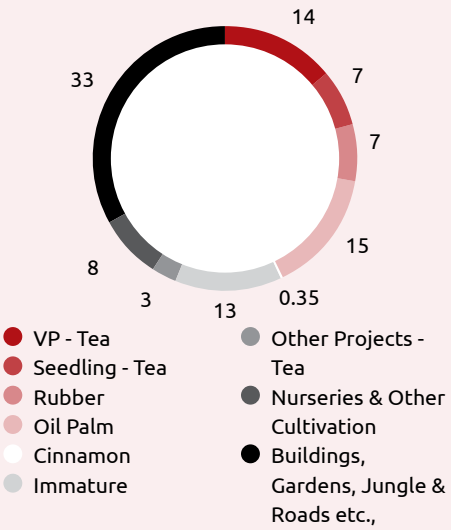
Year Ended 31st March 2021	Cultivated Area (ha.)						Total Area (ha.)	Annual Production (Kg'000)			Factory Details Crop Manfd.	No.of Workers
Estate	Tea	Rubber	Oil Palm	Other Projects - Tea -	Others	Total		Tea	Rubber	Oil Palm		
Nuwaraeliya District												
Dunsinane	445.71	-	-	66.58	106.74	619.03	790.00	1,030	-	-	Tea	736
Sheen	209.30	-	-	68.28	120.25	397.83	503.75	613	-	-	Tea	435
Fernlands	306.93	-	-	52.23	60.31	419.47	484.25	542	-	-	Tea	562
Meddecombra	382.72	-	-	61.35	283.54	727.61	890.00	661	-	-	Tea	648
Kandy District												
New Peacock	271.99	-	-	-	183.79	455.78	535.73	787	-	-	Tea	460
Nayapane	230.25	-	-	-	220.15	450.40	576.50	589	-	-	Tea	399
Galle District												
Devitura	30.58	115.37	269.13	-	95.45	510.53	896.22	24	115	2,583	Tea Rubber	289
Talgaswella	29.35	99.03	607.93	-	19.97	756.28	1,033.85	182	90	6,800	Tea Rubber	314
Gulugahakande	2.50	29.70	109.08		32.18	173.46	418.18	4	32	952	-	101
Lelwala	3.50	51.11	76.73	-	7.75	139.09	240.35	12	57	680	Tea	83
Ketandola	4.55	27.04	291.95	-	34.32	357.86	832.69	7	36	1,790	Tea	140
Bentota	-	207.57	116.97	-	24.12	348.66	726.14	-	138	568	Rubber	200
Elpitiya	-	233.03	318.56	-	17.34	568.93	910.36	-	182	3,182	Rubber	268
TOTAL	1,917.38	762.85	1,790.35	248.44	1,205.91	5,924.93	8,838.02	4,451	650	16,555		4,635

INFORMATION ON ESTATES

	2020/2021		
	Tea	Rubber	Oil Palm
Total Crop (Kg.000's)	4,451	650	16,555
Total NSA (Rs/Kg)	586	380	57
Y P H	1,794	1,073	12,662

	2019/2020		
	Tea	Rubber	Oil Palm
Total Crop (Kg.000's)	4,174	553	17,323
Total NSA (Rs/Kg)	503	321	45
Y P H	1,661	804	13,930

Land Utilization (In Hectares) %



NUMBER OF PERMANENT BUILDINGS AVAILABLE AS AT 31.03.2021

Type of Buildings	Region/Nos.			
	UP	MID	LOW	TOTAL
No. of Factories	6	2	10	18
No. of Bungalows (Manager/Asst. Managers)	19	6	26	51
No. of Staff Bungalows/Quarters	122	49	64	235
No. of Double Barrack Lines	197	31	36	264
No. of Single Barrack Lines	673	73	157	903
No. of Creches	23	7	13	43
No. of Dispensary	3	3	5	11
No. of Maternity Wards	3	-	1	4
No. of Muster Sheds	19	6	38	63
No. of Office Buidings	5	3	7	15
No. of Stores Buidings	9	4	12	25
No. of Training Centers	2	4	2	8
No. of Self Help Housing	700	114	311	1125
Any Other Buildings	450	34	241	725
(Factory/Field Rest Rooms, Community Center, Twin Cottages, Motor garage etc.,)				

SHAREHOLDERS AND INVESTOR INFORMATION

1) DISTRIBUTION OF SHAREHOLDING

Category	No. of shareholders	No. of shares	%
1-1,000	10,536	3,357,502	4.60
1,001-10,000	497	1,867,902	2.57
10,001-100,000	140	4,309,805	5.91
100,001-1,000,000	13	2,800,775	3.85
Over 1,000,000 Shares	2	60,530,446	83.07
	11,188	72,866,430	100.00

2) COMPOSITION OF SHAREHOLDERS

Category	No. of shareholders	No. of shares	%
Residents	11,170	71,619,527	98.29
Non Residents	18	1,246,903	1.71
Individuals	11,068	9,166,404	12.58
Institutions	120	63,700,026	87.42

3) SHARE TRADING DURING THE YEAR

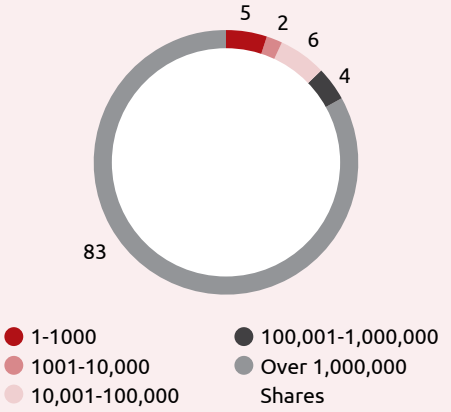
	2020/21	2019/20
Highest Price Traded (Rs)	58.90	21.80
Lowest Price Traded (Rs)	12.50	12.50
Last Traded Price (Rs)	43.80	13.00
Number of share transactions	18,935	2,069
Number of shares traded	22,665,780	2,177,239
Value of shares traded	874,822,097	41,045,144.00
Market Capitalization	3,191,549,634	947,263,590.00

The float adjusted Market Capitalization as at 31st March 2021 was Rs 540,316,099/-. As the float adjust market capitalization 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.

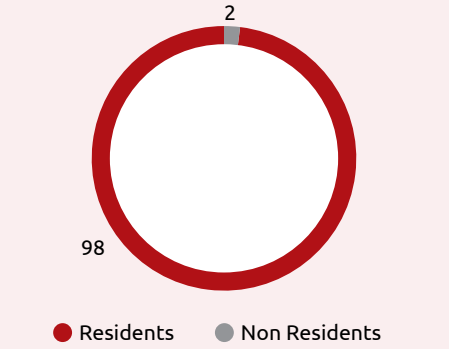
4) NET ASSETS AND CLOSING PRICE PER SHARE

	2020/21	2019/20	2018/19
Net Assets per share (Rs.)	73.42	61.82	59.64
Closing Price (Rs.)	43.80	13.00	18.10

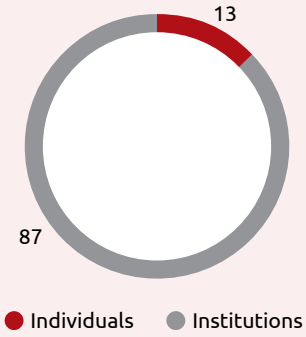
Distribution of Shareholding (%)



Composition of Shareholders (%)

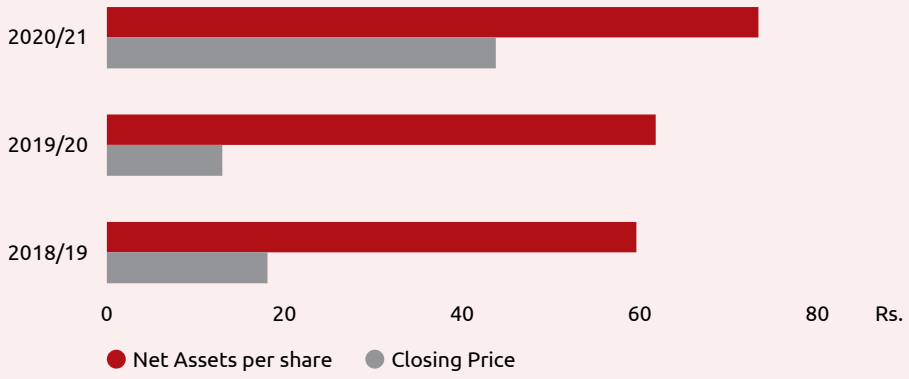


Composition of Shareholders (%)



Share Trading During The Year

Net Assets and closing price per share



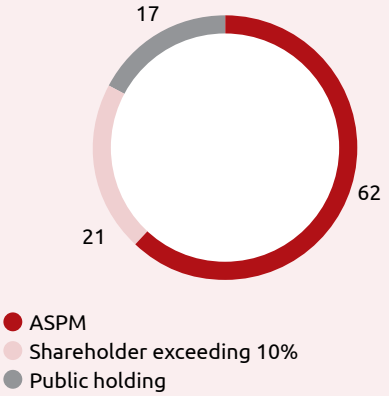
5) PUBLIC HOLDING

	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

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) Companies 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.

Public Holding (%)



6) 20 MAJOR SHAREHOLDERS HOLDING AS AT 31ST MARCH 2021

	Name of the Shareholder	Shareholding	%
1	Aitken Spence Plantation Managements PLC	44,917,354	61.64
2	Secretary to the Treasury	15,613,092	21.43
3	Mr. T. T. T. Al-Nakib	400,000	0.55
4	Mr. K. C. Vignarajah	329,700	0.45
5	Tranz Dominion, L.L.C	315,000	0.43
6	J. B. Cocoshell (pvt) Ltd	245,085	0.34
7	Hatton National Bank PLC/H. G. Balasuriya	221,940	0.30
8	Dr. R. D. Bandaranaike/Mrs. A. D. Bandaranaike	210,696	0.29
9	Rockport Limited	200,151	0.27
10	Mr. M. R. Selvadurai	171,318	0.24
11	Mr. R. Amarasinghe/Mr. U. Amarasinghe	150,000	0.21
12	Hatton National Bank PLC/Mushtaq Mohamed Fund	149,010	0.20
13	Vingrows Business Solutions (pvt) Ltd	147,875	0.20
14	Mr. G. D. M. Ranasinghe/ Mrs O. R. K. Ranasinghe	135,000	0.19
15	DFCC Bank PLC/Ravi Exports (pvt) Ltd	125,000	0.17
16	DFCC Bank PLC/Just. in Time Technologies (pvt) Ltd	100,000	0.14
16	Mr. S. Nihal / Mrs. C. Samarasuriya	100,000	0.14
18	Mr. U. D. Wickremesooriya/Mrs. S. F. Wickremesooriya	95,000	0.13
19	Peoples Leasing & Finance PLC/Mrs. C. M. Dissanayake	88,976	0.12
20	Peoples Leasing & Finance PLC/HI Line Tower (pvt) ltd	85,436	0.12
	Total No. of Shares	63,800,633	87.56

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 *	2021 Rs.' 000	2020 Rs.' 000	2019 Rs.' 000	2018 Rs.' 000
TRADING RESULTS				
Revenue	4,039,616	3,287,442	3,522,380	3,680,776
Other income	273,989	272,263	235,452	159,598
Gross profit	969,227	463,544	739,245	883,362
Finance cost	(48,315)	(47,876)	(41,788)	(55,506)
Profit/(loss) before tax	723,326	276,968	493,382	601,233
Current tax	159,183	(35,258)	(73,634)	(72,465)
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)
Profit/(loss) after tax	882,509	241,710	419,748	338,205
BALANCE SHEET				
Funds Employed				
Stated Capital	694,236	694,236	694,236	694,236
Timber reserve	797,640	790,870	765,958	780,376
Retained profits/(loss)	3,857,870	3,019,774	2,885,811	2,509,242
Total equity	5,349,746	4,504,880	4,346,005	3,983,854
Non-Current Liabilities				
Interest Bearing Borrowings	103,574	17,250	76,328	164,275
Retirement Benefit Obligations	623,092	643,068	609,710	530,920
Deferred Income	185,558	200,353	212,214	231,325
Deferred Tax Liability	331,016	506,456	474,351	409,987
Net Liability to Lesser	340,250	317,510	161,993	165,676
Total non-current liabilities	1,583,490	1,684,636	1,534,596	1,502,183
Assets Employed				
Non-Current Assets	6,541,251	6,097,262	5,565,395	5,178,812
Current Assets	943,222	877,308	925,423	851,922
Current Liabilities	(551,236)	(785,054)	(610,217)	(544,696)
	6,933,236	6,189,516	5,880,601	5,486,038
Key Indicators				
EPS (Basic)	12.11	3.32	5.76	4.64
Dividend Per Share	2.00	0.75	1.25	2.25
Dividend Payout Ratio	17%	23%	22%	48%
Net Assets Per Share	73.42	61.82	59.64	54.67
Market Price Per Share	43.80	13.00	18.10	27.40
Price Earnings Ratio	4	4	3	6
Current Ratio	1.71	1.12	1.52	1.56
Equity to Total Assets	71.48	64.59	66.96	66.06
Return on Shareholder's Funds	16	5.37	9.61	6.99

* Company has commenced to prepare consolidated financial statements from 31 March 2013, accordingly last reported comparative figures has also been restated.

TEN YEAR SUMMARY

2017 Rs.' 000	2016 Rs.' 000	2015 Rs.' 000	2014 Rs.' 000	2013 Rs.' 000	2012 Rs.' 000
2,996,400	2,419,784	2,579,265	2,782,392	2,833,456	2,512,971
279,065	414,405	237,040	213,560	193,976	106,623
608,476	166,618	389,264	505,055	619,791	326,933
(72,400)	(70,015)	(75,456)	(132,394)	(138,992)	(137,669)
530,392	239,554	368,370	379,381	477,372	148,201
(42,364)	(24,178)	(28,251)	(37,547)	(41,311)	1,883
488,028	215,376	340,119	341,833	436,061	150,084
694,236	694,236	694,236	694,236	694,236	694,236
778,722	756,836	725,733	685,902	716,366	714,268
2,396,474	1,831,447	1,622,047	1,417,207	1,030,852	581,538
3,869,432	3,282,519	3,042,016	2,797,345	2,441,454	1,990,042
194,113	271,300	185,765	376,218	385,661	561,431
451,792	583,690	623,059	542,459	573,472	554,800
248,592	263,801	164,796	178,519	183,139	195,782
183,631	125,918	90,816	76,866	42,873	11,001
168,718	172,254	175,528	178,676	181,704	184,614
1,246,846	1,416,963	1,239,964	1,352,738	1,366,849	1,507,628
4,935,742	4,760,094	4,430,228	4,208,644	4,043,195	3,894,822
766,535	587,471	639,323	592,253	602,248	449,446
(585,999)	(648,082)	(787,572)	(650,814)	(837,140)	(846,596)
5,116,278	4,699,482	4,281,979	4,150,083	3,808,303	3,497,672
6.70	2.97	4.67	4.69	5.98	2.54
1.00	0.50	0.75	0.75	0.50	-
15%	17%	16%	16%	8%	-
53.10	45.05	41.75	38.39	33.51	28.59
19.00	19.20	20.00	16.60	17.20	18.50
3	6	4	4	3	7
1.31	0.91	0.81	0.91	0.72	0.53
67.86	61.38	60.01	58.27	52.56	45.81
12.61	6.56	11.18	12.22	17.86	7.54

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.

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return on Shareholder's Funds
Attributable profits (including other Comprehensive Income) 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 Ninth (29th) Annual General Meeting of Elpitiya Plantations PLC will be held at No. 315, Vauxhall Street, Colombo 02 on Friday, 24th September 2021 at 2.00 p.m., as a virtual meeting using a digital platform for the following purposes:-

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2021 with the Report of the Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-appoint Deshamanya 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 Deshamanya Merrill J. Fernando who is 91 years of age and that he be re-appointed a Director of the Company."

4. To re-appoint Mr. D. A. de S. Wickremanayake 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. D. A. de S. Wickremanayake who is 71 years of age and that he be re-appointed a Director of the Company."

5. To re-elect Dr. S. A. B. Ekanayake who retires in terms of Article 92 and 93 of the Articles of Association, as a Director.

6. To authorize the Directors to determine contributions to charities.

7. To re-appoint the retiring External Auditors, Messrs. Ernst & Young, Chartered Accountants and authorise the Directors to determine their remuneration.

8. To consider any other business of which due notice has been given.

By Order of the Board
Elpitiya Plantations PLC

Aitken Spence Corporate Finance (Private) Limited
Secretaries

31st August 2021
Colombo

Note:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Twenty Ninth (29th) Annual General Meeting of Elpitiya Plantations PLC will be a virtual meeting held by participants joining in person or proxy, through audio or audio visual means in the manner specified below:

i. Shareholder Participation

(a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

(b) The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through **audio or audio visual means only.**

(c) The shareholders who wish to participate at the meeting will be able to join the meeting through **audio or audio visual means only.** To facilitate this process, the shareholders are required to furnish their details by perfecting **Annexure I** to the circular to shareholders and forward same to reach Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406, or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02 **not less than five (5) days before the date of the meeting** so that the **meeting login information** could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders with necessary instructions along with the Notice of Meeting and the Form of Proxy.

(d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company, No. 315, Vauxhall Street, Colombo 02, **not less than forty eight (48) hours before the time fixed for the meeting.**

ii. Shareholders' Queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretaries, via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02, **not less than five (5) days before the date of the meeting.** This is in order to enable the Company Secretaries to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.

2. Should the dividend recommended be approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on 15th October 2021 and the direct bank transfers will be made on 4th October 2021. In accordance with the Listing Rules of the Colombo Stock Exchange, the shares of the Company will trade ex-dividend with effect from 27th September 2021.

3. The Annual Report of the Company for the year 2020/2021 will be available for perusal on the Company website www.elpitiya.com and Colombo Stock Exchange website www. cse.lk.

NOTES

NOTES

FORM OF PROXY

I/We …..... of …..... .....being a shareholder/shareholders of Elpitiya Plantations PLC hereby appoint …… ……..……..…….. of …… ……..…….....……..…….. (whom failing)

Mahinda Parakrama Dissanayake (whom failing)
Rohan Marshall Fernando (whom failing)
Bhathiya Bulumulla (whom failing)
Merrill Joseph Fernando (whom failing)
Malik Joseph Fernando (whom failing)
Sumitha Anura Bandara Ekanayake (whom failing)
Sarath Carlyle Ratwatte (whom failing)
Bogaha Watte Gedara Chandani Sagarika Bogahawatte (whom failing)
Don Ariyaseela de Silva Wickremanayake

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 **24th September 2021,** and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preference indicated below:

	Resolution	For	Against
1.	To declare a dividend as recommended by the Directors.		
2.	To re-appoint Deshamanya Merrill J. Fernando who is over the age of 70 years		
3.	To re- appoint Mr. D. A. de S. Wickremanayake who is over the age of 70 years		
4.	To re-elect Dr. S. A. B. Ekanayake who retires in terms of Article 92 and 93 of the Articles of Association		
5.	To authorize the Directors to determine contributions to charities		
6.	To re-appoint the retiring External Auditors, Messrs. Ernst & Young, Chartered Accountants and authorise the Directors to determine their remuneration.		

Signed this …....…… day of …….. Two Thousand Twenty One.

……	……	……
Shareholder's signature/(s)	Shareholder's NIC / Folio No.	Proxyholder's NIC No.

Note: Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.

2. If the Form of Proxy 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.

3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in its Articles of Association.

4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his/her appointor.

5. Duly filled Form of Proxy should be sent to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02, **not less than forty eight (48) hours before the time fixed for the meeting.**

Please provide the following details (mandatory)

NIC/PP/Company Registration No. of the Shareholder/s : ……

Folio No. : ……

E-mail address of the Shareholder/(s) or proxy holder (other than a Director appointed as proxy) : ……

Mobile No. : ……

Fixed Line : ……

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					
b) Usefulness of the information in the interim financial statements					
c) Likelihood of the financial information in the Annual Report to influence investment decisions					
d) Likelihood of the environmental information in the Annual Report to influence investment decisions					
e) Likelihood of the social information in the Annual Report to influence investments decisions					
f) Level of awareness about the Company's work towards ecosystem conservation after reading the Annual Report					
g) Level of awareness about the Company's work towards socially inclusive development after reading the Annual Report					

Please tick more than one where applicable:

2. What channels of communication are preferred to receive information about Elpitiya Plantations PLC? :

News Articles		Social Media		Digital/Electronic Media	
Internet/Company Website		Annual Report		Others	

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		Socially Inclusive Development		Ecosystem Conservation	
Energy Management		Water Security		Management of Solid Waste, Effluents and Emissions	

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 22nd June 1992.

COMPANY REGISTRATION NUMBER
PQ 171

REGISTERED OFFICE
315, Vauxhall Street,
Colombo 02,
Sri Lanka

BUSINESS ADDRESS
No. 305, Vauxhall Street,
Colombo 02,
Sri Lanka

DIRECTORS
Dr. M. P. Dissanayake - Chairman
Dr. R. M. Fernando - Managing Director
Mr. B. Bulumulla - Director/CEO
Deshamanya 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. Wickremanayake

ALTERNATE DIRECTORS
Ms. M. D. A. Perera
Alternate Director to Mr. Malik J. Fernando
Mr. A. T. S. Sosa
Alternate Director to Deshamanya Merrill J. Fernando

CHIEF EXECUTIVE OFFICER
Mr. B. Bulumulla

MANAGING AGENT
Aitken Spence Plantation Managements PLC

GROUP COMPANIES
E P P Hydro Power Company (Private) Limited
Generating and selling renewable hydroelectricity to national grid system.
Directors:
Dr. R. M. Fernando
Deshamanya Merrill J. Fernando
Mr. Malik J. Fernando
Mr. D. A. de S. Wickremanayake
Mr. B. Bulumulla

Water Villas (Private) Limited
Intended Hotel Operator
Directors:
Dr. R. M. Fernando
Deshamanya Merrill J. Fernando
Mr. Malik J. Fernando
Mr. D. A. de S. Wickremanayake
Mr. B. Bulumulla

Escape Parks Ceylon (Private) Limited
(Formerly known as Venture Valley (Private) Limited – Name changed w.e.f. 22nd June 2020)
Design, develop and operate an Adventure Theme Park comprising a water park, gravity park and an adventure park.
Directors:
Dr. M. P. Dissanayake
Dr. R. M. Fernando

JOINT VENTURE COMPANIES
Elpitiya Lifestyle Solutions (Private) Limited
The company has ceased its commercial operations.
Directors:
Mr. S. Pathiratne (Chairman)
Dr. R. M. Fernando (Managing Director)
Mr. Malik J. Fernando
Mr. D. A. de S. Wickremanayake
Mr. A. Kanthasamy
Ms. C. D. Piyaratne
Mr. B. Bulumulla (Alternate Director to Dr. R. M. Fernando)

A E N Palm Oil Processing (Private) Limited
Processing, selling (and exporting) of crude palm oil from FFB. Joint Venture of three companies namely Agalawatte Plantations PLC, Elpitiya Plantations PLC and Namunukula Plantations PLC
Directors:
Mr. N. S. Yaddhige (Chairman)
Dr. M. P. Dissanayake
Dr. R. M. Fernando
Mr. M. P. K. Udugampola
Mr. G. P. N. A G. Gunathilake
Mr. P. D. S. A. Gunasekara (Appointed w.e.f. 1st July 2020)
Mr. S. A. Eriyagama (Ceased to be Director w.e.f. 30th June 2020)

Elpitiya Dianhong Jin Ya Tea Company (Private) Limited
Growing, processing and marketing of special tea for overseas market. It is a Joint Venture with Dianhong Group China.
Directors:
Dr. R. M. Fernando (Chairman)
Mr. B. Bulumulla (MD/CEO)
Mr. W. Hao
Dr. X. Chen
Mr. T Wang (Alternate Director to Mr. W. Hao)

SECRETARIES
Aitken Spence Corporate Finance (Private) Limited

REGISTRARS
S S P Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo 03.

AUDITORS
Messrs. Ernst & Young, Chartered Accountants
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 – Panchikawatta Branch
Seylan Bank PLC – Millennium Corporate

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Elpitiya Plantations PLC
No. 315, Vauxhall Street, Colombo 2,
Sri Lanka

ELPITIYA PLANTATIONS PLC – PQ 171

315, VAUXHALL STREET, COLOMBO 02, SRI LANKA

CIRCULAR TO SHAREHOLDERS

Dear Shareholder,

VIRTUAL ANNUAL GENERAL MEETING OF ELPITIYA PLANTATIONS PLC FOR THE YEAR 2020/2021

In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Twenty Ninth (29th) Annual General Meeting (AGM) of Elpitiya Plantations PLC will be held virtually in the manner prescribed below.

A. GENERAL DETAILS

1. The Twenty Ninth (29th) AGM of Elpitiya Plantations PLC will be conducted from No. 315, Vauxhall Street, Colombo 02, at 2.00 p.m. on Friday, 24th September 2021, as a virtual meeting using a digital platform.

2. The AGM will be held in accordance with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of a virtual AGM.

3. The Annual Report of the Company for the year 2020/2021 will be available for perusal on the Company website www.elpitiya.com and the Colombo Stock Exchange website www.cse.lk. The Annual Report could also be accessed via the QR Code provided at the bottom of this page.

4. If you wish to receive a printed copy of the Annual Report for the year 2020/2021, please complete and forward to us the Form of Request attached hereto (Annexure II) by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02 or e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406.

B. SHAREHOLDER PARTICIPATION

1. The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

2. The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through **audio or audio visual means only**.

3. The shareholders who wish to participate at the meeting will be able to join the meeting through **audio or audio visual means only**. To facilitate this process, the shareholders are required to furnish their details by perfecting **Annexure I** to the Circular to shareholders and forward same to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02 **not less than five (5) days before the date of the meeting** so that the **meeting login information** could be forwarded to the e-mail addresses so provided.

4. To facilitate the appointment of proxies as specified in B.1 and B.2 above, the **Form of Proxy** is attached with the Notice of Meeting. The duly filled Form of Proxy should be sent to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company, No. 315, Vauxhall Street, Colombo 02, **not less than forty eight (48) hours before the time fixed for the meeting.**

C. SHAREHOLDERS' QUERIES

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretaries, via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company, No. 315, Vauxhall Street, Colombo 02, **not less than five (5) days before the date of the meeting.** This is in order to enable the Company Secretaries to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.

For any further queries on this matter, please contact Ms. Heshani Fernando at the Company Secretarial Division of Aitken Spence Corporate Finance (Private) Limited.

Telephone : +94 11 2308308 (ext. 5757)

E-mail : heshani@aitkenspence.lk

The Board wishes to thank the shareholders of the Company for their unwavering cooperation.

Yours faithfully,
AITKEN SPENCE CORPORATE FINANCE (PRIVATE) LIMITED
Secretaries to **ELPITIYA PLANTATIONS PLC**

Benjamin Poopalapillai
Assistant Vice President - Company Secretarial Division

31st August 2021
Colombo

NOTICE OF MEETING

Notice is hereby given that the Twenty Ninth (29th) Annual General Meeting of Elpitiya Plantations PLC will be held at No. 315, Vauxhall Street, Colombo 02 on Friday, 24th September 2021 at 2.00 p.m., as a virtual meeting using a digital platform for the following purposes:-

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2021 with the Report of the Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-appoint Deshamanya 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 Deshamanya Merrill J. Fernando who is 91 years of age and that he be re-appointed a Director of the Company."

4. To re-appoint Mr. D. A. de S. Wickremanayake 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. D. A. de S. Wickremanayake who is 71 years of age and that he be re-appointed a Director of the Company."

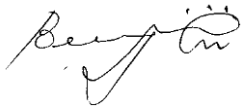
5. To re-elect Dr. S. A. B. Ekanayake who retires in terms of Article 92 and 93 of the Articles of Association, as a Director.

6. To authorise the Directors to determine contributions to charities.

7. To re-appoint the retiring External Auditors, Messrs. Ernst & Young, Chartered Accountants and authorise the Directors to determine their remuneration.

8. To consider any other business of which due notice has been given.

By Order of the Board
Elpitiya Plantations PLC



Aitken Spence Corporate Finance (Private) Limited
Secretaries

31st August 2021
Colombo

Note:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Twenty Ninth (29th) Annual General Meeting of Elpitiya Plantations PLC will be a virtual meeting held by participants joining in person or proxy, through audio or audio visual means in the manner specified below:

   i. Shareholder participation

   (a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

   (b) The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through **audio or audio visual means only**.

   (c) The shareholders who wish to participate at the meeting will be able to join the meeting through **audio or audio visual means only**. To facilitate this process, the shareholders are required to furnish their details by perfecting ***Annexure I*** to the circular to shareholders and forward same to reach Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406, or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02 **not less than five (5) days before the date of the meeting** so that the **meeting login information** could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders with necessary instructions along with the Notice of Meeting and the Form of Proxy.

   (d) To facilitate the appointment of proxies, the **Form of Proxy** is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company, No. 315, Vauxhall Street, Colombo 02, **not less than forty eight (48) hours before the time fixed for the meeting.**

   ii Shareholders' queries

   The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretaries, via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02, **not less than five (5) days before the date of the meeting**. This is in order to enable the Company Secretaries to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.

2. Should the dividend recommended be approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on 15th October 2021 and the direct bank transfers will be made on 4th October 2021. In accordance with the Listing Rules of the Colombo Stock Exchange, the shares of the Company will trade ex-dividend with effect from 27th September 2021.

3. The Annual Report of the Company for the year ended 2020/2021 will be available for perusal on the Company website www.elpitiya.com and Colombo Stock Exchange website www. cse.lk.

Form of Proxy

I/We ..... of ..... being a shareholder/shareholders of Elpitiya Plantations PLC hereby appoint ..... of ..... (whom failing)

Mahinda Parakrama Dissanayake (whom failing)

Rohan Marshall Fernando (whom failing)

Bhathiya Bulumulla (whom failing)

Merrill Joseph Fernando (whom failing)

Malik Joseph Fernando (whom failing)

Sumitha Anura Bandara Ekanayake (whom failing)

Sarath Carlyle Ratwatte (whom failing)

Bogaha Watte Gedara Chandani Sagarika Bogahawatte (whom failing)

Don Ariyaseela de Silva Wickremanayake

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 24th September 2021, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preference indicated below:

Resolution	**For**	**Against**
1. To declare a dividend as recommended by the Directors.		
2. To re-appoint Deshamanya Merrill J. Fernando who is over the age of 70 years		
3. To re- appoint Mr. D. A. de S. Wickremanayake who is over the age of 70 years		
4. To re-elect Dr. S. A. B. Ekanayake who retires in terms of Article 92 and 93 of the Articles of Association		
5. To authorise the Directors to determine contributions to charities		
6. To re-appoint the retiring External Auditors, Messrs. Ernst & Young, Chartered Accountants and authorise the Directors to determine their remuneration.		

Signed this ..... day of ..... Two Thousand Twenty One.

.....	.....	.....
Shareholder's signature /(s)	Shareholder's NIC / Folio No.	Proxyholder's NIC No.

Note: Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.

2. If the Form of Proxy 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.

3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in its Articles of Association.

4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his/her appointor.

5. Duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02, **not less than forty eight (48) hours before the time fixed for the meeting**.

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s : .....

Folio No. : .....

E-mail address of the Shareholder/(s) or proxy holder (other than a Director appointed as proxy) : .....

Mobile No. : .....

Fixed Line : .....

ANNEXURE I

ELPITIYA PLANTATIONS PLC
29TH ANNUAL GENERAL MEETING
REGISTRATION OF SHAREHOLDER DETAILS FOR ONLINE PARTICIPATION

To: Aitken Spence Corporate Finance (Private) Limited
Secretaries to Elpitiya Plantations PLC
No. 315, Vauxhall Street, Colombo 02.

1. Full Name of the Shareholder/s:

Primary	1.
*Joint	2.
*Joint	3.

2. Shareholder/s Address: .....

.....

3. Shareholder's NIC No. / Passport No. / Co. Reg. No.:

Primary	1.
*Joint	2.
*Joint	3.

4. Shareholder's Contact No.:

Fixed line: ..... Mobile: .....

5. **Shareholder's e-mail**: .....

6. Name of the Proxyholder: .....

7. Proxyholder's NIC No. / Passport No.: [ ]

8. Proxyholder's Contact No.:

Fixed line: ..... Mobile: .....

9. **Proxyholder's e-mail**: .....

I/We hereby certify that the details given above are true and accurate and are furnished for the purpose of enabling my/our online participation at the Annual General Meeting. I/We acknowledge that the Company shall have the right to disable my/our participation in the event the above information furnished are found to be incorrect or inconsistent with shareholding records.

..... /.....	..... /.....	..... /.....
Shareholder's / Date	*1st Joint holder's/Date	*2nd Joint holder's/Date
Signature	Signature	Signature

**** Strike out if not applicable***

Note:

1. It is mandatory for the shareholder/s to provide the **e-mail address** in the space provided above in order to forward the log in information to facilitate the online participation at the meeting.
2. Duly filled Registration of Shareholder Details Form should be forwarded to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02 **not less than five (05) days before the date of the meeting.**

ANNEXURE II

To: Aitken Spence Corporate Finance (Private) Limited
Secretaries to Elpitiya Plantations PLC
315, Vauxhall Street, Colombo 02.

☐ I would like to receive the printed version of the Annual Report of Elpitiya Plantations PLC

Full Name of the Shareholder (as on the CDS account/ Share Certificate)	
Shareholder's NIC/ Passport/ Company Registration No.	
Folio Number	
Address	
Contact Number	

....
Signature Date

Notes:

1. Please complete the Form of Request by filling in legibly the required information in **BLOCK LETTERS**, signing in the space provided and filling in the date of signature.

2. Please post the completed Form of Request to the Company Secretaries at the address given above or e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2445406.