elpitiya

ELPITIYA PLANTATIONS PLC

ANNUAL REPORT 2019/20

Contents

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ON THE MOVE

As we enter another year in which we have ceaselessly strived to create innovation, we are excited to see what lies ahead and to witness the transformation that we have set in motion since our inception. We are more than just a plantation company, and while traditional crops may not have garnered the expected returns, we have looked to ground breaking new thinking that will set a smooth passage to our diversification. With great ideas on our side and an unquenchable thirst for navigating new horizons, we are on the move towards the future of enterprise.

About Our Report

Elpitiya Plantations PLC and its subsidiaries (herein after referred to as the "Group") present to you, our Second Integrated Annual Report which aims to provide a balanced review of the Group's financial, social, and environmental performance. Despite the operating challenges presented by the outbreak of 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 GRI Standards.

Reporting Period

This report covers the period from 1st April 2019 to 31st March 2020 which is the Group's annual reporting cycle. This Report builds on the Group's previous Annual Report for the period ending 31st March 2019.

Scope and Boundary

The Report covers the operations of Elpitiya Plantations PLC and its subsidiaries, EPP Hydro Power Company (Pvt) Ltd, Water Villas (Pvt) Ltd and Escape Parks Ceylon (Private) Limited (Formerly Known as Venture Valley (Pvt) Ltd) and focuses on aspects that are material and relevant to the Group's operations and to our key stakeholders. Both the financial and non-financial disclosures pertaining 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.

Reporting Principles

Financial Reporting
- Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards
- Companies Act No. 7 of 2007
- The Institute of Chartered Accountants of Sri Lanka (LKAS)
- IFRS/IAS

Narrative Reporting
- Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- "A Preparer's Guide to Integrated Corporate Reporting"-issued by the Institute of Chartered Accountants of Sri Lanka

Sustainability Reporting
- GRI Standards - In Accordance 'Core'
- UN Sustainability Development Goals (SDG's)

Corporate Governance
- Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and SEC

Materiality

We apply the principle of materiality in determining content for our Integrated Report. This report therefore focuses on issues that have the most material impact on our ability to deliver sustainable value to shareholders and key stakeholders. The process for determining material issues is detailed on page 36 of this Report, along with the material topics on page 37 to 38.

External Assurance

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

Reporting Improvements

- Increased strategic orientation with connectivity across the Report through navigation icons
- Demonstration of the connectivity to SDGs wherever relevant

Navigating our Report

The following navigation icons have been used throughout the Report in order to demonstrate connectivity between information as prescribed by the <IR> Framework.

Capitals

Manufactured Capital

Financial Capital

Human Capital

Social and Relationship Capital

Natural Capital

Intellectual Capital

Feedback

We welcome your comments, suggestions, and queries on this Report. Please direct your feedback to,

Chief Financial Officer
Elpitiya Plantations PLC
Level 09, Aitken Spence Tower I, No. 305, Vauxhall Street, Colombo 02, Sri Lanka.
info@elpitiya.com

Us at a Glance

Elpitiya Plantations PLC (EPP) is a leading Regional Plantation Company (RPC) with a diversified crop base including tea, rubber, Oil Palm, forestry, cinnamon among others. The company's 13 estates are located in the up, mid, and low country regions of Sri Lanka and cover a land extent of 8,800 hectares. In 2017/18 the Company embarked on a strategy aimed at transforming itself from a primarily commodity-based company to a more diversified operation. Accordingly, the Group has expanded its interests in a wide range of sectors including Eco-Tourism, Renewable Energy, Speciality-Tea manufacturing and Adventure theme park.

Our Operations

Our Plantation Buinesses

	Tea	Rubber	Oil palm
Revenue Contribution	71%	5%	24%
Land Distribute	42.3% 1,959.38 Ha	18.5% 855.98 Ha	39.2% 1,818.59 Ha
Crop	4,174,065 Kgs	552,536 Kgs	17,322,970 Kgs
Key Markets	Russia, Turkey, Japan, Iraq, Iran, UAE, China	USA, Vietnam, UK, China, Japan	Domestic Market

Our Diversified Businesses

Renewable Energy

	Generation Capacity
Solar	3,666 GJ
Hydropower	13,213 GJ
Biomass	161,131 GJ
Total	178,010 GJ

Cinnamon Value Chain

Cultivated Extent	110.37 Ha
Processing Capacity	3,353.92 KGs

Oil Palm Processing

Processing Capacity	19,152,800 KGs

Commercial Forestry and Other Crops

	Cultivated Extent
Commercial Forestry	935.36 Ha
Berries	1 Ha

Our Impact

Employment

5,152
Direct Employment Opportunities

2,365 (46%)
Male

2,787 (54%)
Female

Environment

178,010 GJ
Renewable Energy Generated

2%
Solar

7%
Hydro

91%
Bio Mass

Economy

Rs. 18,84 Mn
Taxes Paid

Rs. 2,235 Mn
Export Revenue Direct/ Indirect

Estate Communities

4,697
Estate Workers

Rs. 118.6 Mn
Investment on Estate Community Development

21,054
No of Beneficiaries

5 GENDER EQUALITY — 54% of our employees are female

7 AFFORDABLE AND CLEAN ENERGY — 16,879 GJ of renewable energy supplied to the national grid

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — 237.8 Mn litres of rainwater harvesting capacity

13 CLIMATE ACTION — 95% of energy requirement met through renewable sources

15 LIFE ON LAND — Rs. 44.2 Mn spent on reforestation and soil management initiatives

8 DECENT WORK AND ECONOMIC GROWTH — Rs. 18.84 Mn in taxes paid during the year USD 12.45 Mn in export revenue

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Rs. 202 Mn spent on field and factory mechanisation

2 ZERO HUNGER — Provision of rations during COVID-19 and Cultivation of vegetables for community consumption

3 GOOD HEALTH AND WELL-BEING — Access to healthcare facilities provided to all estate workers and employees

4 QUALITY EDUCATION — Rs. 6.2 Mn spent on scholarships grants to students in our estate communities

6 CLEAN WATER AND SANITATION — Provision of potable water to all households within our estates

10 REDUCED INEQUALITIES — Youth empowerment of estate communities through job opportunities within the group

Our

Credo

- We will continuously enhance our shareholder value.
- We are committed to continuous strategic H R D initiatives.
- We will continuously explore opportunities for value addition to our resource base.
- We are committed to enhancing employees quality of life.
- We encourage positive and innovative initiatives to improve the competitive advantage of the company.
- We strive to bring high quality in all aspects of our activities.
- We will always pursue environmentally-friendly operations.

Key Milestones/Awards

1997

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

2000

- Nayapane Estate received the ISO 9002-1994 Quality Certification

2002

- ASPM increases its stake from 51% to 60.79%

2004

- Moved up the value chain into tea branding by setting up Harrow Ceylon Choice Operation

2005

- Diversification into Palm Oil Milling by setting up of a Joint Venture-AEN Palm Oil Processing (Pvt) Ltd

2008

- Diversification into renewable energy generation with the commissioning of Sheen MHPP

2009

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

2011

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

2013

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

2014

- Company achieved the highest overall profits per hectare amongst RPCs
- Obtained Rain Forest Alliance certification

2015

- Achieved highest overall profits among RPCs

2018

- Our sustainability strategy, "Haritha Shakthi" was recognized at the 2018 Best Corporate Citizen Sustainability awards

2019

- "Grand Gold Medal" & "Silver Medal" for Nayapane teas at World Black Tea Quality Evaluation Competition 2019, China
- Annual Report for 2018/19 received the runner-up award amongst the Trading & Retail category at the ACCA

Board of Directors

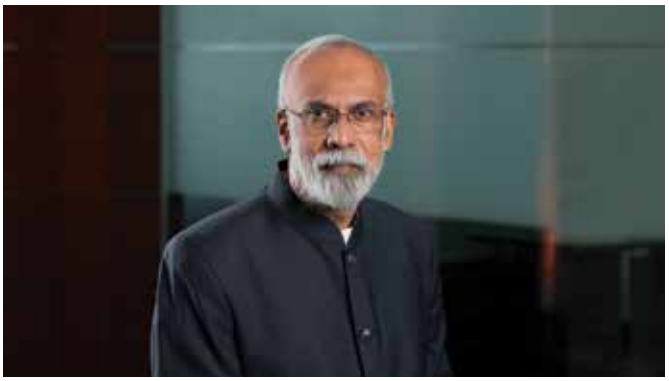
Dr. P. Dissanayake
- Chairman

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

Ms. B. W. G. S. Bogahawatta
- Non-Executive Director

Mr. D. A. de S. Wickremanayake
- Non-Executive Director

Board of Directors

Dr. P. Dissanayake
Chairman

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

Prior to this appointment 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, U.K. founded in 1911 and Royal Charter conferred in 1920.

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

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

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

He also serves as Hon. Consul General of Fiji Islands and as a Professor in Maritime Studies (visiting) at Shanghai Maritime University and Dalian Maritime University.

Dr. R. M. Fernando
Managing Director

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

He has extensive experience in the plantation industry; both in the public and private sectors; Corporate management, Corporate strategy and has played a key role in the plantation 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 Member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT) and is currently the president of the newly formed Palm Oil Industry Association which comprises growers, processors and refiners in the palm oil Industry.

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

Mr. B. Bulumulla
Director/Chief Executive Officer

Mr. Bhathiya Bulumulla has 34 years of experience in the plantation sector, out of which 21 years in Elpitiya Plantations PLC. He has worked at State Plantations Corporation, Kotagala Plantations and Bogawantalawa Plantations as Asst. Manager, Manager and Group General Manger before joining Elpitiya Plantations PLC in 1999.

He was appointed as Deputy Chief Executive Officer of the Company in 2011, and promoted to the position of Chief Executive Officer of Elpitiya Plantations PLC in 2013. He also was appointed as an Executive Director at Aitken Spence Plantation Managements PLC in 2017 and Executive Director at Elpitiya Plantations PLC in 2018.

He also holds the position of Managing Director of Elpitiya Dianhong Jin Ya Tea Co (Pvt) Ltd, a Director at EPP Hydro Power (Pvt) Ltd and Director at Escape Park Ceylon (Pvt) Ltd.

He holds a Diploma in Plantation Management from National Institute of Plantation Management, B.Sc (honours) Degree in Plantation Management from Wayamba University and MSc. in Environment Science from Open University of Colombo.

He is a Fellow member of National Institute of Plantation Management, a visiting lecturer at Wayamba University, a Honorary Council Member of Plantations Services Group of Employer Federation of Ceylon and the Deputy Chairman of Planters Association of Ceylon.

Deshamanya Merrill J. Fernando
Non-Executive Director

Deshamanya Merrill Fernando was appointed to the Board of Elpitiya Plantations PLC in August 01, 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.

Mr. Malik J. Fernando
Non-Executive Director

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

Malik is a Director of MJF Holdings & Dilmah Tea. Established by 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.

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

Malik has a BSc in business management from Babson College in the US.

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

Dr. Anura Ekanayake was appointed as a Director to the Board of Elpitiya Plantations PLC on 09th 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 April 10, 2013. He is a fellow of the Chartered Institute of Management Accountants, UK and has over 30 years work experience in the fields of financial and treasury management, project evaluation and development, investments, financing and risk management and joint ventures. Mr. Ratwatte has worked in several multinational organizations and conglomerates in Sri Lanka and overseas.

Board of Directors

Prior to 2009, he has worked at Aitken Spence Group of Companies for a period of 20 years in many capacities including that of Group Treasurer / Director – Aitken Spence Corporate Finance (Pvt) Ltd., Director – Ace Power Embilipitiya (Pvt) Ltd and Director – Aitken Spence (Garments) Ltd. He has also served on the board of directors 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 March 17, 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 a Masters in Public Administration (Policy) from the Flinders University, Australia. She has wide experience at the national level, in the fields of project management, monitoring and evaluation. She has had training and gained experience in the practice of monitoring and evaluation in 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 October 2, 2017. In addition, he serves as a Director of Aitken Spence Plantation Managements PLC since July 18, 1997 and is a Director of Pelwatte Sugar Colombo PLC as well.

Mr. Wickremanayake has wide experience in the corporate sector, having pioneered many companies and served on the 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 Financial Officer

Mr. P. S. Dissanayake
Senior General Manager - Eng. & Projects
Head - Business Sustainability

Mr. M. I. Izzadeen
Senior General Manager

Mr. A. Segarajasingam
General Manager - Marketing

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

Mr. D. V. Pathirana
Deputy General Manager - Marketing

Mr. M. D. Jayashantha
Deputy General Manager - Marketing

Mr. P. D. W. Withanage
Senior Manager

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

Corporate Management

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

Mr. V. A. A. D. Vitharana
Manager - Engineering & Projects

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

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

Estate Management Team

Up Country

Mr. L. M. C. P. Liyadipita
Deputy General Manager - Up Country & Meddecombra Estate

Mr. U. A. E. G. Udumulla
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 - Mid Country & New Peacock Estate

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

Estate Management Team

Low Country

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

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

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

Mr. U. A. Karunanayake
Manager - Gulugahakande Estate

Mr. N. T. Dandeniya
Manager - Elpitiya Estate

Mr. N. M. S. B. Nawaratne
Manager - Deviturai Estate

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

Mr. K. S. Ganewatta
Deputy Manager-in Charge, Lelwala Estate

ON THE MOVE TOWARDS INNOVATION

New plans for diversification are helping us establish a more vibrant and exciting portfolio

Performance Highlights

The Tea industry experienced yet another challenging year, with the dual impacts of a decrease in production volumes coupled with a decline in NSAs. Meanwhile, lacklustre prices, consistently rising cost of production and adverse weather conditions continued to impact the country's Rubber sector. Following the outbreak of the COVID-19 pandemic, both tea and rubber auctions were suspended for two weeks. The Tea industry, however, rebounded quickly with prices recording an improvement as the auctions were conducted through a virtual platform. Comparatively the impact of the pandemic on the Plantation Sector has been relatively limited, with the industry returning to normalcy and posting recovery relatively quickly

The Group's strategic agenda was based on DESIGN-2020-our transformational and holistic corporate strategy. Key priorities included,

- Diversification: Increased contributions from renewable energy, commercial cultivation of strawberries and cinnamon value addition
- Mechanisation: Digitisation of field level information tracking- the first of its kind in Sri Lanka and factory automation.
- Improving yields: Use of high precision agriculture
- Sustainability: Ongoing focus on soil preservation, renewable energy, water conservation and protecting biodiversity.

7% decline in revenue mainly due to, the decline in tea prices during the year, although Oil palm performed commendably generating a 7% growth.

37% drop in gross profit reflecting higher cost of production following the full year impact of the estate sector wage hike and decline in prices during the year.

Profit of Rs. 307.73 million (-30%) despite the challenges that prevailed during the year, as efforts in diversifying our revenue streams bore fruit.

8% increase in total assets to Rs.7.09 billion led by capex and investments in biological assets

Priorities for 2020/21 include,

- Drive further diversification of our earnings profile through commencing the commercial cultivation of raspberries and blackberries
- Strengthen presence across the cinnamon value chain
- Increase contributions from renewable energy generation
- Ongoing focus on digitisation and automation
- Launch of a state-of-the-art Adventure theme park in partnership with SIM Leisure Group of Singapore

Performance Highlights

		Group		Company	
		2019/20	2018/19	2019/20	2018/19
Financial Performance					
Revenue	Rs. million	3,308	3,548	3,287	3,522
Gross profit	Rs. million	471	753	464	739
Operating expenses	Rs. million	416	448	413	443
Operating profit	Rs. million	382	554	323	532
Pre-tax profit	Rs. million	335	512	277	494
Taxation	Rs. million	28	74	35	74
Profit for the year	Rs. million	308	439	242	420
GP margin	%	14	21	14	21
OP margin	%	12	16	10	15
Net profit margin	%	9	12	7	12
Return on average equity	%	6.65	9.95	5.37	9.61
Financial Position					
Total assets	Rs. million	7,090	6,567	6,975	6,491
Non-current assets	Rs. million	6,309	5,762	6,097	5,565
Current assets	Rs. million	780	805	877	925
Shareholders' funds	Rs. million	4,626	4,401	4,505	4,346
Borrowings	Rs. million	88	185	88	166
Gearing ratio	Times	0.02	0.04	0.02	0.04
Interest cover	Times	8	12	7	13
Current ratio	Times	1.0	1.3	1.1	1.5
Investor information					
Earnings per share	Rs.	4.22	6.02	3.32	5.76
Dividend per share	Rs.	0.75	1.25	0.75	1.25
Net Asset Value per share	Rs.	63.49	60.40	61.82	59.64
Market value per share at 31st March	Rs.	13.00	18.10	13.00	18.10
Market capitalisation as at 31st March	Rs. million	947	1,319	947	1,319
Dividend pay out	%	18	21	23	22
Dividend cover	Times	5.63	4.82	4.42	4.61

Non Financial Performance

			2019/20	2018/19
Human Capital	Total employees	No.	5,152	5,295
	Payments to employees	Rs. million	1,627	1,381
	Employee retention rate	%	88	93
	Female representation	%	54	54
	New recruits	No.	434	390
	Investment in training	Rs. million	6.37	15.61
	Total training hours	Hours	106,145	59,767
	Average training hours/employee	Hours	20.59	11.29
	Workplace injuries	No.	Nil	Nil
	Union representation	%	82	78
Manufactured Capital	Property, plant and equipment	Rs. million	1,079	970
	Investment in capital expenditure	Rs. million	202	249
	Production volume	MT	22,104	22,310
Intellectual Capital	R&D Investment	Rs. million	10.73	33.62
	Payments to suppliers	Rs. million	613	628
	Proportional spending to local suppliers	%	100	100
	Beneficiaries	No.	21,054	9,010
	Investment in CSR	Rs. million	314.4	114.3
Natural capital	Raw material consumption	MT	4,461.35	4,012.15
	Energy consumption	GJ	14,100	16,477
	Water consumption	M3	98,417.18	80,853.83
	Solid waste generation	MT	3,987	3,741
	Carbon footprint	tCO2e	3,538.27	9,709.41

Financial Highlights

Year ended 31 March	Group 2020 Rs.000	2019 Rs.000	Increase/ (Decrease) %
Turnover	3,307,620	3,547,947	-7%
Gross profit	470,872	752,547	-37%
Profit before tax	335,389	512,405	-35%
Income tax expense	(27,663)	(73,725)	-62%
Profit after tax	307,726	438,681	-30%
Non-current assets	6,309,473	5,762,297	9%
Current assets	780,405	805,184	-3%
Capital expenditures	568,001	602,735	-6%
Earning per share	4.22	6.02	-30%
Net assets per share	63.49	60.40	5%
Stated capital	694,236	694,236	0%
Net assets	4,630,749	4,405,730	5%
Return on equity	6.65	9.95	-33%

Rs. 3,308 Mn
REVENUE

Rs. 471 Mn
GROSS PROFIT

Rs. 308 Mn
PROFIT AFTER TAX

14.24 %
GROSS PROFIT MARGIN

6.65 %
RETURN ON EQUITY

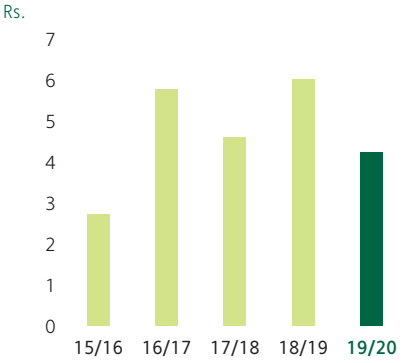
Rs. 4.22
EARNINGS PER SHARE

Rs. 7,090 Mn
TOTAL ASSETS

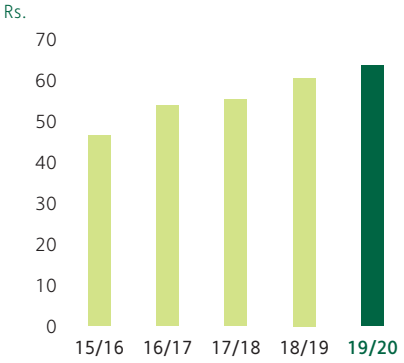
Rs. 6,309 Mn
NON CURRENT ASSETS

Rs. 4,626 Mn
TOTAL EQUITY

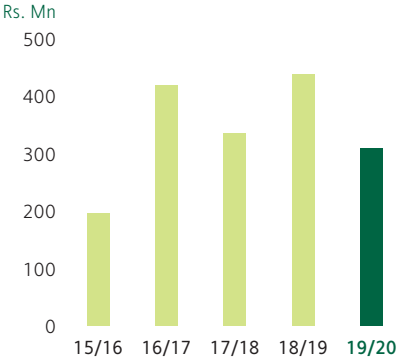
Earnings per Share



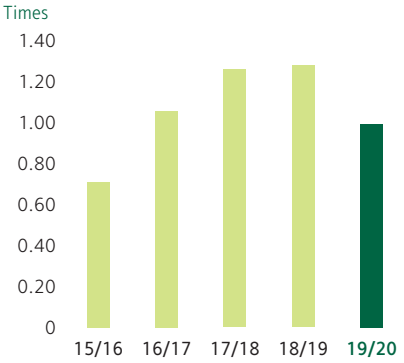
Net Assets per Share



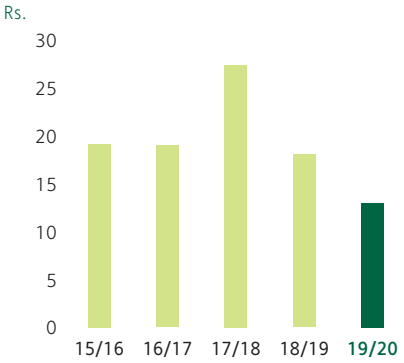
Profit After Tax



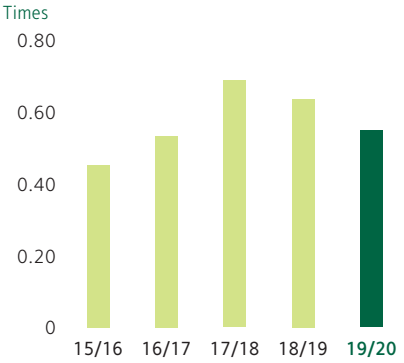
Current Ratio



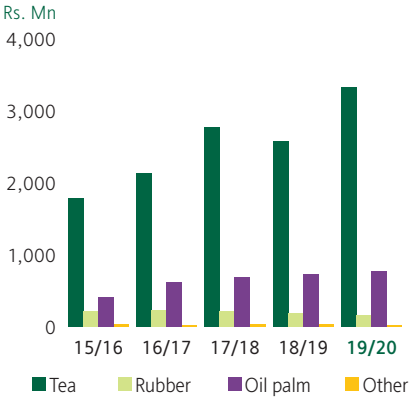
Market Price Per Share



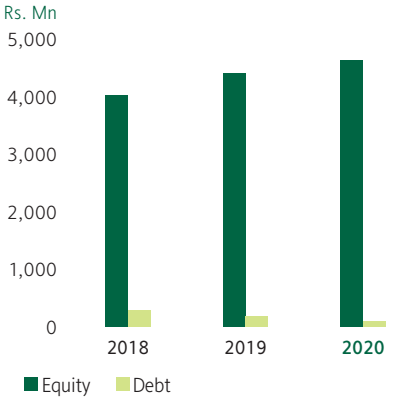
Asset Turnover Ratio



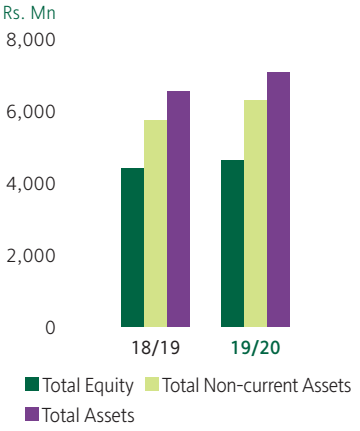
Turnover



Debt to Equity



Assets Vs Equity



Chairman's Message

The success of the year is a direct result of the dedication and commitment of our Senior Management team and all our employees who rallied together in a year of unprecedented challengers.

Elpitiya Plantations PLC continued to make considerable progress in achieving its triple-bottom line objectives, in a year characterized by severe setbacks- reflecting both the spirit of its people and the resilience of its strategy. The Group delivered a post-tax profit (before management fees and workers profit share) of Rs. 380 million while generating positive impacts across communities and driving deeper environmental responsibility. It is therefore my pleasure to welcome you to our 28th Annual General Meeting and present the Annual Report and Audited Financial Statements for the financial year ending 31st March 2020.

Operating Context

The COVID-19 pandemic to which we closed the year, has had devastating economic and social impacts across economies and communities. Global growth, which was moderate at best in 2019, is expected to fall sharply in 2020, and the International Monetary Fund points towards the inevitability of a global recession, with output expected to contract by 3%. Economic activity was already lagging in Sri Lanka and gains made following the gradual recovery post-April 2019 attacks have been completely reversed by the triple impacts on demand, supply and financial shocks stemming from COVID-19. Given the country's weak fiscal position and reliance on tourism and exports for foreign currency generation, the impacts of the pandemic are expected to be pronounced with the Central Bank of Sri Lanka projecting growth of just 1.5% in 2020. There has also been significant pressure on the Rupee, which depreciated by 7.1% y-o-y to close the year at Rs.188.62/USD by end-March 2020, prompting the Government to impose restrictions on non-essential imports to the country.

Sri Lanka's tea production marked the 3rd consecutive year of decline, with total output decreasing by 1.3% to 300.1 million KGs in 2019. This decline reflects the escalating implications of climate change, as dry weather conditions in the first half of the year followed by heavy rainfall in the fourth quarter of the year impacted both volumes and yields. Meanwhile, tea prices recorded a sharp drop, as the annual average price at the Colombo Tea Auction declined by 6% in 2019. Meanwhile, the consistently rising cost of production continues to threaten the commercial sustainability of the industry, with the full-year impact of a 40% increase in basic wages inserting further pressure on profitability. Following the outbreak of the COVID-19 pandemic, tea auctions were suspended for two weeks, before transitioning to a virtual platform, thereby digitally transforming the tea auction process and re-establishing business continuity.

Adverse weather conditions and disruptions to tapping continued to impact the country's rubber production, which saw volumes declining by 9.5% during the year. Prices too remained subdued for most part of the year, reflecting a drop in global demand as industrial activity softened in line with the moderating global growth. The lack of clear policy direction has hampered growth in the oil palm industry, which we believe presents significant upside potential given increasing demand, strong pricing, and its ability to preserve foreign exchange through import substitution.

3,308 Mn

Group Revenue

It is noteworthy that the pandemic's impact on the country's plantation sector has been relatively less severe compared to other industries; with agriculture and plantations being classified as an essential service, the industry quickly returned to normalcy and posted an accelerated recovery supported by firmer tea prices from April 2020.

Strategy and Sustainable Value Creation

The Group's resilience during the year reflects the relevance and timeliness of DESIGN 2020- our holistic long-term business strategy which aims to transform the Group's commodity-oriented business model to one which gives the Group greater control over its operations. This transformation will be driven through a 3-pronged approach combining a robust Agriculture and Processing Strategy, DESIGN 2020 which embodies economic and social value creation and leadership development together with a cohesive Sustainability strategy founded on the Sustainable Development Goals (SDGs) that are relevant to our business. During the year, the Group made considerable progress in this

Chairman's Message

journey of transformation, driving further diversification of revenue streams, achieving carbon negativity through renewable energy generation, and driving increased automation and digitization of operations. A key achievement during the year, was the digitization of data capture at the field level- the first of its kind to be successfully implemented in Sri Lanka. Through this initiative, the Group has successfully obtained access to real-time field level data, thereby affording it the opportunity to streamline labour costs and drive increased productivity. The Group's strategic interventions and progress made during the year are discussed in further detail in the Managing Director's Message on page 30 of this Report.

Sustainability is in our DNA and we have proactively sought to integrate sustainability thinking into our business strategy, operations, and processes. Our cohesive Sustainability Strategy is underpinned by 6 selected SDGs, which we believe have the potential of addressing long-term issues facing Sri Lanka's plantation industry such as climate change, declining yields, and outdated technology. During the year under review, we directed considerable efforts towards automating operations, empowering estate communities, generating renewable energy and preserving our biological assets as are discussed in further detail in subsequent sections of this Report. The Group's integrated thinking is also reflected in its corporate reporting practice and I am extremely proud to report that our first Integrated Annual Report for 2018/19 received the runner-up award amongst the Trading & Retail category at the ACCA Sustainability Reporting awards 2019.

In the aftermath of COVID-19, our immediate priority was ensuring the safety of our employees and communities and we invested considerable effort and funds in raising employee awareness and improving hygiene practices in estates. We also took proactive measures to ensure the food security of our estate communities through encouraging the cultivation of vegetables in all our estates. In cognizance of the financial difficulties faced by our employees, we introduced several relief measures including the distribution of dry rations and cash loans, among others. We effectively facilitated work-from-home arrangements for office employees, leveraging technology to ensure business continuity while safeguarding our team.

Value to Shareholders

Despite a sharp drop in both production volumes and prices of tea and rubber, the Group contained the decline in revenue to 7%, reflecting foresight in diversification as oil palm and power generation delivered good growth. Meanwhile Consolidated post-tax profit (before management fees and workers profit share) declined by 30% to Rs. 380 million due to escalating cost of production driven by higher labour costs as well as the moderation in revenue. Earnings per share amounted to Rs.4.22 for the year, while the Board recommends a final dividend of Rs. 0.75 per share for the year. Unfortunately, the share price movements during the year did not reflect the Group's long-term potential for value creation and the share closed the year at Rs.13.00, a decline of 28% compared to the previous year.

Leadership and Governance

The Group benefits from the robust corporate governance practices and policy frameworks of its parent entity, enabling it to consistently generate equitable stakeholder value. During the year we significantly improved efficiency of Board processes through the adoption of BoardPAC- a paperless meeting solution which also contributed towards reducing paper usage. Key areas of Board focus for the year included Oil Palm refining strategy, evaluating emerging challenges in the operating environment, and effectively managing risks.

Looking ahead

While risks relating to rising cost of production and climate change are likely to prevail, the good recovery in tea prices from April 2020 signal a positive outlook for the tea industry. Prices which recorded a sharp increase in the first few months of 2020/21, have now normalised due to the recommencement of tea auctions in India and Kenya. That said, prices remain healthy and are expected to sustain at these levels over the short-to-medium term.

We are optimistic regarding the opportunities presented by DESIGN 2020 Strategy - particularly with regards to diversification. We successfully launched the commercial cultivation of strawberries and hope to commence commercial cultivation of raspberry and blackberry in the near future. Cinnamon also remains a key area of focus as we seek to widen our presence across the entire value chain while exploring opportunities in organic cinnamon cultivation. Meanwhile, ongoing investments in precision agriculture methods and automation are expected to drive improvements in yields, productivity, and product quality. The Group also entered a Shareholders Agreement with the Sim Leisure Group of Singapore for the construction of ESCAPE Adventure Theme Park at Deviturai Estate, making Elpitiya Plantations PLC the first Regional Plantations Company to embark on a non-Agri diversification project of this scale.

While we are encouraged by the opportunities presented by our long-term strategy, policy consistency is a key prerequisite in ensuring the commercial and social success of our ventures. For instance, the ban on the cultivation of oil palm for which government approval was given in 2014 has adversely impacted the RPCs which invested significant resources in the crop. We urge the Government to pursue evidence-based, conducive policies which will ensure the sustainability of the country's agriculture sector while protecting the livelihoods of the thousands of employees engaged in the sector. We also remain concerned regarding a further wage increase for plantation sector workers, which would undoubtedly insert added pressure to the sector amidst increasingly challenging operating conditions. 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 vision and valuable counsel during the year. The success of the year is a direct result of the dedication and commitment of our Senior Management team and all our employees who rallied together in a year of unprecedented challenges; I specially acknowledge their efforts in continuing to work even during the lockdown period despite the health risks that prevailed. 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

21st August 2020

Managing Director's Report

We are encouraged by the impressive increase in tea prices post March 2020 and will continue to focus on optimizing productivity and yields in a sustainable manner whilst actively diversifying into non-traditional revenue streams.

Dear shareholder,
I am pleased to present to you the highlights of the financial year ended 31 March 2020. Despite the challenging operating conditions during the year, the Group recorded a revenue of Rs. 3,307.6 Mn and delivered a post-tax profit (before management fees and workers profit share) of Rs. 380 Mn, retaining its position as one of the industry's most profitable RPCs.

Operating Context

The subdued economic conditions of 2018 were exacerbated in 2019 with Sri Lanka's GDP growth slowing down further in 2019 to 2.3% compared to 3.3% in 2018. The Agriculture sector recorded a growth of just 0.6% in 2019 compared to the growth of 6.5% in 2018 due to extreme weather conditions impacting all major crops. The Services sector decelerated sharply due to the leisure sector being impacted by the Easter Sunday attacks. The Industry sector however recorded an acceleration compared to 2018, growing by 2.7% compared to the growth of 1.2% in 2018 as a result of a pick-up in the apparel, food and construction sectors. After the sharp depreciation witnessed in 2018, the Sri Lankan Rupee remained broadly stable in 2019 before witnessing significant volatility during the first three months of 2020. Despite experiencing some pressure in the immediate aftermath of the Easter Attacks, the Rupee recorded an appreciation of 0.6% against the US dollar by end 2019 but depreciated by almost 4.7% in the three months ending March 2020 due to the impact of COVID-19. Inflation levels although showing an increasing trend in 2019 remained at single digit levels for the most part of the year reflecting weaker demand as economic activity moderated. The Central Bank sought to ease monetary policy with the aim of stimulating the economy, with policy rates being revised downwards several times during the year.

Tea Sector

The tea sector faced a challenging year amidst weaker tea auction prices and lower production volumes. Revenue from the tea sector declined by 10% to Rs. 2,344.8 Mn during the year while sector profits too decreased during the year. EPP's NSA (Net Sales Average) declined by 8% reflecting the decline in industry average tea export prices in 2019. Meanwhile unfavourable weather conditions during the early and latter parts of 2019 resulted in an 8% decrease in production during the year. Escalating cost of production continues to be a significant challenge and was exacerbated during the year by the plantation sector wage hike that came into effect in January 2019. Despite these challenges, we continued to invest in factory automation and field mechanization to drive greater productivity and efficiency gains while continuing to implement sustainable agricultural practices across our estates. Total investment in these initiatives amounted to Rs. 26 Mn. Meanwhile we continued to strengthen our position in the Value-Added tea segment by expanding the reach and range of products under our own brand Harrow Ceylon Choice.

Rubber Sector

Declining crop yields, rising cost of production and subdued demand conditions continue to negatively impact the performance of the rubber industry in Sri Lanka. Performance of the Group's Rubber sector was also subdued given increasing pressure on margins and an overall decline in production. Considering the relatively lower returns from rubber, EPP has made a strategic decision to gradually reduce its dependence on rubber by diversifying its crop base and cultivating alternative crops on uneconomical lands. In the short to medium term, however we continue to focus on reducing the cost of production by improving yields on the lands already cultivated.

380 Mn

Group Profit before Management Fees and workers profit share

Oil Palm

The oil palm sector continues to be the most significant contributor to Group profits. Although revenue increased by 7% supported by strong domestic demand, margins during the year were pressured by the plantation sector wage hike that came into effect in January 2019. Consequently, sector profits recorded a marginal decline of 4% during the year. Prior to the ban the Group expanded our oil palm extent by 72.58 Ha, investing Rs. 178 Mn in planting unproductive low country rubber lands with oil palm. Meanwhile, we continue to focus on increasing the YPH (Yield per Hectare) by introducing high yielding hybrid varieties of Oil Palm, mechanizing key processes and irrigating oil palm lands with harvested rain water. We are proud to note that EPP's YPH has been consistently higher than

Managing Director's Report

the industry average; a clear indication of the success of our productivity enhancing measures. We are also actively exploring forward integration opportunities by venturing into manufacturing and processing refined Palm Oil.

Strategic Diversification

Having identified the strategic need to transform the business from a purely commodity based operation to a more diversified, dynamic and sustainable business, EPP embarked on a transformational journey in FY 2017/18 with a new holistic, forward looking strategy, "DESIGN 2020". A core component of DESIGN 2020 is an aggressive diversification strategy that optimizes our natural assets and leverages on our strengths. Accordingly, while moving up the value chain in our core crops - tea, rubber and oil palm, we continued to explore diversification into other crops such as cinnamon, coconut, coffee, commercial forestry and berries. The Berry project, an initiative to cultivate four varieties of berries (Strawberry, Blackberry, Raspberry and Blue Berry) continued to gain traction with the commencement of commercial operations of the strawberry project during the year. We are also looking to establish our presence across the entire Cinnamon value chain and are actively pursuing opportunities in cinnamon processing and value addition including the processing of organic cinnamon. As part of our efforts to expand our non- agricultural revenue streams, we have also ventured into renewable energy generation, nature tourism and leisure. During the year we invested Rs. 82 Mn in three new renewable energy projects on our estates increasing our Solar generation capacity by almost 158%. Signaling our foray into the leisure sector, we entered into a Memorandum of Understanding in January 2020 with Sim Leisure Group Ltd, Singapore, a leading theme park developer, to set up a world-class ESCAPE theme park in Deviturai.

Our Sustainability Agenda

Our Sustainability Agenda is intrinsically aligned to our business strategy and strives to address some of the key challenges impacting the long-term sustainability of the plantation sector including the impacts of climate change, labour shortages and low level of mechanization. Articulated in the award-winning strategy "Haritha Shakthi", EPP's sustainability strategy revolves around the core areas of water productivity, sustainable agricultural practices, renewable-energy generation, mechanization and skill development. Significant progress was achieved in these core areas during the year. Rainwater harvesting is practiced extensively across our estates and we successfully introduced a rainwater harvested irrigation scheme to irrigate 50 hectares of mature oil palm during the year. Meanwhile, sustainable agricultural practices such as use of precision agriculture technology, reducing chemical fertilizers and protecting biodiversity are practiced across our Plantations. Progressing towards our goal of becoming a Carbon Neutral Plantation by 2025, we invested Rs. 154 Mn in installing solar PV roofing systems for 7 of our factories, thereby increasing our total renewable energy generation (hydro and solar) capacity to 2.71 MW. We are extremely proud to note that we achieved carbon negativity status during the year by generating 103% of renewable energy against our overall electricity consumption. A low level of mechanization is one of the key constraints in the plantation sector, and we remain committed to acting as a catalyst in the plantation sector mechanization drive with ongoing investments in factory automation and field mechanization. In a pioneering effort we digitized the daily estate labour allocation process during the year, implementing an MIS system with real time information on labour allocation at field level. Youth empowerment through skill development and career opportunities is an important aspect of our sustainability agenda and we continue to invest in educational and vocational opportunities for the youth within our communities during the year.

COVID-19 Impact and Response

Despite the far-reaching impacts of the COVID-19 pandemic on the global and local economy the negative impact on Sri Lanka's plantation sector was largely mitigated due to proactive action taken by industry stakeholders to minimize operational disruptions whilst ensuring the health and safety of estate employees and communities. The successful digitization of the Colombo Tea auction also ensured the continuity of operations with minimal disruptions. Notwithstanding these actions, crop intake and sales witnessed a marginal drop in March 2020 due to the restriction of working days during the lockdown period. Meanwhile cash flows of the Company were also impacted by the cancellation of Tea Auctions during the last two weeks of March 2020.

We continued to engage closely with industry stakeholders and health authorities during the period. Our immediate focus was to ensure the safety and wellbeing of our employees while preventing the spread of the disease amongst our communities. Stringent safety measures were put in place in all our factories and fields with strict monitoring and screening procedures. Meanwhile we created awareness amongst our communities and provided support including provision of dry rations and cash loans during the lockdown period. We also commenced a vegetable cultivation project to ensure food security for our communities. With the declaration of the Plantation sector as essential services and relaxation of curfew hours in plantation districts, we resumed full operations in March, 2020, and are confident that we can recoup the crop and revenue losses incurred during the months of March and April 2020.

Way forward

Whilst we expect FY 2020/21 to be challenging amidst subdued demand conditions in key export markets, possible supply chain disruptions and the overall uncertainty surrounding the pandemic and its impact on the domestic and global economy; we also see this as an opportunity to move towards a new paradigm in the plantation sector. The digitization of the 150-year-old Colombo Tea Auction is an important step in this direction and we look forward to working with industry stakeholders including the Government in formulating consistent, forward-thinking policies for the betterment of the plantation industry. We are encouraged by the impressive increase in tea prices post March 2020 and will continue to focus on optimizing productivity and yields in a sustainable manner whilst actively diversifying into non- traditional revenue streams.

Acknowledgements

To conclude, I wish to take this opportunity to thank the Chairman and Board of Directors, for their unstinted support and guidance. My deep appreciation also goes out to the Management, staff and estate workers for their dedication and drive. It is indeed a reflection of their commitment and fortitude that our company has come out relatively un-scalded from the unprecedented challenges we faced during the year. Finally, to our customers, business partners, shareholders and other stakeholders, thank you all for your continued support.

Dr. Rohan Fernando
Managing Director

21st August 2020

Our Integrated Strategy

Value Creation Model

The Value Creation model shown below depicts how we leverage our capital inputs to create sustainable value for our multiple stakeholders.

VALUE DRIVERS

Capital Inputs

Financial Capital
Shareholders' funds
Rs. 4,626 Mn
Debt: **Rs. 87 Mn**
(For more details refer Page 87)

Manufactured Capital
Property Plant and Equipment
Rs. 1,079 Mn
(For more details refer Page 90)

Human Capital
5,152
Employees
(For more details refer Page 92)

Social and Relationship Capital
Brokers
Buyers
Estate communities
(For more details refer Page 98)

Intellectual Capital
Tacit knowledge
Systems, processes and standards
R & D Capabilities
(For more details refer Page 103)

Natural Capital
Raw materials (Fertiliser)
4,461 MT
Water use
98,417 m³
Energy consumption
14,100 GJ
(For more details refer Page 106)

Risk Management
(For more details refer Page 66)

VALUE CREATION PROCESS

BUSINESS SEGMENTS

Plantation Businesses

Plantations


Tea


Rubber

Diversified Businesses



- Commercial Forestry
- Intercrops
- High value horticulture
- Palm Oil Processing
- Speciality Tea Manufacturing
- Cinnamon Value Addition

STRATEGIC FRAMEWORK

Plantation Businesses

Agriculture and Processing Strategy

DESIGN 2020 Strategy
Leadership Development
Economic Value Creation
Social Value Creation

Oil Palm

- Hydro Power/Solar Power Generation
- Eco/ Natural/ Adventure tourism

Sustainability Strategy

Corporate Governance

(For more details refer Page 42)

Outputs

VALUE DELIVERED

Outputs

Profit after tax before management fees and workers profit share

Rs. 379.7 Mn

Earnings per share

Rs. 4.22

Dividend per share

Rs. 0.75

Payments to employees

Rs. 1,627 Mn

Investment in training and development

Rs. 6.4 Mn

Payments to Suppliers

Rs. 613 Mn

Investments in community engagement

Rs. 118.6 Mn

Number of Beneficiaries

21,054

Impacts

Carbon footprint

3,538.27 tCO2e

Outcomes

Shareholders

Sustainable returns through diversified revenue streams

(Refer Financial Capital on page 87)

Customers

Consistent product quality and value-added product offerings.

(Refer Social and Relationship Capital Report on page 98)

Employees

Sustainable career paths

(Refer Human Capital Report on page 92)

Suppliers

Stronger partnerships that generate mutual value

(Refer Social and Relationship Capital Report on page 98)

Community

Sustainable, progressive estate communities

(Refer Social and Relationship Capital Report on page 98)

Our Integrated Strategy

Mr. B. Bulumulla
Director/Chief Executive Officer

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

Stakeholder Engagement

Stakeholder engagement is an ongoing activity that enables us to ensure that our business aspirations are aligned to those of our stakeholders. Key stakeholders are identified and prioritised depending on the degree to which each group can influence or are influenced by our decisions. Stakeholder engagement is carried out through both formal and informal channels and is regularly reviewed to ensure relevance and effectiveness. Stakeholder concerns are identified through this process and form the basis of strategy formulation.

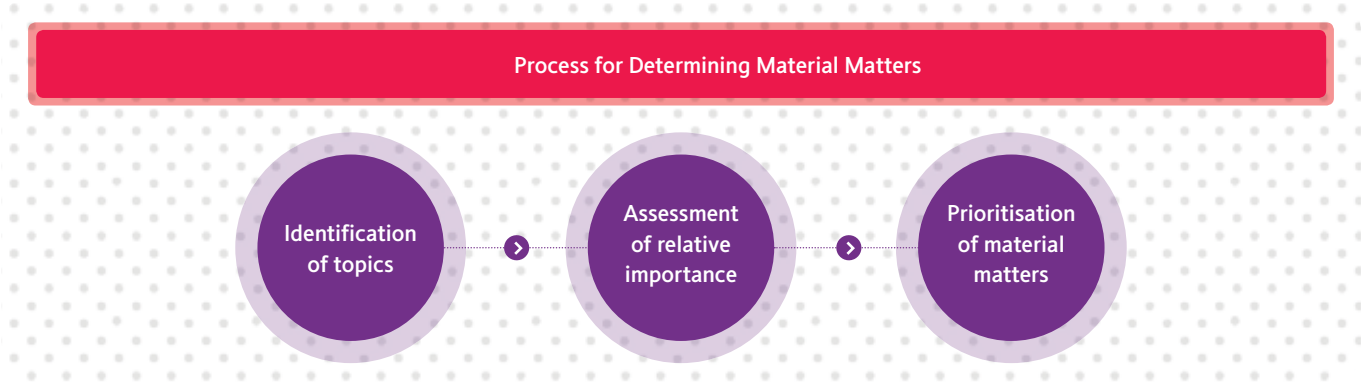
Frequency of Interaction				
	High		**Community** **How we Engage** - Village forums (Continuous) - One to one meetings with Estate Managers and General Managers(Continuous) **Key Concerns** - Impact on environment from operations - Community relations - Community Investment	**Employees** **How we Engage** - Daily Forums - Employee Surveys - Complaint registers maintained at all estates - Monthly meetings with union representatives **Key Concerns** - Attractive remuneration and benefits - Workplace safety - Opportunities for training and development - Career progression and succession
	Medium	**Suppliers** **How we Engage** - One to one meetings - Site visits **Key Concerns** - Timely payments - Opportunities for growth	**Shareholders** **How we Engage** - Quarterly and annual Financial Statements - Press Releases (Continuous) - Annual Report - Annual General Meeting - CSE Announcements (Continuous) **Key Concerns** - Financial performance - Sustainable business growth - Corporate governance and risk management	**Customers** **How we Engage** - One-to-one meetings (Continuous) **Key Concerns** - Product quality - Supply reliability - Competitive pricing - Operational efficiency
	Low		**Regulators /Government** **How we Engage** - One to one meetings at estate level and local Government bodies. (Continuous) - Meetings at corporate level with relevant ministries and other officials **Key Concerns** - Regulatory compliance - Industry Growth	
		Low	Medium	High
	Significance to Operation			

Our Integrated Strategy

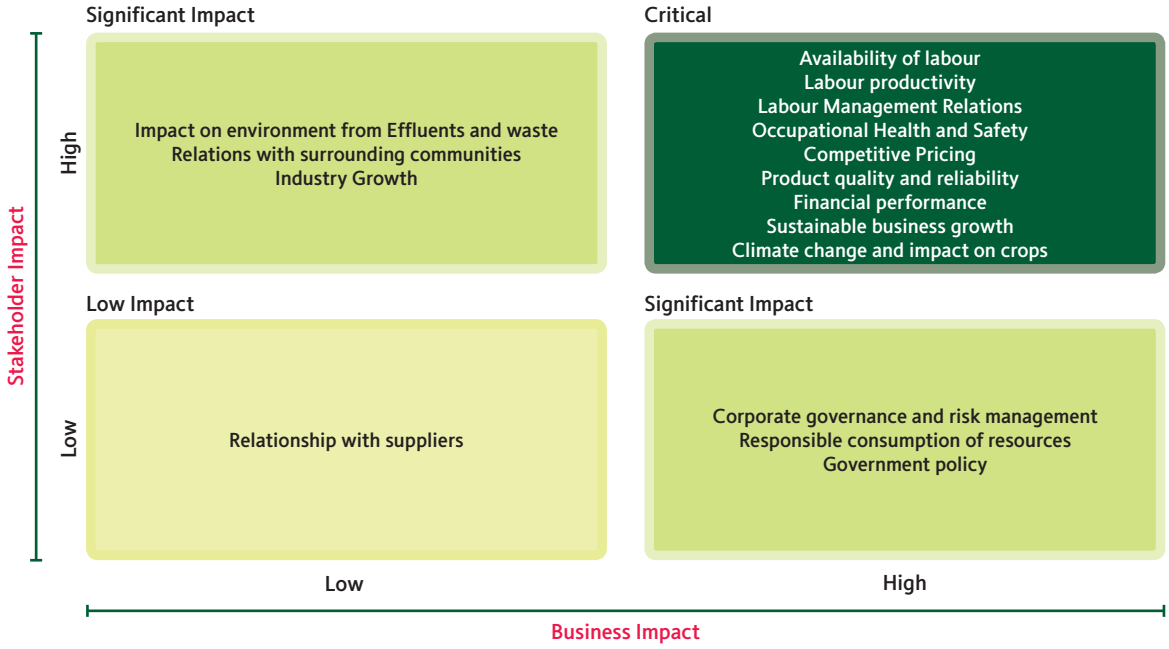
Material topics

Determining our material matters is an ongoing process which involves identifying, assessing and prioritizing issues that could potentially have the most significant impact on the Group's ability to create value over the short, medium and long-term. Issues are prioritised based on their relative impact to shareholders and our business operation. Issues identified as having a high impact for both shareholders as well as the business operation form the basis of our strategic direction, risk management and reporting practices.

The process we adopt for determining material issues is graphically illustrated alongside.



The materiality matrix that plots topics based on their impact to stakeholders and to our business operations is as follows;



Topic	Relative Importance	Related Capital	Key Stakeholders impacted	Relevant GRI disclosures
Availability of labour	●		Employees	GRI 401: Employment
Labour productivity	●		Employees, shareholders	GRI 404: Training and education
Labour Management Relations	●		Employees	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
Occupational Health and Safety	●		Employees	GRI 403: Occupational health and safety
Competitive Pricing	●		Customers	GRI 417: Marketing and labelling
Product quality and reliability	●		Customers	GRI 416: Customer Health and Safety
Financial performance	●		Shareholders, employees	GRI 201 : Economic Performance
Sustainable business growth	●		Shareholders, employees	GRI 202: Market Presence
Climate change and impact on crops	●		Shareholders	

Our Integrated Strategy

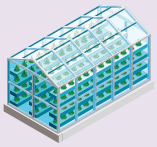
Topic	Relative Importance	Related Capital	Key Stakeholders impacted	Relevant GRI disclosures
Corporate governance and risk management	●		Shareholders, Regulators	GRI 307: Environmental compliance GRI 419: Socio economic compliance
Responsible consumption of resources	●		Community	GRI 301- Materials GRI 302: Energy GRI 303: Water
Impact on environment from Effluents and waste	●		Community	GRI 304 Biodiversity GRI 305 Emissions GRI 306 Effluents and Waste
Relations with surrounding communities	●		Community	GRI 203: Indirect economic impacts GRI 413: Local communities
Industry Growth	●		Regulators, Government	GRI 203: Indirect Economic Impacts
Government policy	●		Shareholders, Employees, Community	
Relationship with suppliers	●		Suppliers	GRI 204 : Procurement Practices GRI 414 Supplier Social Assessment GRI 308 : Supplier Environmental Assessment

Our Business Strategy

Our business strategy aims to transform EPP from a cyclical, commodity-based organisation into an innovative, entrepreneurial, diversified operation that gives the Company greater control over its operations while creating economic, social, and environmental value. This transformation will be driven through a 3-pronged approach that includes a robust Agriculture and Processing Strategy for our core business, a forward-thinking DESIGN 2020 strategy that maps out a strategy for long term economic and social value creation as well as leadership development and a cohesive sustainability strategy that addresses key challenges facing the long term viability of the plantation sector. Key strategic initiatives carried out during the year to achieve these objectives and Key Performance Indicators are mapped out below.

A Holistic Strategy

Agriculture and Processing Strategy



DESIGN 2020 Strategy

Sustainability Strategy

Objectives

Increase crop yields and labour productivity through field and factory mechanization and better agricultural practices

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

Foster a sustainable and responsible operation

Strategic Action during the year

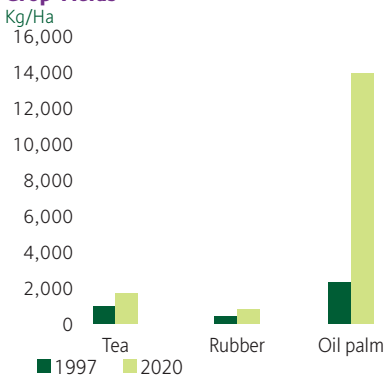
- Continuation of process automation and modernization of factories
- Digitization of field-level data tracking, thereby optimising labour usage at estates
- Application of precision agriculture technology such as Geographical Information Systems (GIS) applications
- Use of better soil management techniques in to increase yields

- Expanded our oil palm extent by replanting unproductive low country rubber lands with oil palm.
- Pursued new opportunities in high value horticulture such as berries
- Diversification into other crops such as cinnamon, coconut, coffee, commercial forestry
- Expanded our presence across the entire Cinnamon value chain
- Forward integration in Oil Palm market
- Research and development in tea and rubber value addition
- Entered into a partnership with Sim Leisure Group Ltd, Singapore, to set up a world-class Adventure theme park at Deviturai.

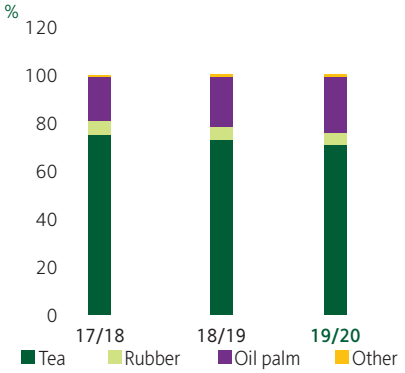
- Increased renewable energy generation capacity with ongoing investments in solar and hydro power
- Introduced a rainwater harvested irrigation scheme for 50 acres of our oil palm land
- Continued to invest in sustainable practices such as rainwater harvesting and composting
- Community Upliftment and Youth Empowerment through education and job opportunities within the group
- Commenced vegetable cultivation projects to ensure food security for our communities.

KPI's

Crop Yields



Revenue Contribution



Rain water Harvesting Capacity

2019	2020
180 Mn litres	238 Mn litres

Carbon Footprint

2019	2020
9,709.41 tCO2e	3,538.27 tCO2e

Employment from Community

2020

32%

Our Integrated Strategy

Sustainability at Elpitiya

Our sustainability strategy is a core component of our overall business strategy and aims to address some of the key challenges impacting the long-term sustainability of the plantation sector including the impacts of climate change, labour shortages, and low level of mechanization. Accordingly, we have identified key areas of focus including water productivity, sustainable agricultural practices, renewable-energy generation, mechanization, and skill development and have developed six specific sustainability goals with measurable targets and KPI's for each of these areas. The identified goals are aligned to six Sustainable Development Goals.

Sustainability Goals	Targets	Relevant SDG
To be the most water efficient plantation company	Establish 75 ponds to have 237.8 Mn litres of rainwater harvesting capacity	6 CLEAN WATER AND SANITATION
	Irrigate at least 25% of tea and oil palm land with harvested rain water	
	Maintain 5% of land extent as water shed	
	Increase carbon level of soil to 4%	
	Provide potable water to all estate households	
	Create awareness on sustainable use of water resources	

Sustainability Goals	Targets	Relevant SDG
To achieve Self-sufficiency in energy through sustainable energy sources	100% of electrical energy requirements to be met /set off by Hydro Power and Solar Power generation	7 AFFORDABLE AND CLEAN ENERGY
	100% of thermal energy requirement to be met with estate grown sustainable biomass sources	
To enhance land productivity by at least 10% by 2025 whilst protecting the biodiversity in the area.	Reduce chemical fertiliser application by 50%	15 LIFE ON LAND
	Reduce chemical pest control by 80%	
	Reduce chemical weed control by 80%	
	Increase green cover by 10%	
To be the leader in mechanisation and automation among the Regional Plantation Companies	Promote intelligent Agriculture	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	100% Factory process automation	
	75% field mechanization	
	Productive use of entire land extent through GIS applications	
Gain competitive advantage through sustainable strategic partnerships	Widen knowledge base through collaborations	17 PARTNERSHIPS FOR THE GOALS
	Strategic partnerships for new business developments.	
Promote community Upliftment and Youth Empowerment	90% of permanent employment cadre to be filled from within the community	8 DECENT WORK AND ECONOMIC GROWTH
	Enhance the level of social engagement within the group	
	100% access to health and educational facilities	

Corporate Governance

The Company's Corporate Governance Framework and practices are aligned to that of its parent company, Aitken Spence PLC and is formulated within the parameters of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of best practice on Corporate Governance of 2017. The governance structure is made up to reflect the Elpitiya Plantations PLC's Group structure, nature, complexity and risk profile. The framework drives accountability and transparency at all levels of the organisation and is periodically reviewed to reflect best practice and developments in the internal and external operating landscape. The Governance framework is bound by the following regulations and internally formulated policies.

External instruments		Internal Standards and Principles
Mandatory Compliances • Companies Act No. 7 of 2007 • Continuing listing requirements of the Colombo Stock Exchange (CSE) • Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended) • 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 Benefit Ordinance, etc. • Inland Revenue Act No. 24 of 2017	**Voluntary Compliances** • 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 Code of Ethics • 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 mechanisms

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.

1.1 Mandatory Compliances

1.1.1 Compliance requirements of the Companies Act No. 7 of 2007

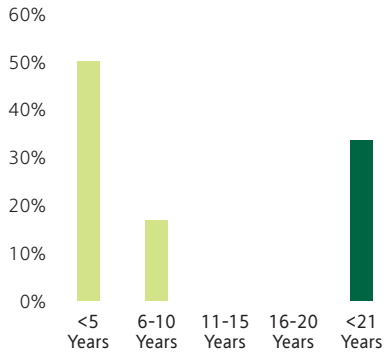
Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
168 (1) (a)	Any change during the accounting period in the nature of business of the company or any of its subsidiaries and the classes of business in which the company has an interest.	Compliant	There has been no change in the nature of business of the Company and its subsidiaries during the year under review.
168 (1) (b)/ 168 (2)	Financial statements of the Company and the Group for the accounting period completed and signed.	Compliant	Refer Financial Statements of this Annual Report.
168 (1) (c)/ 168 (2)	Auditors report on the financial statements of the company and the Group.	Compliant	Refer Independent Auditor's Report of this Annual Report.
168 (1) (d)/ 168 (2)	Change of accounting policies during the accounting period.	Compliant	Refer Note 3 to the Financial Statements of this Annual Report.
168 (1) (e)/ 168 (2)	Particulars of entries in the interest register made during the accounting period.	Compliant	Refer the Annual Report of the Directors of this Annual Report.

Corporate Governance

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
168 (1) (f)/ 168 (2)	Remuneration and other benefits paid to the Directors during the accounting period.	Compliant	Refer Note 9 to the Financial Statements of this Annual Report.
168 (1) (g)/ 168 (2)	Total amount of donations made by the company during the accounting period.	Compliant	Refer Note 9 to the Financial Statements of this Annual Report.
168 (1) (h)/ 168 (2)	Names of the persons holding office as Directors of the Company and the names of any persons who ceased to hold office as Directors of the Company as at the end of the accounting period.	Compliant	Refer Corporate Information of this Annual Report.
168 (1) (i)/ 168 (2)	Amounts payable to the auditors as audit fees and fees payable for other related services provided by them.	Compliant	Refer Note 9 of the Financial Statements on this Annual Report.
168 (1) (j)/ 168 (2)	Relationship or interest of the External Auditor has with the company or any of its subsidiaries.	Compliant	Refer Section 16 on the Annual Report of the Directors of this Annual Report.
168 (1) (k)	The annual report of the board be signed on behalf of the board.	Compliant	Refer the Annual Report of the Directors of this Annual Report.

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

Non-Executive Tenure



Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
7.10	CORPORATE GOVERNANCE COMPLIANCE		
7.10.1	**Non-Executive Director**		
a./b./c.	The Board of Directors shall include at least two Non-Executive Directors (NED) or equivalent to one third of the total number of Directors whichever is higher	Compliant	Six out of the nine Board Members are NEDs.
7.10.2	**Independent Directors**		
a.	Where the Board constitutes only two NEDs both shall be independent. In other instances, two or one third of NEDs shall be independent, whichever is higher.	Compliant	Two out of the Six NEDs are Independent.
b.	Annual submission of a signed and dated declaration of independence/non-independence by all NEDs.	Compliant	A declaration is given by all NEDs annually confirming his/her independence/non-independence in compliance with the relevant statutory regulations.
7.10.3	**Disclosures relating to Directors**		
a./b.	The Board shall make an annual determination of the independence/non-independence of the NEDs	Compliant	Independence of the NEDs has been determined by the Board based on the annual declaration and taking account all the other information and circumstances. The criteria for determining the independence of NEDs could be found in this Annual Report.
c.	Publication of a brief resumé of each Director which includes information of nature of his/her expertise	Compliant	Refer the Profiles of the Directors listing out the names and a brief resumé of each Director set out in this Annual Report.
d.	Submission of a brief resumé to CSE upon appointment of a new Director	Compliant	A suitable disclosure is made to CSE upon an appointment of a Director.

Corporate Governance

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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. S C Ratwatte is construed to be an independent Non-Executive Director as he conforms to the relevant criterion for independence
7.10.5	**Remuneration Committee**		
a.	**Composition**		
a. 1	The committee shall comprise of two independent Directors or Non-Executive Directors a majority of whom shall be independent, whichever is higher	Compliant	Two out of the three members of the Remuneration Committee are Independent Non-Executive Directors.
a. 2	One Non-Executive Director shall be appointed as chairman of the Committee by the board	Compliant	Mr. Malik Fernando, Non-Executive Director Chairs the Committee.
b.	Recommendation of remuneration payable to Executive Directors/CEO to the Board	Compliant	The Remuneration Committee is responsible of reviewing policy of remuneration packages of Executive Directors and the CEO, recommend same to the Board.
c.	**Disclosure in the Annual Report**		
c.1	The annual report should set out the names of the committee members and statement of the remuneration policy	Compliant	Refer the Remuneration Committee of this Annual Report which contain the names of the members and a statement of the remuneration policy.

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
c.2	The annual report should contain the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	The aggregate remuneration paid to Executive and Non-Executive Directors is set out in Note 9 of this Annual Report.
7.10.6	**Audit Committee**		
a	**Composition**		
a. 1	The committee shall comprise of a minimum of two independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. One Non-Executive Director shall be appointed as chairman of the committee by the board	Compliant	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.
a. 2	CEO and CFO shall attend the committee meetings	Compliant	Mr. B Bulumulla, Director/ CEO and Mr. J. A. R. Nissanka, CFO attend the meetings by invitation. The attendance of the Committee is set out on the Audit Committee Report of this Annual Report.
a. 3	Chairman or one member of the committee should be a member of a recognized professional accounting body	Compliant	Mr. S.C. Ratwatte, member of the Committee is a fellow member of the Chartered Institute of Management Accountants, UK.
b	**Functions**		
b. (i)	Overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLAS)	Compliant	Refer Audit Committee Report of this Annual Report.
b. (ii)	Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Compliant	Refer Audit Committee Report of this Annual Report.
b. (iii)	Overseeing the processes to ensure the internal controls and risk management are adequate to meet the requirements of the SLAS	Compliant	Refer Audit Committee Report and the Board of Director's Statement on Internal Control of this Annual Report.
b. (iv)	Assessing the independence and performance of the external auditors	Compliant	Refer Audit Committee Report of this Annual Report.

Corporate Governance

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
b. (v)	Recommend to the board pertaining to the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Compliant	Refer Audit Committee Report of this Annual Report.
c.	**Disclosure in the Annual Report**		
c.1	The annual report should set out the names of the committee members	Compliant	The Committee Reports and the Annual Report of the Directors set out in the Annual Report contains the names of the members.
c.2	Determination of independence of the auditors and the basis for such determination	Compliant	Refer Audit Committee Report of this Annual Report.
c.3	A report of the audit committee containing the manner of compliance	Compliant	Refer Audit Committee Report of this Annual Report.

Board Sub-Committee Members

	AC	RC	RPTRC
Mr. Malik J Fernando	Member	Chairman	Member
Dr. S A B Ekanayake	Chairman	Member	Member
Mr. S C Ratwatte	Member	Member	Chairman

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

Chairman | Member

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

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
7.6	**Contents of the Annual Report**		
i)	Names of Directors of the entity	Compliant	Refer Corporate Information of this Annual Report.
ii)	Principal activities of the entity and its subsidiaries during the year under review	Compliant	Refer Corporate Information of this Annual Report.
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Compliant	Refer Investor Information of this Annual Report.
iv)	The Public Holding percentage	Compliant	Refer Investor Information of this Annual Report.
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Compliant	Refer Investor Information of this Annual Report.
vi)	Information pertaining to material foreseeable risk factors	Compliant	Refer Risk Management of this Annual Report.
vii)	Details of material issues pertaining to employees and industrial relations	Compliant	Refer Human Capital of this Annual Report.
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Compliant	Refer Note15 to 16 the Financial Statements of this Annual Report.
ix)	Number of shares representing the stated capital	Compliant	Refer Investor Information of this Annual Report.
x)	Distribution schedule of the number of shareholders and the percentage of their total holding	Compliant	Refer Investor Information of this Annual Report.
xi)	Ratios and market price information	Compliant	Refer Investor Information of this Annual Report.
xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Compliant	Refer Note 15 to 16 the Financial Statements of this Annual Report.
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	Compliant	The Company had no public issue, rights issue or private placement during the year under review.
xiv)	Employee share option/purchase schemes	Compliant	As at date, the Company has no share option/ purchase schemes made available to its Directors or employees.
xv)	Corporate Governance Disclosures	Compliant	Refer Corporate Governance of this Annual Report.
xvi)	Related Party Transactions	Compliant	Refer Note 32 to the Financial Statements.

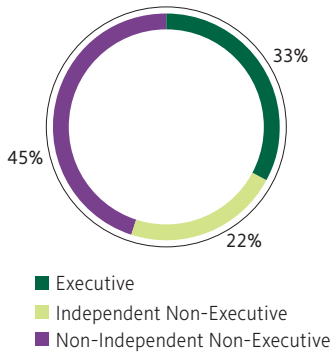
Corporate Governance

1.2 Voluntary Compliances

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

THE COMPANY
A. Directors
A.1 The Board
The Board consists of three Executive Directors and five Non-Executive Directors out of which two Directors are independent Directors and three of whom are Non-Independent Directors. The Chairman, Managing Director and Director/CEO serve as Executive Directors. The Board represent a balanced mix of professionals with diverse knowledge and experience which enable the Board to collectively discharge its duties effectively and efficiently. Our Board represent a well-balanced mix of professions with wide knowledge and experience which enable them to impart substantial value, knowledge and independent judgment towards decision making and providing effective leadership to the Company. The names and profiles of each Director are on pages 10 and 14 of this Annual Report.

Board Composition



Quality of the Board

Executive Directors	
Dr. P. Dissanayake *Chairman* Appointed to the Board as Chairman on 29th March 2019, Dr. Dissanayake was a member of the Aitken Spence PLC board from June 2004 to May 2017. Dr. Dissanayake was appointed to the Aitken Spence PLC Board as Deputy Chairman and Managing Director w.e.f. March 2019. He holds extensive experience in maritime and logistics including Chairman/ Board positions in public service.	**Dr. R. M. Fernando** *Managing Director* Dr. Fernando counts in-depth experience in plantation management, played a pivotal role in the Plantations Privatisation Programme. He holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) UK.

Mr. B. Bulumulla *Director/CEO* Employed at Elpitiya Plantations for a period of 20 years, and a carrier 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) 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.	
Independent Non-Executive Directors	
Dr. S. A. B. Ekanayake Holds experience in public sector and held numerous senior positions in the public sector including the Plantations Sector. Dr. Ekanayake holds 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.	**Mr. S. C. Ratwatte** Mr. Ratwatte is a fellow of the Chartered Institute of Management Accountants, UK and has over 30 years work experience in the fields of financial and treasury management, project evaluation and development, investments, financing and risk management and joint ventures.
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, 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 BSc in business management from Babson College US. 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 possess a career spanning over 20 years' in the public sector and is a Class I Officer of the Sri Lanka Planning Service. She obtained a B.Sc. General Degree from the University of Kelaniya, Sri Lanka and a masters in public administration (Policy) from the Flinders University, Australia.	**Mr. D. A. de S. Wickramanayake** Mr. Wickramanayake is the founder Chairman/Managing Director of Master Divers (Pvt) Ltd., which created a landmark area of activity in the shipping industry and a Member of the University Grant Commission Standing Committee on Agriculture, Veterinary, Medicine and Animal Science.

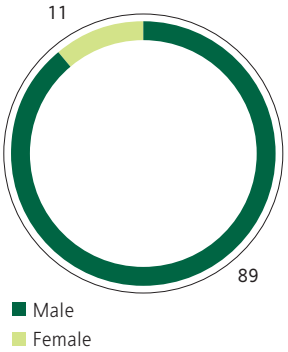
Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
A.1.1	Board Meetings and Provision of regular and structured information to the Board	Compliant	The Board meetings are held quarterly to review the business performance of the Company. In addition to attending meetings, the Directors make decisions via circular resolutions. The meetings were convened four times during the year under review and the attendance of the Directors at the meetings were as follows:

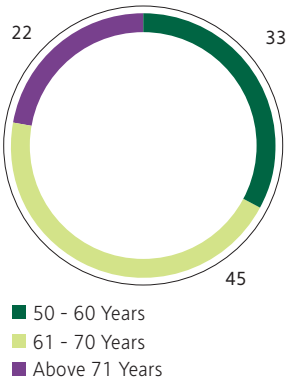
Directors	Q1	Q2	Q3	Q4
Dr. P. Dissanayake (Chairman)	✓	✓	✓	✓
Dr. R. M. Fernando (Managing Director)	✓	✓	✓	✓
Mr. B. Bulumulla (Director/CEO)	✓	✓	✓	✓
Mr. Malik J. Fernando/ Ms. M. D. A. Perera (Alternate to Mr. Malik J. Fernando)	✓	✓	✓	✓
Deshamanya Merrill J. Fernando/ Mr. A. T. S. Sosa (Alternate to Mr. Malik J. Fernando)	✓	✓	✓	❋
Dr. S. A. B. Ekanayake	✓	✓	✓	✓
Mr. S. C. Ratwatte	✓	✓	✓	✓
Ms. B. W. G. C. S. Bogahawatte	✓	✓	❋	❋
Mr. D. A. de S. Wickramanayake	✓	❋	✓	✓

Present ✓ Excused ❋

Board's Gender Diversity (%)



Age Distribution (%)



Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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.

Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
Key Areas of Board Focus In 2019/20 **Strategy** • Reviewed the group strategy and implemented new ventures. • Strategised the Group's business segments and gave direction to implementing new ventures. **Leadership & Risk** • Succession Planning • Entrepreneurial direction and support. • Determining the Group's risk appetite and principle risks. • Evaluation of re-appointment of directors. • Review performance of sub-committees. **Governance** • Evaluation of the Governance structure. • Ensure compliance • Implementation of legislation to accommodate necessary changes. **Finance** • Overview of preparation and presentation. • Optimisation of implementation. • Capital allocation, financing and funding.			
A.1.3/ A.1.8	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 panellists 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.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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/ A.5.7	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.3 Chairman's Role			
A.3.1	Effective conduct of Board proceedings by the Chairman	Compliant	Our Chairman, Dr. P. Dissanayake 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,

Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
A.4 Financial Acumen			
A.4	Ensuring the availability of sufficient financial acumen within the Board	Compliant	Please refer the Audit Committee Report set out in this Annual Report.
A.5 Board Balance Board Composition : (3) Executive : (2) Independent Non-Executive : (4) Non-Independent Non-Executive 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 page 51 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 three 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 annually 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.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
A.5.6	Independence of Alternate Directors	Compliant	Ms. M. D. A. Perera, Alternate Director to Mr. Malik J. Fernando and Mr. A. T. S. Sosa, Alternate Director to Deshamanya Merrill J. Fernando are not executives of the Company.
A.5.8	Senior Independent Director	Not Applicable	This principle is not applicable to Elpitiya Plantations PLC as the roles of the Chairman and the CEO are distinct.
A.5.9	Chairman's meetings with the NEDs	Compliant	The Chairman meets with the Non-Executive Directors as and when necessary.
A.5.10	Recording concerns	Compliant	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes.
A.6 Supply of Information			
A.6.1/ A.6.2	Management's obligation 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 sub-committees and individual Directors is an integral part and takes place annually on a self-appraisal basis.
A.7.3	Disclosure of Appointment of a New Director	Compliant	The Articles of Association 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 together with a brief resumé of such a Director containing the nature of his expertise, other directorships held, memberships in Board Committees and the nature of the appointment.

Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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 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	Compliant	In the event that a Director recommended for re-election or re-appointment wishes to resign from his/her position as a Director, he/she is expected to provide a written communication to the Board formally tabling his/her resignation along with reasons for such resignation.
A.9 Appraisal of Board Performance			
A.9.1/ A.9.2	Review of Performance of the Board and its Committees and self-evaluation of Directors and of its Committees	Compliant	Assessment of the performance of the Board, its sub-committees and individual Directors is an integral part and takes place annually on a self-appraisal basis
A.9.3/ A.9.4	Presence of a process to review participation, contribution and engagement of Directors and Disclosure of performance evaluation	Compliant	The self-appraisal provides an avenue to highlight area for improvement and remedial action as well as evaluation of the progress of such areas identified. It also ensures that any gaps pertaining to investor relations and Board administration and processes are rectified.
A.10 Disclosure of information in respect of Directors			
A.10.1	Profiles of the Board of Directors and other related information	Compliant	Refer Board Profiles of this Annual Report
A.11 Appraisal of the Chief Executive Officer			
A.11.1/ A.11.2	Setting financial and non-financial targets	Compliant	The performance evaluation of the Managing Director and the CEO is carried out by the Chairman, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
B. Directors' remuneration			
B.1 Remuneration Procedure			
B.1.1	Remuneration Committee	Compliant	The Remuneration Committee which is a sub-committee of the Board is entrusted with the responsibility of formulating and reviewing the remuneration packages of Executive Directors and Executive employees. The evaluation of performance is conducted annually and bi-annually. The names of the members of the Remuneration Committee are listed on the Remuneration Committee Report of this Annual Report.
B.1.2	Composition of the Remuneration Committee	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.1.3	Disclosure of the names of the members of the Remuneration Committee	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.1.4/ B.1.5/ B.2.10	Remuneration of NEDs and Executive-Directors	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.2 The Level and Make up of Remuneration			
B.2.1 - B.2.5	Standard of making the remuneration packages of Executive Directors	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.2.6	Executive share option	Compliant	As at date, the Company has no share option available to its Directors.
B.2.7	Performance based remuneration	Compliant	Refer the Report of the Remuneration Committee of this Annual Report
B.2.8 B.2.9	Early termination in Directorate	Compliant	The Remuneration Committee determines the remuneration of Directors in the event of early termination.
B.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	Refer the Report of the Remuneration Committee and Note 9 to the Financial Statements of this Annual Report.

Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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.
C.1.2	Separate resolution for each issue	Compliant	A separate resolution on each issue is proposed at the Annual General Meeting of the Company.
C.1.3	Accurate recording and counting valid proxy appointments received for general meetings	Compliant	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken on a show of hands.
C.1.4	Availability of Chairmen of Board Committees at the Annual General Meeting	Compliant	The Chairmen of the Audit, Remuneration and Related Party Transactions Review Committees are present at the AGMs.
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	Compliant	In the event the appropriate numbers of shareholders give their intimation in writing and request for a poll, the procedures involved in voting would be circulated. In the absence of such intimation all issues at the General Meeting will be passed by show of hands.
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. / C.2.6	Contact person in relation to shareholder matters	Compliant	Company Secretaries and/or the Registrars could be contacted in relation to shareholders.
C.2.5 / C.2.7	Process to make Directors aware of the issues and concerns of Shareholders and disclosing same and the process responding to shareholder matters	Compliant	The Company Secretaries maintain a record of all correspondence received and would deliver such correspondence to the Board or individual Director as applicable. The Board or individual Director, as applicable will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretaries to send the response to the particular shareholder.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
C.3 Major and Material Transactions			
C.3.1	Disclosure of Major related party transactions with a related party	Compliant	The Company ensures that in the event of a major related party transaction takes place, all required approvals are obtained and that the disclosure requirements of the Listing Rules of the Colombo Stock Exchange are strictly adhered to.
D. Accountability and Audit			
D.1 Financial and Business Reporting			
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 and Chief Financial Officer in maintaining accurate financial records and in compliant with the appropriate accountant standards	Compliant	The Statement of Financial Position of this Annual Report contain a declaration by the Deputy Chairman and Managing Director and the Chief Financial Officer.
D.1.4/ D.1.5	Responsibility statement by the Directors and Auditors for the preparation and presentation of Financial Statements	Compliant	Refer the Statement of the Directors and Auditors and the Board of Director's Statement on Internal Controls of this Annual Report.
D.1.6	Contents of the Management Discussion & Analysis	Compliant	The Management Discussion and Analysis is given on Chairman's and Managing Directors Report in this Annual Report.
D.1.7	Serious loss of capital	Compliant	In the unlikely event that the net assets of the Company fall below half of shareholders' funds, the shareholders of the Company would be notified, and an Extraordinary General Meeting would be called to propose the way forward.
D.1.8	Disclosure of related party transactions	Compliant	Refer the Related Party Transactions Review Committee Report

Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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	Refer the Board of Directors' Statement on Internal Control of this Annual Report.
D.2.2	Confirmation by the Directors on carrying out a robust assessment of the principal risks faced by the company	Compliant	Refer the Board of Directors' Statement on Internal Control of this Annual Report.
D.2.3	Presence of an internal audit function	Compliant	Aitken Spence Group's internal audit division carries out the Company's internal audit function. The internal audit division carries out regular audits in the estates as well as the head office and submits quarterly reports to the Audit Committee on the findings.
D.2.4	Review the process and effectiveness of risk management and internal control by the Audit Committee	Compliant	The internal audit division carries out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors, reviews and evaluates the effectiveness of the internal control system as well as the internal controls over financial reporting.
D.2.5	The Statement of Internal Control	Compliant	The Statement on Internal Control is on page 126 of this Annual Report.
D.3 Audit Committee			
D.3.1	Composition of the Committee	Compliant	Refer the report of the Audit Committee is set out in this Annual Report.
D.3.2	Duties of the Committee	Compliant	Refer the report of the Audit Committee is set out in this Annual Report.
D.3.3	Disclosures	Compliant	Refer the report of the Audit Committee is set out in this Annual Report.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
D.4 Related Party Transactions Review Committee			
D.4.1/ D.4.2	Composition of the Committee	Compliant	Refer the report of the Related Party Transactions Review Committee of this Annual Report.
D.4.3	Duties of the Committee	Compliant	Refer the report of the Related Party Transactions Review Committee of this Annual Report.
D.5 Code of Business Conduct & Ethics			
D.5.1	Disclosure of the presence of code of business conduct and ethics for Directors and Key Management Personnel and declaration of compliance	Compliant	The Company has adopted the Aitken Spence Group Code of Ethics which provide employees with guidance 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. The Aitken Spence Group Code of Ethics was revised during the financial year.
D.5.2	Presence of a process to identify and report material and price sensitive information	Compliant	The Company ensures that material and price sensitive information is promptly identified and reported in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange.
D.5.3	Policy, process for monitoring and disclosure of share transactions made by related parties	Compliant	Refer the report of the Related Party Transactions Review Committee of this Annual Report.
D.5.4	Chairman's affirmation that he is not aware of any violation of the provision of the code of business conduct and ethics	Compliant	The Chairman affirms that there has not been any violation of any of the provisions of the Code of Ethics. Please refer the Board of Directors' Statement on Internal controls of this report.
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.

Corporate Governance

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
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. The Company encourages the investors to give due weight to all relevant factors drawn to them in evaluating Company's governance arrangements in respect of the Board structure and its composition.
F.2 Shareholder Voting			
F.2	Encouraging shareholders to participate in general meetings	Compliant	Elpitiya Plantations engage with shareholders through open, meaningful dialogue that helps us to understand their expectations. All shareholders are encouraged to attend and actively participate and vote at the Annual General Meeting. As the Company doesn't have any non-voting ordinary shares, all shareholders are entitled to one vote per individual present or one vote per share in case of a poll.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Elpitiya Plantations PLC
G. INTERNET OF THINGS AND CYBERSECURITY			
G.1	Process to identify how the external IT devices could connect to the organization's network	Compliant	Refer Risk Management of this Annual Report.
G.2	Appointment of a Chief Information Security Officer (CISO)	Compliant	The functions of the CISO is carried out by 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	Refer Risk Management 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	Refer Risk Management of this Annual Report
G.5	Cybersecurity process	Compliant	Refer Risk Management 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	Compliant	Please refer the Capital Management Report on page 87 of this Annual Report.
H.1.2.	Environmental Factors	Compliant	Please refer Natural Capital section of this Annual Report
H.1.3	Social Factors	Compliant	Please refer Human Capital and Social & Relationship Capital section of this Annual Report
H.1.4	Governance	Compliant	Please refer the Corporate Governance Report of this Annual Report
H.1.5	Board's role on ESG Factors	Compliant	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.

Risk Management

INTRODUCTION

EPP'S BOARD OF DIRECTORS IS COMMITTED TO MAINTAINING AN EFFECTIVE FRAMEWORK FOR RISK MANAGEMENT AND INTERNAL CONTROLS AND IS PLEASED TO PROVIDE THE FOLLOWING STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020.

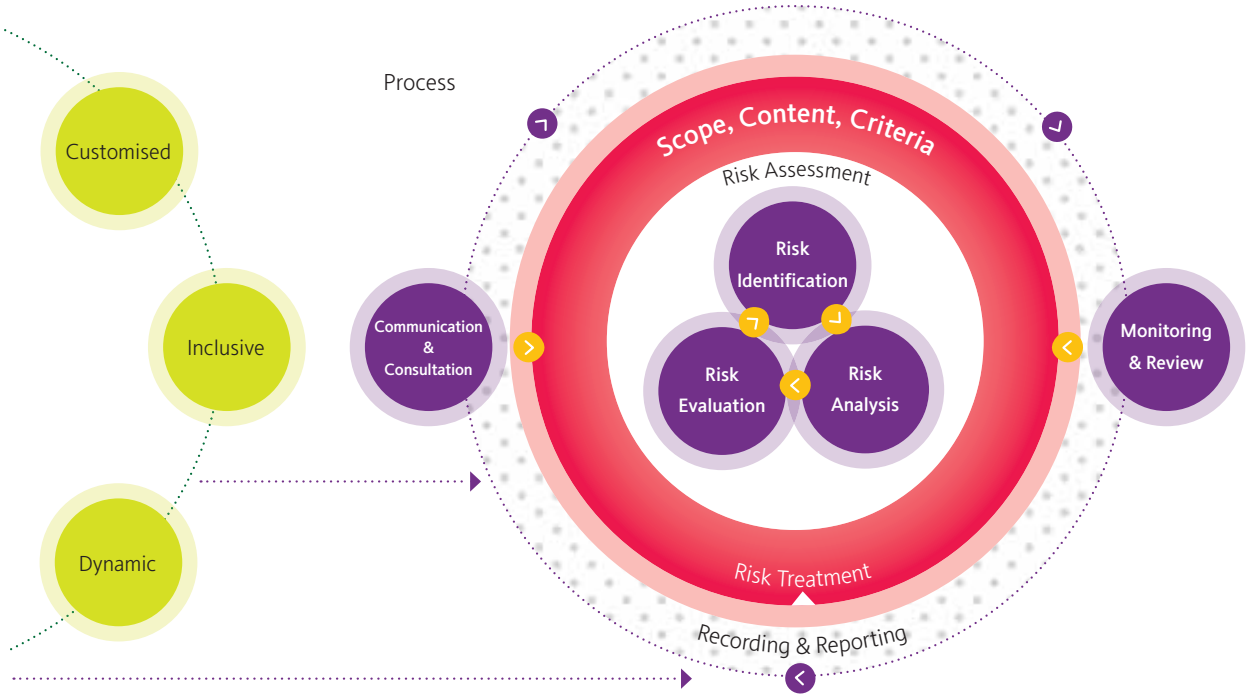
THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK IS DESIGNED TO EFFECTIVELY IDENTIFY, MITIGATE AND MANAGE THE MULTITUDE OF RISKS THE GROUP IS EXPOSED TO. AS AN ENTITY WHICH IS PART OF A DIVERSIFIED GROUP, A PROACTIVE AND HOLISTIC APPROACH TO RISK MANAGEMENT IS VITAL IN ENSURING THE FULFILMENT OF OUR STRATEGIC ASPIRATIONS AND SUSTAINABILITY OF OPERATIONS.

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 focus on determining the nature and extent of exposure to principal risks it is willing to take in achieving its strategic objectives. The quantum 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.

POLICY FRAMEWORK

The Group recognizes its primary responsibility is to ensure the long-term viability of the Group and is cognizant that risks are an unavoidable component of its business and is characterized by threats and opportunities. EPP thereby strives to foster a culture of risk awareness in all decision making in line with the Group's risk appetite. Through skilled application of high quality, integrated risk analysis and management, Elpitiya Plantations PLC



manages risks with the objective of exploiting opportunities, addressing threats and thereby sustaining its competitive advantage. The Group is committed to managing risks in a proactive and effective manner which in turn requires comprehensive risk analysis to support management decisions at all levels. The Group fosters a risk-aware corporate culture in all decision making with the objective of striking 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)
Business Unit/Operating Unit/Project	Quarterly Update	Bottom Up (as part of the periodic monthly management review process)
Major Projects (CAPEX/ Improvements)	Monthly Review/ Ad-hoc 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 a top-down review of risks 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.

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.

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

Risk Assessment
Identify and prioritise key risks and the existing controls/ measures to prevent and/ or mitigate the key risks along with any planned actions to manage the risks.

Risk Treatment
Involves the development of action plans and subsequent execution of these plans.

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 Management

Risk Appetite

Risk appetite is the level of risk we are willing to take when executing our 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.	Manage by specific monitoring or response procedures.
	• Treatment plans to be developed and implemented by operational managers.	
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.

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

Risk Assessment

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

Business Risk	Moderate Risk	Control

- Risks that derive 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 is defective or inappropriate to the company's business.
- Board of Directors continuously obtain and evaluate all the information on how the business is performing and monitor the 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.
- Inappropriate capital investments financing decisions would dilute the earnings available to shareholders.
- All corporate planning strategies, such as acquisitions, business diversifications, entry into new markets and capital investments, are carefully evaluated by the Board of Directors with reference to the financial viability and long-term objectives set by the company.

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

Risk of Adverse Climatic Change	High Risk	Mitigate and Control

- Adverse weather conditions may affect the productivity of crops.
- Lower yield from harvesting areas and lower quality of the harvested products which will affect the product price and profitability of the company.
- The Company adopts best agricultural practices, planting of selected cultivars in order to mitigate loss of crop due to 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. We have also sought to diversify our crop base, thereby limiting the exposure of adverse weather on our earnings profile.

Product Quality Risk	Moderate Risk	Share

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

Risk Management

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 to wage increases which do 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 and close evaluation of employee performance to retain skilled human capital within the company.

Risk of Assets Misappropriation	Moderate Risk	Control

- Risk of theft or misuse of the Group's assets.
- Company's assets can be used for purposes other than that for which they are intended.
- Establishment and maintenance a 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 lead to cause of operations, loss of reputations and Brand names, huge fines and penalties.
- Close relationship with regulatory authorities and in-house legal consultants and strong evaluation of dealing with elements of external environment.

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

Liquidity Risk	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 the Company's day to day operations and would affect the reputation maintained with Company's short-term fund providers.
- The Finance division strives to ensure sufficient funds are available to meet the debt commitments and working capital requirements. Adequate short-term financing options have also been arranged with the banks.

Interest Rate	Low Risk	Accept

- Risk arises from fluctuations of actual interest rates or deviations from the expected interest rates.
- Higher interest rates would affect profits available for shareholders and will increase risk associated with their investments.
- Maximum utilization of concessionary loan facilities available to plantation companies.
- Maintain balanced loan portfolio which ensure an adequate composition 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 new 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

ON THE MOVE TOWARDS SUSTAINABILITY

Creating better housing and a higher standard of living has ensured value addition to our extensive and expansive team

Performance Review

Operating Environment

The global economy: Global economic conditions were subdued in 2019, with growth slowing to an estimated at 2.9%, from 3.6% the previous year. Moderating growth reflecting trade tensions between key trading partners, implications of natural disasters and climate change as well as geopolitical stress in certain emerging markets. Advanced economies grew by just 1.7% in 2019 as uncertainty regarding Brexit and weaker industrial activity affected the European region. Meanwhile, activity in emerging markets and developing economies also slowed to 3.7% reflecting slowdowns in China and India.

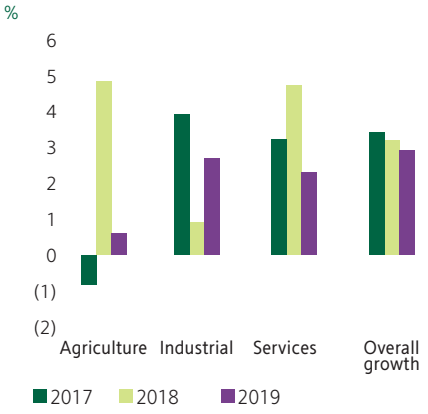
Meanwhile, 2020 has witnessed unprecedented global economic challenges in the wake of the COVID-19 pandemic as nations have struggled to contain the spread of the virus. Disruptions to supply chains and manufacturing activities as well as drastic drops in demand and capacity for investments have led to devastating economic consequences. While developed economies have sought to drive economic activity through substantial stimulus packages, emerging economies continue to grapple with weak fiscal positions and booming debt. The IMF notes the inevitability of a global recession in 2020, with output expected to contract by 4.9% reflecting persistent social distancing measures and disruptions to production and supply chains.

Sri Lankan economy: The year 2019 was an extremely challenging year for the Sri Lankan economy, mainly due to the April terror attacks which led to a sharp downturn in consumer demand along with disruptions to numerous supply chains. Accordingly, economic growth moderated to 2.3%, while expansion of the Agriculture and Services sector declined to 0.6% and 2.3% respectively. The Industries sector growth increased to 2.7% (from 1.2% the previous year) reflecting moderate improvements in mining, quarrying and construction.

Meanwhile, the socio-economic impacts of the COVID-19 pandemic have been widespread, given reliance on tourism and exports for foreign currency generation, dependence on micro and SMEs as well as the country's relatively weak fiscal position. Accordingly, Sri Lanka's economy contracted by 1.6% during the first quarter of 2020 and is expected to remain relatively lacklustre in the ensuing months.

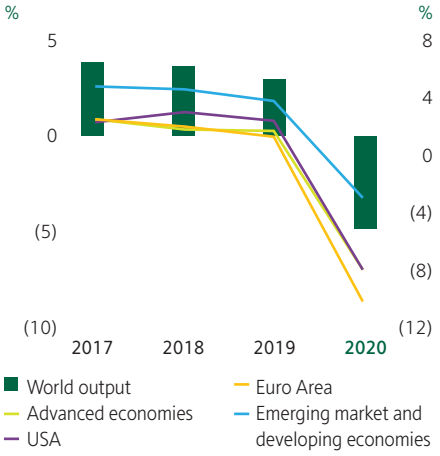
Tea: Sri Lanka's tea industry experienced yet another challenging year, with adverse weather conditions, a decline in global tea prices and rising cost of production continuing to impact profitability. Total production declined by 1.3% to 300.1 million kilogrammes reflecting dry weather conditions in the first half of the year which was followed by heavy rains in the last quarter. High-grown and low-grown tea production volumes declined by 3% and 10% respectively while medium-grown tea production increased marginally.

Sri Lanka GDP growth



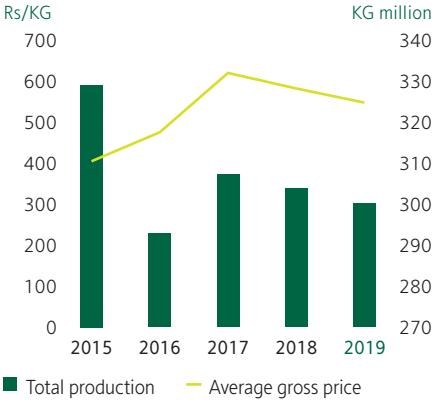
Source: Central Bank of Sri Lanka

Global economic growth



Source: International Monetary Fund

Tea production trends



Source: Central Bank of Sri Lanka

Performance Review

Impacts of COVID-19 on the plantation sector

The impacts of the pandemic on Sri Lanka's plantation sector have been relatively limited, with the industry returning to normalcy relatively soon. Key impacts include,

- Necessitated increased investment in employee health and safety
- Suspension of tea and rubber auctions for several weeks
- Tea: short-term impacts on demand due to disruptions in logistics. However, given the anti-viral properties of tea and increasing prevalence towards healthy beverages, long-term demand is expected to improve
- Rubber: Softening industrial activity and lower petroleum prices is expected to lead to a decline in global demand.

Tea prices recorded a sharp decline in 2019, reflecting softening global economic conditions and geopolitical stress in key buying markets. Accordingly, the annual average price at the Colombo Tea Auction decreased by 6% to Rs.546.67 per kilogramme. Meanwhile, persistently high cost of production and relatively low yields continue to impact industry profitability, threatening its long-term commercial sustainability.

In the outbreak of COVID-19 the tea auctions were suspended for two weeks; however, industry stakeholders successfully transitioned to a digital platform by early April, marking an important milestone in the evolution of Sri Lanka's tea industry. Pent up demand of several weeks, coupled with the inactivity in other regional tea markets led to strong demand levels and improved pricing in the ensuing weeks.

Rubber: Sri Lanka's rubber production fell to a record low of 74.8 million kgs in 2019, as adverse weather conditions and abandonment of tapping operations due to weak pricing affected volumes. Meanwhile a decline in demand following weaker industrial activity, both in the domestic and global fronts led to a near 9% decline in the export (F.O.B) price, thereby inserting further pressure on profitability margins. Cost of production, on the other hand continues to be on the rise due to higher wage rates and declining yields; cost increased by 2% to Rs.210/kg in 2019.

Oil Palm: Inconsistency in government policy continues to impact the growth of oil palm, following the ban on new cultivation, despite government approval in 2014. 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, confectionery and pharmaceutical products. Several RPCs were actively pursuing the option of replacing unproductive and underutilised rubber land with oil palm and following the Government's stance face the risk of seedlings maturing and going to waste.

Opportunities and Risks

Unprecedented changes in the operating landscape have necessitated the proactive monitoring of market developments and emerging trends in demand. These dynamics are a key input in formulating strategy, enabling us to proactively address challenges while seizing opportunities. Key opportunities and risks during the year and how we responded to these developments are presented below.

Implications of COVID-19

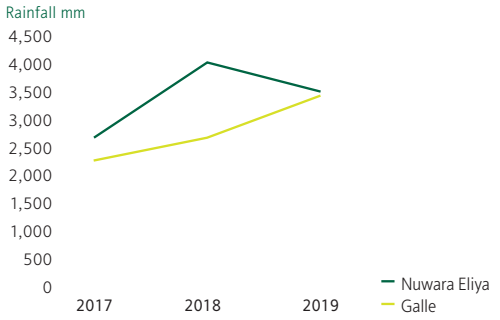
The impacts of the pandemic on Sri Lanka's plantation sector have been relatively limited, with the industry quickly returning to normalcy. Our response to the issues arising from the pandemic are:

- Increased investments in employee safety
- Ensuring employee nutrition through encouraging vegetable cultivation in estates
- Ongoing focus on raising employee awareness on hygiene
- Provide employment opportunities for those who were unable to return to their former employment places

Climate change

Increasingly intensifying implications of climate change continue to threaten the sustainability of the plantation industry. Over the last few years, erratic weather conditions including fluctuations in rainfall, rising temperature and natural disasters have impacted production volumes of key crops.

Annual Rainfall



Strategic response

- Diversification of earnings profile through increased emphasis on renewable energy generation and commercial forestry
- Crop diversification
- Sustainable cultivation methods
- High precision agriculture cinnamon to

Labour shortages

The industry continues to grapple with labour shortages arising from migration of labour and different employment aspirations of the younger generations.

Strategic response

- Opportunities for career progression
- Increased focus on mechanisation
- Increasing focus on the dignity of labour

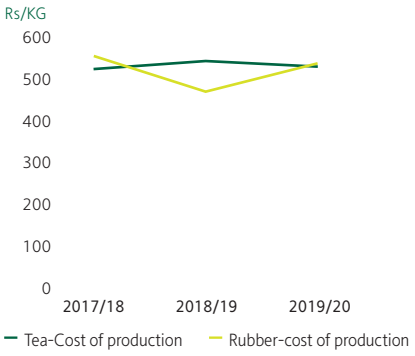
Inconsistent government policy

- Lack of clarity on the government's stance with regards to the cultivation of oil palm has threatened the survival and sustainability of the oil palm industry. Following government approval in 2014, we invested in seedlings, which have now been stocked in nurseries for 2 years and would go to waste upon reaching maturity.
- A further increase in estate sector wages could threaten the commercial sustainability of both tea and rubber, which continue to grapple with rising cost of production and low yields.

Strategic response

- Diversification of crop base with commercial cultivation of berries
- Digitisation and automation
- Ongoing investments in replanting

Cost of production-Tea and Rubber



Increasing cost of production

Sri Lanka's cost of production is relatively high, due to persistent increases in the estate sector wages, low labour productivity and yields. With fluctuations in prices coupled with production losses arising from inclement weather, rising cost of production has continued to impinge on profitability margins.

Strategic response

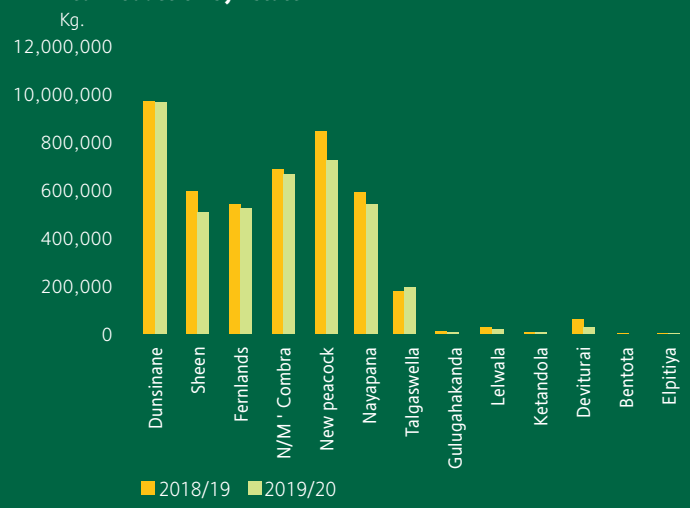
- High-precision agriculture methods
- Ongoing investments in mechanisation and automation
- Investments in replanting and land rejuvenation

Performance Review

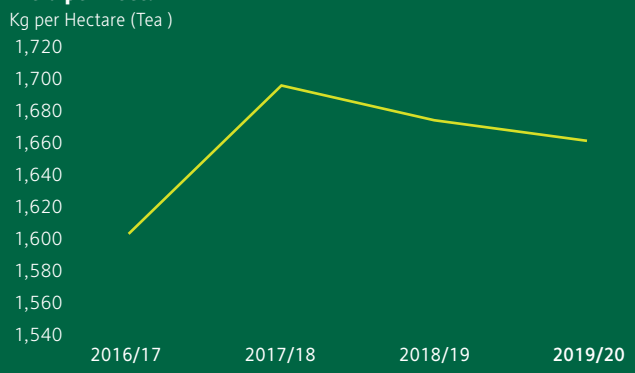
Tea Sector

The tea sector faced a challenging year amidst weaker global prices, adverse weather conditions, rising wage pressures and sales disruptions caused by COVID-19. Despite these challenges, we continued to invest in factory automation and field mechanization to drive greater productivity and efficiency gains while continuing to implement sustainable agricultural practices across our estates.

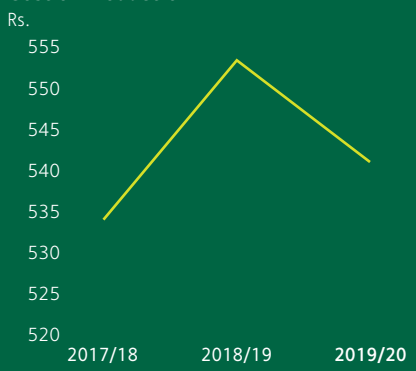
Tea Production by Estate



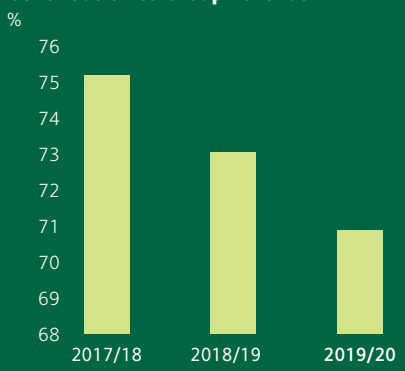
Yield per Hect.



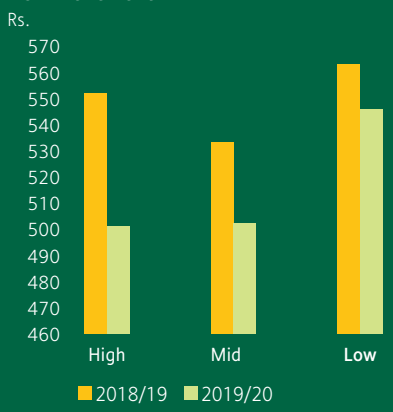
Cost of Production



Contribution to Group Revenue



NSA Movement



Performance Review

Performance

Weaker tea prices throughout much of 2019 negatively impacted performance, which saw revenue declining by 10% to Rs. 2,344.8 Mn in FY 2019/20. EPP's NSA (Net Sales Average) declined by 5% to Rs. 521.06 per kg during the year reflecting the decline in industry average tea export prices in 2019. Unfavourable weather conditions during the early and latter parts of 2019 also resulted in a 8% decrease in production while disruptions caused by COVID-19 resulted in lower auction sales during March 2020. Consequently, total sales volume in FY 2019/20 decreased by 18% compared to 2018/19. The plantation sector wage hike which came into effect in January 2019 exerted further pressure on margins with a 18% increase in labour costs. As a result, sector profits during FY 2019/20 declined to Rs. 74.2 Mn compared to the profit of Rs. 278.9 Mn recorded in FY 2018/19.

Escalating cost of production remains a key concern in the industry, impacting productivity, margins, and overall profitability. In keeping with our goal of being the leader in mechanization and automation within the plantation sector we continue to invest in factory automation and field mechanization to drive greater productivity and efficiency gains. Further to the successful completion of the rolling room automation project at Nayapana in FY 2018/19, we commenced process automation and modernization at two more of our CTC tea factories; New Peacock and Dunsinane. We also continue to explore ways in which labour intensive field operations can be mechanized to bring about greater labour productivity. During the year we digitized the daily estate labour allocation process, implementing an MIS system with real time information on labour allocation at field level. This marks a milestone in the industry, with EPP emerging as the first RPC to automate field-level data gathering. Meanwhile we continue to introduce energy efficient measures such as the installation of variable frequency drives (VFD's) to Green leaf withering trough motors in order to reduce energy consumption and bring about greater cost savings.

Tea yield per hectare decreased from 1,674 Kg to 1,661 Kg during the year mainly due to the impact of adverse weather. However, our Yield per Hectare (YPH) continued to be higher than the industry average yield. Sustainable agricultural practices such as rainwater harvesting, composting and reforestations are practiced extensively across our estates to improve soil quality while field mechanization has also resulted in a relatively higher Yield per Hectare. Meanwhile we continue to leverage precision agriculture technology such as Geographical Information Systems (GIS) applications to ensure more productive use of our land.

Key Developments in the Industry during the year and Impact

- Dry weather conditions that prevailed during the first half of the year as well as heavy rains in the fourth quarter resulted in an overall decline in production during the year
- Tea prices declined during the year with the average tea export price in 2019 declining by 9.1% compared to 2018.
- The wage increase as per Collective Bargaining Agreement (CBA) 2019-21 came into effect in January 2019 further increasing production costs.

Maintaining the superior quality of the teas we manufacture is a critical factor in attracting higher prices for our teas. During the year we invested Rs. 21.4 Mn in new colour separator machines for Deviturai and Nayapane Tea Factories, bringing about greater precision to our sorting process. We have received a range of international product and process certifications and we continue to put in place stringent quality control processes to ensure the highest quality standards are met in all our factories. (Please refer page 103 intellectual capital for full list of certifications obtained)
Value addition in the tea segment is a critical component of DESIGN 2020. We continue to strengthen our position in the Value-Added segment with our own brand Harrow Ceylon Choice by expanding our reach and range of products. During the year we opened several retail outlets under the Harrow Ceylon Choice. We also continue to invest in research and development relating to an innovative alternative for tea bags and are about to commence commercial trials for this project.

Labour shortages in the plantation sector is one of the main challenges we face and one that we take a strategically long-term view on. While exploring ways in which we can leverage technology to gradually reduce dependency on scarce estate labour, we continue to invest in our people to increase productivity and create sustainable career paths that retain youth in the industry. (Please refer the Human capital Report on page 92 for more details on our HR initiatives)

COVID impact and Response

Crop intake and sales were impacted by the restriction of working days and the cancellation of Tea Auctions during the last two weeks of March 2020. However, the declaration of the Plantation sector as essential services and the resumption of tea-auctions in April 2020 through a virtual platform minimized the impact significantly. Meanwhile, a weaker Rupee together with pent-up demand and demand induced by the perceived health benefits of black tea and higher tea consumption amidst lockdowns resulted in buoyant tea prices from April onwards which further compensated for the impact from the lower production levels.

Way forward

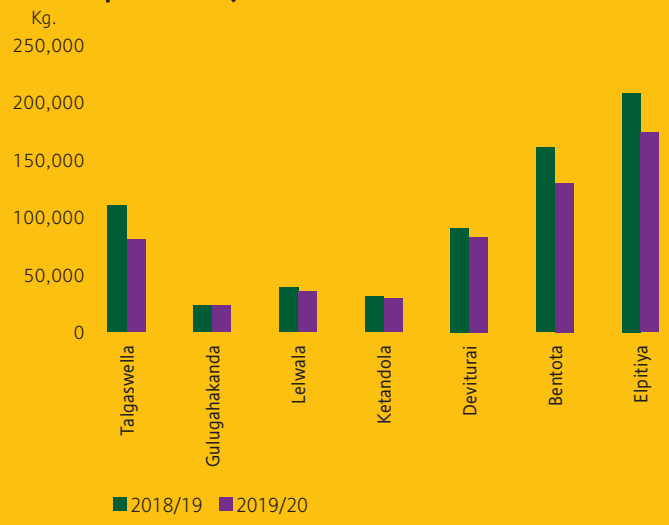
While tea prices are expected to sustain at the current levels, we expect domestic and global macroeconomic conditions in FY 2020/21 to exert further pressure on margins and therefore remain focused on improving our yields, productivity, and quality through ongoing investments in factory and field mechanization. We are also cognizant of the strategic need to move up the tea value chain and continue to invest in research and development in tea value addition.

Performance Review

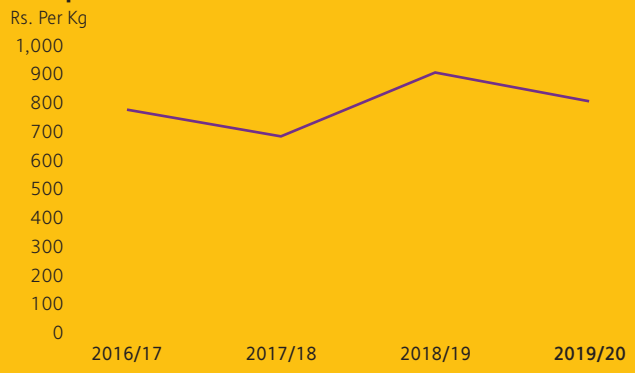
Rubber Sector

EPP has made a strategic decision to gradually reduce its dependence on rubber by diversifying into alternative crops on uneconomical rubber lands. However, we continue to focus on improving our margins in the sector by increasing yields, improving quality, and exploring opportunities in the rubber value added segment.

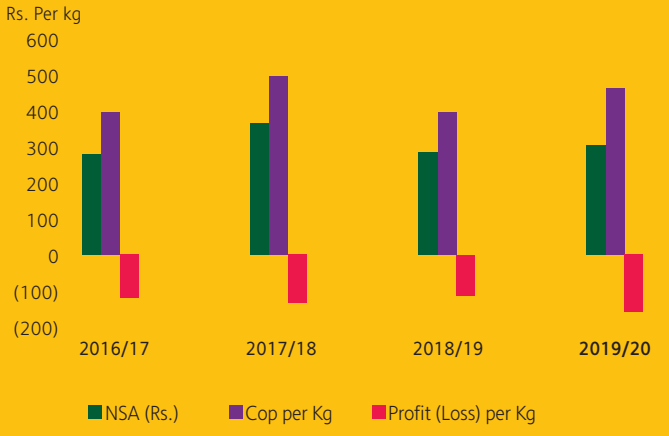
Rubber production by Estate



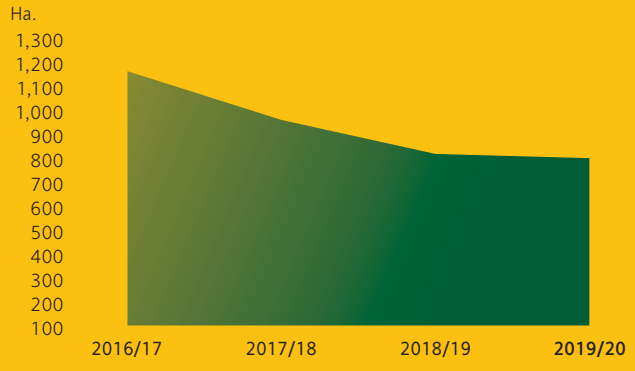
Yield per Hect.



Profitability per Kg



Cultivated Extent



Performance Review

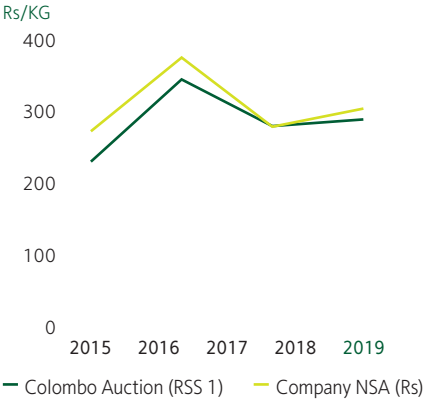
Performance

EPP's Rubber sector continued to incur losses during the year due to subdued demand conditions, increasing pressure on margins and an overall decline in production. Both international and domestic demand for natural rubber remained sluggish due to subdued economic activity and relatively low petroleum prices. Meanwhile disruptions to tapping operations due to rainy weather in the latter part of the year resulted in production declining by almost 16% to 552,536 Kg during the 12-month period ending 31 March 2020. Consequently, revenue from the rubber sector declined by almost 18% to Rs. 157.2 Mn in FY 2019/20. The already high cost of production increased further due to the increase in wages which resulted in labour costs increasing by almost 18% during the year. The combined effect of lower rubber prices, lower sales volumes and increasing cost of production resulted in sector performance deteriorating further, with losses during the year increasing to Rs. 82.1 Mn compared to Rs. 32.9 Mn in FY 2018/19.

Considering the consistently lower returns from rubber, EPP made a strategic decision to gradually reduce its dependence on rubber by diversifying into alternative crops on uneconomical rubber lands. Our rubber cultivation now stands at 855.98 Ha down from 1,249 Ha in FY 2016/17.

Reducing cost of production by maximizing crop yields and labour productivity is our main focus in the short to medium term. The introduction of early tapping techniques has enabled us to achieve significant productivity and quality gains. We also implemented a system of shifting excess labour to other crops during low harvesting periods to ensure the most efficient utilization of labour. Meanwhile we continue to invest in rainwater harvesting, land irrigation and rain guards to mitigate the impact of climactic conditions on crop yields. Apart from this, ongoing efforts to increase the soil quality through sustainable agricultural practices such as composting and water retention is expected to improve crop yields in the long term.

EPP Rubber NSA vs Colombo Auction Prices



We remain committed to maintaining the quality of the rubber we produce and continue to adopt good agricultural practices such as crop protection, harvesting technology and soil nutrient management to ensure the quality of our crops. It is therefore encouraging that EPP's NSA's have been higher than the Colombo Auction averages in the recent past.

Key Developments in the Industry during the year and Impact

- Production during the year declined due to unfavourable weather conditions and ongoing labour productivity issues
- Global prices for natural rubber remained low amidst a sluggish global economic conditions and lower oil prices
- Margins continued to be pressured due to the increased wage expense

With natural rubber exports from Sri Lanka continuing to decline, we see the critical importance of moving up the rubber value chain and continue to explore new opportunities in the domestic and global market.

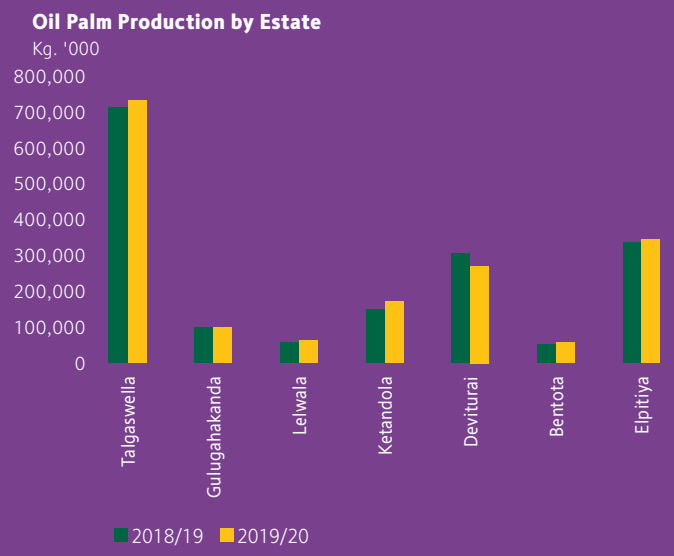
Way forward

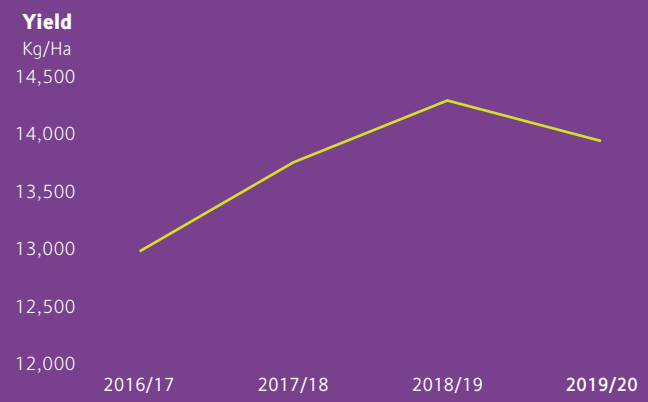
Natural rubber prices increased in April/May 2020 following sharp declines in early 2020 due to global mobility restrictions and production shortfalls. However, it is unlikely this growth momentum would continue considering the pessimistic outlook for the industrial sector for the remainder of 2020. Reducing sector losses remains our main priority in the short run and we will continue to focus on managing our costs of production while gradually moving into the higher margin value-added segments.

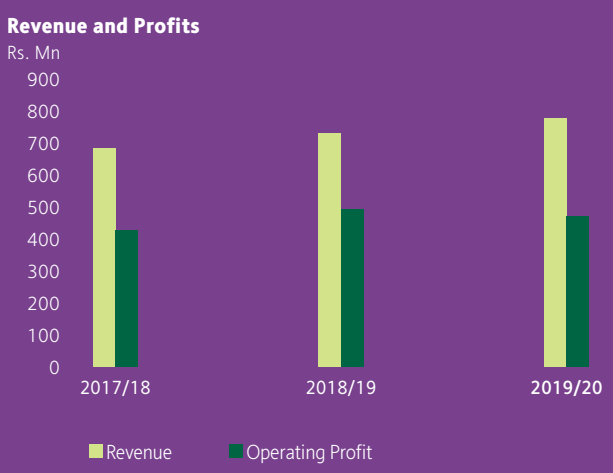
Performance Review

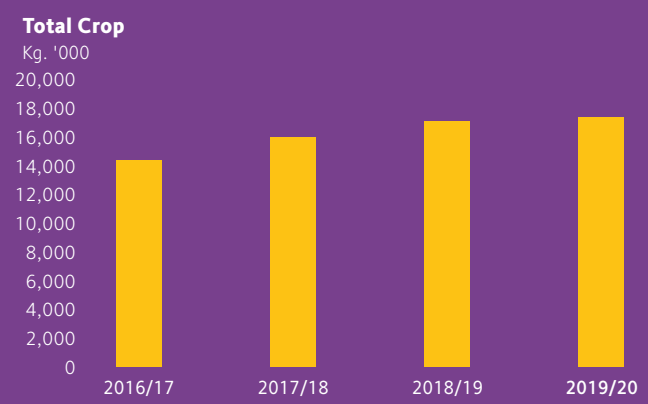
Oil Palm Sector

The oil palm sector continues to be our most profitable segment accounting for 24% of Group revenue. The industry however continues to be plagued by policy indecision and inconsistency which has curtailed its growth prospects significantly. Despite these obstacles we continued to forge ahead, focused on fostering an environmentally sustainable, high yielding and profitable cultivation.


Oil Palm Production by Estate
Kg. '000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Talgaswella
Gulugahakanda
Lelwala
Ketandola
Devituraí
Bentota
Elpitiya
2018/19
2019/20


Yield
Kg/Ha
14,500
14,000
13,500
13,000
12,500
12,000
2016/17
2017/18
2018/19
2019/20


Revenue and Profits
Rs. Mn
900
800
700
600
500
400
300
200
100
0
2017/18
2018/19
2019/20
Revenue
Operating Profit


Total Crop
Kg. '000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2016/17
2017/18
2018/19
2019/20

Performance Review

Performance

Sector revenue increased by 7% to Rs. 779.6 Mn in FY 2019/20 supported by strong domestic demand during the year. Price volatility towards the end of 2019 combined with the full year impact of the plantation sector wage hike which came into effect in January 2019 however exerted pressure on margins which resulted in sector profits recording a marginal decline of 4% to Rs. 471.1 Mn during the year.

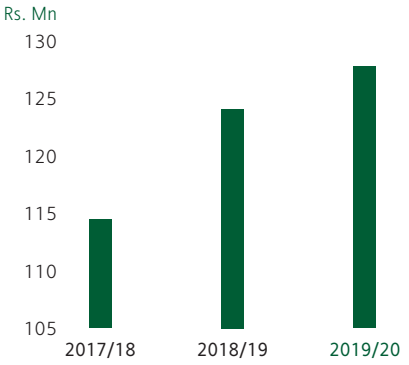
Oil palm continues to be our most profitable segment. EPP's YPH (Yield per Hectare) declined by 2% to 13,930 Kg/Ha during the year due to unfavourable weather conditions , but remained above the industry average. With uncertainty surrounding the Government policy regarding the expansion of oil palm cultivations, we focused on improving crop yields, driving greater process efficiencies, and improving the quality of our existing crop extent. During the year we introduced a rainwater harvested irrigation scheme for 50 acres of our oil palm land which achieved the dual goals of mitigating the impact of low rainfall while maintaining the water content of our oil palm lands. We also continued to conduct research into high yielding hybrid varieties of seeds. Meanwhile as part of our efforts to enhance process efficiencies and labour productivity, we modified loading and unloading bays. We are also actively exploring forward integration opportunities in the sector by venturing into manufacturing and processing refined Palm Oil.

EPP has identified oil palm as a key crop for expansion under the group's diversification strategy and has made significant investments into the sector. The Group currently has almost 1,818.59 hectares of cultivated oil palm land in seven of its low country estates. Meanwhile the Group also has almost Rs. 15.8 Mn worth of seedlings stocked in nurseries for over 3 years. The lack of a clear policy stance on the way forward for the industry and the recent ban of new oil palm cultivation in November 2019 however are significant constraints on the growth prospects for this lucrative crop.

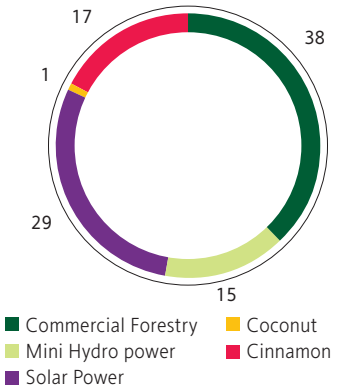
Way forward

The recent increase in the Special Commodity Levy on Oil Palm imports for a three-month period commencing April 2020 is likely to have a positive impact on domestic Oil Palm and FFB (Fresh Fruit Bunches) prices in the short run. The Government ban on new Oil Palm cultivation imposed in November 2019, despite government approval in 2014 is a significant setback for the long-term prospects of the industry. The oil palm industry has significant potential to transform Sri Lanka's dwindling plantation sector and contribute meaningfully towards import substitution in the edible oil segment, and we therefore urge the Government to reconsider its decision to ban new oil palm cultivation. We remain committed to adopting environmentally sustainable best practices in all aspects of our oil palm operation and will continue to work closely with all relevant stakeholders towards a viable way forward for the industry.

Total Non Core Income



Revenue Contribution from Diversified Operations (%)



Commercial Forestry

Our managed timber plantation spans an extent of 935.36 Hectares of commercial forestry and includes a range of commercial timber plants such as Eucalyptus, Albizzia, Alstonia and more recently Agarwood. Eucalyptus and Albizzia are grown in the upcountry estates while Alstonia and Agarwood is grown in the low country estates. As at the end of FY 2019/20, EPP's commercial timber plantation had a biological asset value of Rs. 1.0 Bn.

Commercial forestry has not only enhanced our revenue streams during recent years, it has also helped maintain forest cover. During the year commercial forestry contributed Rs. 56.4 Mn to group earnings.

We continued to invest in our timber plantation during the year, investing Rs. 17.1 Mn in land upkeep and in expanding our Agarwood extent.

High Value Horticulture

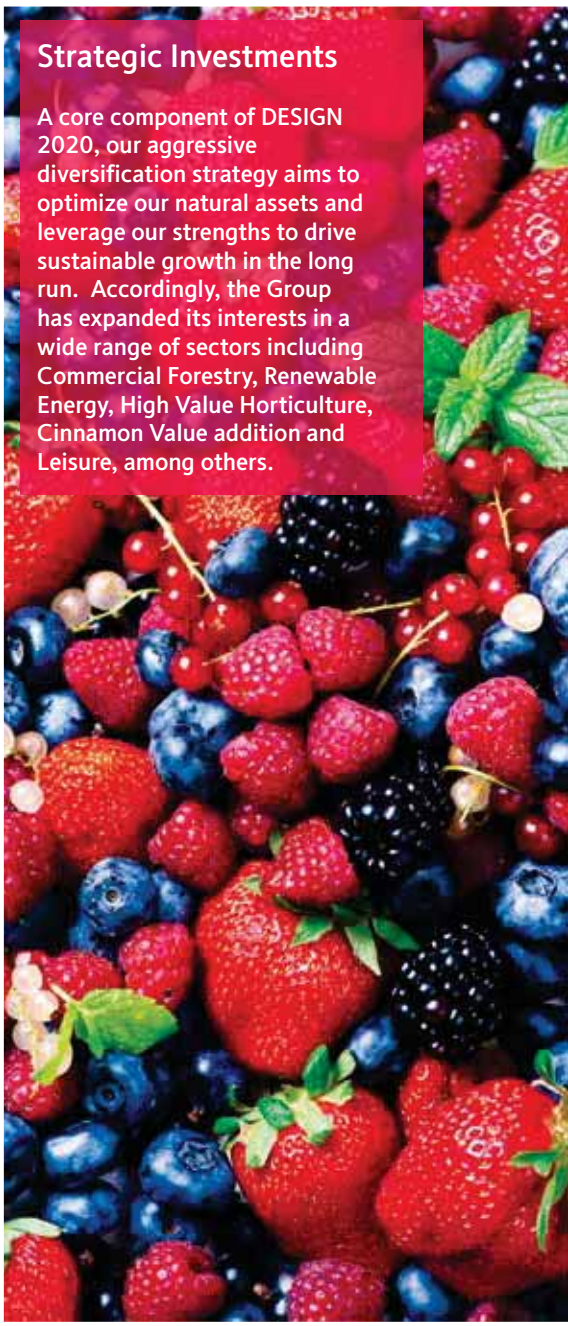
The "Berries Project" is a key diversification projects under DESIGN 2020. The project aims to cultivate four varieties of imported berries; Strawberries, Blueberries, Blackberries and Raspberries on selected upcountry estates.

Significant progress was made during the year with the commencement of commercial operations of the strawberry project in March 2020. Meanwhile on-field commercial cultivation of Raspberry and Blackberry plants is scheduled to commence in FY 2020/21.

We are also actively exploring opportunities in value added markets for fruits and berries such as the processing of berries into Jams and pulps.

Strategic Investments

A core component of DESIGN 2020, our aggressive diversification strategy aims to optimize our natural assets and leverage our strengths to drive sustainable growth in the long run. Accordingly, the Group has expanded its interests in a wide range of sectors including Commercial Forestry, Renewable Energy, High Value Horticulture, Cinnamon Value addition and Leisure, among others.



Performance Review

Renewable Energy

Our investments in the renewable energy sector continue to generate dividends, contributing Rs. 65.4 Mn to Group earnings in FY 2019/20. As at the end of the financial year the Group's renewable energy portfolio included three mini- hydro power projects and Seven Rooftop solar projects with a total generation capacity of 2.75 MW.

We continued to expand our renewable energy generation capacity during the year, investing Rs. 82 Mn in three new rooftop solar projects as part of our ongoing tea factory solarization project. We are proud to note that as a result of this initiative we were able to achieve carbon negativity at Company level during the year by generating 103% of our energy consumption through renewable sources. Performance of our minihydro and solar projects are given below;

Project	Type	Installed Capacity	Generation in FY 2019/20
Sheen	Mini Hydro	560 Kw	1,878,288Kwh
Dunsinane	Mini Hydro	3000 Kw	8,528,648Kwh
Dunsinane Cottage	Mini Hydro	900 Kw	1,365,614Kwh
New Peacock TF	solar	88 Kw	109,724Kwh
Nayapane TF	solar	96Kw	115,801Kwh
Talgaswella TF	solar	112 Kw	142,658Kwh
Devithura TF	solar	177Kw	212,031Kwh
ELS Factory	solar	438Kw	346,859Kwh
Ketandola TF	solar	140Kw	65,925Kwh
Elpitiya RF	solar	187Kw	25,257Kwh

We remain committed to expanding our renewable energy generation capacity and have commenced installation of four more roof top solar projects at our factories.

Cinnamon Value Addition

EPP currently has 110.37 Hectares of Cinnamon cultivation. We continued to invest in our Cinnamon plantation investing Rs. 37.2 Mn during the year to expand our Cinnamon cultivation.

Meanwhile we continued with our efforts to strengthen our presence across the entire Cinnamon Value chain by developing a range of value-added products such as cinnamon paste, cinnamon drinks, cinnamon powder, and organic Cinnamon. Commercial production of these value added products is expected to commence during the forthcoming financial year.

Leisure

Expanding our interests in the leisure and tourism sector, EPP entered into a joint venture partnership with Sim Leisure Group Ltd, Singapore, a leading theme park developer, to set up a world-class ESCAPE theme park in Deviturai.

The project, the first of its kind in Sri Lanka signifies our foray into the largely untapped domestic adventure tourism sector which has shown significant growth potential during recent years.

Significant progress was made on the project during the year, with the Shareholders Agreement being finalized in April 2020. Construction work of Phase 1 of the project is scheduled to commence during the latter half of 2020.

Way forward

Diversification of revenue streams will remain a strategic priority, and we will continue to strengthen our presence in sectors identified in the DESIGN 2020 strategy. Meanwhile we will continue to explore new avenues of growth as we navigate a new normal in the post COVID era.

Capital Management

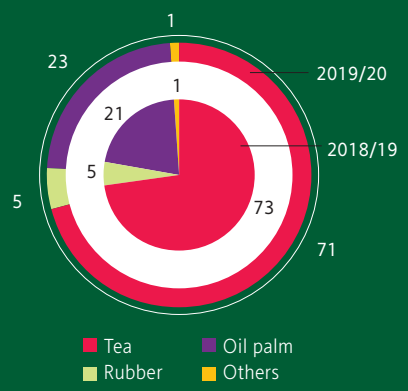
Financial Capital

Strategy

Diversification of revenue streams

- Successfully commenced the commercial cultivation of strawberries
- Ongoing focus on driving growth in renewable energy and commercial forestry
- Capacity expansion in cinnamon processing

Revenue composition

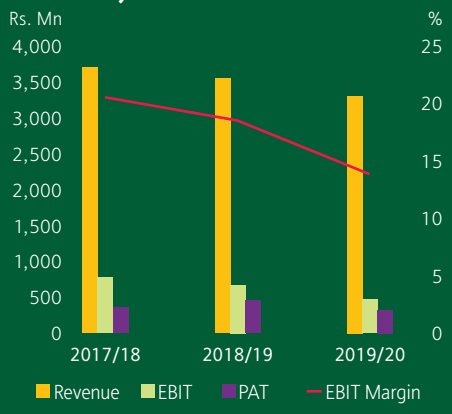


Inputs

Shareholders' funds: Rs. 4.6 Bn

Borrowings: Rs. 87.70 Mn

Profitability trends



Strategy

Automation and productivity

- Ongoing investment in factory mechanisation including the development of 2 CTC factories
- Digitisation of field level data capture
- Use of high-precision agriculture to drive improvement in yields

Stakeholder Value

Earnings per share: Rs. 4.22

Dividends per share: Rs. 0.75

Strategy

- Cost savings arising from the increased generation of renewable energy
- Installation of Variable Frequency Drives, enabling increased energy efficiency
- Ongoing investments in replanting and rejuvenating biological assets

103%

of energy consumed generated through renewable energy, achieving energy positivity at Company level

Rs. 366 Million

Investments in Field Development

Capital Management

Financial Capital

Revenue

EPP's consolidated revenue declined by 7% to Rs.3.31 Bn during the year, reflecting the downturn in tea and rubber, which saw a fall in both production volumes and pricing. A 5% decline in the NSA of tea, coupled with a 8% fall in production volumes against the backdrop of adverse weather, resulted in the Group's tea revenue reducing by 10% during the year. Meanwhile, revenue from the rubber segment also fell by 18% reflecting a near 16% drop in volumes. Our oil palm sector recorded good growth during the year, with revenue increasing by 7%; however, the growth of this sector continues to be hampered by inconsistency in the government policy regarding the cultivation of oil palm. Revenue from others recorded a decline of 16%, stemming from commercial forestry, although renewable energy recorded good growth. The Group's diversification strategy continues to bear fruit with reliance on tea and rubber decreasing gradually over time; these sectors collectively accounted for 76% of revenue in 2019/20, compared to 78% the year before.

Over time, we expect the Group's earnings profile to achieve more stability, as it reduces reliance on sectors which are highly vulnerable to external circumstances.

Gross Profit

Consolidated gross profit fell by 37% to Rs. 470.87 Mn reflecting adverse industry conditions including the sharp drop in prices and full year impact of the 40% wage hike that came into effect last year. Accordingly, profitability of the tea and rubber sectors declined sharply although this was somewhat offset by the performance of oil palm. Rubber continued to incur losses, reflecting the persistently challenging industry landscape. Meanwhile the Group's GP margin contracted to 14% from 21% the previous year (Please refer to performance reviews on page 71 to 86 for further information).

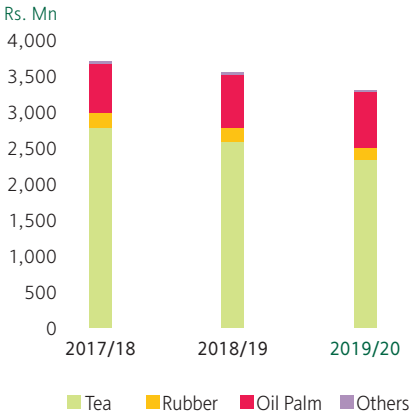
Operating Profit

The Group's operating profit (prior to deducting management fees) amounted to Rs.454.17 Mn a decline of 31% compared to the previous year. The reduction in profitability at GP level was somewhat countered by the increase in other income, stronger contributions from the Group's joint venture as well as increased efficiencies which led to a 1% drop in administrative expenses. Other income increased by 9% to Rs. 223.95 Mn supported by increased income from solar power projects, sale of timber trees and receipt of an insurance claim. Share of profit from joint ventures nearly quadrupled to Rs. 54.98 Mn reflecting strong contributions from AEN Palm Oil Processing (Pvt) Ltd. The Group's operating profit margin declined to 14% from 18% the previous year.

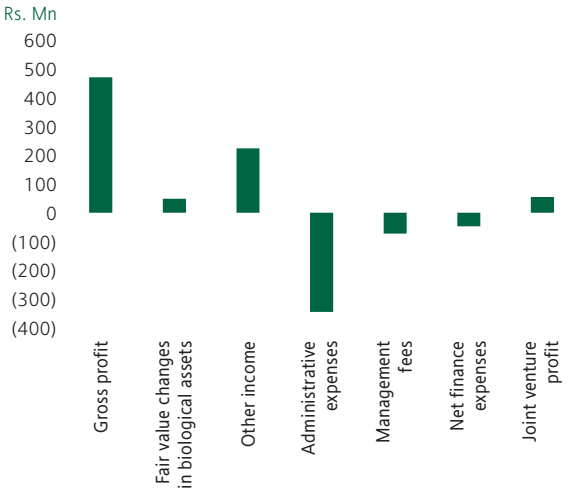
Pre- and post-tax Profit

The Group's net finance expenses increased by 12% to Rs.46.79 Mn as an overdraft facility was obtained during the latter part of the year to preserve liquidity. The decline in revenue and increased cost of sales resulted in the Group's pre-tax profit declining by 35% to Rs.335.39 Mn. Tax expenses for the year decreased to Rs.27.67 Mn from Rs.73.72 Mn the previous year, reflecting

Revenue composition



Operating profit



the reduction in tax rates applicable to agriculture sector operators. Resultantly, the Group's profit for the year declined by 30% to Rs.307.73 Mn; despite the reduction in profitability, EPP's performance is commendable given the challenging environment that prevailed during the year and is testament to the timeliness of its strategy in driving increased diversification.

Financial Position

Asset growth

The Group recorded consistent balance sheet expansion, with its total assets increasing by 8% to Rs.7.09 Bn. This was supported by the recognition of right-to-use assets with the implementation of SLFRS-16, capital expenditure and investments in field development. Capex for the year amounted to Rs 568.01 Mn and consisted of field development, upgrade of 2 CTC factories, investments in solar power generation and factory automation among others.

Investment in working capital declined by 4% during the year. The asset composition remained relatively unchanged, with non current assets accounting for 89% of the Group's balance sheet.

Capital and Liabilities

The Group's balance sheet remains strong, with shareholders' funds accounting for 65% of total assets. Total equity increased by 5% to Rs.4.63 Bn supported by profit generation during the year while liabilities increased by 14% in view of the recognition of lease liabilities and an increase in borrowings. Total borrowings during the period nearly doubled to Rs.356.65 Mn, as the Group obtained an overdraft facility in order to preserve liquidity levels amidst disruptions to operations in the outbreak of the COVID-19 pandemic. Despite the increase in borrowings, the Group's gearing levels (debt/(debt+equity)) remained low at 0.02 as at end-March 2020.

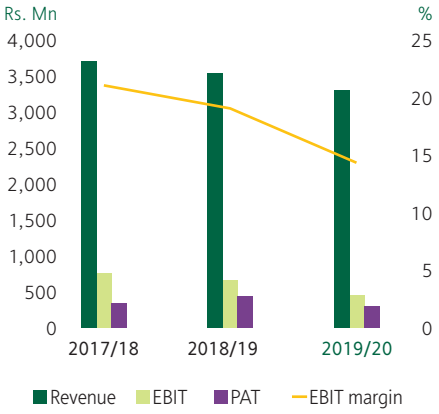
Cash Flow

The Group's operational cash flow declined during the year, reflecting relatively lower business activity; accordingly, net operating cash inflow amounted to Rs.503.10 Mn compared to Rs.701.43 Mn the previous year. Net cash outflow from investing activities amounted to Rs.561.70 million and comprised capital expenditure and field development expenditure in enhancing biological assets. Meanwhile net cash outflow from financing activities was Rs. 230.43 Mn resulting from the settlement of loans and dividend payments of approximately Rs.200.69 Mn during the year. Overall, the net change in cash and cash equivalents for the year amounted to an outflow of Rs.289.04 Mn, which was bridged through an overdraft facility.

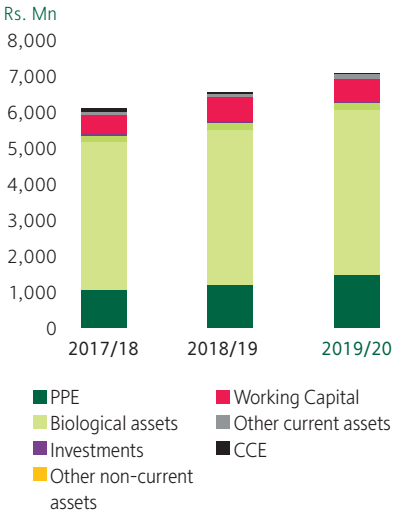
Way Forward

With both tea and rubber prices recording an increase from April 2020 onwards, the Group's performance is expected to improve in 2020/21. While rising cost pressures, volatile exchange rates and an uncertain economic climate may impact performance over the short-term, the initiatives launched under DESIGN 2020 including diversification, automation and productivity initiatives are expected to support the sustainable earnings growth over the medium to long-term.

Profitability trends



Asset composition



Capital Management

Manufactured Capital

Strategy

Factory development and automation

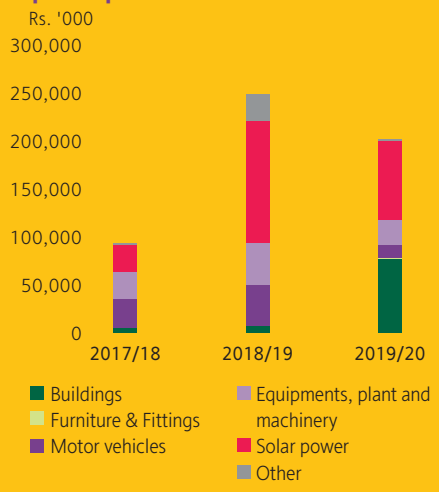
- Successfully commenced the commercial cultivation of strawberries
- Ongoing focus on driving growth in renewable energy and commercial forestry
- Capacity expansion in cinnamon processing

Inputs

Property, plant, and equipment: Rs.1.19 Bn

Outputs and Outcomes

Capital expenditure



Strategy

Renewable energy generation

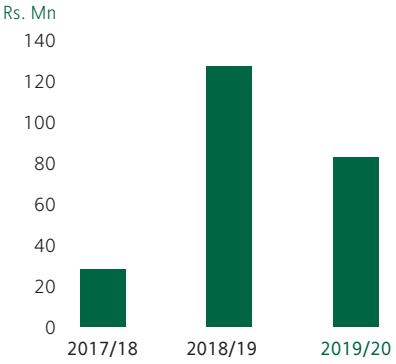
- Commissioning of 3 solar power plants during the year
- Achieved carbon negativity at EPP level with renewable energy generation exceeding the Company's consumption of fossil fuel-based energy.

The Group's physical infrastructure comprising factories, machinery and equipment are a critical element of its value creation process. The quality and efficiency of the Group's Manufactured Capital is also vital in the Group's strategic agenda- which aims to enhance productivity through mechanisation and automation. As at end-March 2020, EPP's Manufactured capital amounted to Rs.1.08 Bn (or 15% of consolidated assets) and capital expenditure for the year amounted to Rs.201.63 Mn. Key areas of investment during the year included,

Renewable energy generation

Investments in solar power generation have enabled the Group to fulfil both its commercial and sustainability objectives. During the year, we invested Rs. 82.15 Mn in solar power, commissioning 3 projects during the year and thereby bringing our total generation capacity to 764 Kw. Over the past 3 years, the Group has invested close to Rs. 154 Mn in solar power generation as graphically presented alongside.

Investment in solar power



Factory development and mechanisation

EPP made considerable progress in its factory development initiatives during the year. Key investments during the year included development of two CTC factories and introduction of new machinery to drive increased automation. We also marked a key milestone during the year, with the digitisation of field level labour information, thereby driving increased productivity and access to better information. While increasing accuracy and efficiency of operations, our mechanisation drive is also expected to address the escalating issue of labour shortages in the plantation sector.

Way Forward

We will continue to invest in strengthening our physical infrastructure and key areas of investment will be solar power generation, factory upgrades, capacity expansions and automation. Accordingly, we hope to commission 6 more solar power projects during the year, thereby bringing our total installed capacity to 2,516.43 Kw. Construction of the Group's new Adventure Park is also expected to commence in the coming year, with the first phase of development anticipated to be around Rs. 300 Mn.

Capital Management

Human Capital

Strategy

Enhancing the dignity of labour

- Offering career pathways and opportunities for progressions
- Offer numerous opportunities for training and skill development
- Change designations to improve esteem

Employee retention

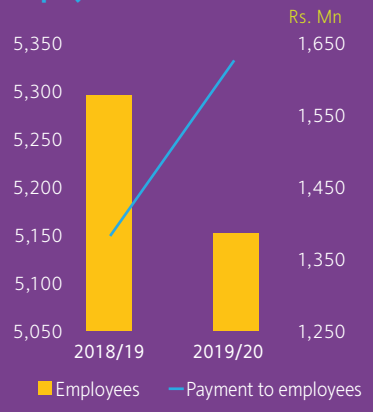
88%

Inputs

5152 employees from 4 districts

Female representation: 54%

Employee value creation



Stakeholder Value

Payments to employees: Rs. 1,627 Mn

Investment in training: Rs. 6.37 Mn

Promotions: 34

Strategy

Increase employee productivity and efficiency through skill development

- Training undergone by over 170 employees at an investment of Rs. 6 million
- Digitisation of field-level information gathering through the provision of tablet computers to field officers
- Ongoing investment in mechanisation

Strategy

Socio-economic empowerment

- Continued investment in 'womb to tomb' proposition to employees despite challenging conditions
- Introduce measures to generate additional income including cottage industries
- Financial support through co-operative network in order to reduce reliance on the informal money lending sector

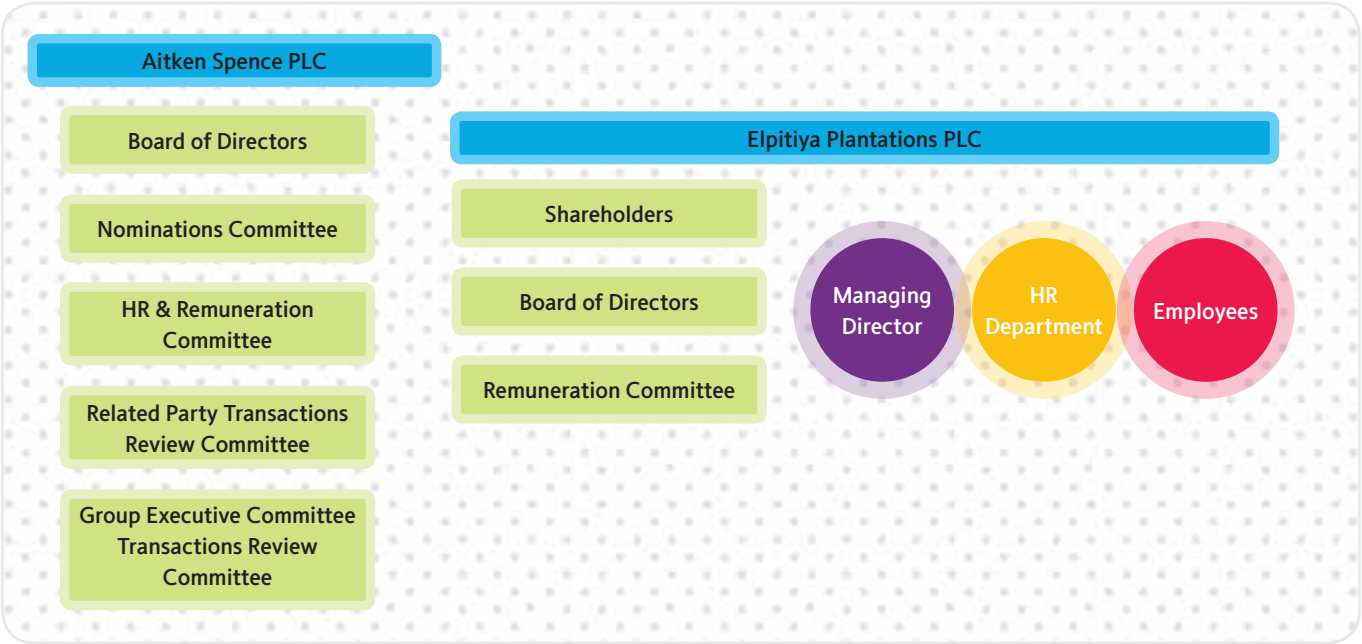
Human capital is a vital element in our value creation process due to the labour-intensive nature of our industry. Our team of 5,152 employees, comprising mainly estate workers (4,697) are offered a holistic value proposition which includes a safe work environment, training and development opportunities and a clear career path with competitive remuneration. Our unique approach in managing our human capital has enabled the Group to fulfil both its commercial and social sustainability aspirations through supporting livelihoods and developing life-long learning.

Governance

Ensuring cohesion in strategy, our approach to HR governance is aligned with HR governance of our parent and consistent with all the subsidiaries across the Group. The Aitken Spence PLC HR Committee is actively engaged with all Group subsidiaries through visits and regular meetings while providing guidance. Within EPP, the divisional heads meet with the HR department on a regular basis to collaborate on a common direction while an advanced HR Information System (HRIS) is in place to support monitor performance against pre-determined goals. The Group's HR governance structure is illustrated below;

HR Policies

- Recruitment
- Training & development
- Promotions
- Performance appraisals
- Benefits
- Code of ethics
- Retirement policy



Capital Management

Human Capital

Our Team

Project	Female	Male	Total
By Category			
Senior management and above	-	14	14
Executive	13	69	82
Non-Executive	86	273	359
Other	2,688	2,009	4,697
Total	**2,787**	**2,365**	**5,152**
By Type			
Permanent	93	328	421
Contract	6	28	34
Permanent workers	2,688	2,009	4,697
Total	**2,787**	**2,365**	**5,152**
By Region			
Head Office	12	41	53
Up country	1,932	1,483	3,415
Low country	843	841	1,684
Total	**2,787**	**2,365**	**5,152**

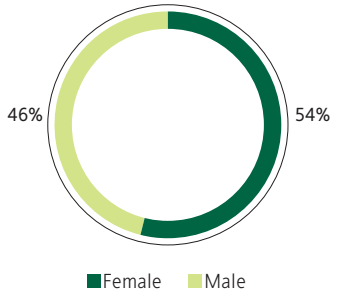
Recruitment

Due to persistent labour shortages in the industry we have taken initiatives to attract the second generation of estate workers by giving them priority when fulfilling vacancies within the group. Numerous measures are also in place to enhance the dignity of estate labour through offering career pathways, amending designations and providing opportunities for skill development. During the year we added 434 new members to our team.

133 new recruitments were made in the aftermath of the COVID-19 lockdown period as the Group proactively sought to employ individuals who returned to their estate homes but were unable to return to their jobs due to the lockdown. Meanwhile the Group maintained an employee turnover rate of 12% during the year.

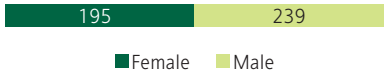
- 5,152 employees
- Mostly on permanent basis
- Employees on contract basis engaging in non-critical functions
- 4,697 estate workers across 13 estates
- 75% of permanent employees are hired from within the community. Target is to reach 90%
- High female representation

Gender Representation



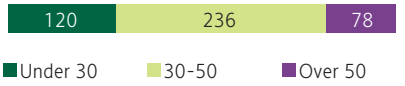
New Recruitments

By Gender



By Region

By Age



Our approach to managing human capital

As illustrated below we offer a holistic value proposition to our employees, thereby giving employees the opportunity to thrive in a conducive and satisfying work environment.

Engagement

Our open-door policy encourages employees to bring forward their grievances and concerns. Numerous other formal and informal engagement mechanisms are in place to encourage and facilitate a high level of engagement with our employees. Engagement at the estate level is carried out through labour days, staff meetings and core groups. Approximately 82% of our workforce is unionized and we maintain cordial and effective communication with union representatives.

Training and Development

Increasing productivity and efficiency through training and development is a major element of our HR strategy as labour shortage remains a key hindrance in the industry. A Performance Management system is in place to identify skill gaps and training needs are formulated accordingly. We take measures to develop both occupational and soft skills thereby contributing to employees' lifelong learning. During the year we invested Rs. 6.37 Mn in training and development programs, with 171 employees undergoing training.

We have taken steps to groom the next generation of leadership through mentoring and providing opportunities for personal development. During the year five selected employees were took part in a personal development program conducted by a reputed US company based in India.

Areas of Training Focus

Investment in training	Rs.Mn	6.37
Total No. of training hours	Hrs	106,145
No. of employees trained	Nos.	171

Capital Management

Human Capital

Remuneration and Benefits

Complying with all the applicable regulatory requirements, the Group's remuneration packages are on par with industry standards. Wages of the estate workers are negotiated based on a collective agreement. During the year total payments made to employees amounted to Rs.1,627 Mn. Other benefits offered by the Group are presented alongside.

We are committed to contributing meaningfully to the socio-economic empowerment of our employees, offering them a 'womb to tomb' proposition which includes support for children and retired employees. For instance, children of estate workers are provided with the school supplies while children with special needs are offered ongoing support. (Refer page 101 for further information)

Executives

- Insurance
- Medical
- Financial assistance for higher studies

Estate Workers

- Profit sharing scheme
- Housing
- Medical facilities
- Childcare facilities
- Financial assistance for education of children of estate workers
- Retirement home
- Financial assistance for children with special needs

Productivity

Increasing the productivity of our human capital is a key area of strategic focus and in driving this objective we launched a comprehensive mechanization and digitization program. For the first time in the history of the plantations sector, we digitised the information gathering process at field level, replacing the traditional "Kankani Slips" by providing tablet computers to field officers. This system has enabled us to monitor labour availability and productivity on a real time basis.

A Safe Workplace

A formal Health and Safety policy is in place and this sets outs the standards, guidelines are practices that are implemented across the Group in ensuring a safe and injury-free workplace. The Collective Agreement also addresses major elements related to health and safety such as provision of medical facilities and availability of medical staff.

Minor Accidents	Zero
Major Accidents	Zero

The necessary precautions were taken well in advance to keep not only our staff but also the estate community safe during the COVID -19 pandemic. Appropriate protective gear was provided while sanitization was made a priority thereby ensuring that the virus was not contracted or spread among our workers.

Health and Safety Initiatives

- Welfare and managerial staff trained on health and safety
- Provision of proper safety gear
- Safety Committee in all estates
- Medical Officer at all estates

Career Progression

A clear career development path is in place to improve morale and drive increased satisfaction. This has enabled them to achieve their individual career goals while fulfilling the Group's objectives. There are numerous instances in which employees joining as workers have gradually progressed in their careers to be appointed as Executives/Managers.

Through HRIS all employees are evaluated based on pre-determined goals and these appraisals are carried out twice a year. Subsequently, opportunities for career progressions and training requirement are identified through these evaluations.

Industrial Relations

Approximately 82% of our employees are represented by 12 trade unions. We understand and respect the employees right to freedom of association and thus maintain positive relationships with all trade union representatives. Approximately one month of notice is given to employees regarding significant operational changes. During the year, there were no incidents with regard to any trade union action.

Way Forward

As Sri Lanka's plantation industry continues to grapple with labour shortages, we will strive to create a conducive work environment which enhances the dignity of labour, thereby enabling us to attract and retain the younger generation. Key HR priorities in the short-to-medium term include increasing recruitment from the community, offering an attractive proposition to the second generation of estate workers, developing skills, and offering career pathways for progression.

Testimonials of employees' success story

Capital Management

Social and Relationship Capital

The commercial sustainability of our business and our social license to operate is dependent on the effectiveness of the relationships we maintain with our stakeholders including customers, suppliers, business partners, regulators, and communities. Given the inextricable link to our stakeholder universe, we strive to maintain mutually beneficial relationships with all groups through focused engagement and responsive action.

Customers

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

Highlights for 2019/20

- Value added tea products through Harrow Ceylon choice brand
- Value addition in oil palm through increased investments in refining

Suppliers

- Bought leaf suppliers
- Fertilizer suppliers
- Suppliers of machinery and equipment
- Packing material suppliers
- Seed suppliers

Highlights for 2019/20

- Continuous engagement with suppliers
- Investment in supplier development

Customers

- Estate community

Highlights for 2019/20

- Investment of Rs. 118Mn in community development and socio-economic empowerment
- Support provided during the COVID-19 pandemic

Customer relationships

Tea and rubber products are sold to commodity brokers through auctions, who in turn sell to retailers and exporters. Value added products such as speciality teas, cinnamon and oil palm produce are sold directly to the buyers. The value proposition we offer to customers (as illustrated below) have enabled us to secure many long-term relationships.

Customer Satisfaction

Superior Product Quality

Our agricultural and production facilities and processes comply with international standards and best practices, thus ensuring the highest quality standards

Engagement

- Engaging with majority of the customer base through commodity brokers.
- Market insights and customer preferences communicated through direct engagement with our B2B customers
- Participation at International exhibitions
- Retail outlets under Harrow Ceylon Choice brand

Responsibility

Our commitment towards being a responsible agricultural producer and a corporate citizen is evident through our overall business strategy. Our efforts include, Sustainable agricultural practices

- Community Development
- Investment in renewable energy
- Efforts in improving water and soil quality

Innovation

Continued efforts in expanding the value-added product portfolio and forward integration, such as,

- Value added tea under Harrow Ceylon Choice brand
- Value addition to cinnamon products
- Forward integration by refining crude oil palm
- Commencing commercial cultivation of berries

Supplier relationships

Our diverse supplier base comprises of individuals, SMEs, local and foreign corporates. We take pride in sourcing approximately 99% of our requirements through local suppliers, thus injecting value to the local economy. Key elements of our supplier value proposition are illustrated below.

Engagement

- Ongoing engagement through supplier visits, annual audits.
- Networking events
- Trade fairs and exhibitions

Responsibility

- Our sustainability agenda in extended to supplier selection thus ensuring suppliers to all regulatory, environmental and social requirements.

Supplier Development

- Assistance to bought leaf suppliers to increase productivity and yield by providing technical assistance on agricultural best practices.

Fair Dealing

- Strict adherence to contracts
- Timely payments
- Transparency in all dealings

Capital Management

Social and Relationship Capital

Community Engagement

We acknowledge and understand the mutually dependent nature of our relationships with the estate community and are committed to driving their socio-economic progress and improving the standard of living. We continue to invest in developing meaningful relationships with our estate sector communities have initiated numerous community engagement and development programs on our own as well as in partnership with NGOs and international agencies. Key elements of our womb-to-tomb proposition during the year under review include the following;

- The estate community is amongst the most economically and socially vulnerable communities and, is therefore an easy target for loan sharks who lend money at exorbitant interest rates. In effectively addressing this issue, we have strengthened the co-operative network within our estates to assist the community with their financial requirements thereby reducing the risk of communities being exploited by the informal money lenders. We also encourage the community to engage in micro businesses and cottage industries, thereby generating an additional source of income.

Elders home in Meddecombra Estate

- In partnership with Save the Children we have implement "Mother and child friendly environment" for all our estates with the aim of improving the health and wellbeing of women and children in the estate community.
- We have implemented child protection policy on our all estates.
- Elders home in Meddecombra estate to ensure the wellbeing of retired estate employees of our Group.
- Ongoing investments in multi-faceted community development initiatives, as described below.

Project	Estate	Projects Undertaken	Beneficiaries	Investment
Child development and education All our estates house child development centres that undergo continuous improvement. We support the educational needs of children through the provision of stationery and other necessary items. Measures are also in place to fulfil the needs of orphans and special needs children in a comprehensive and systematic manner.	Fernlands Talgaswella Gulugahakande Ketandola	Construction/upgrading child development centres	230	Rs. 9.5Mn
	Nayapane Talgaswella Lewala Deviturai Bentota Ketandola Elpitiya	Distribution of school books and uniforms	1758	Rs. 2.2Mn
	Dunsinane	Fencing the North Division school to improve safety of the children	120	Rs. 500,000
	Fernlands	Educational program on children's rights		
	Nayapane	Constructing a library for Nayapane Tamil Vidyalaya	400	Rs.250,000
	Bentota Elpitiya	Distribution of school shoes among workers' children	395	Rs. 456,000
	Ketandola	Awarding of educational scholarships	36	Rs. 144,000
		Monthly financial support for orphaned children	9	Rs.270,000
Infrastructure Development This includes the construction and upgrading of housing units, sanitary facilities, transport infrastructure and community centres	Dunsinane	Concreting on upper and middle division roads	2,100	Rs. 1Mn
		Constructing a retaining wall for the factory division Kovil		Rs. 1Mn
	Sheen	New rest rooms for workers in upper, lower and Pundaluoya divisions	300	Rs. 1.4Mn
	New Peacock	Upgrading of staff quarters and estate washrooms		Rs. 648,000
	Nayapane	Constructing new housing units to workers funded by the Indian	51 families	Rs. 61 Mn
	Talgaswella	Constructing new housing units to workers funded by the Indian	30 families	Rs. 36 Mn
	Gulugahakande	Distribution of roofing sheets among families of Nagoda division	20 families	Rs. 245,000
	Fernlands	Constructing field rest rooms for pluckers	300	Rs. 1.8 Mn

Capital Management

Social and Relationship Capital

Project	Estate	Projects Undertaken	Beneficiaries	Investment
Healthcare and Sanitization All estate workers are given access to medical facilities and healthcare professionals. Numerous other initiatives are carried out each year with the aim of improving the healthcare standards of our communities.	Dunsinane Sheen	Continuing the water project funded by WASSIP (Water Supply & Sanitation Improvement project)	4,500	Rs.295 Mn (for the entire project)
		Medical clinic for women on wellness	350	250,000
	Sheen	A series of training programs safety precautions for COVID-19, personal health and safety, personal hygiene and skin diseases conducted with the support of Government Officials	800	
		A series of clinics for Antenatal, wellness for women, family planning and	1,500	
	Fernlands	Awareness programs on personal hygiene and dengue prevention	750	
	Meddecombra	Distribution of masks, hand sanitizer and soap and conducting awareness programs on safety precautions for COVID-19	All employees	Rs. 58,000
	Lewala	A meal given to Karapitiya Cancer Hospital	130	Rs.36,000
	Gulugahakande	Conducting a health and eye clinic	360	Rs.112,000
	Ketandola	Repairing the Elpitiya Base Hospital building		Rs.81,000
Nutrition Distribution of nutritional packs and conducting awareness programs with the aim of increasing the nutrition levels of the estate community.	Sheen	Training and awareness programs on importance of nutritional meals and breast feeding and EPI (Extended Program on Immunization)	800	
	Meddecombra	Provision of dry food vouchers during the COVID-19 lockdown period	660	Rs.1.98Mn
	Nayapane	Introduction of inland fishing culture to meet the protein requirement		Rs.60,000
	Talgaswella	Distribution of nutritional packs among differently abled children		Rs.204,000
	Ketandola	Distribution of nutritional packs among differently abled children		Rs.72,000
		Provision of dry rations during the COVID-19 lockdown period		Rs.149,000

During the COVID-19 lockdown we successfully ensured the safety of the community through improving hygiene standards, raising awareness, and providing personal protective equipment. In addition, we ensured that estate communities were nourished through encouraging home gardening in all our estates.

Intellectual Capital

EPP's ability to remain resilient amidst challenging operating conditions and drive transformation in its business model is partly attributed to its unique base of intellectual capital, which includes the domain-specific knowledge it has gathered over the years. The Group's intellectual capital also includes its systems and processes, capacity for innovation and the strength of its brand.

Strength of our brand

The strength of our brand is underpinned by the quality of our crops, our sustainable agricultural practices and responsible approach towards the society and environment. These attributes have enabled EPP to consistently command above average pricing at the Colombo Tea Auction. During the year, we sought to further strengthen our brand through the following initiatives,

- Ongoing engagement with industry stakeholders
- Expansion of our value-added tea range Harrow Ceylon Choice
- Strengthening our position in cinnamon through developing value-added products

Capacity for innovation

Process and production innovation are key pillars of the Group's DESIGN 2020 corporate strategy, as it drives towards creation of a more stable and resilient business model. The Group made significant progress towards reaching this aspiration during the year, with the successful launch of the following initiatives.

Capital Management

Intellectual Capital

PRODUCT INNOVATION

- Successful cultivation of four berries for the first time in Sri Lanka
- Value addition in cinnamon with the introduction of a range of new products
- Widening the product range offered under Harrow Choice Ceylon
- Diversification into domestic adventure-tourism

PROCESS INNOVATION

- Adoption of precision agriculture practices
- Use of GIS applications of new products
- Digitisation of field-level information gathering
- Ongoing field and factory mechanisation

Systems and Processes

We are committed to consistently refining our systems and processes which in turn has enabled us to achieve better yields and product quality, while consistently improving our social and environmental footprint. We continue to maintain and upgrade these processes through continued investments and leveraging our research and development capabilities. A host of domestic and international certifications attest to the strength of these processes and provide assurance to external stakeholders.

Certification		Estates certifies
	Rainforest Alliance (RA) Certifies the conformity to principles of sustainable farming addressing Biodiversity conservation, improved livelihoods and human well-being, natural resource conservation and effective planning and farm management systems.	Dunsinane, Sheen, Fernlands, Meddecombra, New Peacock, Nayapane
	ISO 22000.2005 HACCP Certification of quality management system for food safety	Dunsinane, New Peacock, Nayapane, Talgaswella and Deviturai

Industry expertise

The domain-specific knowledge we have nurtured over time enables us to contribute effectively to the industry dialogue through active participation in industry forums. Members of our senior management provide leadership or take active participation in the following industry association thus sharing their expertise and knowledge and contributing towards the creation of a conducive industry landscape.

Designation	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	• Board of Director of Plantation Human Development Trust (PHDT) • Council Member of Estates Staffs Provident Society (ESPS) • Chairman of Plantation Sector and Council Member of the Employers' Federation of Ceylon (EFC) • Deputy Chairman of Planters Association of Sri Lanka
Senior General Manager – Engineering & Projects / BSD	• Member of the ICT Committee of Institute of Engineers, Sri Lanka (IESL) • Member of the Industry Consultative Committee – Faculty of Technology – University of Colombo
General Manager – Marketing	• Member of the Expert Panel of Tea Tasting - Sri Lanka Tea Board • Member of the Warehousing Sub Committee of Ceylon Tea Traders' Association (CTTA) • Member of the Grade Nomenclature Sub Committee of CTTA • Member of the Packaging for Tea Sub Committee of CTTA
Senior General Manager – Low Country	• Treasurer – Ceylon Cinnamon Geographical Indication Association (CCGIA)

Capital Management

Natural Capital

As an organisation operating in the plantation sector, we understand the indivisible link between the sustainability of our business and sustainability of our natural resources. Environmental sustainability is therefore embedded in our corporate strategy, DESIGN 2020 as we seek to adopt sustainable agricultural practices with a view to preserving our natural resources and driving increased productivity

Approach to natural capital management

Environmental sustainability is a key pillar of DESIGN 2020 and our environmental policy is aligned with 3 selected SDGs which we believe has the most potential in ensuring the optimal use of our natural resources. The policy is underpinned by the three main pillars of land management, sustainable energy management and water management. Specific targets and action plans are set for each of these pillars and progress in closely monitored.

Compliance

6 of our estates are certified under Rainforest Alliance Certification. Further we ensure that all estates comply with the relevant environmental regulations. During the year there were no incidents of non-compliance to environmental laws and/or regulations

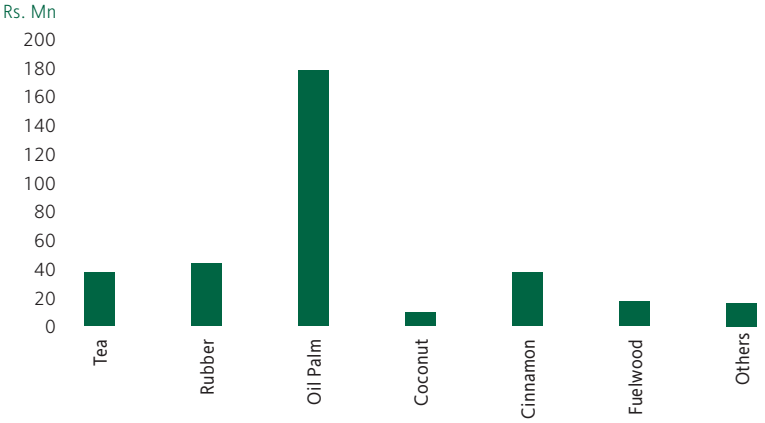
Pillar and relevant SDG	Goals	Action Taken	Current Status
Land management  	• To increase land productivity by 10% by 2025 • Reduce chemical weed controls by 80% • Reduce chemical pest control by 80% • Reduce chemical Fertiliser by 50% • Increase the green cover within the estates by 10%	• Addition of compost and biochar to soil • Use of GIS applications to increase productivity • Friendly weeding • Opting for organic fertilizer and environmentally friendly pest control mechanisms • 5000 new trees planted to increase the forest cover	• Carbon content on soil increased by 1% • Use of chemical to control weeds limited to two rounds per annum
Sustainable energy management  	• Use of sustainable energy and increasing energy efficiency	• 7 solar power projects in operation with a capacity of 1.25mw. • Installation of 92 variable Frequency Drivers (VFDs) for trough fan motors on tea factories.	• Renewable energy generation amounting to 103% of electricity consumption, thereby achieving carbon negativity at Company level
Water management  	• To be the most water efficient plantation company by 2025 • To build 52 ponds with a total capacity of 180 Mn litres for water harvesting • To Increase the total watershed area to 5%	• Educating the estate community through awareness programs • Harvesting rain water • Initiated a new irrigation project in oil palm plantation.	• Completed 65 ponds with a total water capacity exceeding 180 Mn Litre

Preserving biological assets

The Group's biological assets comprise 13 estates covering a land extent of 8,800 hectares in the country's 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. Investments in preserving our biological assets and field development amounted to Rs.366.39 Mn during the year, as graphically illustrated below:

Crop	Total Extent (Ha)
Tea	1,959.38
Rubber	855.98
Oil palm	1,818.59
Commercial forestry	935.36

Investment in crops



Soil Quality

carbon level 4 by 2025

11% increase in carbon level

Productivity of land and quality of crops is closely related to soil quality. Ongoing measures are in place to increase the carbon levels and water retention levels of the soil through various ecologically sustainable agricultural practices. 48% of total fertilizer used was met by composting as a result of the gradual shift towards organic fertilizer and composting. Our target is to increase the soil carbon level to four by 2025 and with these efforts we are confident of achieving this. The Group has planted close to 5000 new trees with the aim of increasing the forest cover which will have a direct positive impact on water retention levels.

Over 740 hectares of land with rich biodiversity

Adopting friendly weeding

5% increase in green cover

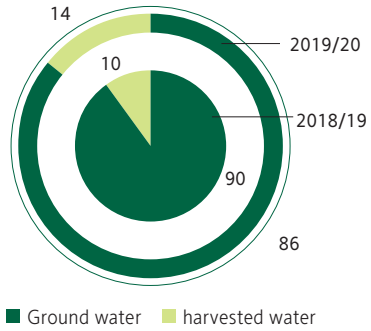
Preserving biodiversity

Over the years we have geared up on efforts to preserve the biodiversity in our estates, including creating buffer zones between cultivated areas and natural forest areas, creating animal corridors and increasing the green cover. Regular awareness programs on protecting the eco system are conducted among the estate community and we have taken measures to provide them with bio-degradable bags, thus designating our estates as polythene free areas. Through surveys we have identified and documented the biodiversity of an area over 8,000 hectares.

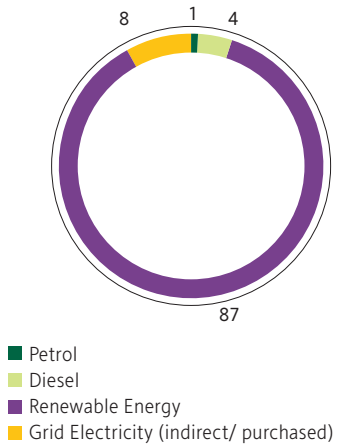
Capital Management

Natural Capital

Water Consumption (%)



Energy Consumed (%)



Renewable Energy Generated	
Biomass	161,131GJ
Hydropower	13,213 GJ
Solar	3,666 GJ
Total	178,010 GJ

Waste by Type	
Paper & Cardboard (tons)	67.76
Composted waste (tons)	3,917.75
Burnt oil/ waste oil (liters)	19,154.55

Water management

Climate change and unreliable weather patterns have increased the importance of efficient and effective management of water resources. The Group engages in water recycling and rainwater harvesting to effectively manage water resources. Rainwater is harvested and retained across all estates through 65 ponds with a total capacity exceeding 180 million litres. During the year 14% of our water consumption was met through rainwater harvesting.

During the year, we piloted an irrigation project for oil palm in the Divitura estate; accordingly, water collected through a rainwater harvesting pond is irrigated to the cultivated area through the use of solar pumps. The water requirement for a land extent of 50 hectares is met through this pilot project and will be extended further in the coming year.

Energy Management

In driving towards the increased use of renewable energy, we continue to invest in green energy sources such as solar power, hydro power and bio-mass. With our continued investment in renewable energy and as a part of our diversification strategy, the Group now operates seven solar power plants and three hydro plants which has a combined capacity of 12,790 MW. Meanwhile a significant portion of our thermal energy consumption is met by our biomass energy plants.

During the year we market a key milestone by generating 178,010 GJ of renewable energy, which exceeded our consumption of fossil fuel-based energy by 103%, thus achieving carbon negativity at Company level.

During the year, 92 VFDs (Variable Frequency Drivers) were installed in our dryer motors in the factories in order to increase energy efficiency which translated to cost savings. Conducted in partnership with the UNDP, this initiative aims drive consistent reductions in energy consumption.

Waste Management

Solid waste from our operations consists mainly of compostable waste and waste generated from the residential units. We ensure that waste is disposed in a systematic, eco-friendly, and responsible manner. Waste segregation is practiced in all estates and on-site compost plants have been installed in 13 estates. Further, regular programs are conducted to increase awareness on responsible waste disposal.

Waste-water is treated before either being released to water bodies or re-used. Factory wastewater treatment units and waste water tanks among housing units are used for this purpose. During the year 93% of total water withdrawn by the Group was recycled.

Waste-water is treated before either being released to water bodies or re-used. Factory wastewater treatment units and waste water tanks among housing units are used for this purpose.

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.

Emissions

We have been successful in reducing our direct GHG emissions (Scope 1) through increasing focus on renewable energy. The Company marked a key milestone by achieving carbon negativity at Company level during the year. The amount of emissions reduced and/ or offset through the Group's efforts amounted to 14,810 tCO2e of the Group's total carbon footprint. EPP computes GHG emissions based on the Green House Gas Protocol published by the World Resource Institute.

Emission	2018/19	2019/20	%
Gross direct (Scope 1) GHG emissions tCO2e	740	640	-14%
Energy indirect (Scope 2) GHG emissions tCO2e	3,387	2,898	-14%
Total Emissions offset and/ or reduced tCO2e	12,777	14,810	16%

Way Forward

We will continue to work towards minimizing any negative impact on the environment through adopting sustainable agricultural practices and by preserving the natural resources we consume. Our efforts in renewable energy generation will continue with investments being made in solar power generation. We are confident of achieving our goal of being carbon neutral by 2025.

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	2	
	102-2 Activities, brands, products and services	4	
	102-3 Location of headquarters	Inner Back Cover	
	102-4 Location of operations	4	
	102-5 Ownership and legal form	Inner Back Cover	
	102-6 Markets served	4	
	102-7 Scale of the organisation	20	
	102-8 Information on employees and other workers	93	
	102-9 Supply chain	98	
	102-10 Significant Changes to the organization and its supply chain	2	
	102-11 Precautionary principle	36	
	102-12 External initiatives	2	
	102-14 Statement from senior decision maker	26	
	102-16 Values, principles, norms and standards of behaviour	42	
	102-18 Governance Structure	43	
	102-40 List of stakeholder groups	34	
	102-41 Collective bargaining agreements	70	
	102-42 Identifying and selecting stakeholders	34	
	102-43 Approach to stakeholder engagement	34	
	102-44 Key topics and concerns raised	34	
	102-45 Entities included in the consolidated financial statements	140	
	102-46 Defining report content and topic boundary	3	
	102-47 Material topics	37	
	102-48 Restatement of Information	2	
	102-49 Changes in reporting	2	
	102-50 Reporting period	2	
	102-51 Date of most recent report	2	
	102-52 Reporting cycle	2	
	102-53 Contact point for questions regarding Report	3	
	102-54 Claims of reporting in accordance with GRI Standards	2	
	102-55 GRI context index	110	
	102-56 External assurance	2	

GRI Standard	Disclosure	Page number	Omission
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	41	
	103-2 The Management Approach and its components	41	
	103-3 Evaluation of the Management Approach	41	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	206	
	201-2 Financial Implications and other risks and opportunities due to climate change	73	
Indirect Economic Impacts			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	100	
	103-2 The Management Approach and its components	100	
	103-3 Evaluation of the Management Approach	100	
GRI 203 Indirect Economic Impacts	203-1 Infrastructure investments and services supported	101	
	203-2 Significant indirect economic impacts	100	
Procurement practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	99	
	103-2 The Management Approach and its components	99	
	103-3 Evaluation of the Management Approach	99	
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	99	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	108	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	108	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	108	
	302-4 Reduction of energy consumption	108	
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	108	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	108	
GRI 303: Water 2016	303-1 Water withdrawal by source	108	
	303-3 Water Recycled and reused	108	

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
Bio Diversity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	107	
	103-2 The Management Approach and its components	107	
	103-3 Evaluation of the Management Approach	107	
GRI 304 Biodiversity 2016	GRI 304-1 Operational sites owned, leased managed in adjacent to, protected area and areas of high bio diversity value outside of protected areas	107	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	109	
	103-2 The Management Approach and its components	109	
	103-3 Evaluation of the Management Approach	109	
GRI 305 Emissions 2016	GRI 305-1 Direct (Scope 1) GHG emissions	109	
	GRI305-2 Energy Indirect (Scope 2) GHG emissions	109	
	GRI 305-5 Reduction in GHG emissions	109	
Effluents			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	108	
	103-2 The Management Approach and its components	108	
	103-3 Evaluation of the Management Approach	108	
GRI 306 : Effluents and Waste	GRI 306-1 Water discharge by quality and destination	108	
	GRI 306-2 Waste by type and disposal method	108	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	106	
	103-2 The Management Approach and its components	106	
	103-3 Evaluation of the Management Approach	106	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	106	

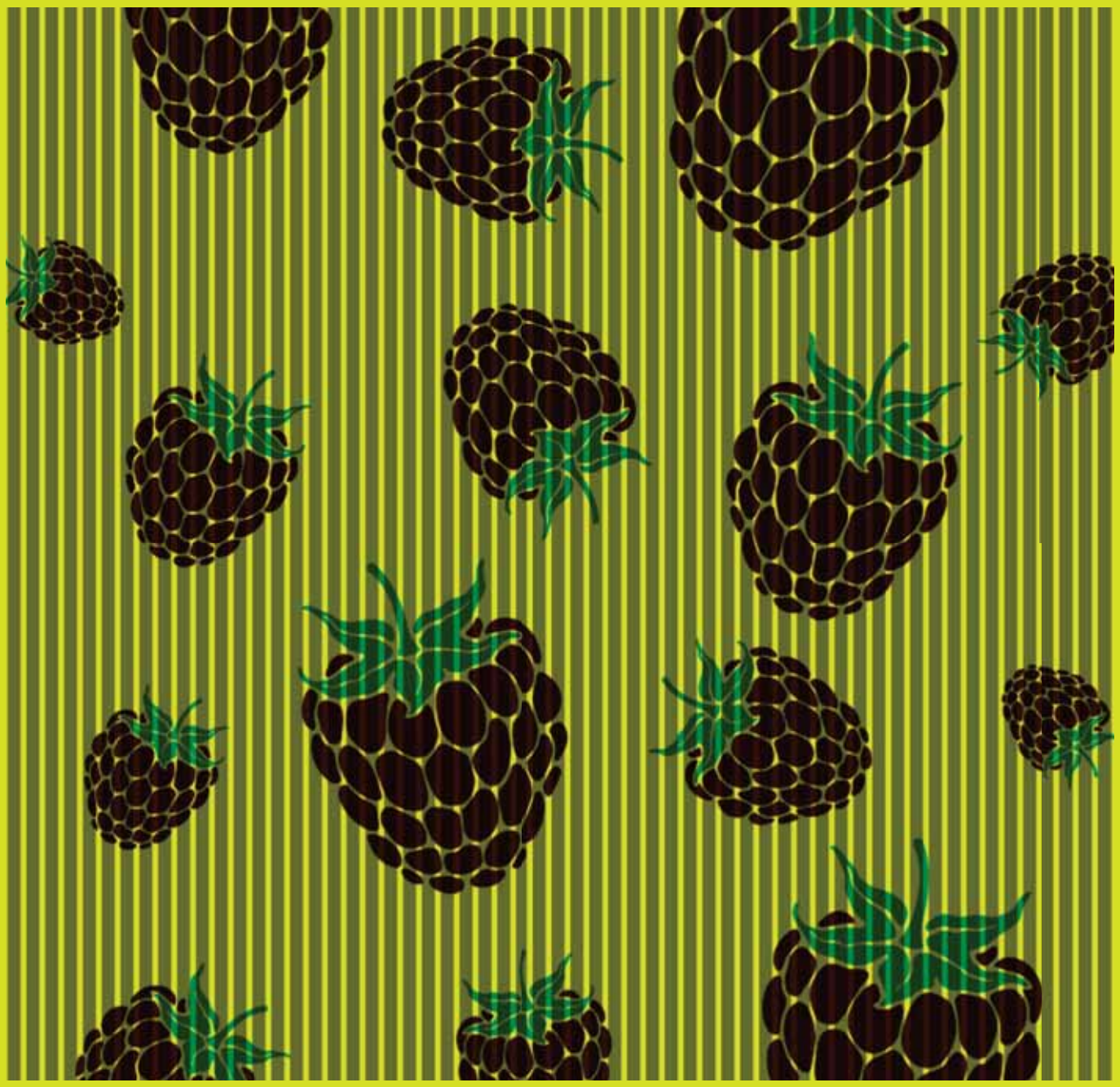
GRI Standard	Disclosure	Page number	Omission
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	94	
	103-2 The Management Approach and its components	94	
	103-3 Evaluation of the Management Approach	94	
GRI 401: Employment 2016	401-1 Employee hires and turnover	94	
Labour/ Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	97	
	103-2 The Management Approach and its components	97	
	103-3 Evaluation of the Management Approach	97	
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	97	
Occupational Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	96	
	103-2 The Management Approach and its components	96	
	103-3 Evaluation of the Management Approach	96	
GRI 403: Health and Safety 2016	403-4 Health and safety topics covered in formal agreements with trade unions	96	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	95	
	103-2 The Management Approach and its components	95	
	103-3 Evaluation of the Management Approach	95	
GRI 404: Training and education	404-1 Average hours of training per year per employee	95	
	404-2 Programs for upgrading skills and transition assistance programmes	95	
	404-3 Percentage of employees receiving regular performance and career development reviews	95	

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	97	
	103-2 The Management Approach and its components	97	
	103-3 Evaluation of the Management Approach	97	
GRI 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	97	
Local communities			
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 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	101	
Socio economic Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	98	
	103-2 The Management Approach and its components	98	
	103-3 Evaluation of the Management Approach	98	
GRI 419: Socio economic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	98	

ON THE MOVE TOWARDS DELIVERING MORE

Widening our horizons in value addition to our loyal stakeholders and customers helps us play to our strengths



Financial Calendar 2019/20

Interim Financial Statements	
Interim Financial Statement for the 3 months ended 30th June 2019	Approved on 5th August 2019
Interim Financial Statement for the 6 months ended 30th September 2019	Approved on 13th November 2019
Interim Financial Statement for the 9 months ended 31st December 2019	Approved on 12th February 2020
Interim Financial Statement for the 12 months ended 31st March 2020	Approved on 25th June 2020

Dividends	
Final Dividend for the year ended 31st March 2020	Proposed on 21st August 2020

Annual General Meeting	
27th Annual General Meeting	19th September 2019
28th Annual General Meeting	18th September 2020

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

The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Directors are pleased to submit their Report together with the Audited Financial Statements for the year ended 31st March 2020.

1. Principal Activities of the Company

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

2. 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.

3. Accounting policies and changes during the year

The Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given on pages 142 to 157.

4. Revenue and Profits

4.1 Revenue for the Year

The revenue of the Group for the year ended 31st March 2020 was Rs. 3,307,620,492/= (2018/2019 – Rs. 3,547,947,152/-) while the Company's revenue was Rs. 3,287,441,534/= (2018/2019 –Rs. 3,522,380,120/-). An analysis of the income is given in note 6 to the Financial Statements.

4.2 Financial Results

The profit earned by the Group for the year ended 31st March 2020 amounted to Rs. 307,726,227/= (2018/19 – Rs. 438,680,709/-), whilst the Company recorded a profit amounting to Rs. 241,710,181 (2018/19 – Rs. 419,747,791 /-).

The Group's total comprehensive income for the year is Rs. 288,352,710/- (2018/19 – Rs. 384,007,714/-) while the Company recorded a total comprehensive income of Rs. 222,336,663/- (2018/19 – Rs. 365,074,796/-).

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 to 137.

4.3 Donations

During the year donations amounting to Rs. 610,000/- were made by the Company, while no donations were made by the other Group entities during the year.

4.4 Taxation

A detailed statement of the income tax rates applicable is set out on page 162 to 164.

4.5 Dividend

The Directors recommended a First and Final dividend payment of Rs. 0.75 per share for the year; The dividend is paid out of profits / dividends received 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.

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

5.1 Stated Capital and Reserves

The Capital and the Reserves of the Company as at 31st March 2020 is given below:

Details are as follows:

Stated Capital (Rs.)	694,236,120
Timber Reserve	790,869,691
Retained Earnings	3,019,773,953
Total Equity	4,504,879,764

5.2 Property Plant and Equipment

Details of the Property Plant and Equipment are given in note 16 to the Financial Statements.

5.3 Contingent Liabilities

Details of the contingent liabilities are disclosed in note 35 to the Financial Statements.

6. Events occurring after the reporting date

The events occurring after the reporting date have been disclosed in Note 36 to the Accounts.

7. Shareholder Information

There were 11,055 shareholders as at 31st March 2020. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 209 to 210 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2020 are given on page 211 of this Annual Report. The percentage of shares held by the public as at 31st March 2020 was 16.93%. which was in the hands of 11,053 public shareholders.

Information relating to earnings, net assets, market price per share are given in the financial highlights and the shareholder and the investor information on pages 209 to 210 of the Annual Report.

8. Corporate Governance

The Company's corporate governance practices are set out on page 42 to 65.

9. Board of Directors and Sub-Committees

The names of the Directors of the Company as at the date of the Report are on Page 10 to 14.

9.1 Board Sub-Committees

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

Remuneration Committee
Mr. Malik J Fernando (Chairman)
Dr. S A B Ekanayake
Mr. S C Ratwatte

Related Party Transactions Review Committee
Mr. S C Ratwatte (Chairman)
Dr. S A B Ekanayake
Mr. Malik J Fernando/Ms. M D A Perera
(Alternate Director to Mr. Malik J Fernando)

9.2 Re-election/ re-appointment of Directors

Mr. S C Ratwatte retires by rotation in terms of Article 93 of the Articles of Association of the Company and offers himself for election at the forthcoming Annual General Meeting.

The Board has recommended that Deshamanya Merrill J Fernando and Mr. D A de S Wickramanayake, who are over 70 years of age and vacate office in terms of Section 210 of the Companies Act, be re-appointed as Directors in terms of Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act, shall not apply to the said Directors.

9.3 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 (Page 198). The disclosures so made were duly recorded in the Interest Register.

9.4 Interest Register

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

9.5 Directors' remuneration

A sum of Rs. 32,336,894/- (2018/19 – Rs. 33,141,685/-) was paid as Directors' fees during the financial year 31st March 2020.

9.6 Directors' shareholdings

None of the Directors hold shares in the Company.

10. Related Party Transactions

Related party transactions of the Group are disclosed in note 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 2019, which required additional disclosures in the annual report under Listing Rule 9.3.2(a).

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

The Related Party Transactions Review Committee declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2020.

11. Going Concern

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

12. Risk Management

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risks faced by the Group. Risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are

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

adopted by the Group. The Board reviews the risk management process through the Audit Committee. Risk Management Report of the Group is on pages 66 to 70 of this Report.

13. Annual General Meeting

The Twenty Eighth Annual General Meeting of your Company will be held virtually, on 18th September, 2020 at 3.00p.m.

14. Internal Controls

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

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

15. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities of this Annual Report.

16. Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young who offer themselves for re-appointment. The Report of the Auditors on the Financial Statements is given on page 128 to 131 of the Annual Report.

The audit fee payable by the Company to the Auditors' Messrs. Ernst & Young was Rs. 3,140,750/- (2018/19 – Rs. 3,200,000/-). In addition to the above Rs. 63,250/- was payable by the Company for the permitted audit related and non audit related services including tax advisory services.

Messrs. Ernst & Young the Auditors are also the auditors of subsidiaries and joint ventures of the group. The amount payable by the Group to Messrs. Ernst & Young as audit fees was Rs. 3,308,900/-(2018/19 – Rs. 3,394,540/-) while a further sum of Rs. 100,693/- as payable for permitted audit and non audit related services including tax advisory services.

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

By Order of the Board

Dr. M. P. Dissanayake
Chairman

DR. R. M. Fernando
Managing Director

Aitken Spence Corporate Finance (Pvt) Ltd
Secretaries

COLOMBO

21st August 2020

Statement of Directors' Responsibility

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

The Directors confirm that the Financial Statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2020 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards (SLFRS/LKAS) and the Listing Rules of the Colombo Stock Exchange.

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

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the Financial Statements.

The Financial Statements presented in this Annual Report for the year ended 31st March 2020, 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 2020 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2020 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 pair of 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

21st August 2020

Audit Committee Report

"The Audit Committee continues to overlook the Company's financial reporting, risk management control and assurance processes and the external audit function."

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

Committee Structure

Mr. S C Ratwatte *Independent Non-Executive* *Finance Professional Member*	**Dr. S A B Ekanayake** *Independent Non-Executive Chairman*	**Mr. Malik J Fernando/ Ms. M D A Perera** *(Alternate to Mr. Malik Fernando) - Non-Executive Director Member*

Committee Meetings

The Committee met three (3) 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.

Attendance by invitation

Dr. R M Fernando, Managing Director, Elpitiya Plantations PLC, Mr. B Bulumulla, Director / Chief Executive Officer and Mr. R Nissanka, Chief Financial Officer together with Mr. H K A Rathnaweera, the Chief Internal Auditor, Aitken Spence PLC and Mr. Vigneshwaran, Manager Internal Audit, Plantations, who carry out regular internal audits in the estates and attend the meetings by invitation.

In addition to the above, the estate General Managers and Managers whose audit reports are reviewed and discussed are also present at the respective meetings.

Responsibilities

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

Activities of the Audit Committee during the Financial Year

Financial Statements and Financial Control

- Reviewed the Quarterly and Annual Financial Statements of the Company.
- Ensured 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, factory and field operations of the respective estate.
- Reviewed and discussed financial reports.
- Recommended necessary controls, risk mitigation strategies and internal monitoring mechanisms to mitigate frauds, discrepancies and other financial risks and issues that could occur on the estates and in the company.

Internal Audit

- Reviewed the audit reports submitted by Internal Audit Department along with the respective Estate response.
- Reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.
- The Audit Committee continued to ensure the co-ordination between Group Internal Audit and the External Auditors.

External Audit

- Assessed the performance of the External Auditors, M/s Ernst & Young and is of the opinion that the External Auditors do not have any relationship with the Company that would have an impact on their independence.
- Reviewed the external audit reports and areas of concern highlighted in the findings of the external audit.
- Discussed with External Auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group.

Reporting

- The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee by tabling the Minutes of the Audit Committee meetings at Board Meetings.
- The Chairman of the Committee attends the Annual General Meeting.

Audit Committee Report

Criteria determining the independence of External Auditors

The Committee is of the view that M/s 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,
- no shares held by the External Auditors.

Re-appointment of External Auditors

The Committee considered the independence of the External Auditors, M/S Ernst and Young, Chartered Accountants give 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

21st August 2020

Remuneration Committee Report

'The Remuneration Committee, endeavours to create remuneration packages that attract, develop and motivate future leaders of Elpitiya Plantations PLC."

Malik J Fernando
Chairman
Independent Non-Executive Director

Committee Structure

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

Committee Meetings

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

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 Audit Committee during the Financial Year

- 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

21st August 2020

Related Party Transactions Review Committee Report

"Throughout the last financial year, the Related Party Transactions Review Committee closely monitored the transactions made by the Company as well as the Key Management Personnel and ensured that necessary action is taken."

S C Ratwatte
Chairman
Independent Non-Executive Director

Committee Structure

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

Committee Meetings

- The Committee met once 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 transaction 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 as follows:

- the Board of Directors
- the Chief Executive Officer.

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 in page 198 of this Annual Report carries the Disclosure in terms of Section 9.3.2 (b).

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

21st August 2020

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 117.

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 66 to 70.

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 2020 have been audited by Messrs. Ernst & Young, Chartered Accountants.

P. Dissanayake
Chairman

R. M. Fernando
Managing Director

S. A. B. Ekanayake
Chairman

Audit Committee

Colombo
21st August 2020

Independent Auditor's Report

Building a better working world

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Chartered Accountants
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BW/NKMS/TN

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 2020, 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 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Valuation of Consumable Biological Assets	
As at 31 March 2020, 15% of the total assets of the Group consisted of consumable biological assets amounting to Rs.1,045 MN which are carried at fair value and the fair value Gain of Rs. 50 Mn on such valuation has included in the current year performance of the group. The valuation of consumable biological assets involves use of significant assumptions, technical expertise, and discounted cash flow model. Changes in the key assumptions used such as discount rate and expected timber volume to value the group's consumable biological asset could have a material impact on the statement of profit or loss and the value of consumable biological asset. Accordingly, valuation of consumable biological assets has been considered as a Key Audit Matter.	Our audit procedures focused on the valuation performed by the Management's external valuer, which included among others the following procedures; • We evaluated the competence, capability and objectivity of the external valuer engaged by the group. • We assessed the tree census records maintained by the group and cross checked whether the number of trees as per valuation report are consistent with that of the census report. • We read the external valuer's report and understood the fair value methodology and inputs used (such as discount rate and expected timber volume) in the valuations. • We engaged our internal specialised resources to assist us in evaluating the appropriateness of the valuation method and discount rate used by the external valuer. We evaluated the adequacy of the related disclosures given in Note 18.2 in the financial statements.
Bearer Biological Assets	
As at 31 March 2020, 50% of the total assets of the Group consisted of bearer biological assets amounting to Rs. 3,553 MN of which during the financial year group capitalised an amount of Rs.349 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 550 Mn. Management's identification of capitalizable portion of the cost incurred relating to immature plantations, identification of the point at which transfer out to mature plantation to be made and the assessment of if the indicators of impairment are present, are significant in arriving at the value of such plantations. Due to the above factors and the magnitude of the amounts involved, we considered this area as a key audit matter.	Our audit procedures to address this area of focus included (amongst others) the following: • We assessed the processes and controls in place to ensure; proper capitalisation of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis. • We validated the significant amounts capitalised (including capitalized labor and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. • We inspected the ageing profile of the immature biological assets as of the reporting date as well as at the points of transfers out to ensure appropriate and timely transfers are made to respective matured plantation. We evaluated the adequacy of the related disclosures given in Notes 3.8.7.1 and 18.1 in the financial statements.

Independent Auditor's Report

Other Information included in the 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. 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.

Ernst + Young

26 June 2020
Colombo

Statement of Profit or Loss

For the year ended 31 March	Notes	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Revenue	6	3,307,620,492	3,547,947,152	3,287,441,534	3,522,380,120
Cost of sales		(2,836,748,476)	(2,795,400,171)	(2,823,897,951)	(2,783,135,482)
Gross profit		470,872,016	752,546,981	463,543,583	739,244,638
Gains on change in fair value of biological assets	18.2	48,652,946	30,009,627	48,652,946	30,009,627
Other income and gains	7	223,948,731	206,403,917	223,610,092	205,442,342
Administrative expenses		(344,284,409)	(346,217,158)	(341,146,327)	(341,112,346)
Management fee and workers profit share		(71,991,624)	(101,920,225)	(71,991,624)	(101,920,225)
Finance expenses	8.1	(49,258,348)	(45,729,810)	(47,875,674)	(41,788,111)
Finance income	8.2	2,470,129	3,828,328	2,175,062	3,506,202
Share of profit from joint ventures	20.2.1	54,980,056	13,483,580	-	-
Profit before taxation	9	335,389,497	512,405,240	276,968,058	493,382,127
Tax expense	10	(27,663,269)	(73,724,531)	(35,257,877)	(73,634,336)
Profit for the year		307,726,227	438,680,709	241,710,181	419,747,791
Attributable to:					
Equity holders of the parent		307,853,955	438,805,782	241,710,181	419,747,791
Non-controlling interest		(127,728)	(125,073)	-	-
Profit for the year		307,726,227	438,680,709	241,710,181	419,747,791
Earnings per share	12.1	4.22	6.02	3.32	5.76

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 140 to 205 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 March	Notes	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Profit for the year		307,726,227	438,680,709	241,710,181	419,747,791
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	(22,527,346)	(63,573,250)	(22,527,346)	(63,573,250)
Tax effect	10.4.2	3,153,828	8,900,255	3,153,828	8,900,255
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)		(19,373,518)	(54,672,995)	(19,373,518)	(54,672,995)
Total other comprehensive income for the year, net of tax		(19,373,518)	(54,672,995)	(19,373,518)	(54,672,995)
Total comprehensive income for the year net of tax		288,352,710	384,007,714	222,336,663	365,074,796
Attributable to:					
Equity holders of the parent		288,480,438	384,132,787	222,336,663	365,074,796
Non-controlling interest		(127,728)	(125,073)	-	-
Total comprehensive income for the year (net of tax)		288,352,710	384,007,714	222,336,663	365,074,796

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 140 to 205 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Notes	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
ASSETS					
Non-current assets					
Right-of-use asset	15	382,232,399	217,594,720	382,232,399	217,594,720
Freehold property, plant and equipment	16	1,078,643,519	970,190,672	869,656,580	756,483,988
Intangible assets	17.1	14,847,797	19,797,063	14,847,797	19,797,063
Bearer biological assets	18.1	3,553,394,945	3,337,706,475	3,553,394,945	3,337,706,475
Consumable biological assets	18.2	1,045,351,839	1,003,340,618	1,045,351,839	1,003,340,618
Other non current asset	19	42,488,017	41,182,022	42,488,017	41,182,022
Investments	20	189,910,456	169,881,750	189,290,290	189,290,290
Goodwill	17.2	2,603,657	2,603,657	-	-
Total non-current assets		6,309,472,629	5,762,296,977	6,097,261,866	5,565,395,176
Current assets					
Produce on bearer biological assets	21	10,384,921	11,290,634	10,384,921	11,290,634
Inventories	22	338,311,814	381,276,810	338,277,409	381,242,404
Trade and other receivables	23	301,590,230	282,851,227	260,638,445	281,307,626
Income Tax recoverable		89,037	-	89,037	-
Amounts due from related parties	32.4	100,548,658	80,227,096	245,785,180	218,124,188
Cash and cash equivalents	24	29,480,015	49,538,635	22,133,313	33,458,030
Total current assets		780,404,675	805,184,400	877,308,305	925,422,880
Total assets		7,089,877,303	6,567,481,377	6,974,570,171	6,490,818,056
EQUITY AND LIABILITIES					
Equity					
Stated capital	25	694,236,120	694,236,120	694,236,120	694,236,120
Timber reserve	18.2	790,869,691	765,957,917	790,869,691	765,957,918
Retained earnings		3,145,643,179	2,945,536,415	3,019,773,953	2,885,810,963
Total equity attributable to equity holders of the parent		4,630,748,990	4,405,730,451	4,504,879,764	4,346,005,000
Non-controlling interest		(4,530,554)	(4,402,826)	-	-
Total equity		4,626,218,436	4,401,327,625	4,504,879,764	4,346,005,000
Non-current liabilities and deferred income					
Interest bearing borrowings	27	17,250,000	76,328,185	17,250,000	76,328,185
Lease liabilities	28	317,509,958	161,993,321	317,509,958	161,993,321
Retirement benefit obligations	29	643,193,863	609,807,019	643,068,003	609,709,699
Deferred income	30	200,352,755	212,214,020	200,352,755	212,214,020
Deferred tax liability	11	496,951,471	474,350,993	506,455,616	474,350,993
Total non-current liabilities		1,675,258,047	1,534,693,538	1,684,636,332	1,534,596,218

As at 31 March	Notes	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Current liabilities					
Interest bearing borrowings	27	70,419,043	109,098,324	70,419,043	89,180,300
Lease liabilities	28	4,055,960	3,682,949	4,055,960	3,682,949
Trade and other payables	31	252,857,045	349,297,424	251,480,267	348,088,383
Amounts due to related parties	32.5	190,116,716	169,165,203	190,116,716	169,165,203
Income tax liabilities		1,969,966	216,313	-	100,002
Bank Overdrafts	24	268,982,089	-	268,982,089	-
Total current liabilities		788,400,819	631,460,213	785,054,075	610,216,838
Total liabilities		2,463,658,866	2,166,153,752	2,469,690,407	2,144,813,056
Total equity and liabilities		7,089,877,303	6,567,481,377	6,974,570,171	6,490,818,056
Net Assets Per Share (Rs.)		63.49	60.40	61.82	59.64

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

Chief Financial Officer

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

Director

1

2

Managing Agent

1

2

Notes to the Financial Statements from pages 140 to 205 form an integral part of these Financial Statements.

26 June 2020
Colombo

Statement of Changes in Equity

Group For the year ended 31 March	Attributable to equity holders of the parent Stated capital Rs.	Timber reserve Rs.	Retained earnings Rs.	Total Rs.	Non-controlling interest Rs.	Total equity Rs.
Balance as at 31 March 2018	694,236,120	780,375,770	2,549,909,774	4,024,521,664	(4,277,753)	4,020,243,911
Allowance for Expected Credit Loss, net of tax	-	-	(2,924,000)	(2,924,000)	-	(2,924,000)
Balance as at 01 April 2018	694,236,120	780,375,770	2,546,985,774	4,021,597,664	(4,277,753)	4,017,319,911
Profit for the year	-	-	438,805,782	438,805,782	(125,073)	438,680,709
Other comprehensive income for the year	-	-	(54,672,995)	(54,672,995)	-	(54,672,995)
Total comprehensive income for the year	-	-	384,132,787	384,132,787	(125,073)	384,007,714
Gains/(loss) on change in fair value of Consumable biological assets transferred to the timber reserve	-	31,617,495	(31,617,495)	-	-	-
Realised gain on harvested timber trees	-	(46,035,347)	46,035,347	-	-	-
Interim & Final dividend	-	-	-	-	-	-
Balance as at 31 March 2019	694,236,120	765,957,917	2,945,536,415	4,405,730,451	(4,402,826)	4,401,327,625
Effect of adoption of SLFRS 16 Leases (Note 28.1.1)	-	-	27,621,138	27,621,138	-	27,621,138
Balance as at 1 April 2019 (adjusted)	694,236,120	765,957,917	2,973,157,553	4,433,351,589	(4,402,826)	4,428,948,763
Profit for the year	-	-	307,853,955	307,853,955	(127,728)	307,726,227
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)	-	-	-
Realised 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)	4,626,218,435

Notes to the Financial Statements from pages 140 to 205 form an integral part of these Financial Statements.

Company **For the year ended 31 March**	**Stated capital Rs.**	**Timber reserve Rs.**	**Retained earnings Rs.**	**Total Equity Rs.**
Balance as at 31 March 2018	694,236,120	780,375,770	2,509,242,315	3,983,854,205
Allowance for Expected Credit Loss, net of tax	-	-	(2,924,000)	(2,924,000)
Balance as at 01 April 2018	694,236,120	780,375,770	2,506,318,315	3,980,930,205
Profit for the year	-	-	419,747,791	419,747,791
Other comprehensive income for the year	-	-	(54,672,995)	(54,672,995)
Total comprehensive income for the year	-	-	365,074,796	365,074,796
Gains/(loss) on change in fair value of Consumable biological assets Transferred to the timber reserve	-	31,617,495	(31,617,495)	-
Realised gain on harvested timber trees	-	(46,035,347)	46,035,347	-
Interim & Final dividend	-	-	-	-
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 (Note 28.1.1)	-	-	27,621,138	27,621,138
Balance as at 1 April 2019 (adjusted)	694,236,120	765,957,918	2,913,432,100	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)	-
Realised 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	3,019,773,953	4,504,879,765

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 140 to 205 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 March	Notes	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Cash flows from operating activities					
Profit before tax		335,389,497	512,405,240	276,968,058	493,382,127
Adjustments for;					
Depreciation and amortization	9.	248,756,047	242,300,077	239,527,822	233,155,591
Provision for defined benefit plans	29.	101,360,956	87,951,296	101,332,416	87,909,056
Items written back	7.	(501,431)	(62,414,334)	(501,431)	(62,414,334)
Amortization of grants	7.	(13,476,066)	(13,129,621)	(13,476,066)	(13,129,621)
Finance expenses	8.1	49,258,348	45,729,810	47,875,674	41,788,111
Finance income	8.2	(2,470,129)	(3,828,328)	(2,175,062)	(3,506,202)
Gain on biological assets	18.2	(48,652,946)	(30,009,627)	(48,652,946)	(30,009,627)
Amortisation of deferred income from sub lease	7.	(4,644,897)	(4,948,240)	(4,644,897)	(4,948,240)
Profit on sale of other trees	7.	(28,351,989)	(50,884,238)	(28,351,989)	(50,884,238)
Profit from sale of Timber Trees	7.	(28,008,112)	(14,297,454)	(28,008,112)	(14,297,454)
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	(54,980,056)	(13,483,580)	-	-
Provision for Doubtful Receivables		16,326,417	-	16,326,417	-
Gain on PPE disposal	7.	(4,645,890)	(7,390,888)	(4,645,890)	(7,390,888)
Operating profit before working capital changes		559,880,440	682,520,802	546,094,685	664,174,972
(Increase)/decrease in inventories	21.	43,466,426	(38,397,856)	42,964,995	(38,395,660)
(Increase)/decrease in trade and other receivables	22.	28,873,364	(92,658,124)	33,653,554	(93,159,416)
(Increase)/decrease in amounts due from related parties	32.4	(36,647,979)	53,725,237	(43,987,409)	67,394,994
Increase/(decrease) in trade and other payables	31.	(96,430,013)	22,795,392	(96,363,800)	25,445,945
Increase/ (decrease) in amount due to related parties	32.5	20,951,513	51,130,373	20,951,513	51,130,373
Cash generated from operating activities		520,093,752	679,115,825	503,313,537	676,591,207
Cash received from sublease of land	30.2	3,608,242	2,678,213	3,608,242	2,678,213
Cash received from sale of trees		81,007,000	111,217,040	81,007,000	111,217,040
Finance cost paid		(7,478,857)	(7,471,739)	(6,096,183)	(3,530,041)
Finance income received		887,453	2,562,476	592,386	2,240,350
Retirement benefit obligations paid	29.	(90,501,458)	(72,692,829)	(90,501,458)	(72,692,829)
Tax paid		(12,651,624)	(15,747,801)	(12,651,624)	(15,756,126)
Grants received	30.1	8,130,767	1,767,912	8,130,767	1,767,912
Net cash flow from operating activities		503,095,274	701,429,097	487,402,667	702,515,726

For the year ended 31 March	Notes	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Cash flows from investing activities					
Field development expenditure	18	(366,368,303)	(353,023,596)	(366,368,303)	(353,023,596)
Purchase of property, plant and equipment	16	(201,632,903)	(249,711,636)	(197,124,417)	(228,122,649)
Proceeds from sale of property, plant and equipments		6,300,000	7,390,888	6,300,000	7,390,888
Investment in Subsidiary		-	(10)	-	(51,299,990)
Net cash used in investing activities		(561,701,206)	(595,344,354)	(557,192,720)	(625,055,347)
Net cash Inflow before financing activities		(58,605,932)	106,084,743	(69,790,053)	77,460,379
Cash flows from financing activities					
Payment of government lease rentals	28.1	(43,596,740)	(41,799,368)	(43,596,740)	(41,799,368)
Payment of lease	28.2	(4,574,498)	-	(4,574,498)	-
Proceeds from loans		18,427,200	-	18,427,200	-
Settlement of loans		(109,607,700)	(107,044,813)	(89,689,676)	(87,126,529)
Dividend paid		(91,083,038)	-	(91,083,038)	-
Net cash used in financing activities		(230,434,776)	(148,844,181)	(210,516,752)	(128,925,897)
Net increase in cash and cash equivalents		(289,040,708)	(42,759,438)	(280,306,805)	(51,465,518)
Cash and cash equivalents at the beginning of the year	A	49,538,635	92,298,074	33,458,030	84,923,548
Cash and cash equivalents at the end of the year	B	(239,502,074)	49,538,635	(246,848,776)	33,458,030
NOTE: A **Cash and cash equivalents at the beginning of the year**					
Cash and bank balances		49,538,635	92,298,074	33,458,030	84,923,548
Bank overdrafts		-	-	-	-
		49,538,635	92,298,074	33,458,030	84,923,548
NOTE: B **Cash and cash equivalents at the end 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

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 140 to 205 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2020

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 2020 comprise the Company and its Subsidiaries namely, EPP Hydro Power Company (Pvt) Ltd., Water Villas (Pvt) Ltd., Venture Valley (Pvt) Ltd. and Joint Venture Companies namely, Elpitiya Lifestyle Solutions (Pvt) Ltd, AEN Palm Oil Processing (Pvt) Ltd and Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd (together referred to as the 'Group').

The Financial Statements of the Company and the Group comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements.

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

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

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

1.2 Principal activities and nature of operations

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

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

Company	Nature of the Business	Principle Place of Business
EPP Hydro Power Company (Pvt) Ltd.	Generating Hydro Power	Dunsinane Estate
Water Villas (Pvt) Ltd	Intended Hotel Operator	Talgaswella Estate
Elpitiya Lifestyle Solutions (Pvt) Ltd	Manufacture of all types of wooden materials (Under the liquidation process)	Deviturai Estate
AEN Palm Oil Processing (Pvt) Ltd	Processing crude palm oil	Baduraliya
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	Manufacturing & Exporting of speciality Tea	Fernland Estate- Harrow Factory
Venture Valley (Pvt) Ltd	Designing, developing & operating an adventure park & its associated activities	Deviturai 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 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 26 June 2020.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act. No. 07 of 2007.

2.2 Basis of measurement

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

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 New accounting standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 1st January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, SLFRS 16 – Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

2.3.1 SLFRS 16 Leases

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

Group has adopted SLFRS 16 using the modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

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

On adoption of SLFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of the transition date.

As per the Janatha Estate Development Board/ Sri Lanka State Plantations Corporation (JEDB/SLSPC) lease agreement which entered with the Government in 1992, Lease rentals were payable on Right of use asset -land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to Right of Use asset – Land.

The effect of adoption SLFRS 16 as at 1 April 2019 is disclosed in Note 28.1.1 to the Financial Statements

Leases previously classified as finance leases

For leases previously classified as finance leases, the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial

Notes to the Financial Statements

For the year ended 31 March 2020

application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

2.3.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities (Refer Note 4.1.1 and 4.1.2).

2.4 Functional and presentation currency

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

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

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

3.2 Going concern

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 unutilised 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 got back to its operations when the Plantation sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. The measures the Group has taken to mitigate the impact of COVID 19 on crop intake, revenue from the month of April 2020 is successful and therefore no requirement

to impair of Biological Assets, Debtors and Other Assets of the Group.

3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2020. 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, 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 recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as 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 IFRS 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 IFRS 09. Other contingent consideration that is not within the scope of IFRS 09 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2020

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

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

Where goodwill has been allocated to a cash-generating unit (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 recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

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

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

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

After application of the equity method, the Group determines whether it is necessary to 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 recognised in profit or loss.

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

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 sold 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 recognised 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.

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External valuers are involved for valuation of significant assets, such as Consumable biological assets, and significant liabilities, such as retirement benefit obligation. Involvement of external valuers is decided upon annually by the Management Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.6 Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income (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 recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.7 Cash dividend to equity holders of the parent

The Company 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 recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.8 Property, plant and equipment

3.8.1 Recognition and measurement

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

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

3.8.2 Owned assets

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is 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. Likewise, 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 recognised in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost

of the respective asset if the recognition criteria for a provision are met.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is 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 recognises 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 recognises 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 recognised, 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

Amortization

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:

Rate (%)	No. of years	Rate (%)
Land	26	3.85%
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 recognises 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 recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date 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.

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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 recognised in the Income Statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not 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 recognise the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.8.7.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and 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 2019/2020 is 10.67% (2018/2019 – 12.32%).

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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss

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

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

Mature plantations (Replanting and new planting)	No. of years	Rate (%)
Tea	33 1/3	3.00
Rubber	20	5.00
Oil Palm	20	5.00
Coconut	50	2.00
Cinnamon	20	5.00
Passion Fruit	5	20.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is 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 short-term deposits, investments and trade and other receivables.

3.9.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at 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

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that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the 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 recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.9.1.4 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.9.2 Financial liabilities

3.9.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are 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 derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.9.3 Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to 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 recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such

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For the year ended 31 March 2020

properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss Statement net of any reimbursement.

3.14 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are 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 recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the Statement of Profit or Loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 29.2.

3.15 Capital commitments and contingencies

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

3.16 Events occurring after the reporting period

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

3.17 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number 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 recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber, oil palm(FFB) and other crops (Plantation Produce). Revenue from contracts with customers is 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.

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For the year ended 31 March 2020

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 recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.19.4 Taxes

3.19.4.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income (refer Note 4.1.1).

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 28% (2018/2019 – Business income is exempt, interest income is liable at 28%).

Venture Valley (Pvt) Ltd

Investment income at the rate of 28% (2018/2019 – 28%)

3.19.4.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.20 Statement of cash flow

The Statement of Cash Flow has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows; dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows, for the purpose of presenting the Statement Cash Flows.

3.21 Segment reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact. The activities of the segments are described on Note 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.

Notes to the Financial Statements

For the year ended 31 March 2020

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

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

4.1 Taxation

4.1.1 Current Tax

According to the Notice to the Tax payers issued by the Inland Revenue Department under the implementation of Proposed Changes to the Inland Revenue Act No 24 of 2017, the gains or profits derived by any person from the sale of produce of an undertaking for Agro farming of such person without subjecting such produce to any process of production or manufacture, is exempt with effect from 01 April 2019.

The management of the company is of the view that the 81% of its profits is from Agro Farming and therefore, opted to utilize the above exemption.

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 Act no 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income.

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

Further, Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The details of deferred tax computation is given in Note 11 to the Financial Statements.

4.2 Retirement benefit obligations

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Group.

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

4.3 Fair Valuation of Consumable Biological Assets

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

Amendments to SLFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

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

Amendments to LKAS 1 and LKAS 8: Definition of Material

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

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 March 2020

6. REVENUE

For the year ended 31 March	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Tea	2,344,797,691	2,592,724,602	2,344,797,691	2,592,724,602
Rubber	157,165,635	192,232,552	157,165,635	192,232,552
Oil Palm	779,556,925	731,933,691	779,556,925	731,933,691
Others	26,100,241	31,056,307	5,921,283	5,489,275
	3,307,620,492	3,547,947,152	3,287,441,534	3,522,380,120

7. OTHER INCOME

	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Amortisation of Leasehold right to use of Land (Note 30.3)	5,479,310	5,479,310	5,479,310	5,479,310
Amortisation of deferred income from sub lease	4,644,898	4,948,240	4,644,898	4,948,240
Amortisation of capital grants	13,476,066	13,129,621	13,476,066	13,129,621
Assets written back of Elpitiya Lifestyle Solutions (Pvt) Ltd	-	62,338,660	-	62,338,660
Gain on PPE disposal	4,645,890	7,390,888	4,645,890	7,390,888
Income from sub lease	5,311,477	7,916,001	5,311,477	7,916,001
Insurance Claim Received	80,000,000	-	80,000,000	-
Item written back	501,431	75,174	501,431	75,174
Income from Solar Power Projects	23,482,932	4,266,696	23,482,932	4,266,696
Sale of other trees	28,351,989	50,884,238	28,351,989	50,884,238
Profit from sale of Timber Trees	28,008,112	14,297,454	28,008,112	14,297,454
Revenue on Sheen mini hydro power project	14,718,382	15,716,182	14,718,382	15,716,182
Revenue on dunsinane mini hydro power project	7,064,818	7,765,639	7,064,818	7,765,639
Sundry income	8,263,426	12,195,814	7,924,787	11,234,239
	223,948,731	206,403,917	223,610,092	205,442,342

8. FINANCE INCOME AND FINANCE EXPENSES

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
8.1 Finance expenses				
Overdraft interest	21,902,981	4,255,676	21,902,981	4,255,676
Term loan interest	13,075,876	24,511,089	11,693,202	20,569,390
Interest on government lease	41,779,491	6,768,702	41,779,491	6,768,702
Variable lease rentals	-	31,489,368	-	31,489,368
Exchange loss	-	267,672	-	267,672
	76,758,348	67,292,507	75,375,674	63,350,808
Amount capitalised	(27,500,000)	(21,562,697)	(27,500,000)	(21,562,697)
	49,258,348	45,729,810	47,875,674	41,788,111
8.2 Finance Income				
Interest income	887,453	2,562,476	592,386	2,240,350
Interest Income on lease	1,305,995	1,265,852	1,305,995	1,265,852
Exchange Gain	276,681	-	276,681	-
	2,470,129	3,828,328	2,175,062	3,506,202
8.3 Net Finance Expense	46,788,219	41,901,481	45,700,612	38,281,909

9. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Auditors fees	3,200,150	3,070,300	3,032,000	2,905,000
Depreciation and amortisation	248,756,047	242,300,077	239,527,822	233,155,591
Define benefit plan costs	101,360,956	87,951,296	101,332,416	87,909,056
Defined contributions plan cost - EPF and ETF	230,914,407	194,122,138	230,630,087	193,780,771
Staff costs	1,627,220,137	1,381,174,673	1,625,608,991	1,379,805,205
Director fees & other emoluments	32,336,894	33,141,685	32,336,894	33,141,685
Donations	610,000	649,900	610,000	649,900

Notes to the Financial Statements

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10. INCOME TAX

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
10.1 Income tax expense				
10.1.1 Income Tax				
Tax on current year profits	1,909,537	90,195	-	-
Over provision in respect of previous years	(575)	(105,883)	(575)	(105,883)
Deferred tax expense	25,754,307	73,740,219	35,258,452	73,740,219
	27,663,269	73,724,531	35,257,877	73,634,336
10.1.2 Statement of Comprehensive Income				
Deferred tax expense / (Reversal)	(3,153,828)	(8,900,255)	(3,153,828)	(8,900,255)
	(3,153,828)	(8,900,255)	(3,153,828)	(8,900,255)

10.2 Reconciliation of the accounting profit and tax on current year

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Profit before tax	335,389,497	512,405,240	276,968,058	493,382,127
Loss / (Income) not liable for income tax	-	(5,368,273)	-	-
Profit from equity accounted investees	(54,980,056)	(13,483,580)	-	-
Adjusted accounting profit chargeable to income taxes	280,409,441	493,553,387	276,968,058	493,382,127
Aggregate disallowed items	484,816,797	405,317,697	475,379,727	405,317,697
Aggregate allowed items	(658,262,287)	(637,592,848)	(658,161,790)	(636,638,967)
Business profit	106,963,951	261,278,236	94,185,995	262,060,858
Interest income	887,453	2,562,476	592,386	2,240,350
Tax exempt	(76,713,460)	-	(76,713,460)	-
Tax loss brought forward and utilized	(18,064,921)	(264,623,334)	(18,064,921)	(264,301,209)
Current year Losses not utilised - Subsidiaries	-	1,104,747	-	-
Taxable income	13,073,023	322,125	-	-
Income Tax @ 14%	1,827,067	-	-	-
Income Tax @ 24%	888	-	-	-
Income Tax @ 28%	81,582	90,195	-	-
Income tax expense charged to Statement of Profit or Loss	1,909,537	90,195	-	-

10.3 Tax losses carried forward

	Group / Company	
	Rs.	**Rs.**
Tax losses brought forward	723,545,126	984,962,925
Adjustments on finalisation of liability	592,384	2,883,410
Tax losses arising during the year	-	-
Utilisation of tax losses	(18,064,921)	(264,301,209)
Tax losses carried forward	706,072,589	723,545,126

10.4 Deferred tax expense

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
10.4.1 Statement of Profit or Loss				
Origination and (reversal) of temporary differences	25,754,307	73,740,219	35,258,452	73,740,219
	25,754,307	73,740,219	35,258,452	73,740,219
10.4.2 Statement of Comprehensive Income				
Tax effect on actuarial gain/(loss) on retirement benefit obligations	(3,153,828)	(8,900,255)	(3,153,828)	(8,900,255)
	(3,153,828)	(8,900,255)	(3,153,828)	(8,900,255)
10.4.3 Statement of Changes in Equity				
Tax effect on allowance for Expected Credit Losses	-	-	-	(476,000)
	-	-	-	(476,000)
Total Deferred tax expense	22,600,478	64,839,964	32,104,623	64,363,964

Notes to the Financial Statements

For the year ended 31 March 2020

11. DEFERRED TAX LIABILITY

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
At the beginning of the year	474,350,993	409,987,029	474,350,993	409,987,029
Amount originated during the year transferred to Statement of Profit or Loss	25,754,307	73,740,219	35,258,452	73,740,219
Amount originated during the year transferred to Other Comprehensive Income	(3,153,828)	(8,900,255)	(3,153,828)	(8,900,255)
Reversal of temporary differences transferred to Statement of Changes in Equity	-	(476,000)	-	(476,000)
At the end of the year	496,951,471	474,350,993	506,455,616	474,350,993

Composition of deferred tax liabilities	Group		Company	
Deferred tax liabilities;	**2020 Rs.**	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Tax effect on temporary difference of Property, plant and equipment	50,618,511	58,394,924	60,105,036	58,394,924
Tax effect on temporary difference of biological assets	645,278,439	609,327,282	645,278,439	609,327,282
Tax effect on temporary difference of Right-of-use-of-land	43,262,786	-	43,262,786	-
	739,159,737	667,722,206	748,646,261	667,722,206
Deferred tax assets				
Tax effect on temporary difference of provisions for obsolete items	(343,293)	-	(343,293)	-
Tax effect on temporary difference of expected credit losses	(8,228,785)	(6,715,537)	(8,228,785)	(6,715,537)
Tax effect on temporary difference of lease liability	(44,738,883)	-	(44,738,883)	-
Tax effect on temporary difference of retirement benefit obligation	(90,047,141)	(85,359,358)	(90,029,520)	(85,359,358)
Tax effect on tax losses available for offsetting future taxable income	(98,850,163)	(101,296,318)	(98,850,163)	(101,296,318)
	(242,208,265)	(193,371,213)	(242,190,645)	(193,371,213)
	496,951,471	474,350,993	506,455,616	474,350,993

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 March, 2020 is 14% (2018/2019-14%) for the company and subsidiary.

12. EARNINGS PER SHARE

12.1 Earnings Per Share

	Group		Company	
	2020	**2019**	**2020**	**2019**
Profit attributable to ordinary shareholders of the parent (Rs.)	307,726,227	438,680,709	241,710,181	419,747,791
Weighted average number of ordinary shares	72,866,430	72,866,430	72,866,430	72,866,430
Earnings per share (Rs.)	4.22	6.02	3.32	5.76

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	
	2020 Rs.	**2019 Rs.**
Cash dividends on ordinary shares declared and paid		
Final dividend for 2020 : Rs. 1.25 per share (2019 :Rs. Nil per share)	91,083,038	-
Interim dividend for 2020: Rs. Nil per share (2019 :Rs. Nil per share)	-	-
	91,083,038	-

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For the year ended 31 March 2020

For the year ended 31 March 2020

14. SEGMENT INFORMATION

14.1.a Segment results

	Tea		Rubber	
Group	**2020 Rs.**	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Revenue	2,344,797,691	2,592,724,602	157,165,635	192,232,552
Operating expenses				
Revenue expenditure	(2,039,819,126)	(2,089,255,546)	(223,770,141)	(208,505,415)
Depreciation / amortisation	(158,544,212)	(159,845,093)	(10,626,802)	(11,851,405)
Other non cash expenses - gratuity	(72,276,271)	(64,707,375)	(4,844,489)	(4,797,603)
Segmental results	74,158,082	278,916,588	(82,075,797)	(32,921,871)
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	3,311,166,501	3,441,279,842	1,659,673,725	1,636,507,741
Accumulated depreciation and amortisation	(795,764,681)	(1,138,001,392)	(433,935,654)	(410,961,665)
	2,515,401,820	2,303,278,450	1,225,738,071	1,225,546,077
Unallocated non current assets Cost				
Accumulated depreciation and amortisation				
Investments				
Goodwill				
Other non current asset				
Total non current assets				
Current assets	300,345,784	345,404,253	20,683,709	15,427,088
	300,345,784	345,404,253	20,683,709	15,427,088
Unallocated current assets				
Total current assets				
Total assets				

	Oil Palm		Others		Total	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
	779,556,925	731,933,691	26,100,241	31,056,307	3,307,620,492	3,547,947,152
	(231,766,233)	(175,807,843)	(8,550,964)	(8,277,483)	(2,503,906,464)	(2,481,846,288)
	(52,709,980)	(45,124,734)	(9,628,602)	(8,823,594)	(231,509,596)	(225,644,826)
	(24,029,138)	(18,267,080)	(182,518)	(136,997)	(101,332,416)	(87,909,059)
	471,051,574	492,734,034	7,738,156	13,818,233	470,872,016	752,546,981
					48,652,946	30,009,627
					223,948,731	206,403,917
					(344,284,409)	(346,217,160)
					(71,991,624)	(101,920,225)
					54,980,056	13,483,580
					382,177,717	554,306,723
					2,470,129	3,828,328
					(49,258,348)	(45,729,810)
					335,389,498	512,405,240
					(27,663,269)	(73,724,531)
					307,726,227	438,680,709
	2,360,362,331	2,130,399,061	193,568,889	129,820,639	7,524,771,446	7,338,007,284
	(484,036,279)	(515,702,192)	(21,306,394)	(18,979,555)	(1,735,043,008)	(2,083,644,804)
	1,876,326,052	1,614,696,869	172,262,495	110,841,084	5,789,728,438	5,254,362,479
					413,693,772	409,074,039
					(128,951,710)	(114,806,970)
					6,074,470,500	5,548,629,548
					189,910,456	169,881,750
					2,603,657	2,603,657
					42,488,017	41,182,022
					6,309,472,629	5,762,296,977
	17,117,893	18,685,036	164,427	1,760,433	338,311,813	381,276,810
	17,117,893	18,685,036	164,427	1,760,433	338,311,813	381,276,810
					442,092,862	423,907,590
					780,404,675	805,184,400
					7,089,877,303	6,567,481,377

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14.1.c Segment Liabilities

	Tea		Rubber	
Group	**2020 Rs.**	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Non current liabilities	458,674,125	200,717,375	30,743,723	100,898,514
Current liabilities	559,946,987	245,166,956	37,531,777	123,242,851
	1,018,621,112	445,884,331	68,275,500	224,141,365
Unallocated non current liabilities				
Total liabilities				
Capital and resources				
Total equity and liabilities				
14.1.d Segment capital expenditure				
Cost	209,021,257	144,066,270	62,085,732	32,236,147
14.2.a Segment results				
Company				
Revenue	2,344,797,691	2,592,724,602	157,165,635	192,232,552
Operating expenses				
Revenue expenditure	(2,039,819,126)	(2,089,255,546)	(223,770,141)	(208,505,415)
Depreciation / amortisation	(158,544,212)	(159,845,093)	(10,626,802)	(11,851,405)
Other non cash expenses - gratuity	(72,276,271)	(64,707,375)	(4,844,489)	(4,797,603)
Segmental results	74,158,082	278,916,588	(82,075,797)	(32,921,871)
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				

	Oil Palm		Others		Total	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
	152,491,872	173,431,590	1,284,143	134,817,735	643,193,863	609,865,214
	186,161,285	211,838,636	4,760,770	52,961,772	788,400,819	633,210,216
	338,653,157	385,270,226	6,044,913	187,779,507	1,431,594,682	1,243,075,430
					1,032,064,184	923,078,323
					2,463,658,866	2,166,153,752
					4,626,218,436	4,401,327,625
					7,089,877,303	6,567,481,377
	228,598,270	184,250,301	68,295,949	242,182,514	568,001,206	602,735,232
	779,556,925	731,933,691	5,921,283	5,489,275	3,287,441,534	3,522,380,120
	(231,766,233)	(175,807,843)	(4,928,672)	(4,497,967)	(2,500,284,172)	(2,478,066,771)
	(52,709,980)	(45,124,734)	(400,369)	(338,421)	(222,281,364)	(217,159,653)
	(24,029,138)	(18,267,080)	(182,518)	(136,997)	(101,332,416)	(87,909,055)
	471,051,574	492,734,034	409,724	515,890	463,543,583	739,244,638
					48,652,946	30,009,627
					223,610,092	205,442,342
					(341,146,327)	(341,112,346)
					(71,991,624)	(101,920,225)
					322,668,670	531,664,037
					(47,875,674)	(41,788,111)
					2,175,062	3,506,202
					276,968,058	493,382,127
					(35,257,877)	(73,634,336)
					241,710,181	419,747,791

Notes to the Financial Statements

For the year ended 31 March 2020

14.2.b Segment Assets

	Tea		Rubber	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Company				
Non current assets				
Cost	3,311,166,501	3,441,279,842	1,659,673,725	1,636,507,741
Accumulated depreciation and amortisation	(795,764,681)	(1,138,001,392)	(433,935,654)	(410,961,665)
	2,515,401,820	2,303,278,450	1,225,738,071	1,225,546,077
Unallocated non current assets Cost				
Accumulated depreciation and amortisation				
Investments				
Other non current asset				
Total non current assets				
Current assets	300,345,784	345,404,253	20,683,709	15,427,088
	300,345,784	345,404,253	20,683,709	15,427,088
Unallocated current assets				
Total current assets				
Total assets				
14.2.c Segment Liabilities				
Company				
Non current liabilities	458,674,125	200,717,375	30,743,723	100,898,514
Current liabilities	559,946,987	245,166,956	37,531,777	123,242,851
	1,018,621,112	445,884,331	68,275,500	224,141,365
Unallocated non current liabilities				
Total liabilities				
Capital and resources				
Total equity and liabilities				
14.2.d Segment capital expenditure				
Company				
Cost	209,021,257	144,066,270	62,085,732	32,236,147

	Oil Palm		Others		Total	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
	2,360,362,331	2,130,399,061	193,568,889	129,709,393	7,524,771,446	7,337,896,038
	(484,036,279)	(515,702,192)	(21,306,394)	(18,979,555)	(1,735,043,008)	(2,083,644,804)
	1,876,326,052	1,614,696,869	172,262,495	69,232,636	5,789,728,438	5,254,251,233
					143,401,254	143,401,254
					(67,646,132)	(62,729,623)
					75,755,122	80,671,630
					189,290,290	189,290,290
					42,488,017	41,182,022
					6,097,261,866	5,565,395,176
	17,117,893	18,685,036	130,022	1,726,027	338,277,409	381,242,404
	17,117,893	18,685,036	130,022	1,726,027	338,277,409	381,242,404
					539,030,896	544,180,476
					877,308,305	925,422,880
					6,974,570,171	6,490,818,056
	152,491,872	173,431,590	1,158,283	134,662,220	643,068,003	609,709,699
	186,161,285	211,838,636	1,414,026	29,971,511	785,054,075	610,219,955
	338,653,157	385,270,226	2,572,309	164,633,731	1,428,122,078	1,219,929,654
					1,041,568,329	924,883,402
					2,469,690,407	2,144,813,056
					4,504,879,764	4,346,005,000
					6,974,570,171	6,490,818,056
	228,598,270	184,250,301	63,787,460	220,593,527	563,492,720	581,146,245

Notes to the Financial Statements

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15. RIGHT- OF- USE- ASSETS

		Group / Company	
	Notes	2020 Rs.	2019 Rs.
Right-of-use-asset- land	15.1	309,019,902	138,055,132
Right -of - use -asset- immovable bearer biological assets	15.2.1	62,363,532	74,941,572
Right -of - use -asset - other property plant and equipments	15.2.2	4,412,976	4,598,016
Right -of - use -asset- motor vehicles	15.3	6,435,988	-
		382,232,399	217,594,720

15.1 Right-of-use asset- land

"Right-of-use asset- Land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, above "Right-of-use asset- land" has accounted in accordance with such standard with effect from 01 April 2019. "Right-of-use asset- Land" have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the Statement of Financial Position date is 25 years.

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 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset- Land" and "Lease Liability" have been enhanced.

The Company has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparative information. Instead, it has recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in this standard. The effect of adoption of SLFRS 16 to the Retained Earning as of 01 April 2019 is given in Note 28.1.1 to the Financial Statements.

		Group/Company	
	Notes	2020 Rs.	2019 Rs.
Cost			
At the beginning of the year		279,120,479	279,120,479
Transferred in due to initial application of SLFRS 16		(141,065,347)	
Transition adjustment due to initial application of SLFRS 16	28.1.1	183,325,567	-
At the end of the year		321,380,699	279,120,479
Amortisation			
At the beginning of the year		141,065,347	135,798,923
Transferred out due to initial application of SLFRS 16		(141,065,347)	-
Amortisation for the year		12,360,796	5,266,424
At the end of the year		12,360,796	141,065,347
Written down value		309,019,902	138,055,132

15. RIGHT- OF- USE OF ASSETS (CONTD.)

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

At the time of privatisation 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. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, these assets have accounted in accordance with such standard with effect from 01 April 2019.

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

	Group / Company		
	Immature Plantations Rs.	**Mature Plantations Rs.**	**Total Rs.**
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 31.03.2020	-	357,567,968	357,567,968
Amortisation			
Accumulated amortization as at 01.04.2019	-	282,626,396	282,626,396
Amortization during the year	-	12,578,040	12,578,040
Accumulated amortization as at 31.03.2020	-	295,204,436	295,204,436
Written down value as at 31.03.2020	-	62,363,532	62,363,532
Written down value as at 31.03.2019	-	74,941,572	74,941,572

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15.2.2 Right -of - use - of - other property plant and equipments

Group/Company

Cost	Improvements to land Rs.	Other vested assets Rs.	Unimproved lands Rs.	Buildings Rs.	Plant and machinery Rs.	Total Rs.
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 31.03.2020	4,214,618	4,028,217	1,564,267	64,075,893	47,785,047	121,668,042
Amortisation						
Accumulated amortization as at 01.04.2019	2,514,708	2,037,680	656,697	64,075,893	47,785,047	117,070,026
Amortization during the year	79,521	76,004	29,514	-	-	185,040
Accumulated amortization as at 31.03.2020	2,594,229	2,113,684	686,212	64,075,893	47,785,047	117,255,066
Written down value as at 31.03.2020	1,620,389	1,914,533	878,055	-	-	4,412,976
Written down value as at 31.03.2019	1,699,910	1,990,537	907,570	-	-	4,598,016

15.3 Right-of-use asset - motor vehicles

Group / Company

Cost	2020 Rs.	2019 Rs.
At the beginning of the year	-	-
Transferred from freehold property, plant and equipments (Note 16)	16,855,000	-
Additions	-	-
At the end of the year	16,855,000	-
Amortisation		
At the beginning of the year	-	-
Transferred from freehold property, plant and equipments (Note 16)	9,499,585	-
Amortisation during the year	919,427	-
At the end of the year	10,419,012	-
Written Down Value	6,435,988	-

16. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
At Cost	**As at 1 April 2019 Rs.**	**Additions/ Transfers Rs.**	**Disposals/ Transfers Rs.**	**As at 31 March 2020 Rs.**	**As at 1 April 2019 Rs.**	**Additions/ Transfers Rs.**	**Disposals/ Transfers Rs.**	**As at 31 March 2020 Rs.**
Buildings	56,509,126	77,130,108	-	133,639,234	56,509,126	77,130,108	-	133,639,234
Motor vehicles	288,509,362	13,811,000	(25,405,000)	276,915,362	288,509,362	13,811,000	(25,405,000)	276,915,362
Plant and machinery	390,272,966	5,989,016	-	396,261,982	390,272,966	5,989,016	-	396,261,982
Furniture and fittings	12,964,928	1,117,980	-	14,082,908	12,964,928	1,117,980	-	14,082,908
Equipment	130,002,599	20,136,719	-	150,139,318	130,002,599	20,136,719	-	150,139,318
Water sanitation	253,919,610	1,329,517	-	255,249,127	253,919,610	1,329,517	-	255,249,127
Solar Power Assets	27,543,000	82,147,066	-	109,690,066	27,543,000	82,147,066	-	109,690,066
	1,159,721,590	201,661,406	(25,405,000)	1,335,977,997	1,159,721,591	201,661,406	(25,405,000)	1,335,977,996
Assets on Mini Hydro Power Projects								
Plant and machinery	150,811,101	-	-	150,811,101	57,744,429	-	-	57,744,429
Equipment	12,319,207	502,486	-	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
	378,920,788	502,486	-	379,423,274	143,401,254	-	-	143,401,254
Total cost	1,538,642,378	202,163,892	(25,405,000)	1,715,401,271	1,303,122,845	201,661,406	(25,405,000)	1,479,379,250

	Group				Company			
Depreciation **At Cost**	**As at 1 April 2019 Rs.**	**Charge for the year Rs.**	**Disposals/ Transfers Rs.**	**As at 31 March 2020 Rs.**	**As at 1 April 2019 Rs.**	**Charge for the year Rs.**	**Disposals/ Transfers Rs.**	**As at 31 March 2020 Rs.**
Buildings	10,612,767	2,754,936	-	13,367,703	10,612,767	2,754,936	-	13,367,703
Motor vehicles	160,391,254	23,888,825	(16,395,476)	167,884,604	160,391,254	23,888,825	(16,395,476)	167,884,604
Plant and machinery	186,426,304	16,423,546	-	202,849,850	186,426,304	16,423,546	-	202,849,850
Furniture and fittings	11,605,550	325,878	-	11,931,428	11,605,550	325,878	-	11,931,428
Equipment	107,515,832	10,763,853	-	118,279,685	107,515,832	10,763,853	-	118,279,685
Water sanitation	150,594,517	11,768,370	-	162,362,887	150,594,517	11,768,370	-	162,362,887
Solar Power Assets	1,377,150	4,100,381	-	5,477,531	1,377,150	4,100,381	-	5,477,531
	628,523,375	70,025,789	(16,395,476)	682,153,689	628,523,375	70,025,789	(16,395,476)	682,153,689

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16. FREEHOLD PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Group				Company			
Depreciation **At Cost**	**As at 1 April 2019 Rs.**	**Charge for the year Rs.**	**Disposals/ Transfers Rs.**	**As at 31 March 2020 Rs.**	**As at 1 April 2019 Rs.**	**Charge for the year Rs.**	**Disposals/ Transfers Rs.**	**As at 31 March 2020 Rs.**
Assets on Mini Hydro Power Projects								
Plant and machinery	54,799,727	7,540,555	-	62,340,282	29,981,946	2,887,221	-	32,869,167
Equipment	12,321,783	83,737	(2,576)	12,402,944	4,154,680	-	(2,576)	4,152,104
Motor vehicles	208,483	20,403	(9,986)	218,900	109,875	-	(9,986)	99,889
Furniture and fittings	4,900	2,450	-	7,350	4,900	2,450	-	7,350
Civil constructions	47,472,076	6,510,160	-	53,982,236	28,478,213	2,039,409	-	30,517,622
	114,806,970	14,157,305	(12,562)	128,951,713	62,729,614	4,929,080	(12,562)	67,646,132
Total depreciation	743,330,345	84,183,094	(16,408,038)	811,105,402	691,252,990	74,954,869	(16,408,038)	749,799,821
Written down value	795,312,033			904,295,869	611,869,855			729,579,429

	Group				Company			
Capital work in progress	**As at 1 April 2019 Rs.**	**Additions Rs.**	**Transfers Rs.**	**As at 31 March 2020 Rs.**	**As at 1 April 2019 Rs.**	**Additions Rs.**	**Transfers Rs.**	**As at 31 March 2020 Rs.**
Buildings	174,878,639	107,332,648	(152,551,751)	129,659,536	144,614,141	103,326,648	(152,551,751)	95,389,038
Solar Power Assets	-	44,688,114	-	44,688,114	-	44,688,114	-	44,688,114
	174,878,639	152,020,762	(152,551,751)	174,347,650	144,614,141	148,014,762	(152,551,751)	140,077,152
Total carrying value	970,190,672			1,078,643,519	756,483,995			869,656,580

16.1 The cost of fully depreciated and still in use assets of the company amounts to Rs. 241 Mn as of 31 March 2020.

17. INTANGIBLE ASSETS

17.1 Software

	Group/Company			
Cost	**Balance As at 01.04.2019 Rs.**	**Additions/ Transfers Rs.**	**Disposals Rs.**	**Balance As at 31.03.2020 Rs.**
Software	24,746,329	-	-	24,746,329
	24,746,329	-	-	24,746,329

Group/Company				
	Balance As at 01.04.2019 Rs.	**Amortisation for the year Rs.**	**Disposals Rs.**	**Balance As at 31.03.2020 Rs.**
Amortisation				
Software	4,949,266	4,949,266	-	9,898,532
	4,949,266	4,949,266	-	9,898,532
Carrying Value	19,797,063			14,847,797

17.2 Goodwill

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
At cost	2,603,657	-	-	-
Acquisition of operations	-	2,603,657		
	2,603,657	2,603,657	-	-
Accumulated amortisation and impairment	-	-	-	-
	-	-	-	-
Carrying amount	2,603,657	2,603,657	-	-

Notes to the Financial Statements

For the year ended 31 March 2020

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

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

18. BIOLOGICAL ASSETS

18.1 Improvements To Bearer Biological Assets

	Group/Company	
	2020 Rs.	**2019 Rs.**
Cost		
At the beginning of the year	4,247,116,876	3,910,723,134
Additions during the year	349,268,855	336,393,742
At the end of the year	4,596,385,731	4,247,116,876
Depreciation		
At the beginning of the year	909,410,401	781,854,996
Charge for the year	133,580,385	127,555,405
At the end of the year	1,042,990,786	909,410,401
Carrying amount	3,553,394,945	3,337,706,475

	Immature Plantations				
At cost	**Tea Rs.**	**Rubber Rs.**	**Oil Palm Rs.**	**Other Rs.**	**Total Rs.**
At the beginning of the year	217,193,539	388,393,073	523,611,483	70,246,097	1,199,444,192
Additions during the year	56,224,129	51,844,142	177,798,980	63,401,604	349,268,855
Transfers to	(133,597,046)	(198,606,908)	(216,719,780)	(1,091,741)	(550,015,475)
At the end of the year	139,820,622	241,630,307	484,690,683	132,555,960	998,697,572

18. BIOLOGICAL ASSETS (CONTD.)

18.1 Improvements To Bearer Biological Assets contd.

	Mature Plantations				
At cost	**Tea Rs.**	**Rubber Rs.**	**Oil Palm Rs.**	**Other Rs.**	**Total Rs.**
At the beginning of the year	949,050,983	1,079,436,575	964,538,496	54,646,630	3,047,672,684
Transfers from	133,597,046	198,606,908	216,719,780	1,091,741	550,015,475
At the end of the year	1,082,648,029	1,278,043,483	1,181,258,276	55,738,371	3,597,688,159
Depreciation					
At the beginning of the year	273,680,586	346,878,270	271,701,916	17,149,629	909,410,402
Charge for the year	28,471,529	53,971,829	48,226,775	2,910,252	133,580,385
At the end of the year	302,152,115	400,850,099	319,928,691	20,059,881	1,042,990,787
Carrying amount of Mature Plantations	780,495,914	877,193,384	861,329,585	35,678,490	2,554,697,372

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 capitalised Borrowing Cost amounting to Rs. 27,500,000/- (2019 - Rs. 21,562,697/-) as part of the immature plantations.

18.2 Consumable Biological Assets

	Group/Company	
Managed timber plantation	**2020 Rs.**	**2019 Rs.**
At the beginning of the year	1,003,340,618	1,001,128,616
Increase due to development	17,099,448	16,629,854
Cost of harvested timber trees	(24,646,885)	(46,035,347)
Gain arising from changes in fair value less cost to sell due to physical changes	49,558,658	31,617,495
At the end of the year	1,045,351,839	1,003,340,618

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.

Notes to the Financial Statements

For the year ended 31 March 2020

18. BIOLOGICAL ASSETS (CONTD.)

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
			2019/2020	2018/2019	
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 2020	(104.54)	104.54
As at 31 March 2019	(100.33)	100.33

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 2020	(19.55)	21.97
As at 31 March 2019	(16.24)	18.24

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	
Lease Receivable	**2020 Rs.**	**2019 Rs.**
Gross lease receivable	71,400,000	71,400,000
Less: Finance income allocated to future periods	(28,911,983)	(30,217,978)
Net lease receivable	42,488,017	41,182,022

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 2029 to 31 March 2045.

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

	Group/Company	
	2020 Rs.	**2019 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

Notes to the Financial Statements

For the year ended 31 March 2020

20. INVESTMENTS

	Note	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
Investments in subsidiaries	20.1	-	-	101,300,010	101,300,010
Investments in joint ventures	20.2	189,910,456	169,881,750	87,990,280	87,990,280
		189,910,456	169,881,750	189,290,290	189,290,290

20.1 Investments in subsidiaries

Unquoted	Percentage of holding 2020	Percentage of holding 2019	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
EPP Hydro Power Company (Pvt) Ltd	100%	100%	-	-	100,000,000	100,000,000
Water Villas (Pvt) Ltd	50%	50%	-	-	10	10
Venture Valley (Pvt) Ltd	100%	100%	-	-	1,300,000	1,300,000
			-	-	101,300,010	101,300,010

20.2 Investments in joint ventures

Unquoted	Percentage of holding 2020	Percentage of holding 2019	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
AEN Palm Oil Processing (Pvt) Ltd	33.33%	33.33%	174,409,300	134,100,981	6,990,270	6,990,270
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	50%	50%	15,501,156	35,780,769	81,000,010	81,000,010
Venture Valley (Pvt) Ltd	-	-	-	-	-	-
			189,910,456	169,881,750	87,990,280	87,990,280

20.2.1 Share of profit from joint ventures

	Note	Group 2020 Rs.	Group 2019 Rs.	Company 2020 Rs.	Company 2019 Rs.
AEN Palm Oil Processing (Pvt) Ltd	20.2.2	75,259,669	23,527,393	-	-
Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd	20.2.3	(20,279,613)	(10,043,812)	-	-
		54,980,056	13,483,580	-	-

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.

20. INVESTMENTS (CONTD.)

Summarised financial information of this joint venture are set out below.

	Company	
	2020 Rs.	**2019 Rs.**
Current assets, including cash and cash equivalents Rs. 129,876,596/- (2019 - Rs. 103,335,477/-)	316,539,684	235,146,993
Non current assets	552,230,891	257,654,154
Current liabilities, including tax payable. Rs. 35,999,070/- (2019 - Rs. 9,250,687/-)	(165,910,723)	(50,241,576)
Non current liabilities, including deferred tax liabilities. Rs.25,423,212 (2019- Rs.26,104,268)	(179,631,952)	(40,256,628)
Total Equity	523,227,900	402,302,944
Group's carrying amount of the investment	174,409,300	134,100,981
Summarised statement of profit or loss of AEN Palm Oil Processing (Pvt) Ltd.		
Revenue	3,228,606,762	2,631,203,338
Cost of sales	(2,853,298,248)	(2,461,284,284)
Other income	8,343,582	20,451,678
Administration expenses including depreciation Rs. 3,820,761/- (2019- Rs.4,147,351/-)	(114,450,974)	(97,264,092)
Impairment of Assets	-	(9,762,415)
Finance cost	(23,145)	(594,738)
Profit Before Tax	269,177,977	82,749,486
Income tax expense	(42,274,807)	(12,167,308)
Profit for the year	226,903,170	70,582,178
Total comprehensive income for the year	226,903,170	70,582,178
Group's share of profit for the year	75,634,390	23,527,393
Previous year tax adjustment	(374,721)	-
Group's share of profit / (loss) for the year after previous year tax adjustment	75,259,669	23,527,393
Group's share of profit before tax	89,725,992	27,583,162
Group's share of profit after tax	75,259,669	23,527,393

	Group	
	2020 Rs.	**2019 Rs.**
Number of shares invested	699,027	699,027
Dividend received	-	-

Notes to the Financial Statements

For the year ended 31 March 2020

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 specialty tea. The Group's interest in Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd is accounted for using the equity method in the consolidated financial statements. Summarised financial information of this joint venture are set out below.

	Company	
	2020 Rs.	**2019 Rs.**
Current assets, including cash and cash equivalents Rs. 3,965,086/- (2019 - Rs. 552,642/-)	67,583,986	61,506,251
Non current assets	169,982,427	170,845,893
Current liabilities, including tax payable Rs. 907,276/- (2018- Rs.605,974/-)	(61,297,288)	(38,676,421)
Non current liabilities	(64,442,900)	(41,290,271)
Total Equity	111,826,225	152,385,452
Group's carrying amount of the investment	55,913,113	76,192,726
Unrealized gain on assets transferred to Joint Venture	(40,411,957)	(40,411,957)
Total Group's carrying amount of the investment	15,501,156	35,780,769

Summarised statement of profit or loss of Elpitiya Dianhong Jin Ya Tea Company (Pvt) Ltd.

Revenue	16,048,144	20,993,105
Cost of sales including depreciation Rs. 3,134,358 /= (2019- Rs. 3,145,015/-)	(42,684,955)	(42,402,233)
Other income	5,005,089	6,501,661
Administration expenses	(3,656,811)	(3,919,285)
Finance cost	(2,509,934)	(1,303,257)
Profit/ (Loss) Before Tax	(27,798,467)	(20,130,010)
Income tax expense	(10,328,322)	42,385
Profit / (Loss) for the year	(38,126,789)	(20,087,625)
Total comprehensive income for the year	(38,126,789)	(20,087,625)
Group's share of profit / (loss) for the year	(19,063,395)	(10,043,812)
Previous year tax adjustment	(1,216,218)	-
Group's share of profit / (loss) for the year after previous year tax adjustment	(20,279,613)	(10,043,812)
Group's share of profit/(loss) before tax	(13,899,234)	(10,065,005)
Group's share of profit/(loss) after tax	(20,279,613)	(10,043,812)

20. INVESTMENTS (CONTD.)

	Group	
	2020 Rs.	**2019 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 2020.

21. PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group/Company	
	2020 Rs.	**2019 Rs.**
As at 1st April	11,290,634	12,898,502
Change in fair value less cost to sell	(905,713)	(1,607,868)
As at 31st March	10,384,921	11,290,634

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 inactive markets) Rs.**	**Level 2 (Significant observable inputs) Rs.**	**Level 3 (Significant unobservable inputs) Rs.**
Produce on Bearer Biological Assets*	31-Mar-20	-	10,384,921	-
	31-Mar-19	-	11,290,634	-

*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	**2020 Rs.**	**2019 Rs.**
Consumable Biological Assets - Gain/(loss) arising from changes in fair value less cost to sell	18.2	49,558,658	31,617,495
Produce on Bearer Biological Assets - Gain/(Loss) arising from changes in fair value less cost to sell	21.1	(905,713)	(1,607,868)
Total Change in Fair Value of Biological Assets		48,652,946	30,009,627

Notes to the Financial Statements

For the year ended 31 March 2020

22. INVENTORIES

	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Biological assets - Nurseries	25,251,751	32,136,536	25,251,751	32,136,536
Harvested crop	266,090,157	293,192,948	266,090,157	293,192,948
Spares and consumables	49,420,697	58,398,117	49,386,292	58,363,711
	340,762,605	383,727,601	340,728,200	383,693,195
Less: Provisions	(2,450,791)	(2,450,791)	(2,450,791)	(2,450,791)
	338,311,814	381,276,810	338,277,409	381,242,404

23. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Produce debtors		39,509,460	84,380,298	33,531,065	84,380,298
Advance and prepayments		67,359,219	109,122,856	67,359,219	109,122,856
Employee related debtors		24,771,665	22,383,798	24,771,665	22,383,798
Dividend receivable		34,951,350	-	-	-
Other debtors		142,578,737	74,464,833	142,556,698	72,921,232
		309,170,432	290,351,785	268,218,647	288,808,184
Impairment of doubtful debtors	23.1	(7,580,202)	(7,500,558)	(7,580,202)	(7,500,558)
		301,590,230	282,851,227	260,638,445	281,307,626

23.1 Movement for impairment of doubtful debtors

	Group/Company	
	2020 Rs.	2019 Rs.
At the beginning of the year	7,500,558	4,100,558
Impairment Provision	79,644	3,400,000
At the end of the year	7,580,202	7,500,558

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 Rs.	due nor impaired Rs.	< 30 days Rs.	30-60 days Rs.	61-90 days Rs.	91-120 days Rs.	>120 days Rs.
Company							
2020	268,218,648	65,916,973	52,506,687	70,525,676	38,975,902	32,713,208	7,580,202
2019	288,808,184	110,679,016	49,407,956	68,872,856	29,884,356	22,383,798	7,580,202

24. CASH AND CASH EQUIVALENTS

24.1 Favorable cash and bank balances

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Cash at bank	29,202,994	49,185,317	21,856,292	33,104,712
Cash in Hand	277,021	353,318	277,021	353,318
	29,480,015	49,538,635	22,133,313	33,458,030

24.2 Unfavorable bank balances

Bank overdraft	268,982,089	-	268,982,089	-
	268,982,089	-	268,982,089	-

25. STATED CAPITAL

	2020 Number	**2019 Number**	**2020 Rs.**	**2019 Rs.**
Issued and Fully Paid Number of Ordinary Shares	72,866,430	72,866,430	694,236,120	694,236,120
	72,866,430	72,866,430	694,236,120	694,236,120

Stated capital includes one golden share held by Secretary to the Treasury which has special rights.

26. RESERVES

Timber Reserve

Timber reserve represent the fair value change in the carrying value of manage timber plantations. Managed trees include commercial timber plantations cultivated on estates. The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activities.

Notes to the Financial Statements

For the year ended 31 March 2020

27. INTEREST BEARING LOANS AND BORROWINGS

	2020			2019		
	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 and Note 27.2.2)	70,419,043	17,250,000	87,669,043	104,042,457	74,807,086	178,849,543
Lease Facilities	-	-	-	5,055,867	1,521,099	6,576,966
	70,419,043	17,250,000	87,669,043	109,098,324	76,328,185	185,426,509
27.2 Company						
Term loan facilities (Note 27.2.1)	70,419,043	17,250,000	87,669,043	84,124,433	74,807,086	158,931,519
Lease Facilities	-	-	-	5,055,867	1,521,099	6,576,966
	70,419,043	17,250,000	87,669,043	89,180,300	76,328,185	165,508,485

27.2.1 Term loan facilities

Company	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total As At 31.03.2020 Rs.	Total As At 31.03.2019 Rs.	Facility details
Long Term Loans						
Tea securitising loans						
Central Finance Company Limited	-	-	-	-	1,065,185	I
Sri Lanka Tea Board I	3,333,333	-	-	3,333,333	13,333,333	II
Sri Lanka Tea Board II	1,160,378	-	-	1,160,378	14,715,010	III
	4,493,711	-	-	4,493,711	29,113,528	
Other long term loan facilities						
Sampath Bank PLC	1,761,246	-	-	1,761,246	3,470,000	IV
Nations Trust Bank PLC	20,420,791	-	-	20,420,791	43,724,000	V
Bank of Ceylon	28,186,975	-	-	28,186,975	56,373,991	VI
National Development Bank PLC	4,500,000	17,250,000	-	21,750,000	26,250,000	VII
	54,869,012	17,250,000	-	72,119,012	129,817,991	
Short Term Loans						
Sri Lanka Tea Board	11,056,320	-	-	11,056,320	-	IX
	11,056,320	-	-	11,056,320	-	
Total term loan facilities	70,419,043	17,250,000	-	87,669,043	158,931,519	

27.2.2 Other term loan facilities

	Repayable within 1 year Rs.	Repayable after 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total As At 31.03.2020 Rs.	Total As At 31.03.2019 Rs.	Facility details
Company- EPP Hydro Power Company (pvt) Limited						
DFCC Vardhana Bank PLC	-	-	-	-	19,918,024	VIII
	-	-	-	-	19,918,024	

27.3 Details of the interest bearing loans and borrowing facilities

Group

Facility details	Rate of interest	Terms of repayment
I.	AWPLR + 2.0% per annum, fixed at the time of disbursement.	60 monthly installments
II.	Six month AWPLR+ 1%	First 12 month period shall be liable only for payment of interest. And shall thereafter repay the capital in 36 equal monthly installments of 833,333.33/- commencing from the August-17 with the relevant interest of each month.
III.	5% (Annual)	shall repay the loan together with the interest of 5% per annum with the equal monthly installments of 1,165,212.82 on or before the 28th of each respective month, and the first installment being payable on or before 28th may 2017.
IV.	6.0% p.a. payable monthly together with statutory taxes at prevailing rates, if any (AWPLR +3% (floor 13.0% p.a.) will be charged until refinance is received).(AWPLR and floor rate to be reviewed monthly).	47 equal monthly installments of Rs. 150,800/- and final installment of Rs. 152,400/- together with the interest.
V.	AWPLR-0.5% per annum.	59 equal monthly capital installments of Rs. 2,084,000/- and a final capital installment of Rs. 2,044,000/-
VI.	First two years: AWPLR (monthly) + 1.5% per annum. Out of which 2% will be subsidized by Central Bank of Sri Lanka only for this period. Third to fifth years: AWPLR (Monthly) +1.5% per annum. (No interest subsidy)	60 monthly installments of Rs. 2,348,918/- commencing from April 11.04.2016
VII.	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/- .
VIII.	Higher of AWPLR or 91 days Treasury Bill rate (rounded upwards to nearest 0.5% + 4.5 % margin and 4% reduction on timely payments.	The loan is repayable in 72 equal monthly installments (capital) after the grace period of 24 month from the date of first disbursement
IX.	Interest Free (0%)	10 monthly installments of Rs. 1,842,720/- commencing from December 2019

Notes to the Financial Statements

For the year ended 31 March 2020

27.4 Changes in Liabilities arising from financing activities

Company	01 April 2019 Rs.	Non Cash Movement Rs.	Cash Flows Rs.	New leases Rs.	31 March 2020 Rs.
Current interest- Bearing loans and Borrowings	89,180,300	-	(18,761,257)	-	70,419,043
Current Obligations under lease liabilities	3,682,949	-	373,011	-	4,055,960
Non- Current interest- Bearing loans and Borrowings	76,328,185	-	(59,078,185)	-	17,250,000
Non-Current Obligations under lease liabilities	161,993,321	155,704,429	(187,792)	-	317,509,958
	331,184,755	155,704,429	(77,654,223)	-	409,234,960

Group	01 April 2019 Rs.	Non Cash Movement Rs.	Cash Flows Rs.	New leases Rs.	31 March 2020 Rs.
Current interest- Bearing loans and Borrowings	109,098,324	-	(38,679,281)	-	70,419,043
Current Obligations under lease liabilities	3,682,949	373,011	-	-	4,055,960
Non- Current interest- Bearing loans and Borrowings	76,328,185	-	(59,078,185)	-	17,250,000
Non-Current Obligations under lease liabilities	161,993,321	155,704,429	(187,792)	-	317,509,958
	351,102,779	156,077,439	(97,945,258)	-	409,234,960

28. LEASE LIABILITIES

		Group/Company	
	Note	2020 Rs.	2019 Rs.
Lease liability on right-of-use asset- land	28.1	319,563,450	165,676,270
Lease liability on right-of-use asset - motor vehicles	28.2	2,002,468	-
		321,565,917	165,676,270

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

		Group/Company	
		2020 Rs.	2019 Rs.
Balance as at the beginning of the year		165,676,270	169,217,567
Transition Adjustment due to initial application of SLFRS 16	28.1.1	155,704,429	-
Accretion of interest		41,779,491	38,258,070
Payments		(43,596,740)	(41,799,368)
Balance as at the end of the year		319,563,450	165,676,270

28.1 Lease liability on right-of-use asset- land (contd.}

	Group/Company	
	2020 Rs.	**2019 Rs.**
Current	2,053,492	3,682,949
Non - Current	317,509,958	161,993,321

28.1.1 The effect of adoption of SLFRS 16 - Leases as at 1 April 2019

	Lease Liability Rs.	**Right-of-Use Asset -Land Rs.**	**Retained Earnings Rs.**
Balance As at 1 April 2019 (Before initial Application of SLFRS 16 Leases)	165,676,270	138,055,132	2,885,810,963
Transition Adjustment due to initial application of SLFRS 16 Leases	155,704,429	183,325,567	27,621,138
Adjusted Balance as at 1 April 2019 (at the initial application of SLFRS 16 Leases)	321,380,699	321,380,699	2,913,432,101

28.1.2 Maturity analysis of lease liabilities are as follows;

	Group/Company	
	2020 Rs.	**2019 Rs.**
Payable within one year		
Gross liability	43,596,740	10,310,000
Finance cost allocated to future periods	(41,543,248)	(6,627,051)
	2,053,492	3,682,949
Payable within two to five years		
Gross liability	174,386,960	41,240,000
Finance cost allocated to future periods	(163,133,270)	(24,974,908)
Net liability	11,253,690	16,265,092
Payable after five years		
Gross liability	871,934,800	219,087,500
Finance cost allocated to future periods	(565,678,532)	(73,359,271)
Net liability	306,256,268	145,728,229

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For the year ended 31 March 2020

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

	Group/Company	
	2020 Rs.	**2019 Rs.**
Balance as at the beginning of the year		
Transferred from interest bearing loans and borrowings	6,576,966	-
Transition Adjustment due to initial application of SLFRS 16	-	-
Accretion of interest	-	-
Payments	(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	
	2020 Rs.	**2019 Rs**	**2020 Rs.**	**2019 Rs**
At the beginning of the year	609,807,019	530,975,302	609,709,699	530,920,222
Current service cost	39,344,147	36,036,695	39,315,607	35,994,455
Interest cost	62,016,809	51,914,601	62,016,809	51,914,601
Liability experience loss/ (gain) arising during the year	22,527,346	87,543,176	22,527,346	87,543,176
Liability loss/ (gain) due to changes in assumptions during the year	-	(23,969,926)	-	(23,969,926)
Payments	(90,501,458)	(72,692,829)	(90,501,458)	(72,692,829)
At the end of the year	643,193,863	609,807,019	643,068,003	609,709,699

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 2020 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 2020, the actuarial present value of promised retirement benefits obligation amounted to Rs. 643,068,003/-. 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. 726,766,028/-.

29. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

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

	Group		Company	
	2020 Rs.	**2019 Rs**	**2020 Rs.**	**2019 Rs**
Cost of sales	101,360,956	87,951,296	101,332,416	87,909,056
	101,360,956	87,951,296	101,332,416	87,909,056

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	
	2020 Rs.	**2019 Rs**	**2020 Rs.**	**2019 Rs**
Within the next 12 months	102,960,295	61,783,708	102,960,295	61,783,708
Between 1 and 5 years	284,166,017	333,680,313	284,166,017	333,680,313
Beyond 5 years	256,067,551	214,342,998	255,941,691	214,245,678
Total expected payments	643,193,863	609,807,019	643,068,003	609,709,699
Weighted average duration (years) of defined benefit obligation	9.6 years	9.6 years	9.6 years	9.6 years

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

	Salary increment rate	Retirement age	Daily wage rate	Discount rate
2019/2020				
Workers	18% (every two years)	60 years	700/-	11.00%
Staff	10% (per annum)	55 years		11.00%
2018/2019				
Workers	18% (every two years)	60 years	700/-	11.00%
Staff	10% (per annum)	60 years		11.00%

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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 2020	(39.67)	57.48
As at 31 March 2019	(43.04)	49.79

	Impact on Retirement benefit obligations (In Rs. Mn)	
Percentage increase/decrease in salary / wage increment rate.	**+1%**	**- 1%**
As at 31 March 2020	54.34	(37.78)
As at 31 March 2019	46.68	(41.14)

30. DEFERRED INCOME

		Group/Company	
	Note	**2020 Rs.**	**2019 Rs.**
Deferred grants and subsidies	30.1	98,449,695	103,794,995
Sub lease income	30.2	36,320,302	37,356,957
Deferred income on right of use asset - land	30.3	65,582,758	71,062,069
		200,352,755	212,214,020

30.1 Deferred grants and subsidies

	Group/Company	
	2020 Rs.	**2019 Rs.**
At the beginning of the year	103,794,995	115,156,704
Add: Grants received during the year	8,130,767	1,767,912
Less: Amortisation for the year	(13,476,067)	(13,129,621)
At the end of the year	98,449,695	103,794,995

30.1 Deferred grants and subsidies (contd.)

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	
	2020 Rs.	**2019 Rs.**
At the beginning of the year	37,356,957	39,626,983
Add: Cash received for the year	3,608,242	2,678,213
Less: Amortisation for the year	(4,644,897)	(4,948,240)
At the end of the year	36,320,302	37,356,957

30.3 Deferred income on Right of use asset - Land

	Group/Company	
	2020 Rs.	**2019 Rs.**
At the beginning of the year	71,062,069	76,541,379
Deferred income received during the year	-	-
Less: Amortisation for the year	(5,479,310)	(5,479,310)
At the end of the year	65,582,758	71,062,069

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	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Trade creditors	37,081,974	67,828,499	37,081,974	67,828,499
Employee related creditors	116,062,932	123,666,804	116,062,932	123,666,804
Other payables and accruals	99,712,139	157,802,121	98,335,361	156,593,080
	252,857,045	349,297,424	251,480,267	348,088,383

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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 2019 audited financial statements, which required additional disclosures in the 2019/20 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 2019 audited financial Statements, which required additional disclosures in the 2019/20 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	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Ultimate Parent				
Aitken Spence PLC	-	202,158	-	202,158
	-	202,158	-	202,158
Subsidiaries				
EPP Hydro Power Company (Pvt) Ltd	-	-	111,140,759	103,833,185
Water Villas (Pvt) Ltd	10	10	6,373,786	6,118,330
Venture Valley (Pvt) Ltd	-	-	27,721,987	27,945,587
	10	10	145,236,532	137,897,102
Equity Accounted Investees				
Joint Venture Companies				
AEN Palm Oil Processing (Pvt) Ltd	23,261,514	6,868,510	23,261,514	6,868,510
Elpitiya Dianghong Jin Ya Tea Company (Pvt) Ltd	57,086,292	34,447,960	57,086,292	34,447,960
Elpitiya Lifestyle Solutions (Pvt) Ltd (Note 32.4.1)	9,822,407	36,525,000	9,822,407	36,525,000
	90,170,213	77,841,469	90,170,213	77,841,469
Other Related Companies				
Aitken Spence C & T Inv.	298,462	277,672	298,462	277,672
Aitken Spence Agriculture (Pvt) Ltd	10,079,973	1,905,786	10,079,973	1,905,786
	10,378,435	2,183,459	10,378,435	2,183,459
	100,548,658	80,227,096	245,785,180	218,124,188

32.4.1 Elpitiya Lifestyle Solutions (Pvt) Ltd

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Current account balance	61,019,246	71,475,066	61,019,246	71,475,066
	61,019,246	71,475,066	61,019,246	71,475,066
Impairment	(51,196,839)	(34,950,066)	(51,196,839)	(34,950,066)
	9,822,407	36,525,000	9,822,407	36,525,000

32.5 Amounts due to related parties

	Group		Company	
	2020 Rs.	**2019 Rs.**	**2020 Rs.**	**2019 Rs.**
Ultimate Parent				
Aitken Spence PLC	5,209,230	-	5,209,230	-
	5,209,230	-	5,209,230	-
Parent				
Aitken Spence Plantation Managements PLC	184,907,486	169,165,203	184,907,486	169,165,203
	184,907,486	169,165,203	184,907,486	169,165,203
	190,116,716	169,165,203	190,116,716	169,165,203

32.6 Transactions with related parties

	Company	
Ultimate Parent	**2020 Rs.**	**2019 Rs.**
Rendering of services	(4,712,492)	(3,031,602)
Receiving of services	249,123,880	226,466,395
Parent		
Rendering of services	(98,081,432)	(69,763,339)
Receiving of services	113,823,714	125,756,761
Subsidiaries		
Sale of goods	-	(50,000,000)
Rendering of services	11,839,440	23,103,421
Equity Accounted Investees		
Sale of goods	768,392,655	705,334,055
Rendering of services	31,085,634	35,736,371
Other Related Companies		
Rendering of services	10,177,163	12,386,709

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32.7 Joint Venture

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party transactions entered into during 2019/2020	Aggregate value of Related Party transactions entered into during 2018/2019	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	736,774,898	679,683,701	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	17,830,270	28,541,475		

During the year company supplied Rs. 737 Mn (2018/19 - Rs. 680 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 Amortisation) 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

33. ASSETS PLEDGE

Company Facility obtained from	Security	Facility amount	Outstanding Balance as at 31.03.2020	Carrying amount pledged 2020	2019
		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	134,644,719	39,648,738	41,220,777
	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	-	11,319,865	11,768,689
	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	79,598,061	8,808,696	9,157,954
Central Finance PLC -					
Term loan	Primary mortgage over machineries, Drier and Heater, Colour Separator machine (with IR technology), 3 units 8" Rotorvane machines - 36"x13", 4 cuts Jumbo Spectra CTC Machine with a spare set of rollers, Milling and chasing machine & 300 kva open type Generator 600 Amp.	66,022,098	-	-	1,068,304
Group					
DFCC Bank PLC-					
Term loan	Primary mortgage over Shares of EPP Hydro Power Company (Pvt) Ltd held by Elpitiya Plantations PLC. Primary mortgage over all project documents granted in favour of the company. Primary mortgage over leasehold rights of the project land and immovable project assets inclusive of a hydro power plant.	117,000,000	-	100,000,000	100,000,000

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34. CAPITAL COMMITMENTS

	2020 Rs. Mn	2019 Rs. Mn
Followings are the capital commitments as at the Statement of Financial Position date.		
Approved by Board and Contracted for	59.11	36.25
Approved by Board and Not contracted for	671.37	768.15

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.

∗ 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.

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 other than to following;

∗ With the declaration of COVID 19 outbreak as pandemic by the World Health Organisation, the Group took various precautionary measures and complied with the Guidelines issued by the Health Authorities strictly to prevent the spreading of this disease to the Plantations. As a result, the families of all employees engaged on the Plantations were well protected and the business operations on the Plantations conducted in line with the Government's declaration of the Planation Sector as essential services.

Anti-viral properties of black tea, particularly in Ceylon Tea which has a relatively high level of Polyphenol is likely to result in higher demand given the current prevalence for healthy beverages which has antidotal properties. The Rubber prices continue to remain at the levels before the COVID 19 pandemic but it is expected that demand will increase because of the increased requirement for health and safety related products. The Oil Palm sector also remains unaffected by the COVID 19 pandemic. Management is closely engaged in developing mitigating factors for potential downside risks to the business operation due to COVID 19 pandemic.

The Board of Directors has carried out a preliminary assessment of the next year's business plans after incorporating the potential impact of COVID 19 outbreak, and is of the view that the COVID 19 outbreak may not have significant impact on the business continuity of the Group. The Board will continue to monitor the economic conditions and its impact on the business operations and take mitigation actions to minimize the potential impacts and business continuity.

∗ The Company has entered into a Shareholder's agreement with Sim Leisure Group Limited and Venture Valley (Pvt) Ltd. on 12 April 2020 and entered into a Joint venture arrangement to develop and operate the adventure park.

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.

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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. 33.5 Mn (2019 – Rs. 84 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. 22 Mn as at 31st March 2020 (2019 – Rs. 33 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. 100 Mn as at 31st March 2020 (2019 – Rs. 80 Mn) which represents its maximum credit exposure on these balances.

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

37.3 Liquidity Risk contd.

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 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
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	275,933,088	57,183,513	17,250,000	-	809,465,406
Company						
Interest bearing loans & borrowing	-	27,808,752	52,450,804	17,250,000	-	97,509,556
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	274,556,310	57,183,513	17,250,000	-	808,088,628

As at 31st March 2019	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
Group						
Interest bearing loans & borrowing	-	21,693,952	87,328,076	74,807,086	-	183,829,114
Trade & other payables	-	333,627,199	15,670,225	-	-	349,297,424
Amounts due to related parties	169,165,203	-	-	-	-	169,165,203
	169,165,203	355,321,151	102,998,301	74,807,086	-	702,291,741
Company						
Interest bearing loans & borrowing	-	21,693,952	62,430,481	74,807,086	-	158,931,519
Trade & other payables	-	332,418,158	15,670,225	-	-	348,088,383
Amounts due to related parties	169,165,203	-	-	-	-	169,165,203
	169,165,203	354,112,110	78,100,706	74,807,086	-	676,185,105

Notes to the Financial Statements

For the year ended 31 March 2020

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 borrowings with floating interest rates of Rs.88 Mn (2019 – Rs. 185 Mn) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.
Group		
2020	+1%	(349,789)
	-1%	349,789
2019	+1%	(282,275)
	-1%	282,275
Company		
2020	+1%	(243,099)
	-1%	243,099
2019	+1%	(242,858)
	-1%	242,858

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.

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

Foreign currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD 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		
2020		
USD	5%	2,833,148
USD	-5%	(2,833,148)
2019		
USD	5%	2,420,573
USD	-5%	(2,420,573)

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.

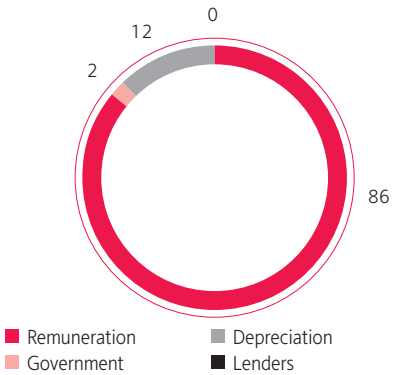
The gearing ratio at the reporting date is as follows.

	Group		Company	
	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000
Interest bearing borrowing				
Current portion of long term interest bearing borrowings	70,419	109,098	70,419	89,180
Payable after one year	17,250	76,328	17,250	76,328
	87,669	185,427	87,669	165,508
Equity	4,626,218	4,401,328	4,504,880	4,346,005
Equity & debts	4,713,887	4,586,754	4,592,549	4,511,513
Gearing ratio	2%	4%	2%	4%

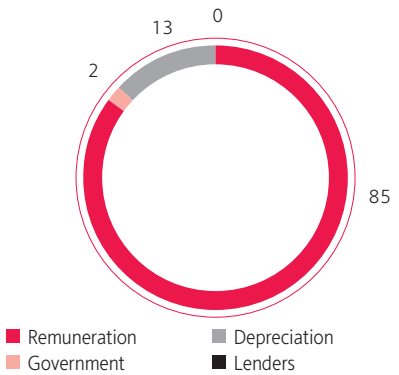
Value Added Statement

Figures in Rs.000'	Year ended 31.03.20	As a %	Year ended 31.03.19	As a %
Value Added				
Turnover	3,307,620		3,547,947	
Other Income	226,419		210,232	
	3,534,039	100	3,758,179	100
Purchase of goods and Services	(1,377,891)	(39)	(1,894,852)	(50)
Total Value Added	2,156,148	61	1,863,327	50
Distributed as follows				
To Employee, as remuneration	1,858,134	86.18	1,575,297	84.54
To Government, as lease rental	41,779	1.94	38,258	2.06
To Lenders, nt, as Interest on short & long term borrowings	7,479	0.34	7,472	0.40
Retained for re-investment and future growth	248,756	11.54	242,300	13.00
Depreciation	248,756	11.54	242,300	13.00
Reserves	-	-	-	-
	2,156,148	100	1,863,327	100

Distribution of Value Added 2019/2020 (%)



Distribution of Value Added 2018/2019 (%)



Information on Estates

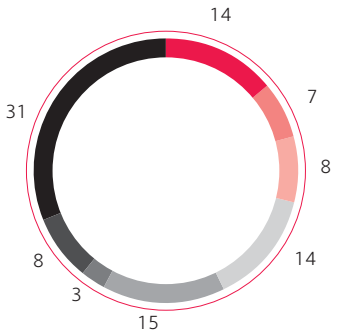
Year Ended 31st March 2020	Cultivated Area (ha.)							Annual Production Kg'000				
Estate	Tea	Rubber	Oil Palm	Other Projects - Tea -	Others	Total	Total Area (ha.)	Tea	Rubber	Oil Palm	Factory Details Crop Manfd.	No.of Workers
NUWARAELIYA DISTRICT												
Dunsinane	447.77	-	-	67.46	104.68	619.91	790.00	967	-	-	Tea	687
Sheen	216.30	-	-	69.17	110.25	395.72	503.75	507	-	-	Tea	456
Fernlands	306.93	-	-	52.23	60.31	419.47	484.25	522	-	-	Tea	530
Meddecombra	397.86	-	-	61.14	270.32	729.32	890.00	665	-	-	Tea	695
KANDY DISTRICT												
New Peacock	271.99	-	-	-	183.79	455.78	535.73	723	-	-	Tea	376
Nayapane	230.25	-	-	-	218.65	448.90	576.50	542	-	-	Tea	439
GALLE DISTRICT												
Deviturai	36.08	118.63	318.35		111.84	584.90	896.22	25	83	2,694	Tea/ Rubber	300
Talgaswella	33.20	107.61	606.80		32.56	780.17	1,033.85	193	81	7,296	Tea/ Rubber	317
Gulugahakande	3.65	34.74	106.08		47.81	192.28	418.18	5	23	997	-	110
Lelwala	10.80	51.11	66.58	-	11.42	139.91	240.35	18	35	611	Tea	91
Ketandola	4.55	31.65	277.83		20.89	334.92	832.69	7	29	1,712	Tea	147
Bentota	-	237.10	126.72	-	34.43	398.25	726.14	-	129	568	Rubber	232
Elpitiya	-	275.14	316.23	-	11.97	603.34	910.36	-	173	3,445	Rubber	317
TOTAL	1,959.38	855.98	1,818.59	250.00	1,218.92	6,102.87	8,838.02	4,174	553	17,323	-	4,697

Information on Estates

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

	2018/2019		
	Tea	**Rubber**	**Oil Palm**
Total Crop (Kg.000's)	4,517	660	17,087
NSA (Rs/Kg)	546	287	43
Y P H	1,674	905	14,286

Land Utilisation- In Hectares(%)



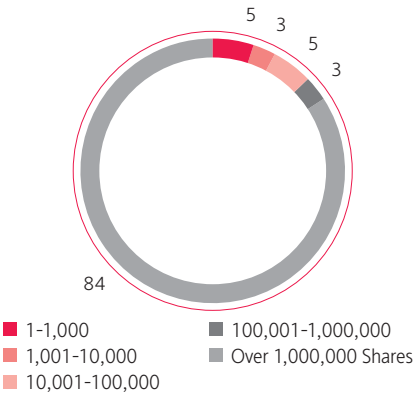
- VP - Tea
- Seedling - Tea
- Rubber
- Oilpalm
- Immature
- Other Projects - Tea
- Nurseries & Other Cultivation
- Buildings, Gardens, Jungle & Roads etc.,

Shareholders and Investors Information

1) Distribution of Shareholding

Category	No. of shareholders	No. of shares	%
1-1,000	10,428	3,338,060	4.58
1,001-10,000	477	1,965,873	2.70
10,001-100,000	136	3,981,822	5.46
100,001-1,000,000	12	3,050,229	4.18
Over 1,000,000 Shares	2	60,530,446	83.08
	11,055	72,866,430	100.00

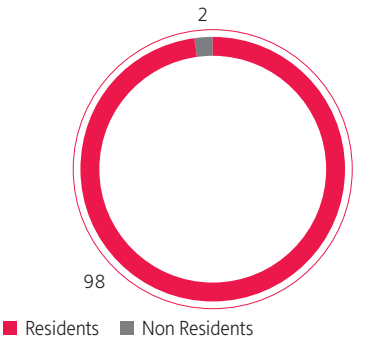
Distribution of shareholding(%)



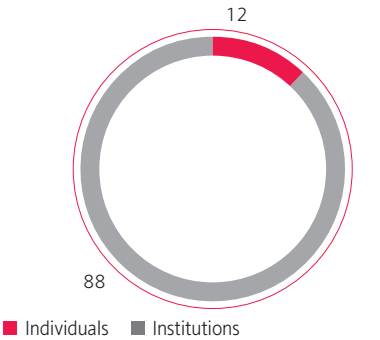
2) Composition of Shareholders

Category	No. of shareholders	No. of shares	%
Residents	11,035	71,556,125	98.20
Non Residents	20	1,310,305	1.80
Individuals	10,941	8,892,437	12.20
Institutions	114	63,973,993	87.80

Composition of Shareholders (%)



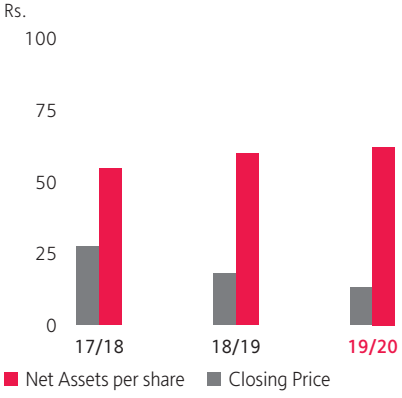
Composition of Shareholders (%)



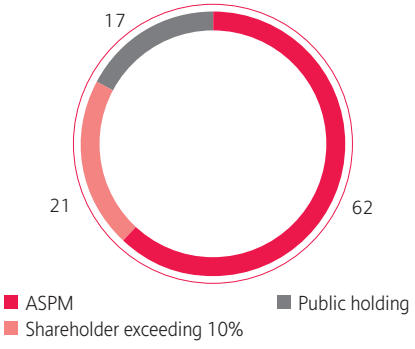
Shareholders and Investors Information

Share Trading During The Year

Net Assets and closing price per share



Public Holding



3) Share Trading During The Year

	2019/20	2018/19
Highest Price Traded (Rs)	21.80	29.70
Lowest Price Traded (Rs)	12.50	17.30
Last Traded Price (Rs)	13.00	18.10
Number of share transactions	2,069	1,880
Number of shares traded	2,177,239	1,978,786
Value of shares traded	41,045,144	41,699,796
Market Capitalisation	947,263,590	1,318,882,383

The float adjusted Market Capitalization as at 31st March 2020 was Rs 160,367,792/-. 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

	2019/20	2018/19	2017/18
Net Assets per share (Rs.)	61.82	59.64	54.67
Closing Price (Rs.)	13.00	18.10	27.40

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.

6) 20 Major ShareHolders Holding As At 31st March 2020

	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	Capital Trust Holding Ltd	543,419	0.75
4	Sandwave Limited	463,538	0.64
5	J.B Cocoshell (Pvt) Ltd	427,872	0.59
6	Mr K C Vignarajah	366,521	0.50
7	Tranz Dominion, L.L.C	315,000	0.43
8	Dr.R.D Bandaranaike	210,696	0.29
9	Gulf East Finance Ltd	152,815	0.21
10	Bansei Securities Capital (Pvt) Ltd/Dawi Investment Trust (Pvt) Ltd	128,264	0.18
11	Mr C H Anthony	120,000	0.16
12	Mr S B H Wanduragala	110,989	0.15
13	Mr U D Wickremesooriya	110,000	0.15
14	Seylan Bank PLC/Mr Shermal Hemaka Jayasuriya	101,115	0.14
15	Mr G D M Ranasinghe	100,000	0.14
16	Mr A V Emmanuel	78,395	0.11
17	Mr L H R Perera	75,000	0.10
18	Mr L M M Dias	66,850	0.09
19	Mr K M A R K Almuhairi	66,454	0.09
20	M J Fernando and Sons (Pvt) Ltd	64,925	0.09
	Total No. of Shares	64,032,299	87.88

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 *	2020 Rs.' 000	2019 Rs.' 000	2018 Rs.' 000	2017 Rs.' 000
TRADING RESULTS				
Revenue	3,287,442	3,522,380	3,680,776	2,996,400
Other income	2,722,63	235,452	159,598	279,065
Gross profit	463,544	739,245	883,362	608,476
Finance cost	(47,876)	(41,788)	(55,506)	(72,400)
Profit/(loss) before tax	276,968	493,382	601,233	530,392
Current tax	(35,258)	(73,634)	(72,465)	(42,364)
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	241,710	419,748	338,205	488,028
BALANCE SHEET				
Funds Employed				
Stated Capital	694,236	694,236	694,236	694,236
Timber reserve	790,870	765,958	780,376	778,722
Retained profits/(loss)	3,019,774	2,885,811	2,509,242	2,396,474
Total equity	4,504,880	4,346,005	3,983,854	3,869,432
Non-Current Liabilities				
Redeemable Debentures	-	-	-	-
Interest Bearing Borrowings	17,250	76,328	164,275	194,113
Retirement Benefit Obligations	643,068	609,710	530,920	451,792
Deferred Income	200,353	212,214	231,325	248,592
Deferred Tax Liability	506,456	474,351	409,987	183,631
Net Liability to Lesser	317,510	161,993	165,676	168,718
Total non-current liabilities	1,684,636	1,534,596	1,502,183	1,246,846
Assets Employed				
Non-Current Assets	6,097,262	5,565,395	5,178,812	4,935,742
Current Assets	877,308	925,423	851,922	766,535
Current Liabilities	(785,054)	(610,217)	(544,696)	(585,999)
	6,189,516	5,880,601	5,486,038	5,116,278
Key Indicators				
EPS (Basic)	3.32	5.76	4.64	6.70
Dividend Per Share	0.75	1.25	2.25	1.00
Dividend Payout Ratio	23%	21%	48%	15%
Net Assets Per Share	61.82	59.64	54.67	53.10
Market Price Per Share	13.00	18.10	27.40	19.00
Price Earnings Ratio	4	3	6	3
Current Ratio	1.12	1.52	1.56	1.31
Equity to Total Assets	64.59	66.96	66.06	67.86
Return on Shareholder's Funds	5.37	9.61	6.99	12.61

* 2012 and 2011 comparative year figures has been restated when the Group first time adopting the new Sri Lanka Accounting Standards (SLFRSs and LKASs).

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

2016 Rs.' 000	2015 Rs.' 000	2014 Rs.' 000	2013 Rs.' 000	2012 Rs.' 000	2011 Rs.' 000
2,419,784	2,579,265	2,782,392	2,833,456	2,512,971	2,601,501
414,405	237,040	213,560	193,976	106,623	99,056
166,618	389,264	505,055	619,791	326,933	594,432
(70,015)	(75,456)	(132,394)	(138,992)	(137,669)	(144,584)
239,554	368,370	379,381	477,372	148,201	384,233
(24,178)	(28,251)	(37,547)	(41,311)	1,883	(20,729)
-	-	-	-	-	-
-	-	-	-	-	-
215,376	340,119	341,833	436,061	150,084	363,504
694,236	694,236	694,236	694,236	694,236	694,236
756,836	725,733	685,902	716,366	714,268	688,965
1,831,447	1,622,047	1,417,207	1,030,852	581,538	482,990
3,282,519	3,042,016	2,797,345	2,441,454	1,990,042	1,866,191
-	-	75,000	-	-	-
271,300	185,765	376,218	385,661	561,431	831,279
583,690	623,059	542,459	573,472	554,800	464,155
263,801	164,796	178,519	183,139	195,782	206,712
125,918	90,816	76,866	42,873	11,001	12,884
172,254	175,528	178,676	181,704	184,614	187,413
1,416,963	1,239,964	1,352,738	1,366,849	1,507,628	1,702,442
4,760,094	4,430,228	4,208,644	4,043,195	3,894,822	3,680,388
587,471	639,323	592,253	602,248	449,446	502,187
(648,082)	(787,572)	(650,814)	(837,140)	(846,596)	(613,941)
4,699,482	4,281,979	4,150,083	3,808,303	3,497,672	3,568,634
2.97	4.67	4.69	5.98	2.54	4.99
0.50	0.75	0.75	0.50	-	0.36
17%	16%	16%	8%	-	7%
45.05	41.75	38.39	33.51	28.59	26.41
19.20	20.00	16.60	17.20	18.50	33.50
6	4	4	3	7	7
0.91	0.81	0.91	0.72	0.53	0.82
61.38	60.01	58.27	52.56	45.81	44.62
6.56	11.18	12.22	17.86	7.54	19.48

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 Eighth (28th) Annual General Meeting of Elpitiya Plantations PLC* will be held at Aitken Spence Tower II, No. 315, Vauxhall Street, Colombo 02, on Friday, 18th September 2020 at 3.00 p.m. 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 2020 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 90 years of age and that he be re-appointed a Director of the Company."

4. To re-appoint Mr. D A de S Wickramanayake 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 Wickramanayake who is 70 years of age and that he be re-appointed a Director of the Company."

5. To re-elect Mr. S. C. Ratwatte who retires in terms of Article 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
21 August 2020

Colombo

*Note: Further instructions to the Notice of Meeting are noted on the reverse hereof.

Notice of Meeting

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 Eighth (28th) Annual General Meeting of Elpitiya Plantations PLC will be a virtual meeting held by participants joining in person or by proxy, through audio or audio-visual means in the manner specified below:

   a. Attendance of the Chairman and the Board of Directors

   The Chairman, members of the Board of Directors, the Company Secretaries, the External Auditors and the Legal Counsel will be present at the Aitken Spence Tower II, No. 315, Vauxhall Street, Colombo 02 at 3.00 p.m. on Friday, 18th September 2020.

   b. Shareholder participation

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

   ii. 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.

   iii. 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 II 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 2308099 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 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 along with the Notice of Meeting and the Form of Proxy.

   iv. 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 2308099 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 2308099 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2, not less than five (05) 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. The Annual Report of the Company for the year 2019/2020 will be available for perusal on the website on www.elpitiya.com and on the Colombo Stock Exchange website on www.cse.lk.

Form of Proxy

I/We .....

..... of ..... being a member/

members of Elpitiya Plantations PLC hereby appoint .....

..... of ..... (whom failing)

Mahinda Parakrama Dissanayake	(whom failing)
Rohan Marshall Fernando	(whom failing)
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 Wickramanayake	

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 18th September 2020, 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. Wickramanayake who is over the age of 70 years	☐	☐
4. To re-elect Mr. S. C. Ratwatte who retires in terms of Article 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 and Young, Chartered Accountants and authorise the Directors to determine their remuneration.	☐	☐

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

.....	.....	.....
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 Forms of Proxy should be sent to reach the Company Secretaries via e-mail to heshani@aitkenspence.lk or facsimile on +94 11 2308099 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2, **not less than forty eight (48) hours before the time fixed for the meeting.**

Shareholder Feedback Form

Name (Optional):	
Address (Optional):	
Number of shares held (Optional):	

1. Business Development

Please rate the following areas (where applicable) on a scale of 1 to 5 (where 1 is the lowest and 5 is the highest);

	Lowest				Highest
	1	2	3	4	5
a) Quality and presentation of the annual report	○	○	○	○	○
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	☐

Shareholder Feedback Form

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 22 June 1992.

COMPANY REGISTRATION NO
PQ 171

REGISTERED OFFICE
315, Vauxhall Street,
Colombo 2,
Sri Lanka

BUSINESS ADDRESS
No. 305, Vauxhall Street,
Colombo 2,
Sri Lanka

DIRECTORS
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. Wickramanayake

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
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 (MD)
Mr. Malik J. Fernando
Mr. D. A. de S. Wickremanayake
Ms. C. D. Piyaratne
Mr. A. Kanthasamy

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. M. P. K. Udugampola (Chairman)
Dr. M. P. Dissanayake
Dr. R. M. Fernando
Mr. N. S. Yaddhige
Mr. P. D. S. A. Gunasekara (Appointed w.e.f. 01.07.2020)
Mr. G. P. N. A G. Gunathilake
Mr. S. A. Eriyagama (Ceased to be Director w.e.f. 30.06.2020)

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)
Dr. X. Chen
Mr. W. Hao

SECRETARIES
Aitken Spence Corporate Finance (Private) Limited

REGISTRARS
SSP Corporate Services (Pvt) Ltd.,
101, Inner Flower Road,
Colombo 3.

AUDITORS
Messrs. Ernst & Young
201, De Saram Place, Colombo 10.

LAWYERS
Julius & Creasy
Attorneys – at – Law

BANKERS
Bank of Ceylon – Corporate Branch
Sampath Bank PLC – Nawam Mawatha Branch
Hatton National Bank PLC – Punchikawatta Branch
Seylan Bank PLC – Millennium Corporate

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