Steadfast

KELANI VALLEY PLANTATIONS PLC

Annual Report 2020/21

Steadfast

While obstacles permeated the year that was, we did not let it deter us from our purpose and our performance truly exemplified our commitment and effort. By taking the right actions at the most vital moments, we were able to meet the expectations of our stakeholders while remaining true to our mission of developing along with them. With this intrepid combination of exceptional people, future - bound ideas, and a set of values that has always helped us flourish through thick and thin, we have and will continue to leave an indelible mark in the industry.

Our impact, our sustainability, and the wellbeing of our people, has been a result of our unflagging steadfastness in the face of change.

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ABOUT THIS REPORT

GRI 102-50,51,52

This Annual Report is the 7th Integrated Annual Report of Kelani Valley Plantations PLC. and it presents the economic, social and environmental performance of the entire Group including its subsidiaries for the financial year beginning 1 April 2020 and ending 31 March 2021.

In line with the Group's sustainable model and sustainable reporting practices, this report is the 7th report to be prepared in accordance with the Global Reporting Initiatives (GRI) (GRI 102-54) Standards Core Option.

Reporting Principles

The Contents included in this Report are deemed useful and relevant to our stakeholders with due regard to their expectations which have been identified through continuous engagement. The information provided aims to provide the Group's stakeholders with a good understanding of the financial, social and environmental impacts of the Group's operations and business activities to facilitate their evaluation of the Group's ability to create sustained value.

All information, obtained from a range of source within the Group, has been verified for their completeness, balance, comparability, accuracy, reliability timeliness and clarity in accordance with Group's disclosure policies.

GRI 102-48,49 : There has been no restatement of information from the previous Annual Report and there are no significant changes to the list of material topics and topic boundaries.

Forward Looking Statements

This Annual Report contains certain forward looking statements which relate to the future performance and results of the operations of the Group.

These statements by their nature involve risk and uncertainty as they relate to the future and depend on circumstances which may occur in the future and be beyond the control of the Group. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national socio-economic conditions, changes in industry environment, natural environmental conditions, interest rates, credit and the associated risk of lending, merchandise clearance rates, inventory levels, and competitive and regulatory factors. As such, the Company does not undertake to review or revise such forward looking statements.

Assurance;

GRI 102-56

The Group uses a combination of internal controls, management assurance and compliance and internal audit reviews to ensure the accuracy of reporting.

In addition external assurance is sought from external Auditors and Messrs Ernest & Young, Colombo, has audited and issued and independent report on the Financial Statements.

Contact Point

GRI 102-53

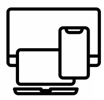
KVPL welcomes any questions, clarifications and feedback on this report. Please contact postmaster@kvpl.com

Directors' Statement of Responsibility for this report

The Board believes that this Integrated Annual Report has been prepared in accordance with best practices and appropriately addresses material aspects of KVPL's business and is a fair representation of the integrated performance of the Company.

The Board unanimously approved the 2020/21 Integrated Annual Report 11 May 2021, for release to shareholders.

Managing Director – On behalf of Board of Directors
Date : 11 May 2021



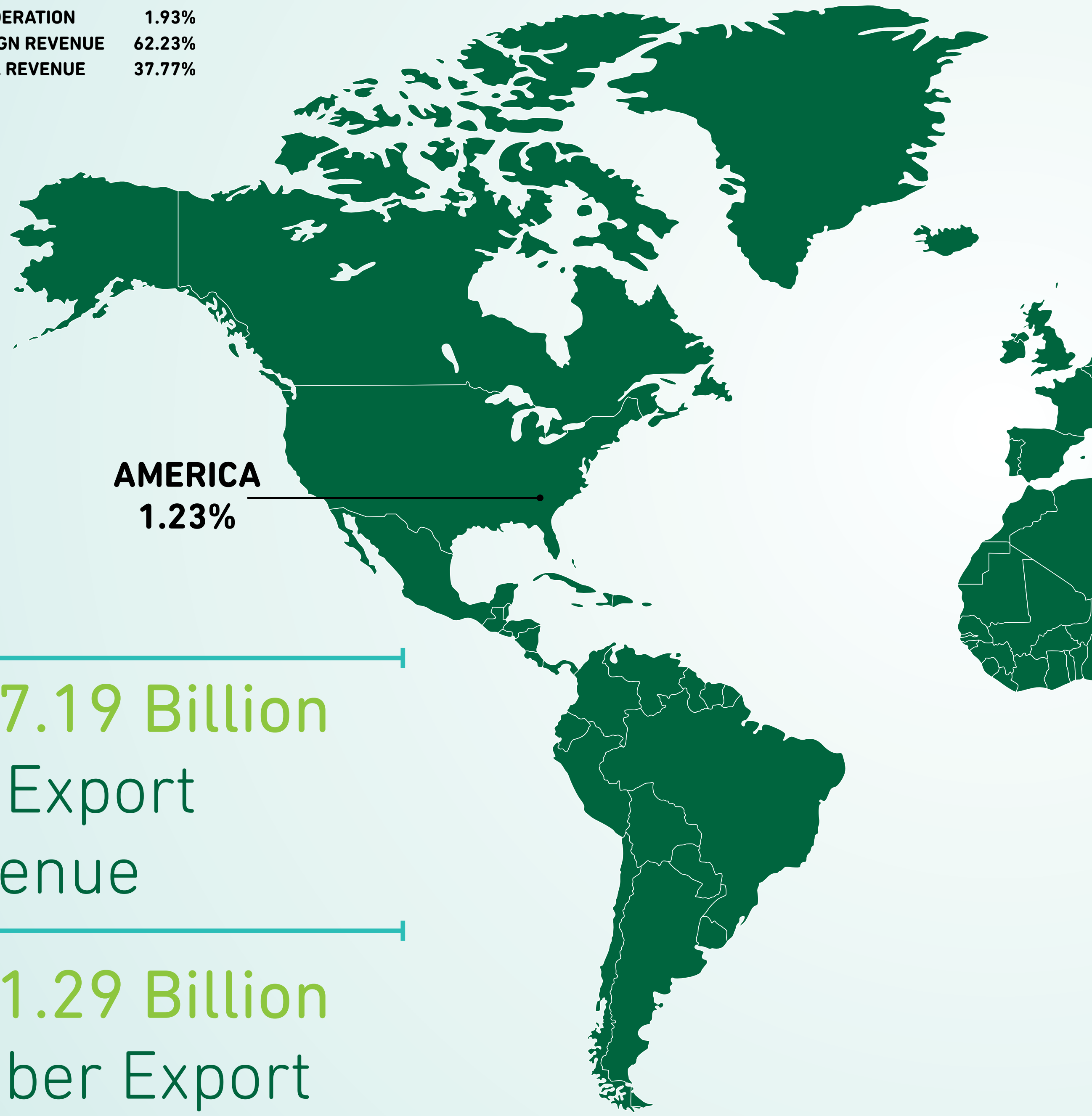
www.kvpl.com

REVENUE DISTRIBUTION LOCAL & GLOBAL

GRI 102-6

REVENUE DISTRIBUTION

AMERICA	1.23%
EUROPE	3.01%
MIDDLE EAST	9.60%
AFRICA	1.60%
ASIA	43.51%
AUSTRALIA	1.35%
RUSSIAN FEDERATION	1.93%
TOTAL FOREIGN REVENUE	62.23%
TOTAL LOCAL REVENUE	37.77%



Rs. 7.19 Billion
Tea Export Revenue

Rs. 1.29 Billion
Rubber Export Revenue

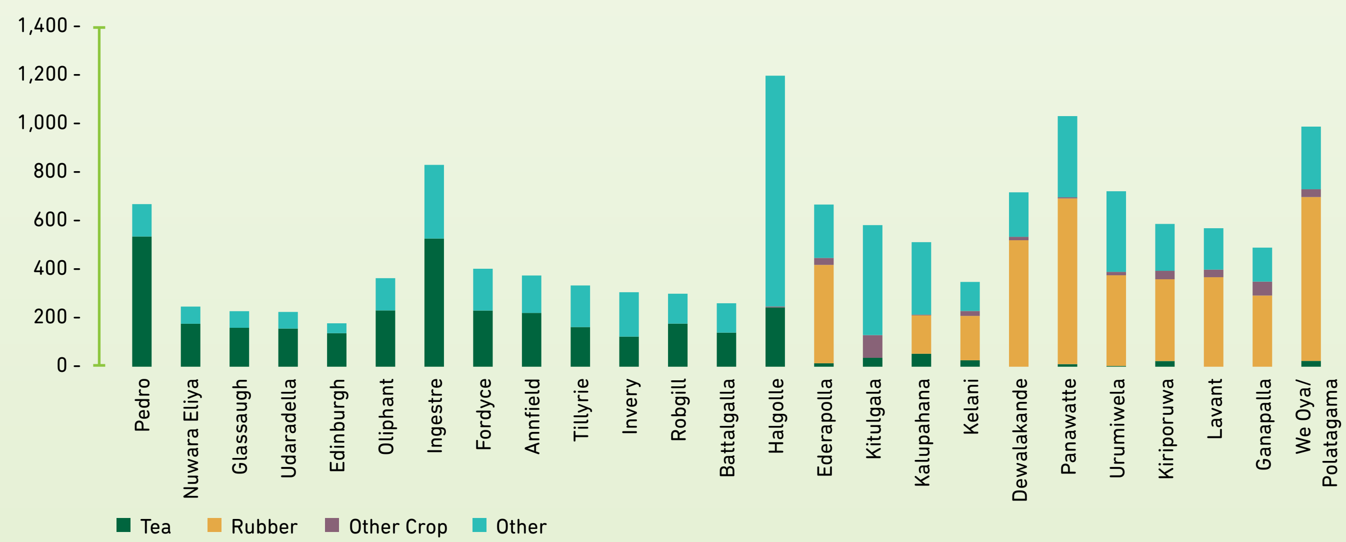

EUROPE
3.01%
RUSSIAN
FEDERATION
1.93%
MIDDLE EAST
9.60%
ASIA
43.51%
AFRICA
1.60%
AUSTRALIA
1.35%

OUR LAND & OUR SPREAD

GRI 304 -1

2020/21 Estate	Extent (Ha)					No. of Factories	Elevation (ft)	Crop Kgs'000	Crop Kgs'000
	Tea	Rubber	Other crop	Other	Total			Tea	Rubber
1. Pedro	536	-	-	133	668	1	6,237	496	-
2. Nuwara Eliya	177	-	-	71	247	1	5,999	307	-
3. Glassaugh	160	-	-	68	228	1	5,074	259	-
4. Udaradella	157	-	-	68	225	1	5,328	187	-
5. Edinburgh	138	-	-	40	179	1	5,075	155	-
6. Oliphant	232	-	-	132	364	1	6,440	180	-
7. Ingestre	527	-	-	303	830	2	4,723	639	-
8. Fordyce	231	-	-	172	403	1	4,599	279	-
9. Annfield	222	-	-	154	375	1	4,297	345	-
10. Tillyrie	163	-	-	171	334	1	4,264	186	-
11. Invery	124	-	-	182	306	1	4,310	225	-
12. Robgill	177	-	-	123	300	1	4,500	223	-
13. Battalgalla	141	-	-	121	261	1	4,300	175	-
14. Halgolle	244	-	4	948	1,196	1	3,478	246	-
15. Ederapolla	14	404	28	220	667	1	338	14	355
16. Kitulgala	37	-	93	452	582	-	1,003	40	-
17. Kalupahana	54	158	3	298	512	-	1,500	50	163
18. Kelani	27	183	20	120	349	1	300	30	174
19. Dewalakande	-	520	14	183	717	2	502	-	389
20. Panawatte	11	681	5	334	1,030	1	1,000	8	528
21. Urumiwela	3	373	14	332	722	1	800	6	299
22. Kiriporuwa	23	336	35	192	587	2	805	25	321
23. Lavant	-	368	31	170	569	1	800	-	263
24. Ganapalla	-	293	57	140	490	-	1,000	-	244
25. We Oya/ Polatagama	24	674	32	257	987	-	1,000	13	568
Total	**3,421**	**3,989**	**336**	**5,382**	**13,128**	**24**		**4,088**	**3,304**

OUR LAND



GRI 102 - 4

Total Hectares Managed

13,128 Ha

Tea	3,421 Ha
Rubber	3,989 Ha
Other	5,718 Ha

Mature

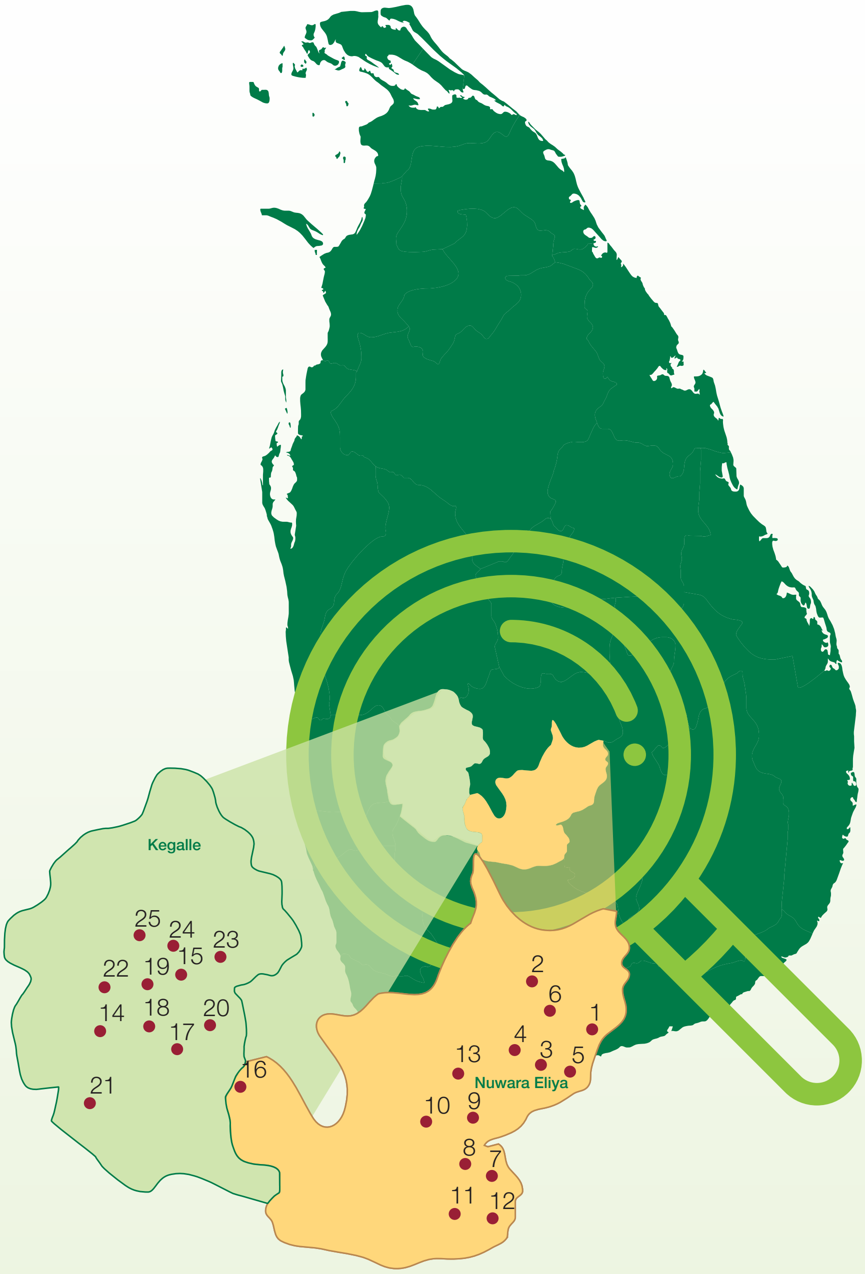
6,899 Ha

Tea	3,372 Ha
Rubber	2,884 Ha
Other	643 Ha

Immature

1,573 Ha

Tea	49 Ha
Rubber	1,105 Ha
Other	419 Ha



Distribution of Land

CORPORATE PROFILE

GRI 102 - 1, 2, 3, 5, 7, 11, 12, 13

Kelani Valley Plantations PLC (KVPL) was incorporated as a regional plantation Company on 18 June 1992 and listed on the main board of the Colombo Stock Exchange in 1996. It is a subsidiary of Dipped Products PLC, a leading manufacturer of hand protection wear worldwide.

Kelani Valley Plantations comprises 25 estates spanning three distinct agro-climatic regions covering over 13,000 hectares of Tea, Rubber, Coconut, Cinnamon and Agro-forestry plantations.

All of KVPL's Black Tea factories are ISO 22000:2018 certified and its Tea plantations are accredited with Rainforest Alliance Certification. Additionally, being a member of Ethical Tea Partnership (ETP), certifies the Company's commitment to good agricultural practices with highly-stringent adherence to environmental best practices, while signifying a responsible approach to augmenting ethical business practices in worker safety and health and preservation of bio-diversity within the plantations.

In addition to Black Tea manufacturing Glassaugh factory produces green tea, while KVPL's Nuwara Eliya factory specialises in the production of Ready to Drink (RTD) tea. KVPL's two Tea Centres, the Pedro Estate Ethical Tea Boutique in Nuwara Eliya as well as the 'Tea Train' at Edinburgh Estate in Nanu oya add considerable brand value to KVPL's credentials as a leading tea manufacturer in the country.

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

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

Mabroc Teas (Pvt) Ltd., our tea marketing company, has a reach of over 50 countries and together with KVPL became a signatory to the UN Global Compact, a member of the UNGC Charter and launched the unique Single Origin Tea from selected garden marks. It was recognised as 'The First Ethical Tea Brand of the World' for honouring the four main principles of UNGC; Human Rights, Labour Standards, Environment and Anti- Corruption.

Pursuing a policy of diversification into other complementary business models, in 2003 Kalupahana Power Company (Pvt) Ltd. was established to generate a 1 MW hydro power. The recent addition to this area of business was a solar power plant of 165 kWP in Dewalakanda Estate.

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

The continuous search for excellence is reflected in KVPL's operational practices and the numerous subscriptions to non-regulatory concepts of ethical business management and internationally recognised accreditations. The Company's present position in the industry is a testimony to the spirit of innovation and the commitment demonstrated by the 8,800 strong team, led by a closely-knit management collective.

VISION

"Kelani Valley Plantations - Products of Excellence"

MISSION

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

VALUE

We strive to do our best for our stakeholders in the following ways:

Our Customers:
We provide consistently good quality products and excellent service at competitive prices, whilst ensuring continuity of supplies. We are conscious of customer requirements and ever-changing market trends and orient our production to suit specific needs.

Our Employees:
We care for our employees and create a favourable environment for their participation in managing our affairs, thereby increasing productivity. We develop and create individuals who feel contended and secure in their jobs. We recognise merit.

Our Suppliers:
We establish mutually-beneficial relationships with our suppliers based on trust, quality and reliability. We treat them as we wish to be treated ourselves.

Our Owners:
We enhance the reputation of the company by conforming to high levels of conduct. We generate adequate return and ensure security of their investments by maintaining high-viability, long-term stability.

Our Competitors:
We view our competitors as a source of inspiration for our own advancement. We are conscious of their strengths and weaknesses and compete for market superiority without resorting to unethical practices while maintaining close cooperation on common issues.

Our Country and the World:
We conduct our business in a socially-responsible and ethical manner. We are aware of the changing environment and contribute towards enhancing the quality of life for a better Sri Lanka and a better world.

2020

- Ranked within the LMD Top 50 Most Awarded Companies 2019/20 Hall of Fame.
- First ever RPC to qualified with Field Officers holding National Skills Passport

1992

- Incorporated as a Regional Plantations Company

1995

- DPL Plantations (Pvt) Ltd. acquired the controlling interest.

1996

- In January, KVPL Listed in CSE & issued 20 m ordinary shares each at Rs. 10.
- FSC certification for Rubber

1998

- Debentures were converted to 14 m additional shares

2000

- Implementation of mini hydropower scheme at Battalgalla estate

2001

- Expanded the Centrifuged Latex Project at Kiriporuwa estate

2003

- Conversion of Black Tea processing to Green Tea at Oliphant Factory – Nuwara-Eliya
- Incorporation of Kalupahana Power Company (Pvt) Ltd. as a BOI project
- Strategic alliance with Mabroc Teas (Pvt) ltd.

2004

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

2005

- Commenced operations of Kalupahana Power Company (Pvt) Ltd.

2006

- UN Global Compact Signatory with Mabroc and KVPL

2007

- Commencement of Instant Tea at Nuwara-Eliya estate.
- ISO 22000:2005, HACCP & TASL-SGS Certification for 13 Black Tea processing centers

2008

- Global G.A.P. Certification
- Black Tea factory at Glassaugh converted to Green Tea

2009

- Dewalakande and Panawatte Sole Crepe - Certified for FSC

2010

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

2011

- Rainforest Alliance certification

2013

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

2014

- Incorporation of Hayleys Global Beverages (Pvt) Limited and invested on 51% ownership of shares.

2015

- Ownership of HGBL reduced to 40% from 51% with effect from 31 March 2016 due to new allotment of shares.

2016

- Celebration of 25 years in the Plantation Industry, Excellence in Tea and Rubber Plantations.
- Winner – Global HR Excellence Award
- GMP Certification – Tea Factories

2017

- Gold Winner of National Business Excellence Awards (Agriculture & Plantation Sector) and Bronze in Overall Excellence
- Incorporation of Fully owned subsidiary Kelani Valley Resorts (Pvt) Ltd.

2018

- HGBL renamed as "Martin Bauer Hayleys (Pvt) Ltd" and holding was reduced to 10.1% from 40% due to strategic partner with Martin Bauer Group of Germany

2019

- Highest ever recognition for business Excellence by winning the Overall Gold Award at National Business Excellence Awards 2019, being the 2nd Agro based company to achieve the pinnacle award.

BOARD OF DIRECTORS

Left to Right

A M PANDITHAGE Chairman/Executive Director | **DR. R RAJADURAI** Managing Director/ Executive Director
A WEERAKOON Chief Executive Officer/ Executive Director

Left to Right

S C GANEGODA Non-Executive Director | **F MOHIDEEN** Independent Non-Executive Director

C V CABRAAL Independent Non-Executive Director | **L N DE S WIJEYERATNE** Independent Non-Executive Director

BOARD OF DIRECTORS

A M PANDITHAGE
Chairman and Chief Executive

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Appointed to the Board of Kelani Valley Plantations PLC in July 2009.

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping.

DR. ROSHAN RAJADURAI
Managing Director/Executive Director

Appointed to the Board in 2013.

Managing Director of Hayleys Plantation Sector comprising of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. A member of the Hayleys Group Management Committee. Since 1993 -2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 – 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008 – 2012.

He holds a B.Sc Honours in Plantation Management, an MBA and an MSc. In Agriculture and Plantation Crops from the Post Graduate Institute of Agriculture, University of Peradeniya. He has a Ph.D in Management and a D.Sc in Agriculture.

He had been the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka. He is the Chairman of the Sustainability Working Group and the Co-Chairman of the Sri Lanka Tea Road Map Strategy 2030. He serves in the Standing Committee on Agriculture of University Grants Commission.

A WEERAKOON
Chief Executive Officer/Executive Director

Appointed as an Executive Director to the Board of Kelani Valley Plantations PLC in December 2018 after being promoted as a Chief Executive Officer. Prior to rejoining served as a Director in Malwatte Valley Plantations PLC. Over 33 years of experience in the plantations industry. Specialised in introducing modern management systems and system development strategies to the plantation sector.

F MOHIDEEN
Independent Non-Executive Director

Director of Kelani Valley Plantations PLC since October 2008. Holds a B.Sc. in Mathematics, University of London and a M.Sc. in Econometrics, London School of Economics. Former Deputy Secretary to the Treasury and Director General, External Resources Department, Ministry of Finance and Planning.

S C GANEGODA
Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Group Management Committee in July 2007. Appointed to the Board in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Horana Plantations PLC.

L N DE S WIJEYERATNE
Independent Non-Executive Director

Appointed to the Board of Kelani Valley Plantations PLC in July 2013. Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 36 years of experience in finance and general management both in Sri Lanka and overseas. Former Group Finance Director of Richard Pieris PLC and also held senior management positions at Aitken Spence & Company, Brooke Bonds Ceylon and Zambia Consolidated Copper Mines Limited. Serves as a member of the Quality Assurance Board of the Institute of Chartered Accountants and a former member of the Sri Lanka Accounting Standards Monitoring Board. An Independent Director of several listed and unlisted companies.

C V CABRAAL
Independent Non-Executive Director

Appointed to the Board in January 2013. A Graduate (with Honours) in Mechanical Engineering (BSc.) with a focus in manufacturing and design from the Missouri University of Science and Technology, USA. He is currently working for CHEC Port City Colombo (Pvt) Ltd. as Manager – Estate Management.

He serves as a board member on the Export Development Board of Sri Lanka. He also serves on the boards of The Fortress Resort and Spa PLC, Renuka City Hotels PLC and Vallibel Power Erathna PLC. He previously worked at Brandix Lanka (Pvt) Ltd as a Sustainability Engineer (2011- 2014) in the Energy and Environment Department. He began his career in 2010 as a Management Trainee at John Keells Hotel Management Services..

CORPORATE MANAGEMENT PROFILE

Left to Right

Seated

A T Gamage – *General Manager- Human Resources & Corporate Sustainability* | **R D G Fernando** – *General Manager - Rubber Marketing & Administration* | **R N A Bandaranayake** - *Director Plantations (Tea)* | **Y U S Premathilake** - *Director Plantations (Rubber)*
R M V W Weerabahu – *General Manager - Finance* | **A P Senanayake** – *Regional General Manager - Projects* | **D M Wickramaratne** – *General Manager – Marketing*

Standing

D D C Senevirathne – *Manager – Accounts* | **K A R Alles** – *Senior Manager - Corporate Affairs* | **R M Vithanawasam** – *Manager - Sustainability*
K Murugadas – *Senior Manager – Marketing* | **Susantha Wijesinghe** – *Senior Manager - Information Technology*
R M R Y B Ratnayake – *Manager – Monitoring*

CORPORATE MANAGEMENT PROFILE

BOARD OF DIRECTORS

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

Directors:
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer
F Mohideen
S C Ganegoda
C V Cabraal
L N De S Wijeyeratne

DPL Plantations (Pvt) Ltd.
Plantation Management, Managing Agent
Incorporated in 1992 in Sri Lanka
Stated capital – Rs. 550 m

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

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

Directors:
Dr. Roshan Rajadurai
A Weerakoon
M F M Ismail
P A L Fernando

Kelani Valley Instant Tea (Pvt) Ltd.
Manufactures Instant Tea
Incorporated in 2007 in Sri Lanka
Stated Capital - Rs. 30 m
Group Interest 100%

Directors:
A M Pandithage
N R Ranatunga
Dr. Roshan Rajadurai

Mabroc Teas (Pvt) Ltd.
Exports Bulk & Retail Packed Tea
Incorporated in 1988 in Sri Lanka
Stated capital - Rs. 90 m
Group interest - 100%

Directors:
A M Pandithage - Chairman
J A G Anandarajah
N R Ranatunga - Managing Director
R M Hanwella - Resigned on 27 October 2020
Dr. Roshan Rajadurai
R S Samarasinghe
S C Ganegoda
S C Hikkaduwage - newly appointed on 01 August 2020

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

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

Kelani Valley Plantations PLC

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

Operational Directors:
Y U S Premathilake - Director Plantations (Rubber)
R N A Bandaranayake - Director Plantations (Tea)
Keith de J Seneviratne - Director – Regional Administration (Retired on 26/03/21)

General Managers:
R D G Fernando - Rubber Marketing & Administration
R M V W Weerabahu - Finance
A T Gamage - Human Resources & Corporate Sustainability
D M Wickramaratne - Marketing (newly appointed on 16/04/2021)

Regional General Managers:
K W S F Fernando - Kiriporuwa
A P Senanayake - Projects
P D Pathirana - Pedro
D I Gallearachchi - Invery

Deputy General Managers:
D E P K Welikala - Panawatte
A M C B Attanayake - Annfield

Group Managers:
W P S B Abeywardena - Dewalakande
P K A H Thilakaratna - We-Oya

Senior Managers:
Susantha Wijesinghe - Information Technology
R L Obeysekara - Ganepalla
K Murugadas - Marketing
K A R Alles - Corporate Affairs
R C Gnanasekeram - Ingestre
W A K Chandana - Centrifuge Factory - Kiriporuwa

Managers:
R M R Y B Ratnayake - Monitoring
D D C Senevirathne - Accounts
R M Vithanawasam - Sustainability
Nuran Amaratunge - Marketing (Retired on 30/04/21)

Estate Managers:

Up Country (Nuwara Eliya & Hatton Group)
Y A Hettiarachchi - Battalgalla
W M P Wanasundera - Fordyce
A Gannoruwa - Nuwara Eliya
H E Peiris - Robgill
M G Jayamantri * - Edinburgh
K T Benthota * - Udaradella
C M K Wijayawardane * - Oliphant
D Augustin * - Glassaugh
L P John ** - Tillyrie

Low Country (Tea & Rubber Group)
U K Wanniarachchi - Halgolle
D J C S Chandrasekera - Kalupahana
R M U S Jayasundara - Ederapolla
K K A I Perera * - Kelani
T Karthik *** - Kitulgala
R C Jayaratne ** - Lavant
M S S P Muhandiram ** - Urumiwella

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

Mabroc Teas (Pvt) Ltd

Directors:
N R Ranatunga - Managing Director
R S Samarasinghe - Deputy Managing Director
S C Hikkaduwage - Director

General Managers:
U A De Silva Kulasiri - Internal Trade
T M L J Peris - International Marketing
G A M S Perera - Operations

Managers:
K Wilegoda - Finance
H M S Wijerathne - Information Technology
E F W Samaraweera - Factory
V A W Wakista - Tea
S L T Puvimannasinghe - Marketing
S U Gonaduwa - Schedule Planning and Efficiency Management

CORPORATE MANAGEMENT PROFILE

Up Country Management Team

P D Pathirana
Regional General Manager
Pedro Estate

D I Gallearachchi
Regional General Manager
Invery Estate

A M C B Attanayake
Deputy General Manager
Annfield Estate

A R C Gnanasekeram
Senior Manager
Ingestre Estate

Y A Hettiarachchi
Estate Manager
Battalgalla Estate

A Gannoruwa
Estate Manager
Nuwara Eliya Estate

W M P Wanasundera
Estate Manager
Fordyce Estate

H E Peris
Estate Manager
Robgill Estate

M G Jayamantri
Acting Estate Manager
Edinburgh Estate

D Augustine
Acting Estate Manager
Glassaugh Estate

K T Benthota
Acting Estate Manager
Udaradella Estate

C M K Wijayawardana
Acting Estate Manager
Oliphant Estate

L P John
Deputy Manager In Charge
Tillyrie Estate

Low Country Management Team

S F Fernando
Regional General Manager
Kiriporuwa Estate

D E P K Welikala
Deputy General Manager
Panawatte Estate

W P S B Abeywardena
Group Manager
Dewalakande Estate

P K A H Thilakaratna
Group Manager
We Oya Estate

R L Obeysekara
Senior Manager
Ganepalla Estate

W A K Chandana
Senior Manager
Centrifuge Factory

R M U S Jayasundara
Estate Manager
Ederapolla Estate

U K Wanniarachchi
Estate Manager
Halgolla Estate

D J C S Chandrasekara
Estate Manager
Kalupahana Estate

K K A I Perera
Acting Estate Manager
Kelani Estate

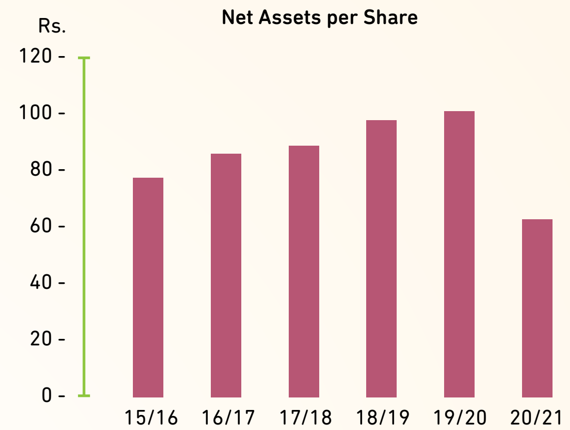
R C Jayaratne
Deputy Manager In Charge
Lavant Estate

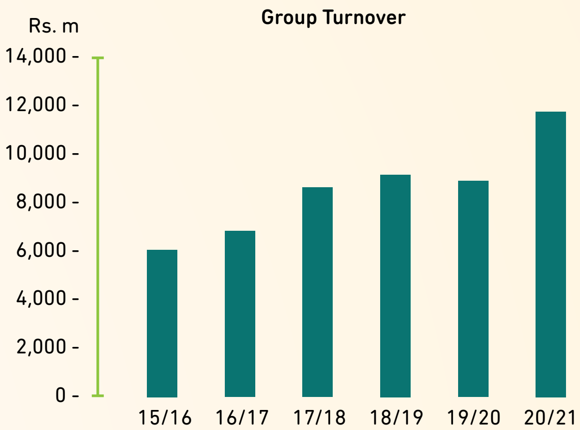
M S S P Muhandiram
Deputy Manager In Charge
Urumiwella Estate

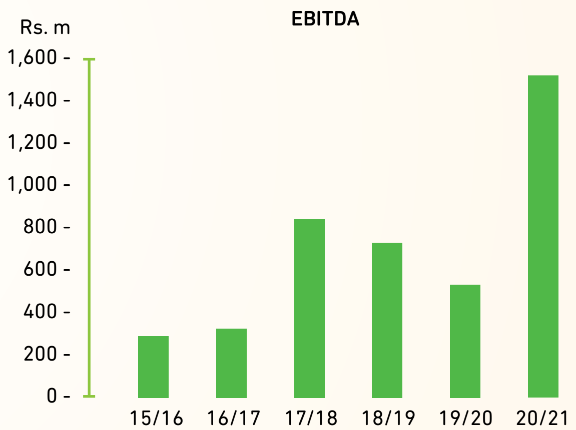
T Karthik
Assistant Manager - In Charge
Kitulgala Estate

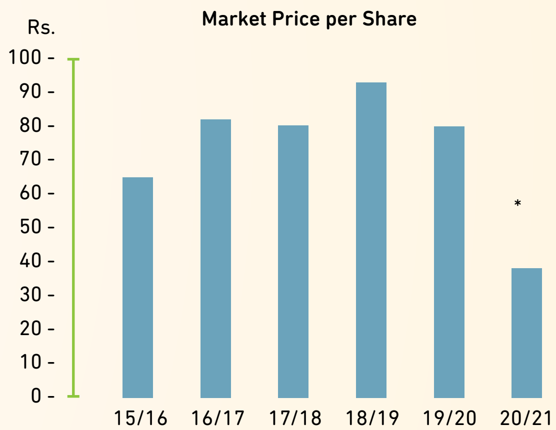
FINANCIAL HIGHLIGHTS

		Group			Company		
		2020/21	2019/20	% of change	2020/21	2019/20	% of change
Earning Highlights and Ratios							
Revenue	Rs.'000	11,760,469	8,909,174	32%	4,573,645	4,012,910	14%
Result from operating activities	Rs.'000	1,172,434	224,918	>100%	701,354	(73,378)	>100%
Profit/(Loss) before tax	Rs.'000	947,521	(22,772)	>100%	544,467	(286,302)	>100%
Profit/(Loss) after tax	Rs.'000	802,185	(87,019)	>100%	495,538	(300,039)	>100%
Operating profit margin	%	9.97	2.52	>100%	15.33	(1.83)	>100%
Net profit margin	%	6.82	(0.98)	>100%	10.83	(7.48)	>100%
Return on assets (ROA)	%	7.46	(0.93)	>100%	6.55	(4.11)	>100%
Return on capital employed (ROCE)	%	15.50	3.52	>100%	14.44	(1.57)	>100%
Interest cover	Times	5.21	0.91	>100%	4.47	(0.34)	>100%
Financial Position Highlights and Ratios							
Shareholders' funds							
(Equity Holders of the Company)	Rs.'000	4,249,055	3,437,193	24%	3,406,030	2,890,272	18%
Gearing (Debt/(Equity+Debt)	%	44	46	(5%)	30	38	(22%)
Working capital	Rs.'000	215,958	(451,598)	>100%	(116,937)	(693,922)	83%
Current ratio	Times	1	0.83	28%	0.92	0.58	58%
Market capitalisation	Rs.'000	2,550,000	2,720,000	(6%)	2,550,000	2,720,000	(6%)
Capital expenditure	Rs.'000	266,954	736,227	(64%)	185,217	263,498	(30%)
Per share (Year End):							
Earnings	RS.	11.69	(1.40)	>100%	7.29	(4.41)	>100%
Dividend	RS.	-	-	-	3.00	-	>100%
Market value	RS.	37.50	80.00	(53%)	37.50	80.00	(53%)
Net assets	RS.	62.49	50.55	24%	50.09	42.50	18%

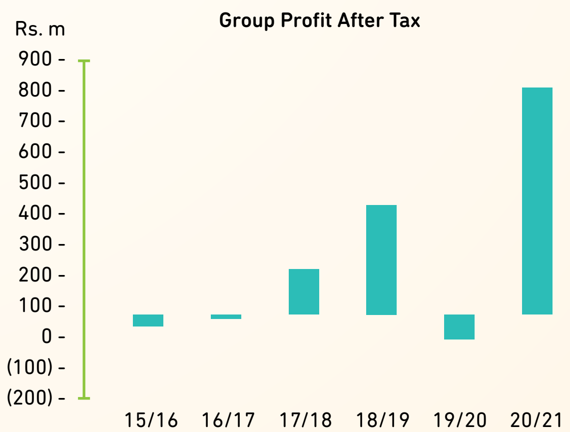


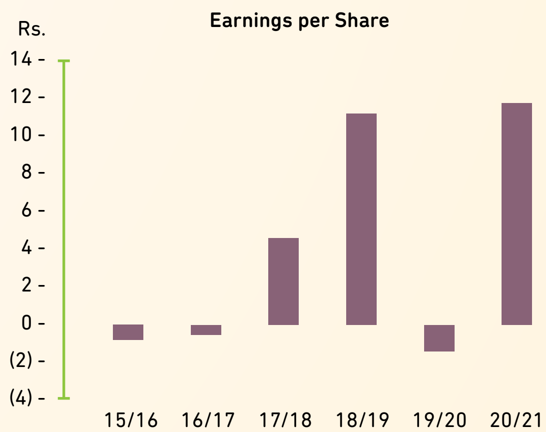






Due to Share split of 1: 2 on 10 February 2021.





NON-FINANCIAL HIGHLIGHTS

GRI Disclosure		2020/21	Page Reference
Economic Performance			61
GRI 201-1	Value created shared with		
	Employees	72.3%	
	Government of Sri Lanka	5.0%	
	Shareholders	4.3%	
	Lenders of capital	3.5%	
Natural Capital			79
GRI 301-1,2,3	GHG Emission (tCO2e)	5,047	
	Hydropower generation (kWh)	10,034,375	
	Solar power (kWh)	132,212	
	Water treatment (L)	106,762,361	
	Electrical intensity- Tea (kWh/kg)	0.84	
	Electrical intensity- Rubber (kWh/kg)	0.35	
	Conservation Area (Ha)	2,048	
	Native and shade tree planting	1,317	
Human Capital			66
GRI 401-1	Total new employee hires	658	
	Training head count	10,841	
	Training hours	54,879	
	Training investment (Rs.)	864,429	
Social Capital			73
	New houses built (units)	87	
	Land extent granted (perches)	104	
	Reroofing houses (units)	14	
	Water schemes (units)	5	
	Sanitation - toilets (units)	33	
	Electrification (housing units)	95	
	Field rest room (units)	12	
	Eye care operations - Cataract	60	
	- Spectacles	71	
	- Clinics	14	
	Oral Cancer programmes	6	
	AIDS awareness programme	14	
	Dengue awareness programmes	109	
	Micro financing (Rs.)	48,076,483	
	No. of borrowers	3,432	
	Deposits accepted (Rs.)	15,438,021	
	Prevention of Alcoholism programmes	69	
	House hold cash management programmes	61	
	Training for Small business Management	114	
	Home Gardening	269	
	English Classes for Estate Children	200	
	Computer Classes	74	
	Vocational Training -Self Employment	80	
	COVID - 19 Awareness programs	691	

AWARDS AND ACCOLADES

A **GLOBAL HR EXCELLENCE AWARD 2019**

- Winner - Best HR Organisation to Work for

B **CA ANNUAL REPORT AWARDS**

Institute of Chartered Accountants of Sri Lanka

- Plantation Companies Category - Gold - 2019

C **NATIONAL SOCIAL DIALOGUE & WORKPLACE COOPERATION AWARD 2019**

Ministry of Labour

Plantation Sector Large Scale

- Gold (Joint Winner) – Pedro

Plantation Sector Medium Scale

- Silver - Nuwara Eliya & Annfield
- Bronze – Robgill

Plantation Sector Small Scale

- Gold - Battalgalla
- Silver - Edinburgh & Oliphant

Service Sector Small Scale

- Gold

D **SOUTH ASIAN BUSINESS EXCELLENCE AWARDS 2019**

HAYLEYS PLANTATIONS SECTOR

- Winner

E **NATIONAL BUSINESS EXCELLENCE AWARDS 2019**

National Chamber of Commerce of Sri Lanka

- Overall Excellence – Gold
- Extra Large Category - Gold
- Agriculture & Plantations Sector – Silver
- Excellence in Corporate Governance – Silver
- Excellence in Corporate Social Responsibility – Gold
- Excellence in Performance Management – Gold

F **SRI LANKA CORPORATE HEALTH & PRODUCTIVITY AWARDS 2020**

- Chamber of National Young Lankan Entrepreneurs (COYLE) & Japan External Trade Organisation (JETRO)

- Silver Award – Extra Large Category

G **GREAT HR PRACTICES 2019** - CIPM Sri Lanka

- Winner - In Recognition of Participation & Progressive Efforts to Uplift HR Practices through the Concept of Environment

CHAIRMAN'S MESSAGE

GRI 102 -14

> YOUR COMPANY'S SUCCESS DURING THE YEAR IN THE FACE OF A MULTITUDE OF CHALLENGES, WAS ALSO A REFLECTION OF THE SUSTAINABLE MODEL OF VALUE CREATION THAT THE COMPANY HAS BUILT AND CONTINUES TO INVEST IN

32% GROWTH IN TURNOVER TO

Rs. 11.7 B

Dear Stakeholder,
I take pleasure in welcoming you to the 29th Annual General Meeting of Kelani Valley Plantations PLC. (KVPL) and in presenting to you the Annual Report and audited financial statements for the year ending 31 March 2021.

Performance in Context;
KVPL performed well to achieve a more than 100% growth in consolidated Profits Before Tax (PBT), in a year of double jeopardy. The severe social and economic impacts of the COVID-19 pandemic which traversed all geographic, economic and social boundaries across the world, was close upon the heels of the inimical conditions of 2019 which saw Sri Lanka experience one of the most prolonged periods of economic stagnation. Accordingly, the Sri Lankan economy contracted by 3.6% in 2020 reflecting the worst recession since independence, whilst the Agriculture sector declined by 2.4%.

The first quarter of the year saw severe drought conditions in Tea growing areas, and hence, a devastating impact on crop output, which, combined with the subsequent disruptions to labour supply, caused the country's Tea production to decline by 7.1% in 2020. It is thus most commendable that KVPL was able to achieve a 32% growth in Turnover to Rs. 11.7 B Higher tea prices spurred by higher demand in our export markets and a socially and environmentally sustainable business model were key factors which supported your Company's resilience amidst unprecedented challenges.

In line with the 4.6% increase in Sri Lanka's Rubber production, supported by favourable weather conditions, and attractive market prices which was fuelled by a demand for natural rubber in the global market place, your Company's Rubber output increased by 21% during the year.

In a year in which Tea prices at the Colombo Tea auction remained elevated, it is also noteworthy that KVPL continued to record the 2nd high prices for Tea, for the 3rd consecutive year. Similarly, KVPL also continued to fetch the higher GSA amongst Rubber producing Regional Plantation Companies (RPC's).

The constraints caused by the pandemic prompted Sri Lanka's Tea auction to move to an electronic platform during the year, facilitating increased participation and competition, greater efficiencies and speedier transactions for the industry. KVPL thus aligned its day to day operations to trade on this digital platform.

I am most heartened by your Company's ability to have ensured continuous operations across all its locations with minimal interruptions, during the most challenging periods of curfew and lockdown from March – May 2020. It was a result of a laudable and cohesive effort by the entire team that makes up KVPL, as well as the entire Tea industry. This concerted effort by the industry comprising all RPC's and private companies helped Sri Lanka's Tea production recover in the second half of the year to meet a rise in export demand; thereby gaining a reputation in the global markets for the reliability of its supply chain and quality.

Another setback to the Tea industry during the year came in the form of a 35% wage increase, mandated by a decision that was ultimately made by the Wages Board, without any link to productivity.

A weakening currency, with a depreciation of 5.5% against the U.S. Dollar between 31 March 2020 and 31 March 2021, had a slight positive impact on the Tea industry due to exchange rate gains, although price adjustments by buyers offset part of these gains. The depreciation also had some negative implications due to higher cost of imports, of inputs such as packaging material.

Accolades

We are heartened by several national and international accolades received during the years 2019/2020. I am particularly happy to note that the wide gamut of these awards reflect the Group's Triple Bottom Line approach in business. They range from recognition of overall business excellence to financial reporting and governance, quality of our manufacturing to our employee engagement; contribution to the environment, and social empowerment. These accolades will continue to encourage us in our efforts to constantly refine and enhance the ways in which we reach towards our vision. KVPL became one of the only two agro based companies to be awarded among top 50 companies by LMD. The comprehensive list of awards is presented elsewhere in this report.

Bolstering and Harnessing our Sustainable Model

Your Company's success during the year in the face of a multitude of challenges, was also a reflection of the sustainable model of value creation that the Company has built and continues to invest in. These initiatives integrated into our business strategy and operations are described at length in the ensuing MD's Review and the Social and Environmental Capital Reviews of this report. KVPL has been a signatory to the United Nations Global Compact (UNGC) since 2008 and continues to comply with several social and environmental accreditations whilst partnering a number of other governmental, non-governmental and international agencies to reach its Triple Bottom Line objectives.

Directorate

Our Board composition remained the same during the year.

Governance

We believe that the highest standards in Governance is indispensable to creating long term value to our stakeholders and must be pursued uncompromisingly It is about engendering trust and about effective, transparent and accountable Governance by the management including the Board- the highest governing body. As a member of the Hayleys Group; the Boards of Hayleys and KVPL both set the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. We also ensure that the Company's mechanisms for good governance are constantly reviewed, benchmarked against international standards and strengthened to meet evolving requirements.

Strategies and Outlook

The unexpected change in the dynamics of the current socio economic environment has prompted us to review our strategies and explore alternatives whilst continuing with those strategies that have served us well in the past and continue to remain relevant. Our strategic priorities at present focus on the short term and on minimising risk, due to the uncertainty and volatility of the operating environment. It is distressing that the unpredictability of the operating environment due to the threat of the pandemic when a third wave in the county seems imminent; is compounded by the policy inconsistencies and decisions without consideration for the long term sustainability of the industry.

Technology will remain an imperative to enhance value creation and sustain our competitiveness. Innovation, of our processes, products and systems will continue to be key facets of our strategic positioning for the medium to long term future. KVPL continued to automate the production and administration of estates to shift from a traditional labour intensive model to a technology driven one.

We will continue to pursue a crop diversification strategy, which will include the cultivation of Cinnamon, Coconut and Agarwood and other crops in older less profitable rubber lands. Moreover, continuing on from our foray into the leisure sector with the launch of Kelani Valley Resorts (Pvt) Ltd. in 2017, we will also continue to explore business diversification such as the conversion of more unused tea factories into leisure opportunities.

The Group's sustainable practices have been intrinsic to its performance as has been demonstrated in these challenging times as well as less challenging times. In Agriculture, the benefits of sustainable agri practices, and social engagement are more tangible and immediate. The Group will continue to refine, benchmark and expand its efforts to enhance its Social and Environmental Capitals. In a global market in which the demand for Tea is projected to increase, it is our hope that authorities would change those decisions which are certain to be detrimental and offer instead a supporting environment for this industry to thrive and increase its value creation for all its stakeholders.

Appreciation

I would like to thank my colleagues on the Board for their guidance, unstinted support and the confidence placed in me. My heartfelt appreciation to the Managing Director and all employees of KVPL for their tireless efforts, passion, commitment and sense of ownership which has enabled the Company surmount a host of challenges during the year. My sincere appreciation also to all our stakeholders and customers for their loyalty which continues to inspire us.

A M Pandithage
Chairman

11 May 2021

MANAGING DIRECTOR'S REVIEW

MANAGING DIRECTOR'S REVIEW

I AM MOST HEARTENED TO NOTE THAT KVPL'S ENGAGEMENT WITH ITS PEOPLE AND ITS RELATIONSHIPS ACROSS THE ENTIRE VALUE CHAIN OF THE COMPANY DEMONSTRATED THE COMPANY'S STRENGTH AND ITS RESILIENCE AS A TRULY SOCIALLY SUSTAINABLE ENTERPRISE.

PROFITS BEFORE TAX
Rs. 948 m

Dear Stakeholder,
It is my pleasure to present to you the Annual Report and audited financial statements of Kelani Valley Plantations PLC (KVPL) for the year ending 31 March 2021. KVPL achieved a commendable performance, achieving its highest Profits Before Tax (PBT) todate of Rs. 948 m whilst its Profits Attributable to Shareholders reached to Rs. 795 m, in an unprecedented year, which was one of the most challenging for the industry, the entire country, and the world at large.

Tea Sector

Amidst the pandemic conditions, it is most heartening to note that the camaraderie and a concerted effort by the entire industry, comprising Regional Plantations Companies (RPC's) and other related stake holders, enabled the industry to respond and adapt swiftly, to ensure minimal disruption to operations in the fields and the manufacturing plants. The Tea crop output in the country declined considerably by 7.1% for the year in 2020 on the back of a 18.1% decline in the first half due to adverse weather and supply disruptions caused by measures to contain the spread of COVID 19. However, the second half saw a recovery for Sri Lanka's crop output to increase year-on-year by 4.9% . Production of High, Medium and Low grown Tea, which contributes about 22 %, 17 % and 61 % of the country's total production, declined by 1.3 %, 0.9 % and 10.5 %, respectively, in 2020. Western High Growns make up 79% KVPL's Tea production whilst the remaining 21% comprises Low Growns. KVPL's output declined during the first half due to severe drought conditions during its peak months of March to April. However the Company was able to record an increase over the second half to achieve a 8% growth in its crop output for the year. Sri Lanka's earnings from Tea exports declined during the year by as much as 105.5% in US Dollar terms due to the decline in output during the first two quarters of the year.

The continuation of our operations as a result of a swift and concerted effort across the value chain by the entire industry, was able to ensure that Sri Lanka's supply chain remained largely uninterrupted by the lockdowns, thus gaining respect as a reliable supplier amongst its export markets, The latter half of the year saw the industry benefit from a growth in exports. Firstly due to a rise in demand for Tea as a preferred hot beverage during the spread of the virus due to its health benefits and secondly, due to the supply chain disruptions experienced by other exporters such as Kenya and India.

In addition to the pandemic and its implications, the medium to long term sustainability of the Tea industry could be Challenged by cost escalations due to a 35% wage increase mandated by the Wages Board. The cost increase would compel RPC's to bear an additional cost of Rs.15 B. per annum; thus requiring the reallocation of funds from other commitments.

Rubber Sector

Sri Lanka's Rubber sector saw an increase in production as well as export earnings, encouraged by a rise in demand for natural rubber. Export earnings from Rubber in US Dollar values increased by 5.9% during the year. The disruptions to supplies from other rubber producing nations saw an increase in global prices whilst Sri Lanka's domestic demand for home grown rubber also rose as imports were impeded by the disruption to shipping and supply chains during the year. A rise in demand for Rubber was also fuelled by a growth in demand for centrifuged latex and natural latex, for the manufacture of gloves and related products amidst the global pandemic. KVPL increased its Rubber output by 21% encouraged by demand and increased tapping days, facilitated by the increasing use of rain guards and other improved agri practices.

KVPL Group's Performance

The Tea segment was the main contributor to KVPL Group's revenue, with Rs. 10,262 m constituting 87% of revenue, whilst the Rubber segment contributed 12% and the remaining 1% came mainly from the hydro power segment. The Tea sector's revenue primarily comprised a contribution of 30% from KVPL and 70% from its marketing arm Mabroc Teas (Private) Limited. The growth in Group's revenues and profits was bolstered by the performance of the Tea sector in the 4th quarter due to favourable weather and market conditions.

The revenue in the Rubber segment increased by 43% to Rs. 1,418 m supported by the significant increase in crop. Rubber prices also increased by 12% over the previous year, to gain Rs. 39 per kg. It is also noteworthy that the Company continued to achieve the 2nd highest GSA amongst Tea Producers for the third consecutive year at Rs. 22/20 per kg. (with the highest GSA being achived by the Hayleys Group's other subsidiary Talawakelle Tea Estates PLC) and the higher GSA amongst rubber producers.

Subsidiary performance

Our marketing subsidiary Mabroc achieved the best performance to date since its inception with its highest Turnover of Rs. 7.4 B and the packaging and export of the largest quantity to date, of 8 m kgs. Mabroc's PBT reached Rs. 615 m and Profits After Tax of Rs. 526 m, It is commendable that this achievement was despite the operating environment and logistical changes necessitated by the pandemic. These included the shifting of part of our tea tasting team to operate from a different location and the interruption to the import of packaging material. It is noteworthy that a swift response and adaptation enabled the Company to obtain certification as a "COVID-19 safe" business, for having all its safety protocols in place. The Company's upgrade of technology, following its investment into SAP continued to be in progress during the year.

The KVPL Group's other segments contributed a gross profit of Rs. 41 m with the Hydropower project at Kalupahana being the main contributor, followed by minor crops, such as Cinnamon and Coconut.

Our Sustainable Model of Value Creation

I am most heartened to note that KVPL's engagement with its people and its relationships across the entire value chain of the Company demonstrated the Company's strength and its resilience as a truly socially sustainable enterprise. Employee commitment and coperation at all levels enabled all our estates to ensure the implementation of all COVID 19 safety protocols, and thereby obtain approval to carry out our plucking and manufacturing operations throughout the lock down period. It is also most encouraging that your company was one amongst a few who did not have to face employee unrest during and in the immediate aftermath of the wage negotiations.

The curfews and the prolonged lockeddowns necessitated by the threat of the pandemic, posed greater difficulty to estate communities than it did to those close to cities, in accessing food and other essentials. In keeping with our values and how we engage with our people, the entire team of managers and executives rose to the occasion, with hands on involvement to ensure that no household on our plantations was left wanting under these unprecedented circumstances. A concerted effort and commitment by our entire team of managers and executives across our estates, saw the purchase of essential provisions and more, such as Vitamin C and herbal immunity boosters, to help our associates and their families cope with a lockdown and stay safe. The provisions bought were also packaged and delivered by our teams. Seeing the Company's values translated into action, further strengthened our employee relations.

Although constrained by mobility restrictions during the year the Group continued with its training and development initiatives for all tiers of employees using online portals. Its social and environmental sustainability initiatives, were dominated by the measures to cope with the pandemic. The Group will continue its many other Social and Environmental initiatives in the year ahead including those carried out in partnership with national and international organisations such as the Rain Forest Alliance, the United Nation's CEO Water Mandate, Save the Children Fund - Save the Children Sri Lanka, International Union of Conservation of Nature (IUCN),Sri Lanka Red Cross Society, National Institute of Occupational Health and Safety (NIOHS).

Outlook

The volatility and uncertainty of the current environment sees us focus on the short term and on risk minimising strategies.

Sri Lanka's competitiveness has been challenged over the past few years, by higher costs of production and lower productivity Vis a vis its counterparts such as Kenya and India. The recent wage increase is hence likely to see a significant impact on our competitiveness.

MANAGING DIRECTOR'S REVIEW

Conclusion

As we look to the year ahead there are many I would like to convey my heartfelt gratitude to; for their contributions have fuelled your Group's ability to meet the challenges of an unprecedented year and its capacity to harness opportunities amidst these challenges. My sincere appreciation to our Chairman whose unstinted supported, decisiveness and understanding helped us respond swiftly, hands on and effectively to meet the implications of the pandemic; to my colleagues on the Board and the Senior Management Team for the confidence placed in me and for their constant support, guidance and effort and the 8,854 members that make up our team, for their unwavering cooperation and tireless efforts, our customers, shareholders, business associates and other stakeholders for their continued support and inspiration.

Dr. Roshan Rajadurai
Managing Director

11 May 2021

Steadfast

IN IGNITING A RENEWED PURPOSE IN OUR PEOPLE

Kelani Valley Plantations®

STAKEHOLDER ENGAGEMENT

List of stakeholder Groups

GRI 102-40

1. Regulators
2. Secretary to the Treasury (owners of land) and Government
3. Parent Company
4. Public Shareholders
5. Plantation Community
6. Employees and Trade Unions
7. Buyers
8. Financial Institutions (providers of capital)
9. Brokers
10. Suppliers (Tea and rubber small holders and fertiliser suppliers)
11. Certification Agencies
12. Academia and Scientific Community (Tea Research Institute (TRI), Rubber Research Institute (RRI), the National Institute of Plantation Management (NIPM) and Sri Lankan Universities)

Collective Bargaining Agreements

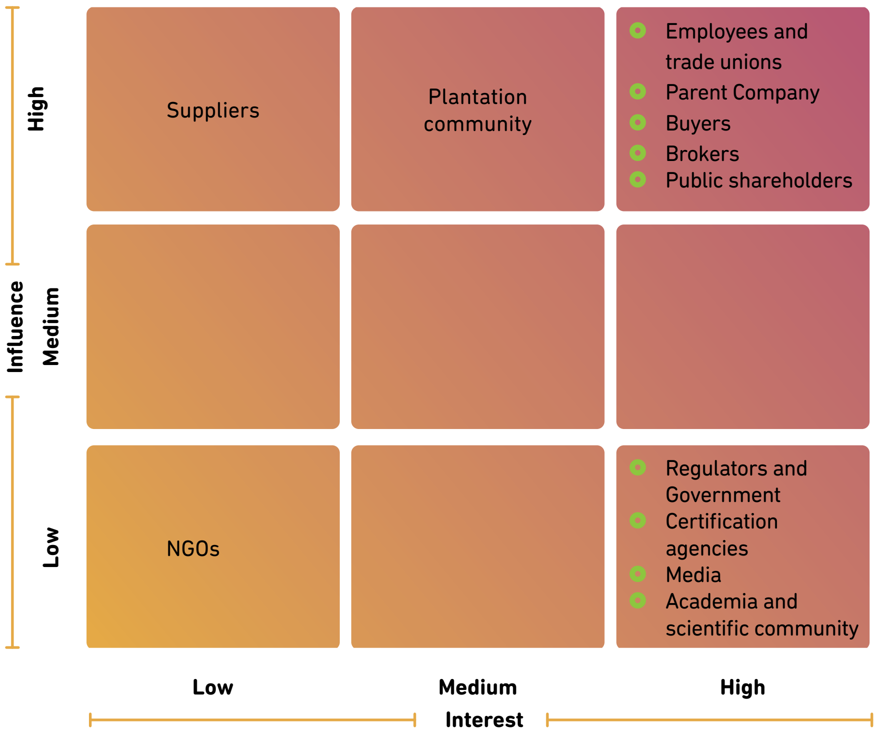
GRI 102-41

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

Identifying and selecting stakeholders

GRI 102-42

Stakeholder groups are prioritised based on the level of influence of stakeholders and the level of interest in the company.



Approach to stakeholder engagement

GRI 102-43, 44

Stakeholder group	Frequency of engagement	Key topics and concerns that have been raised through stakeholder engagement	KVPL's response to key topics raised
Regulators	Quarterly and annually	None	-
Secretary to Treasury (owners of land) and Government	As required on policy engagements	Plantation worker wage negotiations	KVPL responded by appealing to the courts for a more productive wage model
Parent Company	Fortnightly	General management and performances	Decisions transmitted to operational level
Public Shareholders	Annually, through AGM Quarterly, through the publication of financial results	None	-

Stakeholder group	Frequency of engagement	Key topics and concerns that have been raised through stakeholder engagement	KVPL's response to key topics raised
Plantation Community	As required for dialogues with community representative groups	Partnering the plantation management in community projects and security. Meeting the COVID-19 Pandemic challenge	Engaging donor agencies and initiating dialogue with security establishments Collectively work with health officials to overcome COVID-19 pandemic challenges
Employees and Trade Unions	Weekly meetings with union representatives	Day-to-day operational and social issues	KVPL seeks solutions for any employee concerns and social issues
Financial Institutions (providers of capital)	As required	None	-
Buyers	As required	Product quality and timely delivery	We provide an assurance through our certifications and regular product testing In addition, we plan deliveries in advance to ensure smooth delivery
Brokers	Weekly	Evaluation of produce	Broker feedback is conveyed to plantations
Suppliers	As and when required	Quality and price	Evaluation and monitoring
Certification Agencies	Annually	Non-conformity with standards	We ensure corrective action in a given time frame
Academia and Scientific Community	As required	Findings on research	Disseminate to lower levels of management

Entities included in the consolidated financial statements

GRI 102-45

a. A list of all entities included in the organisation's consolidated financial statements or equivalent documents.
b. Kelani Valley Resort
c. Kelani Valley Instant Tea
d. Mabroc Teas
e. Kalupahana Power Company

All entities included in our consolidated financial statements, or equivalent documents, are covered by the report.

Materiality Assessment

Defining report content and topic Boundaries

GRI 102-46

Selection of material topics and topic boundaries took into account the disclosure requirements under:

1. The GRI Standards 2016 core option
2. The International Integrated Reporting (IR) framework of 2013
3. United Nations Global Compact (UNGC) Communication of Progress (COP) requirements
4. United Nations Sustainable Development Goals (UNSDGs)
5. The Companies Act of 2007
6. Listing rules of the CSE
7. The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange.

Complying with reporting principles

GRI 102-47

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

In terms of quality principles, financial statements of the Company have been audited by Chartered Accountants, and regular internal audits are conducted throughout the year. All other information has been reviewed and approved by relevant senior managers to ensure maximum reliability. Two years of comparative quantitative data has been provided in most cases as required by the GRI Standards.

The process of selecting topics material to the Company and stakeholders is given below.

Stage in the process	Identify sustainability topics and indicators	List all relevant topics for KVPL	Determine and prioritise material aspects for reporting	Assessment of significance aspects for stakeholders and KVPL
Objective	Identification of potentially relevant issues for stakeholders and the Company	Analysis of the results of the initiatives to involve stakeholders in order to assess the priority that they assign to the various issues	Analysis of the results of the initiatives to involve stakeholders in order to assess the priority that they assign to the various issues	Segregating material aspects with highest level of significance along with medium low and high in terms of the impact on the organisation and on the external stakeholder
Result	Material topics	Stakeholders Identification Matrix	Focus issues	Materiality Matrix

Restatements of information

GRI 102-48

No information has been restated from the previous annual report.

List of material topics GRI and Management Approach

GRI 102-47, 49 & GRI 103-1,2,3

There are no significant changes from the previous reporting periods in the list of material topics and topic boundaries.

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	**GRI 103-2 : Management Approach**	**GRI 103-3 : Evaluation of the management approach**
201-1	Direct economic value generated and distributed	Key stakeholder groups have vested interest in the economic value generated. These include but are not limited to Shareholders Employees Treasury and Government Customers Suppliers	KVPL has implemented a crop and business diversification strategy to rebalance the risk portfolio. The strategy reduces risk concentration on agriculture through development of other revenue sources and reduces dependency on tea and rubber.	A comprehensive enterprise risk management framework monitors and evaluates risk factors, including financial risks and agricultural risks, factoring in agricultural impacts from climate change.
201-2	Financial implications and other risks and opportunities due to climate change			

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	**GRI 103-2 : Management Approach**	**GRI 103-3 : Evaluation of the management approach**
203-1	Infrastructure investments and services supported	KVPL conducts a number of infrastructure development projects within estates. The main beneficiaries are estate communities	KVPL's policy is to retain traditional resident agriculture labour within the estates.	Audits by project partners including the World Bank and Save the Children's Fund Internal audits on expenditure
301-1	Materials used by weight or volume	Controlling the use of materials is important not only as a means of containing our middle line by avoiding wastage, but also to ensure quality of our products and to support our commitments towards conservation. The topic boundary is the management and employees and suppliers.	Our policy is to conserve resources and to gradually increase recyclable components of our material inputs.	We have continuous systems to monitor type, quality and quantity of materials used and to report any changes.
302-1	Energy consumption within the organisation	Energy is material due to rising energy costs and also UNSDG and UNGC commitments. The impact point is our factories, as they are significant energy consumers.	KVPL's energy policy is to conserve and adopt renewable energy.	Energy consumption is monitored at all factories and office buildings. Energy systems are regularly evaluated and improved to gain energy efficiency
302-4	Reduction of energy consumption			
303-1	Water withdrawal by source	This topic is material to KVPL due to UNGC and UNSDG commitments. The impact boundary is our estates and estate communities.	KVPL is bound by the UNGC CEO water mandate and UNSDG commitments to conserve water and provide access to clean water for resident communities.	Water consumption at factories is constantly monitored and conservation initiatives are conducted.
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	This topic is material to KVPL due to UNGC and UNSDG commitments and also national regulatory requirements. The impact boundary is the country as a whole, as these are national assets.	KVPL has traditionally maintained all natural assets within estate as a fiduciary duty. We have now also pledged to comply with UNSGD and UNGC principles.	While hunting and felling trees is illegal, the Company also conducts regular community awareness programmes to protect bio assets.

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	**GRI 103-2 : Management Approach**	**GRI 103-3 : Evaluation of the management approach**
305-1	Direct (Scope 1) GHG emissions	This topic is material due to KVPL's UNGC and UNSDG commitments and environmental compliance regulations. The boundary is the resident communities and estate employees who are impacted by air quality.	KVPL's policy is to reduce the Group's carbon footprint through reduction in energy consumption and use of renewable energy.	KVPL complies with the Central Environmental Authority's minimum emission guidelines and monitors its carbon footprint with the objective of achieving a reduction.
305-2	Energy indirect (Scope 2) GHG emissions			
305-3	Other indirect (Scope 3) GHG emissions			
305-5	Reduction of GHG emissions			
306-2	Waste by type and disposal method	This topic is material due to KVPL's UNSDG commitments. The boundary is the resident communities, estate employees and also external communities.	KVPL's policy is to reduce, reuse or dispose waste using environmentally friendly methods.	Waste generation and disposal is monitored at all operational sites.
307-1	Non-compliance with environmental laws and regulations	Non-compliance would be negative to KVPL's reputation. The internal boundary is the management and shareholders due to legal action and fines.	Company policy is compliance with all environmental regulations and to reach beyond national compliances by adopting global best practices.	Environmental audits are conducted by the Central Environmental Authority, ISO environmental audits and other certification bodies including the Rainforest Alliance ETP, UTZ and FSC
401-1	New employee hires and employee turnover	These topics are material as they affect efficiency and productivity The topic boundary is all employees	KVPL policy is to be a great place to work.	Employees are assigned performance targets, performance reviews are conducted annually, employees are sent for training based on skill gaps and career development and rewards are based on performance.
403-2	Types of injury and rates of injury			
404-1	Average hours of training per year per employee			
404-3	Percentage of employees receiving regular performance and career development reviews			

GRI Disclosure		GRI 103 : Management Approach 2016		
		GRI 103-1 : Why the topic is material and topic boundary	**GRI 103-2 : Management Approach**	**GRI 103-3 : Evaluation of the management approach**
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In Sri Lanka, workers have the legal right to freedom of association and collective bargaining. In addition, child labour and forced labour is illegal. The topics have been selected as material due to UNGC principles.	KVPL complies fully with national regulations on freedom of association, collective bargaining, child labour and forced labour. Therefore, the company avoids dealing with suppliers that commit infringements.	Supplier audits are conducted regularly and suppliers are educated on the legal requirements.
408-1	Operations and suppliers at significant risk for incidents of child labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour			
413-1	Operations with local community engagement, impact assessments and development programmes	Community engagements are conducted extensively across all estates. The boundary is estate communities.	KVPL's policy is to support resident estate community development to retain communities within the estates. In this regard as a policy, we facilitate welfare programmes through government and non-governmental partnerships.	Internal audits are conducted on community projects. External audits are conducted by development partners.
415-1	Political contributions	This topics is material due to UNGC compliance	KVPL policy does not make political contribution to any political parties.	Internal audits on contributions and external independent audits on financials.
416-1	Assessment of the health and safety impacts of product and service categories	The health and safety impacts of products and services have an internal boundary of our employees and an external boundary of our customers and consumers.	Company policy is the adoption and compliance of international best practices in food health and safety.	All products and processes are fully compliant with ISO 22000:2005 HACCP GMP and (Good Manufacturing Practices) Certification
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services			
419-1	Non-compliance with laws and regulations in the social and economic area	The topic is material due to compliance and reputational risk of the Company. The boundary is the management and directors.	KVPL's policy is compliance with all national regulations.	Internal audits

Vision

Strategy

Capital

Process

Financial Capital

- Strategic planning
- Financial management
- Risk management
- Corporate governance
- Investment

Natural Capital

- Environment stewardship
- Biodiversity and ecosystem
- Sustainable resources
- Environmental protection
- (water, soil, energy)

Human Capital

- HR strategic plan
- Succession planning and leadership development plan
- Commitment to UNGC principles
- Performance based culture and reward management scheme for entire workforce -"you are identified"
- Comprehensive need based annual training plan including skills & competency development to all the HR segments

Social & Relationship Capital

- Community development
- Capacity building
- Stakeholder relationship
- Improving quality of life and quality of work-life
- Child policy implementation
- Youth empowerment
- Education and skills development

Manufactured Capital

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

Intellectual Capital

- Product & market research
- Innovation and development
- Customer engagement
- Diversified business
- Digital transformation of business process

Input

Business Segments

Support Services

Output

Mission

Value

Financial Capital

- EBITDA - Rs. 1,516m
- Sales - Rs. 11.7 B
- ROCE - 15.50%
- Capital Expenditure Rs. 267 m
- ROA - 7.5%

Natural Capital

- Investment into crop diversification project
- International accreditation & certification -RA, FSC,
- ISO 22000, HACCP, GMP
- Stepping into organic and fair rubber certifications

Human Capital

- 10,841 head counts were trained
- 54,879 training person hours was recorded
- Strategically aligned performance management practices with reward management process
- Gold award at Global HR Excellence Awards 2019, winning Awards, Gold award for Employee performance management at National Business Excellence Awards, Gold Winner – Graet HR practices (Green Learning Drive concept), Overall Silver Award at Nationa Health and Productivy Awards from JETRO, Japan, Gold Award for Small Scale –service sector at National Social Dialogue and Workplace including several Gold and Silver Awards for KVPL Estates

Social & Relationship Capital

- First ever Health and wellbeing policy
- "Home for every Plantation Worker" strategy with partnership of "Save the children"
- Safe and protection of next generation within the plantation community.
- "KEY VALUE DRIVERS" for enhancing the social values of the plantation community
- "GREEN LEARNING DRIVE" towards integrating social and environmental aspects within the community

Manufactured Capital

- Investing in to farming equipments
- Investing in modern digital hardware

Intellectual Capital

- SMART precision plantation management
- Successful implementation of ORACLE Human Capital Management module

Product Responsibility and Customer Health & Safety

All our products and processes are fully compliant with ISO 22000:2018 and HACCP certifications issued by the Sri Lanka Accreditation Board. Additionally, all factories received GMP (Good Manufacturing Practices) Certification.

Implementing and maintaining the Food Safety Management System (ISO 22000:2018 & HACCP) for all Black Tea manufacturing facilities reinforces our commitment towards product responsibility and ensures food safety and quality standards are maintained from end-to-end - from planting to harvesting, production, processing and dispatch/ distribution. The quality of tea is tested annually for heavy metals, microbiological criteria and agro-chemical residues as per the requirements of the ISO 3720 standard.

In addition, KVPL has established a set of internal standards which reach beyond the TRI (Tea Research Institute) specified maximum residue limits (MRLs) for Japan and EU countries. KVPL has also reduced chemical application compared to previous years.

The rubber plantations too have been endorsed by Forest Stewardship Council (FSC™) Certification and Organic rubber certifications (USDA/NOP & EU) while products of sole crepe, centrifuge latex and crepe rubber are certified with FSC chain of custody certification and Global Organic Latex Standard (GOLS) certification. Recently, we got Fair Rubber Certification for two of our rubber plantations with processing centers, which allows us to improve the working and living conditions of estate workers through offered Fair Rubber Premium.

Our Rainforest Alliance farm certifications further demonstrate our commitment toward sustainability. In addition, a designated in-house team has been established at each estate, to monitor compliance with rigorous environmental, social and economic criteria, with regular internal audits and an external audit conducted annually, to ensure continuous improvements are made.

Internal Audits and Trainings by Manager Sustainability

KVPL Certifications Food Safety Commitments	ISO 22000:2018
	HACCP
	GMP
Environmental Commitments & Social Commitments	Rainforest Alliance
	FSC™
	EU Organic and USDA/NOP
	Fair Rubber

Further, KVPL complies with the following international standards:

1. UNGC 10 principles
2. UNSDGs

Compliance with Product and Service Labelling

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

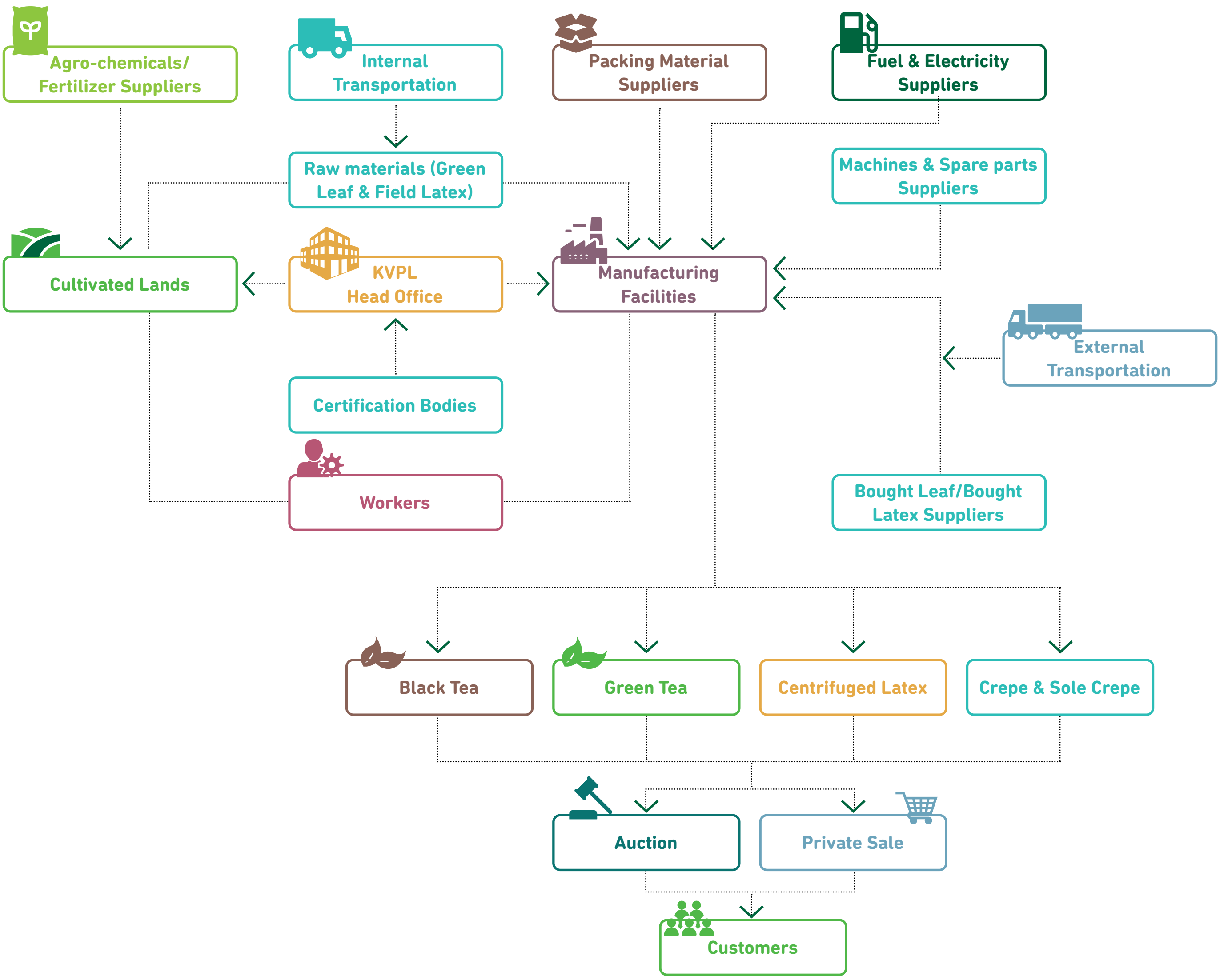
- Garden Mark
- Invoice No.
- Net weight
- Gross weight
- Serial number of the package
- MF No.
- Grade
- Company Name

Given the strict compliance framework in place, there were no reported incidents of non-compliance of laws and regulations with regard to labeling of products. Further, there were no complaints received on breach of customer privacy.

Supply Chain

GRI 102-09, 10

There were no significant changes to KVPL and its supply chain during the reporting period



Performance Review

Backdrop to Performance

Global Economy

In an unprecedented year, the global economy recorded its worst recession in decades. According to the IMF (as reported in its World Economic Outlook (WEO) of April 2021), the global economy contracted by 3.3 % in 2020, compared with a growth of 2.8 % in 2019. Advanced economies were estimated to have contracted by 4.7 %, while a contraction of 2.2 % was estimated in relation to emerging market and developing economies. Meanwhile in China, where the COVID-19 pandemic originated, the economy recorded a growth of 2.3 % in 2020. Unparalleled policy support on several fronts, including health, fiscal, monetary and social, facilitated an upturn in most economies towards the second half of 2020.

Extensive policy support at national and multilateral levels and the successful rollout of the COVID-19 vaccination programme had raised optimism about the expeditious recovery of global economic activity, despite uncertainties. Although projections for global growth for the next few years have been revised upward by the IMF to 6 % in 2021 and 4.4 % in 2022, recovery is likely to vary across and within regions, due to variations in the magnitude of disruptions, the size and effectiveness of policies, pre-pandemic fiscal and socioeconomic conditions, and coverage of vaccine rollout. The current catastrophic scenario in India and the 3rd wave just begun in Sri Lanka are indicative that economic contractions are likely in several countries. The advanced economies are expected to recover faster than most emerging market economies, due to increased access to vaccines and large policy space available to maintain accommodative macroeconomic policies for an extended period. Accordingly, advanced economies are projected to grow by 5.1% and 3.6%, in 2021 and 2022, respectively, as per the IMF projections. The United States is projected to grow by 6.4% in 2021 and by 3.5% in 2022, compared to the contraction of 3.5% in 2020, supported by large fiscal support and continued monetary accommodation. Growth in the Euro area is projected to pick up from a contraction of 6.6% in 2020 to 4.4% in 2021 and 3.8% in 2022. In the United Kingdom, economic activity is expected to record a growth of 5.3% in 2021.

Emerging market and developing economies are projected to record a strong growth of 6.7% in 2021. However, the expected recovery of these economies is subject to regional differences in the severity of the pandemic, idiosyncratic features of their economies and health systems, exposure to specific shocks, such as those on commodity exports or tourism, and policy space available to aggressively to respond to the pandemic.

Sri Lankan Economy

The severe social and economic impacts of the COVID-19 virus which traversed all geographic, economic and social boundaries across the world, was close upon the heels of the inimical conditions of 2019 which saw Sri Lanka experience one of the most prolonged periods of economic stagnation. Accordingly, the Sri Lankan economy contracted by 3.6% in 2020 reflecting the worst recession since independence , due to an unprecedented operating environment.

The overall contraction in GDP was primarily a result of the 16.4% contraction in the second quarter of the year due to the nationwide lockdown measures. Despite a pick up in activity in the second half of the year which supported a 1.3% year-on-year real growth, all three sectors of the economy contracted during 2020. The Agriculture sector declined by 2.4%, the Industry sector by 6.9% and the Services sector by 1.5%. Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan Rupee against the US Dollar; GDP per capita declined to US Dollars 3,682 in 2020 from US Dollars 3,852 in the previous year. Reflecting the sharp deceleration in economic activity due to the COVID-19 driven implications, Sri Lanka's unemployment rate also rose above 5 % for the first time since 2009 whilst restrictions to mobility also led to a decline in the Labour Force Participation Rate, to 50.6% from 52.3% in 2019 .

Year 2020, saw Sri Lanka record its smallest trade deficit since 2010 as a result of export earnings reaching the pre-pandemic levels sooner than expected and import expenditure declining in response to the policy measures introduced to curtail non-essential imports; along with relatively low global oil prices. As a percentage of GDP, the trade deficit declined to 7.4% in 2020, from 9.5% in 2019. Earnings from merchandise exports were severely impacted during the months in which pandemic containment measures were most intense, but recovered faster than expected towards the pre-pandemic levels. Lockdowns and other public health restrictions enforced in Sri Lanka negatively affected the production of exportable goods in 2020. Moreover, subdued external demand, disruptions to shipping and supply chains, constraints in importing necessary inputs due to lockdown measures in foreign countries, and adverse price movements also affected the overall export performance during the year. Thus, as a percentage of GDP, export earnings in 2020 declined to 12.4% from 14.2% in 2019. Agricultural exports registered a decline in earnings of 5.1% in 2020 compared to 2019, due to weaker earnings from tea, seafood and unmanufactured tobacco, while earnings from spices, coconut, minor agricultural crops, rubber and vegetables increased.

Inflation

Headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100), hovered around the upper boundary of the desired range during early 2020 and accelerated to 6.2%, year-on-year, by February 2020. However, with the moderation of food and non-food inflation, year-on-year headline inflation decelerated and was recorded at 4.2% by end 2020, compared to 4.8% recorded in December 2019. The general price level as measured in terms of official consumer price indices, increased at a slow pace during 2020. This was mainly supported by subdued demand for non-essential goods and services associated with the lockdowns and containment measures imposed to mitigate the spread of the COVID-19 pandemic. With a considerable increase at the beginning of the year, prices of items in the non-food category, where most of the non-essential goods and services are included, exhibited only marginal increases during 2020. Moreover, the absence of periodical price revisions of Airfare, Health and Education had a favourable impact on the behaviour of the general price level in 2020. Meanwhile, the prices of items in the Food category increased noticeably throughout 2020, even in the presence of administrative price control measures introduced by the Government to maintain prices at stable levels.

Inflation is projected to be around lower single digit levels during most of 2021, reflecting the slack in economic activity. The impact of accommodative monetary policy and fiscal stimulus measures, which were targeted at reviving the economy affected by the pandemic, is expected to induce a gradual buildup of aggregate demand and demand driven pressures on inflation. It is also possible that a rebound of global energy prices and rising global food prices could cause direct and second-round inflationary pressures across the globe.

Interest Rates

The Central Bank of Sri Lanka continued to adopt a relaxed monetary policy stance throughout 2020 in order to help the economy recover from the impacts of the pandemic and regain growth momentum. The key policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), were reduced by a total of 250 basis points on five occasions to their historically lowest levels of 4.50 % and 5.50%, respectively, during 2020, Accordingly, the Commercial Banks' Average Weighted Prime Lending Rate dropped from 9.74% in 2019 to 5.81% in 2020 whilst their Average Weighted Deposit Rate reduced to 5.80% from 8.20% in 2019. This accommodative monetary policy stance is expected to continue in 2021 until early 2022, due the impact of the third wave and its implications which requires a need to boost economic activity and offer relief to those impacted.

Exchange Rate

The exchange rate, which remained relatively stable prior to the domestic spread of the pandemic and the initial lockdown, came under significant pressure from mid March –April 2020, reaching a peak of over Rs. 199 per USD for April. Depreciation pressure that prevailed during this period necessitated policy action such as the curtail of imports and active intervention by the Central Bank in the domestic foreign exchange market through supply of foreign exchange and entry into sell-buy swap agreements with licensed Commercial Banks to enhance foreign exchange liquidity in the market. The situation hence reversed from mid April till the fourth quarter of the year, when preassure on the exchange rate resumed, driven by speculative market behaviour due to sovereign rating downgrades and the gradual increase in imports.

The annual depreciation during the calendar year amounted to 2.6 % against the US Dollar during 2020. Reflecting cross currency exchange rate movements, the Sri Lankan rupee depreciated against the Euro (11.2 %), the Japanese yen (7.5 %) and the pound sterling (6.2 %) by end 2020, and remained unchanged against the Indian rupee.

Tea Industry Performance

The first quarter of the year saw severe drought conditions in Tea growing areas. Its devastating impact on crop output, combined with the subsequent disruptions to labour supply, caused the country's Tea production to decline by 7.1% in 2020.

Although production declined by a significant 18% in the first half, it recovered in the second half of the year, with a 4.9% year-on-year growth. Production of High, Medium and Low grown tea, which contributes about 22%, 17% and 61% of the total production respectively; declined by 1.3%, 0.9% and 10.5%, respectively, in 2020. In the meantime, the average yield in the smallholder sector declined to 1,765 kgs per hectare, compared to 1,938 kgs per hectare reported in 2019, mainly due to the drought conditions that prevailed in Tea growing areas.

On a positive note, Average Tea Prices at the Colombo Tea Auction remained elevated throughout the year. The average price of Tea increased by 15.9% to Rs. 633.85 per kg,. from Rs. 546.67 per kg. recorded in 2021. Average Tea Prices for High, Medium and Low grown tea reported year-on-year increases of 15.5% 18.7% and 16%, respectively, in 2020. Further, the average price received by smallholders for green leaves increased to Rs. 94.36 per kg in 2020 from Rs. 80.15 per kg in 2019. The average export price (FOB) of Tea increased by 1.6% to US Dollars 4.67 per kg during 2020, compared to US Dollars 4.60 per kg recorded in the preceding year. The increase in Tea prices was partly due to the decline in quantities on the back of reduced local production, as well as a significant drop in Tea exports from global competitors, due to setbacks caused by the COVID-19 pandemic in those countries. The disruptions to supply chains in competitor countries helped domestic exporters to attract a comparably higher price in 2020, whilst also bolstering Sri Lanka's reputation for the reliability of its supply chains.

In addition to the pandemic, the other significant set back to the Tea industry during the year came in the form of a 35% wage increase, mandated by the Wages Board. The increase in wages sans any link to productivity is estimated to result in significant addition to industry' costs and further erode Sri Lanka's competitiveness vis a vis other Tea producing nations, and hence threaten the sustainability of the industry.

Sri Lanka's earnings from Tea exports declined by 7.8% due to a decline in volumes.

The constraints caused by the pandemic prompted Sri Lanka's Tea auction to move to an Electronic platform during the year, which has facilitated increased participation and competition, greater efficiencies and speedier transactions for the industry.

Company Performance

KVPL Tea Sector Performance

Amidst an inimical environment that posed numerous challenges, it is most noteworthy that KVPL was able to achieve a growth in profitability during the year; supported by higher volumes, better prices in the Colombo Auctions as well as improved Costs of Production. Higher yields were supported by a number of internal measures whilst higher prices were supported by both demand and supply factors in the global market. Thus, the Company achieved more than a 100% growth in gross profit to Rs. 379 m.

Despite the adverse impacts of the drought conditions that reduced crop output during April to June, the peak period for our Tea crop output; KVPL's crop output for the year under review increased by 8%, supported by a production increase in the latter part of the year. Amongst the factors which helped increase production was a harvest management plan which encompasses an appropriate mix of mechanised and manual plucking to optimise harvest volumes whilst ensuring quality. This strategy is also intended to overcome the scarcity and other challenges of labour.

During the year the Company deployed machines to harvest an extent of 700 hectares. And this also helped reduce costs due to higher volumes that can be harvested via a machine. In addition, the quality as well as volumes of our yield were enhanced by the higher quality of fertiliser used during the year.

Another factor which supported the Company's performance was the use of a state of the art management information system for monitoring field level operations. An in-house fine tuning and expansion of the system saw the introduction of a range of new monitoring parameters to obtain comprehensive and real time information on field operational activities, thus providing a significant boost to monitoring and management of field operation. This in turn has facilitated speedier and better informed decision making by the management.

In a year in which Tea prices at the Colombo Tea auction remained elevated throughout the year, it is also noteworthy that KVPL continued to record the 2nd highest GSA for Tea, for the 3rd consecutive year. The higher prices were supported by reduced supplies in the export market owing to disruptions to the supply chains in other competing exporting countries. Moreover, demand for Tea also increased amidst pandemic conditions in the global market, due to its appeal as a health beverage whilst the higher quality of our Tea also supported higher prices. In addition, the KVPL brand's reputation amongst its global customers was a key factor which helped an increase in its direct exports, especially of higher value added teas

Outlook

The Company's expertise and reputation in the specialty teas market is a key competitive advantage which it will harness for future growth and expansion. Its strong platform augurs well for the Company to be a leader in this segment where it sees significant potential for higher valued teas in the export markets. KVPL's facilities to manufacture leafy, orthodox Rotovane green tea and speciality tea are also key strengths it will harness for future growth in identified markets such as China. At the same time, it will also expand its production of orthodox teas to meet the projected increase in demand, Tea driven by the

appeal of Tea as a health beverage, in many of the export markets.

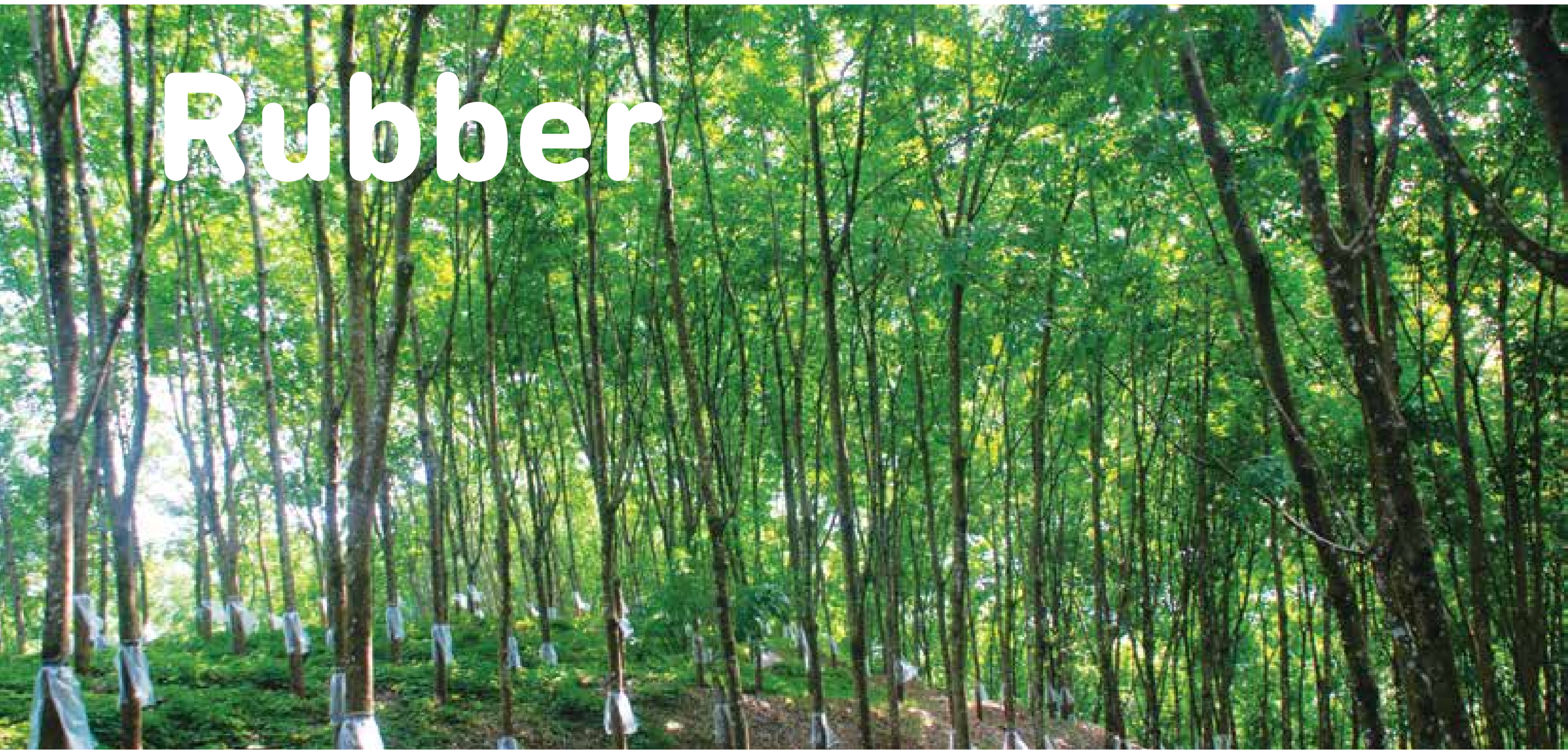
Meeting the costs of the 35% wage increase during the year, is a significant challenge ahead and would be an immediate priority for the entire industry and all its stakeholders. The negative impact of such a wage increase with no link to productivity would be significantly exacerbated by the devastating impact of the ban on chemical fertiliser, which we hope would be reconsidered by the authorities.

In this backdrop improving land and labour productivity are urgent imperatives for us. Towards this end, technology will be a key to enhancing value creation and sustaining Sri Lanka's competitiveness in the global market place. Innovation, of our processes, products and systems will continue to be key facets of our strategic positioning for the medium to long-term future. KVPL continued to make progress in its journey towards automation of production and administration, to shift from a traditional labour intensive model to a technology driven one. Mechanisation of harvesting would be expanded where appropriate, as a solution to meet the challenges in the labour market.

Following the success of our pioneering initiative in Sri Lanka, of deploying drones for the spraying of fertiliser on our up country estates as a pilot project in 2019; KVPL will begin the full scale launch of drone spraying this year. The pilot projects clearly demonstrated significant efficiency and cost efficacy compared with manual, backpack spraying. The full scale launch of it, although planned for 2020 had to be postponed due to the pandemic constraints, and the Company will launch it in the year ahead.

KVPL will continue to pursue a crop diversification strategy, which will include the cultivation of Cinnamon, Coconut and Agar wood to increase the Company's profits per land unit with a target to diversify approximate 15% of its land to other crops which have varying labour intensity and other requirements.

Several challenges we have mentioned previously, such as the escalating costs of labour as well as the growing scarcity of labour, due to the dwindling appeal of the industry to younger generations who have begun to seek work outside due to low levels of job satisfaction; have begun to threaten the medium to long-term sustainability of the Tea plantations. The Company will hence seek to expand a Revenue Sharing Model of value creation as a win –win solution for Sri Lanka's Plantation Agriculture. The daily waged employee would thus become empowered and self motivated individuals who would strive to increase productivity to earn higher incomes. Thus, the Company and the Employee would both benefit from higher incomes.



Rubber Industry Performance

Rubber production recorded an increase of 4.6% in 2020 largely due to attractive market prices and favorable weather conditions that prevailed in the second half of the year. Although rubber production declined by 10.1% in the first half of 2020 due to less tapping days amidst mobility restrictions during the first wave of the COVID-19 pandemic and dry weather conditions in rubber growing areas; production improved considerably by 23.2% during the second half of the year, supported by relatively favourable weather conditions. Among the major categories of rubber produced, sheet rubber production, which accounts for nearly 50% of the total production, grew by 4.6% to 39.1 m kgs. However, the production of crepe rubber, which contributes 17% of the total rubber production, declined by 10.2% to 13 m kgs in 2020. Meanwhile, the production of unspecified categories of rubber, which represents approximately 33% of the total production, recorded a significant increase of 14% to 26.1 m kgs.

Rubber prices increased at the Colombo Rubber Auction, particularly towards the end of the year, supported by the surge in natural rubber prices in global markets.

The average price of Ribbed Smoked Sheet 1 (RSS1) witnessed an increase of 21.8% to Rs. 351.46 per kg in 2020, though RSS1 was not traded at the Colombo Rubber Auction from April to August 2020 due to lower global demand caused by the COVID-19 pandemic. Average price of Latex crepe increased by 18.8% to Rs. 359.04 per kg. during 2020. Meanwhile, average auction prices of RSS1 and Latex crepe stood at Rs. 440 per Kg. and Rs. 462.17 per Kg. respectively, in December 2020.

Average FOB price of rubber also increased by 2.6% to US Dollars 1.91 per kg. in 2020, in comparison to US Dollars 1.86 per kg in 2019. A recovery in Chinese demand during the second half of 2020, and the rising demand for rubber glove manufacture; were key demand driven factors which increased prices, despite a 16.9% drop in world's vehicle sales in 2020. In addition, supply side disruptions, such as lower production in Thailand due to mobility restrictions and spread of a fungal disease in rubber plantations in South East Asia; were the key reasons for the escalation of natural Rubber prices in global markets in 2020.

KVPL performance

In line with the increase in Sri Lanka's Rubber production, supported by favorable weather conditions, and attractive market prices which was fuelled by a demand for natural rubber in the global market place, KVPL's Rubber output increased significantly by 22% during the year. It is also most noteworthy that KVPL also achieved its highest ever yield per hectare of 1,150 kgs. This was also the highest in the industry. And the highest since the privatisation of the Company in 1992. The Company also recorded the highest tapped output per worker per day of 8 kgs.

These factors, combined with higher prices helped KVPL achieve a 43% growth in Revenue whilst Gross Profits grew by more than 100% to Rs. 321m.

The higher output was supported by the expansion of the use of rain guards, to cover 75% of the mature plants, which enabled more tapping days and longer durations of tapping per day. Furthermore, the enhanced monitoring via a state of the art management information system which identified and encompassed some key monitoring parameters for a comprehensive monitoring and evaluation

of field operations; facilitated speedier and more accurate decision making by the management. The more effective monitoring and accurate real time information helped improve productivity and find solutions to operational level challenges at a faster pace.

Prices fetched by KVPL also increased in line with global and local market prices and KVPL achieved the highest price in eight years. Demand as well as some supply side factors spurred the rise in global market prices for natural rubber during the year. Although the traditionally largest buyer of natural rubber – the Automobile Tyre industry, which constitutes 70% of the world's demand for natural rubber; declined during the year, demand stemmed from the sharp rise in the manufacture of gloves necessitated by the COVID-19 pandemic, whilst certain supply side disruptions in supplier markets which contributed to a supply shortfall, also fuelled price increases. Demand for Centrifuged Latex in the domestic market also increased as imported rubber became more expensive due to the depreciation of the exchange rate.

KVPL also established a new benchmark in environmental stewardship with the introduction of Organically certified Latex during the year, on its Kiriporuwa, Lavant, Urumiwella, We Oya, Ederapola and Ganepalla estates, comprising a total of 675 Hectares. The Latex is now certified as Organic by EU Organic and USDA/NOP enabling the manufacture of GOLS certified Centrifuged Latex at Kiriporuwa Latex.

Outlook

The Company will continue to diversify crops to improve its profits per land unit and to utilise extents of currently unutilised land in the low country region. The Company has currently planted Cinnamon on 156 hectares of its total land extend of 3,989 Hectares, and Coconut on another 181 Hectares on its low country estates. It will also look to plant Cardamom in the year ahead whilst maintaining and improving the productivity of the Rubber extents at around 3,000 to 3,500 hectares.

We expect the prices for Natural rubber to remain high in the next two years due to demand driven for rubber gloves in the year ahead, whilst year 2022 and beyond is expected to see a gradual return to normalcy and a resumption of travel, which will spur a demand for rubber tyres. Rubber tyres constitute 70% of the world's demand for Natural Rubber. Hence, a resumption in road as well as air travel will see a sharp rise in the need for automobile and aircraft tyres. Moreover, supply is likely to be in shortfall due to very little new planting of rubber having taken place over the past few years in the backdrop of declining price trends. Hence prices are expected to remain high over the next two years. KVPL however, anticipates an increase in its supply due to 800 hectares of new plants that are expected to mature.

Amongst the negative factors that challenge Rubber production in the year ahead is the recent Government decision to prohibit the import of chemical fertiliser with no alternatives or substitutes in place. Unless this policy decision is reevaluated it will lead to a drastic drop in crop productivity in the Rubber sector, and in turn, have adverse impacts on Sri Lanka's rubber production.

KVPL also began the direct export of some quantities of its produce and sees itself well poised to capture more markets and expand - being one of few suppliers in the world who are internationally certified for its social and environmental best practices. An increasing number of high-end buyers seek and value the social and environmentally sustainable models of their suppliers. KVPL is amongst a few global suppliers to possess

FSC, GOLS and Fair Rubber certifications. KVPL thus stands well positioned to make inroads through its direct exports of Sole Crepe, Latex Crepe and Centrifuge Latex. Moreover, the brand KVPL has earned a reputation amongst its global buyers for quality, on time delivery and reliability and this brand equity provides a firm foundation for growth and expansion in natural rubber markets locally and globally.

KVPL's Cinnamon

The largest contributor to KVPL's diversified crops, which commenced as a pilot project in 2019, Cinnamon continued to perform well during the year. Crop output increased by 36.59% whilst Sri Lanka's output grew marginally over 20,000 metric tons. KVPL's Revenue from Cinnamon grew by 46.72% to Rs.19.5 m.

Cinnamon enjoys a growing demand globally and Ceylon Cinnamon is renowned for its medicinal properties and distinct aroma. Whilst expanding cultivation, KVPL will also look to explore opportunities for value added direct exports.

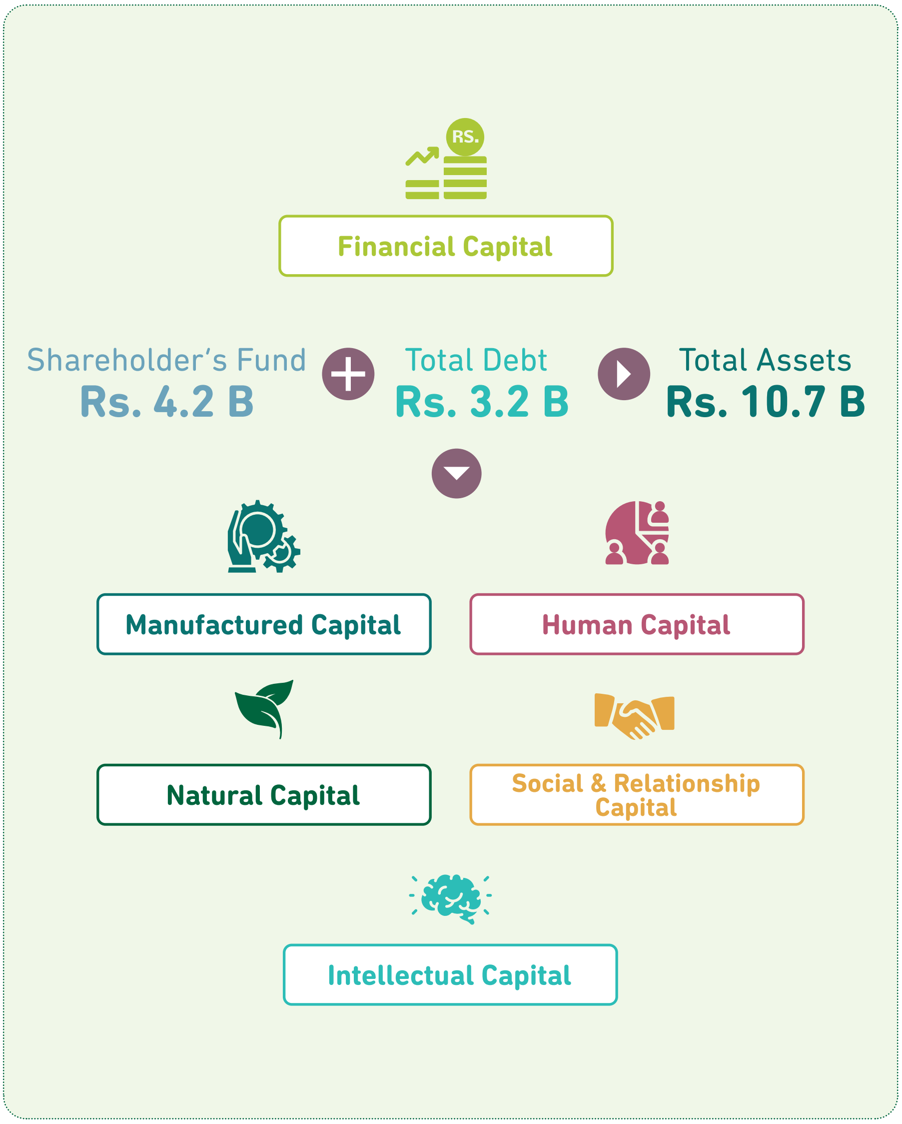
Steadfast

IN FOCUSING ON THE POSITIVES AND ENHANCING OUR VALUE

Kelani Valley Plantations®

FINANCIAL CAPITAL

The Group's Financial Capital comprises Shareholders' Funds, Funds generated internally, and Borrowings; and is enhanced in value through business expansion, prudent cost management and profit generation. Effective management of our Financial Capital is significant for the Group's long term value creation, continuity of operations and implementation of strategic objectives to support other capitals as well.



Financial Reporting and Achievements

The KVPL Group continues to adhere to best practices in financial reporting, giving high priority to the timely filing of quarterly and annual financial statements. The Company incorporates new developments and amendments to financial reporting standards promptly, to ensure its full compliance in financial disclosures. Accordingly, the financial reports on pages 137 to 202 have been prepared in compliance with the Sri Lanka Financial Reporting Framework and Statements of Alternate Treatment promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

KVPL's high level of compliance and the accurate reporting process, continue to receive recognition locally and internationally The most recent includes being a joint winner amongst Plantation Companies for its 2018/19 Report at the 2019 Annual Awards conducted by the CA Sri Lanka in and Joint Winner of the Gold at the "Best Presented Annual Report Awards and SAARC Anniversary Awards for Governance Disclosures," conducted by the South Asian Federation of Accountants (SAFA).

Financial Value Creation

Growth

- Group Total Assets increased by 15% to Rs. 10.7 B
- Group Revenue grew by 32% to Rs. 11.7 B

Profitability

- Group Gross Profit increased by over 100% to Rs. 1,757 m
- Group PBT increased by Over 100% to Rs. 948 m
- Profit attributable to Shareholders increased by Over 100% to Rs. 795 m

Financial Stability

- Group Total equity increased by 23% to Rs. 4.2 B
- Group Current ratio increased to 1.06 times from 0.82 times
- Interest coverage increased to 5 times from 0.9 times

Opportunities

- Shifts in consumer preference towards high-value, high quality Tea which offers health benefits (eg: healthier Green tea and Herbal tea blends) to help in immunity against the Covid-19 pandemic.

- The launch of a virtual E-auction system which has facilitated the online meeting of buyers and sellers across the globe .
- Lockdowns and disruptions to supply chains in other Tea/Rubber producing countries and the resulting opportunity for high quality Ceylon Tea exports, to meet the resulting shortfalls and to attract long term demand.

Challenges

- The implications of the pandemic which resulted in severe disruptions to our supply chains and loss of productivity due to the lock downs, quarantines and social distancing. The mandatory increase in the daily basic wage in March 2021, to Rs. 1,000, from Rs. 700 has increased the cost of production.
- Meeting the Chemical residual level standards of certain export markets, especially Japan.
- The ban on certain weedicides by the Government.
- The Government's prohibition on the use of non-organic fertiliser.
- Higher labour turnover in the plantations.

Future Outlook

- Improvements to productivity on the Rubber plantations through the use of a state of the art MIS, and the expansion of rain guards which is enabling more tapping days and longer tapping durations per day.
- Mechanical harvesting on low yielding Tea fields to improve productivity.
- Use of innovative technology to record sales from the point of production.
- Continuation of crop diversification programme, comprising mainly Cinnamon, Coconut, Turmeric and Ginger.

Estimates and Judgments

Estimates and judgements have been used in preparing the financial statements. Revenue Recognition, Impairment of Non-Financial Assets, Current & Deferred Tax, Useful lifetime of PPE, Provision for Impairment of Trade Receivables, Retirement Benefit Obligations and Fair Value Assessment of Biological Assets are the main realms for which estimates and judgements have been used.

Group Financial Performance at a Glance

GRI 102-07

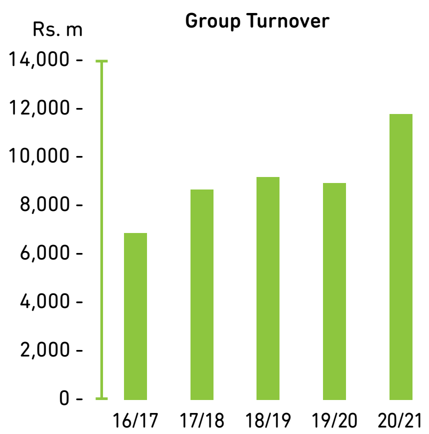
Item	2020/21	2019/20	Change (2020/21-2019/20)	
	Rs.m	Rs.m	%	Reasons
Revenue	11,760	8,909	32	• Increased Rubber outputs • Increased Net Sale Average (NSA) of both Tea & Rubber. • Increased export sales of Mabroc • Rupee depreciation.
Cost of sales	10,004	8,064	24	• Cost of Sales at KVPL increased due to the wage hike in March 2021. • Cost of production increased at MTPL with the increase in quantities sold.
Other income	149	107	39	• Increase is mainly due to lease income, Hydro power income and sundry income
Administrative expenses	709	678	4	• Mainly due to increase in retirement benefit obligations
Distribution expenses	25	49	(50)	• MTPL's distribution expenses decreased due to reduction in foreign customer visits and participations in global trade fairs by Mabroc due to Covid restrictions
Finance income	177	35	>100	• MTPL benefited from foreign exchange gains during last six months due to rupee depreciation
Finance expenses	321	203	58	• MTPL 's foreign exchange losses increased during first 6 months
Tax expense	145	64	>100	• Increase in deferred tax and ESC write off of KVPL & Income tax of Mabroc

KVPL : Kelani Valley Plantations PLC
MTPL: Mabroc Teas (Pvt) Ltd.
KVIT: Kelani Valley Instant Tea (Pvt) Ltd.
KPC: kalupahana Power Company (Pvt) Ltd.
KVR: kelani Valley Resorts (Pvt) Ltd.

Group Turnover

The KVPL Group's Revenue increased by 32% during the financial year under review, supported by increased prices for Tea and Rubber at the Colombo Auctions as well as the export market. The Tea segment contributed 87% to Group Revenue, and the Rubber segment contributed 12% whilst the remaining 1% of Turnover came from others, mainly comprising the Hydro Power segment.

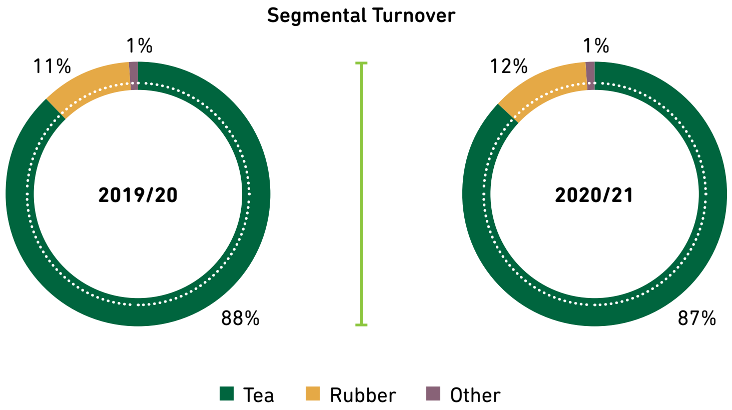
The contribution to KVPL Group Revenue from the Plantations sector, namely, Kelani Valley Plantations PLC and the Tea marketing arm Mabroc Teas (MTPL)- was 38% and 61% respectively, while the Kalupahana Power Company accounted for the remaining 1%.



Segmental Turnover

The Tea segment was the main contributor to Group Revenue with Rs. 10,519 m., compared to Rs. 7,993 m. last year, which represents 87% of the Group Revenue. The Group's Tea turnover comprised a contribution of 30% from KVPL and 70% from KVPL's marketing arm MTPL,. The Group's experimental project, Kelani Valley Instant Tea (KVIT's)contribution to Group Turnover was not significant and this experimental project came to an end with the commencement of the Company Martin Bauer Hayleys (Pvt) Ltd., a joint venture with Martin Bauer German and Hayleys PLC.

The increased Revenue from the Tea segment had a positive impact on the bottom line. Tea Revenue increased by 31% compared to the previous year. The Group also benefited from the increased Net Sales Averages (NSA's) for both Tea & Rubber as well as the depreciation of the Rupee. The high export volumes achieved by MTPL also supported the growth in Group Revenue.



KVPL's Tea turnover encompasses 79% from Western High Growns and 21% from Low Growns. Thus the increase in prices of both High Growns and Low Growns at the Colombo Tea Auction also bolstered the Turnover of KVPL's Tea segment.

The Rubber segment achieved a revenue of Rs. 1,418 m. which is an increase of 43% compared to last year. The Rubber crop increased significantly by 21% during the period due to increased tapping days and durations, following the installation of rain guards and other better agricultural practices. Rubber prices also increased by 12% over last year's, to Rs. 39 per kg.

Rubber production during the year also increased by 21%, mainly due to the rise in global demand for Centrifuged Latex and Natural Latex for the manufacture of gloves and related products necessitated by the COVID-19 global pandemic. Similarly, disturbances to supply chains of other rubber manufacturing countries also resulted in a higher demand for Rubber from Sri Lanka.

	2020/21	2019/20
Tea (kg 000')	4,605	4,719
Rubber (kg 000')	3,430	2,843
Hydro Power (units 000')	2,347	2,133

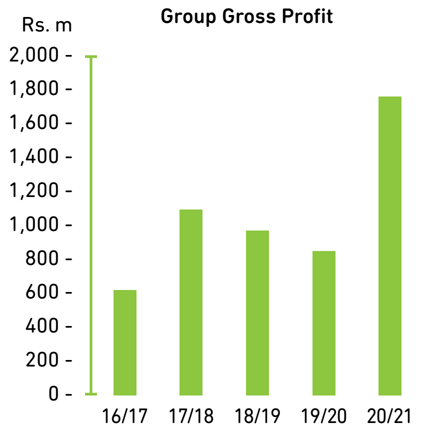
Performance of the Group's Marketing Arm (Mabroc Teas (Pvt) Ltd.), Hydro Power Company (Kalupahana Power Company (Pvt) Ltd.), The Boutique Bungalow (Kelani Valley Resorts (Pvt) Ltd.), Ready-To-Drink (RTD) Project (Kelani Valley Instant Tea (Pvt) Ltd. are discussed separately under this section.

Financial Performance per Employee

Turnover per employee-which indicates how efficiently the workforce has been utilised throughout the period; increased to Rs. 966,062 in 2020/21, from Rs. 873,547 in the previous year. This increase has been achieved despite a reduction in the number of employees in the KVPL Group by a significant 4% during the year.

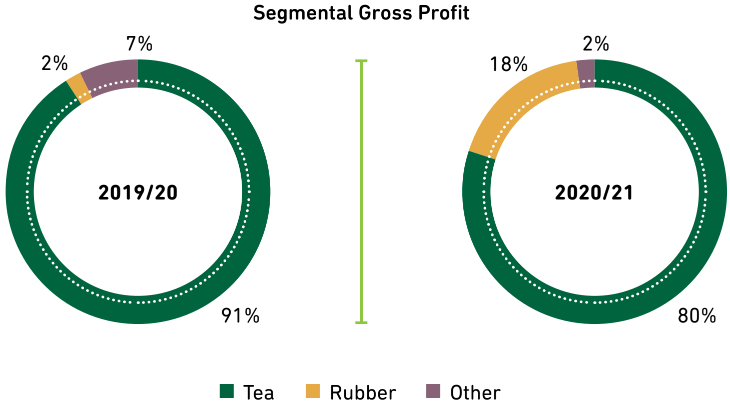
Gross Profit

The Gross Profit for the period under review was Rs. 1,757 m, which is an increase of 108% compared to Rs. 845 m. recorded last year. KVPL Group achieved a Gross Profit margin of 15% during the year, against 9% in 2019/20.



Segmental Gross Profit

Tea was the main contributor to Gross Profit, with Rs. 1,394 m representing 79%, of the Group's Gross profits , while Rubber contributed 18%, with Rs. 321 m. The other contributions received from other sources amounted to Rs. 41 m.



The Gross Profit Margin for Tea increased by Rs. 622 m to 12% from 9% in 2019/20, and this increase is mainly attributable to the increase in Tea prices and the Company's cost savings initiatives.

The Rubber segment recorded a Gross profit margin of 23%, compared to 2% in 2019/20. Rubber segment's gross profit margin was minimal mainly as the contribution of the Tea segment increased significantly during the year, with a rise in demand in the Tea export market.

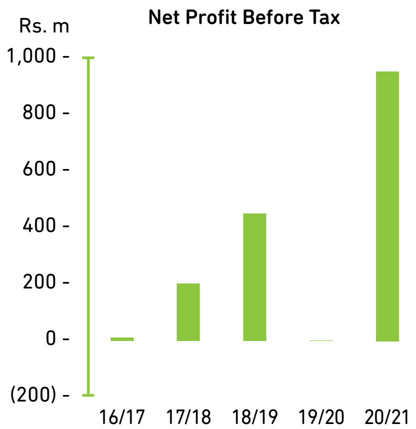
The KVPL Group's other segments contributed a gross profit of Rs. 41 m With main contributions coming from its Hydropower project at Kalupahana and minor crops, such as Cinnamon and Coconut.

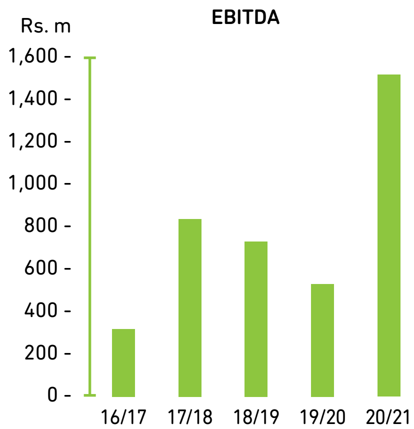
Profit Before Tax (PBT)

The Group recorded a Profit of Rs. 948 m before tax during the year , compared to a loss of 23 m in 2019/20. The increased production and demand of Rubber and increased prices for both Tea & Rubber along with the positive contributions from Mabroc and Kalupahana Hydropower Companies were the main factors which contributed to increased profits.

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)

The Group's EBITDA increased by 188% to Rs. 1,516 m in 2020/21, compared to Rs. 527 m in 2019/20.

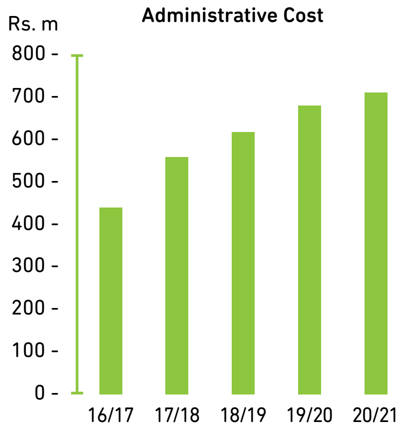




Administrative, Trade and Distribution Cost

Administrative expenditure in the period under consideration increased only by 4 % to Rs. 709 m, compared to Rs. 678 m in 2019/20.

The distribution expenses of the Group arising from MTPL, decreased by 50% to Rs. 25 m in 2020/21, compared to Rs. 49 m in 2019/20 reduction in foreign customer visits and participations in global trade fairs by Mabroc due to Covid 19 restrictions. However, Mabroc was able to increase their trade significantly by meeting the shortfall created by countries such as India which were in longer lockdowns and found their supply chains disrupted.



Net Finance Cost

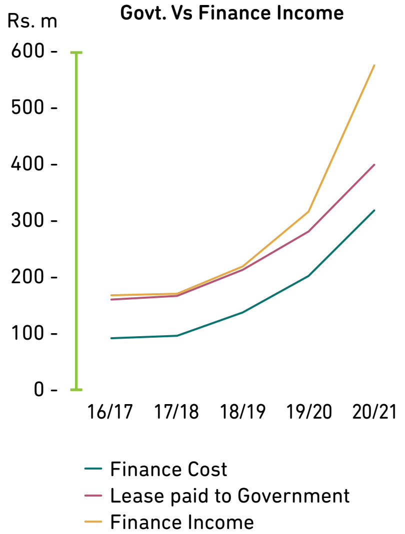
The Finance cost of the Company mainly consists of interest costs on long-term and short-term loans and overdraft interest.

Interest on term loans decreased due to better cash flows enabled by better trading during the year. Furthermore the Company benefitted from the reduced bank lending rates during the year and was able to keep its average interest rate at around 5.6 % during the year.

Company's Interest on term loans decreased by 71% to Rs. 9 m from 30 m in the previous year where as interest paid on overdrafts and short-term loans also reduced by 29% to Rs. 75 m from Rs. 105 m in the previous year. Group Finance expenses increased significantly due to a foreign exchange loss of Rs. 146 m for Mabroc during first six months of the year, due to the adverse fluctuations in Sri Lanka's foreign exchange market. However, Mabroc was able to achieve over five fold increase in the exchange gain during the second half of the year, to Rs. 166 m and was recorded under Finance Income.

The interest paid on the government Lease amounted to Rs. 81 m, with the annual increase based on the GDP deflator, amounting to 2% over the last year. Finance income during the period under review increased to Rs. 176 m as a result of exchange gain by Mabroc as mentioned above.

Finance Cost & Lease Paid to Govt. Vs Finance Income



Income & Deferred Taxation

The Group's tax charge for the year was Rs. 145 m, which is a 126% increase compared to a tax of Rs. 64 m in 2019/20. KVPL's Taxable Income tax is derived from its profits from Agro processing and other sources of income; as the Agriculture sector was tax exempt during the year. In additions to Income Tax, Rs. 22 m was written off as irrecoverable Economic Service Charges during the year. Income Tax paid by Mabroc increased during the year due to an improved performance.

Kalupahana Power Company's Income Tax cost marginally increased due to the cessation of 3 year tax concession period.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date. According to the Inland Revenue Act No 24 of 2017, company's Agriculture segment was exempted from income tax. However, agro-processing segments along with other income was liable for income tax at the rate of 14%. As a result, company's deferred tax increased by 14 m mainly as a result of the reduction in carried forward tax losses from the Agriculture segment.

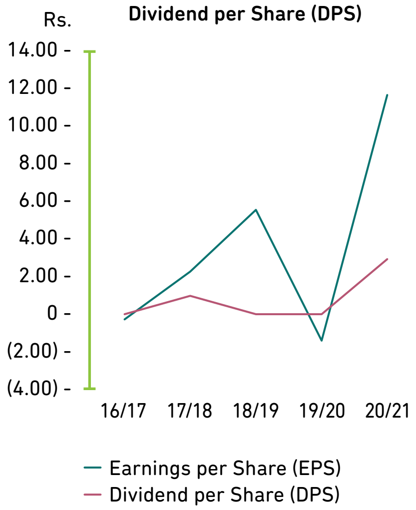
Any concessions and rates applicable to companies within the Group are available in note 10.

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

Due to the favourable performance, the Group's EPS increased to Rs. 11.69 from a negative Rs. 1.40 in the previous year. The Company paid a first & second Interim Dividend of Rs. 1.50 per share to its shareholders amounting to a total of Rs. 102 m during the year.

The Board of Directors has recommended the payment of Final Dividend of Rs. 1.50 per share for 2020/21 subject to the approval of the shareholders at the oncoming Annual General Meeting.

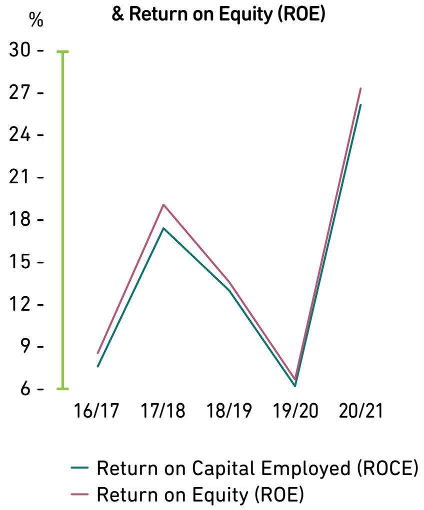
Earnings per Share (EPS) & Dividend per Share (DPS)



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

The ROE and ROCE also significantly improved to 22.30 % (Negative 0.66% last year) and 15.50% (3.52 % last year) respectively, adding value to the investments during the year.

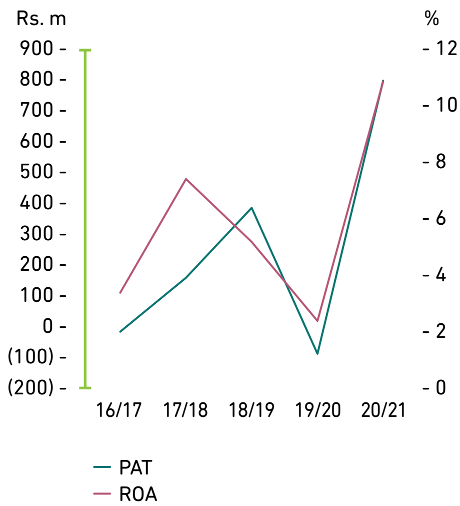
Return on Capital Employed (ROCE) & Return on Equity (ROE)



Return on Assets (ROA)

Reflecting the profitability and efficiency of the Company relative to its total assets, the ROA has increased from a negative 0.9% to 7.46% during the year under review, due to the increase in profits compared to the previous financial year.

PAT Vs ROA



Other Comprehensive Income (OCI)

The Group's OCI was amounted to Rs. 921 m (compared to a negative Rs. 62 m the previous year) and comprised of Rs. 138 m of Actuarial gain on retirement benefit obligations.

Financial Position at a Glance

Ensuring efficient use of financial resources

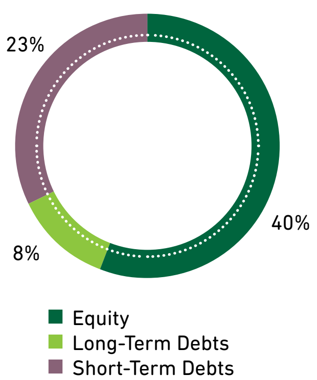
The Board of Directors, together with the Audit Committee, has established the mechanisms necessary to ensure that resource allocation decisions are effective. GMC approval is obtained for Capital Expenditure and Budgetary controls.

Rs. m	2020/21	2019/20	Change	% of change	Key reason
Non-Current Assets					
Freehold property, plant & equipment	2,021	2,091	(70)	(3.3%)	Additions to the Freehold PP&E is very insignificant compared to previous year and change is due to depreciations.
Improvements to leasehold property	3,859	3,829	30	0.8%	Increase in KVPL's replanting on Tea, Rubber, Cinnamon and Coconut.
Biological assets (Consumables)	204	199	5	2.5%	Due to increase in fair value of Timber Plantations and Crop.
Current Assets					
Inventories	1,346	1,056	290	27.5%	Due to increase in Harves crop at KVPL & Bulk Tea & Raw Materials of Mabroc.
Trade and other receivables	1,805	786	1,019	> 100%	Increase in trade receivables at Mabroc due to increased sales volume.
ST Investment, ST deposits, cash in hand and bank	378	295	83	28.1%	Increase in cash at bank of KVPL
Equity and liabilities					
Non-Current liabilities					
Deferred income	667	617	50	8.1%	Increase in Grants (For Replanting & rain guarding) received by KVPL.
Deferred tax liability	462	415	47	11.3%	Decrease in carried forward tax losses due to exemption of agri segment tax of KVPL
Retirement benefit obligations	1,073	1,152	(79)	(6.8%)	Actuarial gain due to changes in experience at KVPL.
Long-term liability to make lease payment	599	587	12	2%	Increase due to re-assessment
Current Liabilities					
Trade and other payables	814	576	238	41.3%	Increase in trade payables of Mabroc.
Amounts due to other related companies	90	131	(41)	(31.3%)	Decrease in related party payables of KVPL & Mabroc
Income tax payable	43	41	2	4.8%	Increased due to better performance by the group during the year and written off of irrecoverable ESC by KVPL.
Short-term interest bearing borrowings	1,983	909	1,074	>100%	Mainly due to increased short-term borrowings of Mabroc

Capital Structure

Using a variety of funding sources provides the Group greater flexibility in funding its investments; a key benefit in rapidly changing operating environs which enables us to achieve the lowest possible cost of funding. As depicted below, 40% of total assets are funded by equity while long-term borrowings fund 8% of total assets. 23% of total assets are funded by short- term borrowings, which was required to fund working capital requirements.

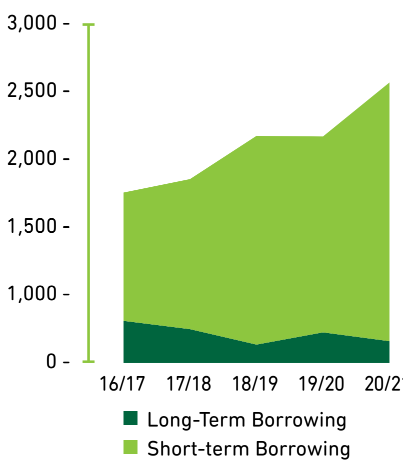
Total Funds Vs Total Assets



Funds attributable to Equity Shareholders of the Company increased by 24% from Rs. 3,437 m, to Rs. 4,249 m. Long-term borrowings decreased by 29% compared to the previous year, due to repayment by KVPL and Mabroc which amounted to Rs. 233 m. Additions to long-term loans were only Rs. 75 m during the year and were sourced from COVID -19 schemes.

Borrowings

Long & Short-Term Borrowings

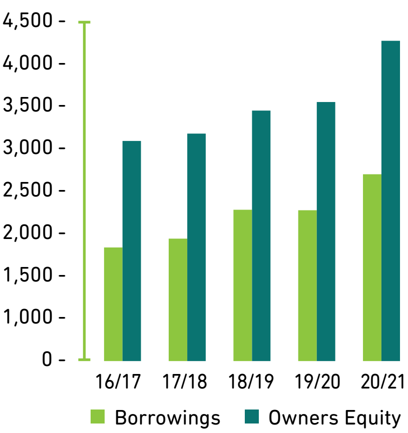


The Group's short term borrowings consist of foreign currency borrowings of Rs. 1,104 m and another Rs. 279 m from local currency on account of Mabroc. In addition, short-term loans includes Rs. 600 m from KVPL.

Further, the Group's short-term borrowings increased by 118% during the year mainly due to the increase in borrowings of Mabroc in order to cover the short-term working capital deficits due to an increase in credit sales.

Even though the short-term borrowings of Mabroc increased significantly, the Group was able to decrease its Gearing ratio to 44% from 46% the previous year, due to the increased performance of the Group and significant reduction in KVPL's borrowings. The management was able to maintain Gearing at an optimum level to minimise the cost of capital.

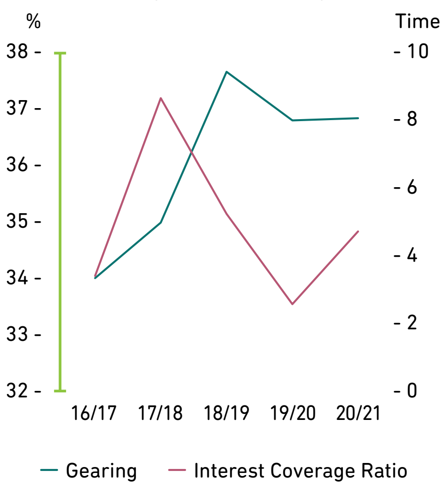
Gearing



Interest Cover

Interest coverage increased 5 times against Earnings Before Interest and Tax (EBIT), from 0.9 times in the previous year, owing to better profits and the decrease in interest costs in the financial market.

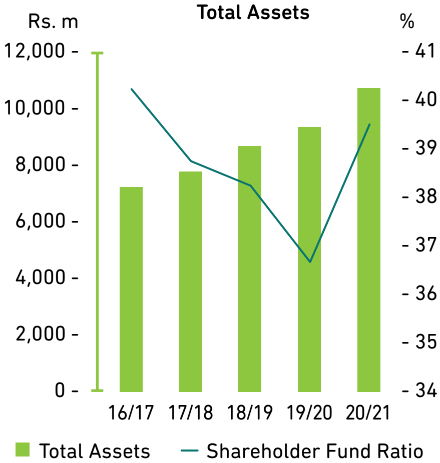
Gearing & Interest Coverage



Shareholders' Funds Ratio

The Shareholder Funds ratio reflects how much money the shareholders receive if the Company's assets are liquidated. The Shareholders' Funds ratio has increased to 40% during the year from 37% previous year.

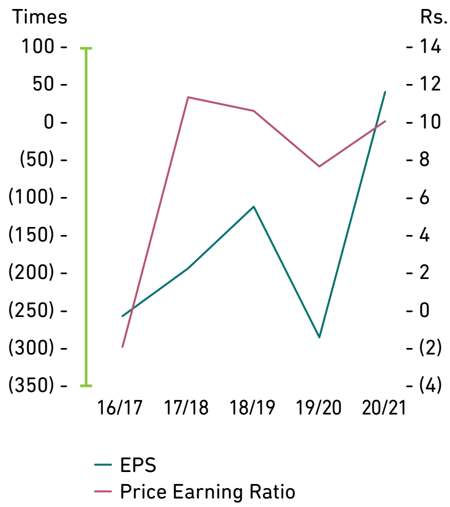
Shareholder Fund Ratio Vs Total Assets



Price Earnings Ratio

Earnings per share increased to Rs. 11.69 from a loss of Rs. 1.40. Price Earnings Ratio was at 3.21 times due to significant improvements in the Group's performance.

EPS and Price Earnings ratio



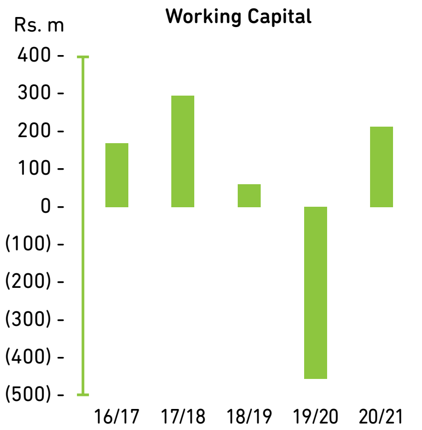
Biological Assets-Consumable & Produce

The Group's commercial timber is classified as a consumable biological asset, the value of which increased by Rs. 5 m, due to increased fair value.

The gain in fair value, less, cost to sell on produce bearer biological, was Rs. 3.6 m, from both Tea & Rubber.

Working Capital

The Group's Working Capital in the year under review has increased by 147 % to Rs. 216 m, compared to the previous year; mainly owing to increase in stock holding of Bulk tea and Harvested crop and an increase in trade receivables from Mabroc.



Current Ratio

The Current Ratio of the Group has increased to 1.06 times, compared to 0.83 times in the last year. This reflects the increase in Group's ability to pay its short term debts.

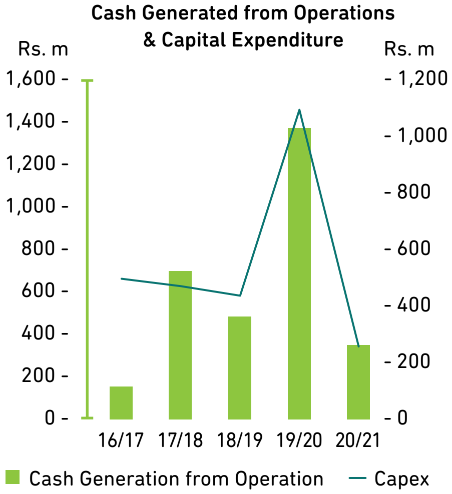
Cash Flow

Cash generated from operating activities before Working Capital changes increased to Rs. 1,653 m compared to Rs. 703 m last year on the back of the significant improvement in the Group's performance.

However, the net cash flow from operating activities was, at Rs. 22 m compared to Rs. 915 m in the previous financial year, due to increase in Trade receivables, inventories and finance cost (As a result of increased short-term borrowings by Mabroc) during the year under review.

Group's Capital Expenditure during the year has decreased by 65%, mainly due to reduction in acquisition of Property, Plant and Equipment as the operating year required focus on meeting the challenges of the Pandemic. However, Mabroc had invested Rs. 790 m in Land & building for their new factory and office premises during the previous year. There was also a slight drop in the investments into field development.

The year ended cash and cash equivalents reflected an increase of 170 % compared, to the previous year as a result of a better performance and cash management during the year.



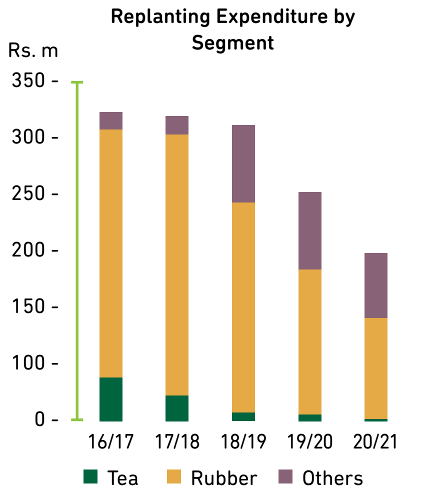
Financing Cash Flows

Liquidity requirements of the Group are managed by monitoring forecasts and actual cash flows and the arranging of finance facilities to address gaps if any. Financing Cash Flows also improved significantly by Rs. 754 m to Rs. 803 m, from Rs. 49 m in the previous year, mainly as a result of increased short-term borrowings.

Capital Expenditure by Segment

The total Capital Expenditure on field development for Tea, decreased from Rs. 12 m, to Rs. 2 m, while the expenditure on field development for Rubber also decreased from Rs. 141 m, to Rs. 104 m as the Company focused on the upkeep of the existing immature fields amidst the challenges of COVID-19 during the year.

The "other" category mainly consists of Rs. 24 m invested in the upkeep of 84 ha of immature Cinnamon fields, Rs. 27 m to and planting of 28 Ha and upkeep 101 Ha of Coconut; and Rs. 16 m. into planting and upkeep of Coffee, Agarwood and Firewood.



Performance Measurement

Quarterly Performance

Tabulated below is the quarterly performance of the Group. The Revenue was more or less equally distributed throughout the first 9 months of the year. However,a significant increase in Turnover is shown in the 4th quarter due to favourable output and market conditions.

The highest Gross Profit was recorded in the fourth quarter, whilst the lowest is recorded in the second quarter. The highest Profit (before and after tax) was recorded in the fourth quarter as well, due to the increase in Turnover.

(Rs. m)	Q1	Q2	Q3	Q4	Total
Revenue	2,671	2,731	3,170	3,188	11,760
GP	388	271	455	643	1,757
Administration expense	(140)	(168)	(212)	(189)	(709)
PBT	185	82	223	458	948
PAT	151	57	194	400	802
Profit/(loss) attributable to equity holders	151	54	192	398	795
Total Assets	9,978	9,735	10,009	10,752	10,752
Total Equity	3,622	3,679	3,839	4,290	4,290
Total Debt	6,356	6,056	6,170	6,462	6,462

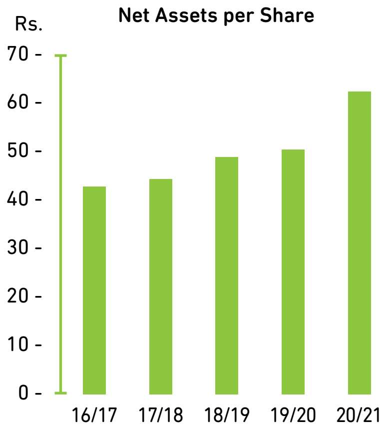
FINANCIAL CAPITAL

Investor Relations

KVPL Group maintains a constructive ongoing dialogue with its shareholders through different channels of communication, including the Annual General Meeting, Publication of Annual Report, quarterly reporting to CSE to provide meaningful and relevant information on a timely basis for effective decision making.

Net Asset per Share

Net Assets per share increased to Rs. 62.49 from Rs. 50.55 compared to the previous year, and the previous year's figure is adjusted due to a share split during the year under review as mentioned in note 21 in this report.



Performance and Market Capitalisation of Shares

Compared to the previous financial year, KVPL's share price decreased to Rs.37/50 per share, from Rs. 40/- per share, as a result of the impact of Covid 19 pandemic on the share market. Comparative figures are adjusted as a result of share split, mentioned in note 21. Lowest & Highest share prices recorded during the year are mentioned in page 205.

The market capitalisation has decreased by 6%, to Rs. 2,550 m due to the drop in market prices during the year.

Mabroc Teas Pvt Ltd – MTPL

Mabroc Teas (Pvt) Ltd (MTPL) has been a fully owned subsidiary of Kelani Valley Plantations PLC, since 2010.

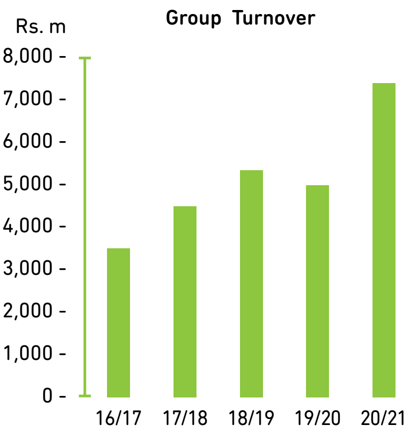
Over the years, Mabroc has mastered the art of providing a diverse range of skilfully blended teas to satisfy the global consumer. The uncompromised commitment to provide high quality has been a key to its brand value and progress. Mabroc's product portfolio comprises world famous blends including 1,001 Nights, Yala Nights and Siberian Blend which won the Company international recognition for its expertise in developing unique blends.

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

MTPL's production facility is certified under FSSC 22000, Rain Forest Alliance Master License Agreement, ISO 22000:2018, HACCP,BRC and ISO 9001:2015. The facility also complies with EU standards. Further MTPL's employee friendly environment was recognised by Workplace Conditions Assessment (WCA) certification and the adaptations made to ensure the safety of employees, products and consumers during the COVID pandemic was recognised with Cov-Safe certification with a Platinum score.

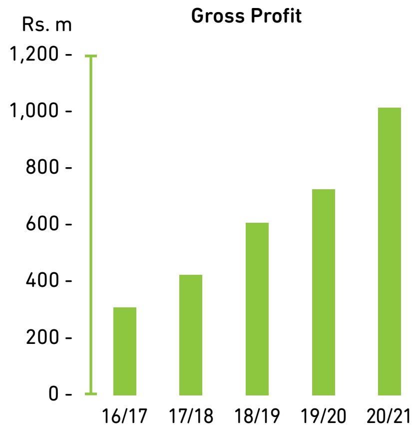
Revenue

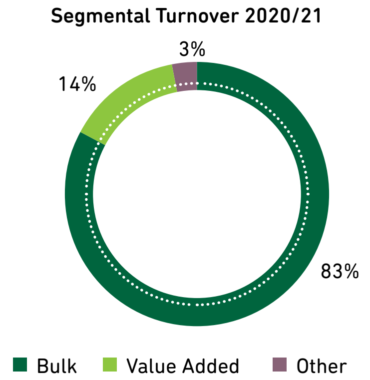
Mabroc's Revenue increased by 48% to Rs. 7,391 m in the year under review, compared to Rs. 4,988 m in the previous year. The major contributor was bulk Tea exports to new emerging markets and increased demand from markets badly hit by COVID-19 restrictions such as India. Mabroc also increased its local sales by 308% compared to last year.



Gross Profit

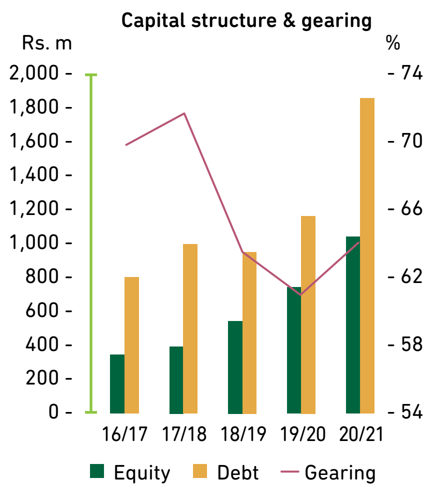
The company's gross profit increased by 41%, to Rs. 1,017 m compared to Rs. 723 m in the last financial year.





Capital Structure & Gearing

The Company's Capital employed at year-end was Rs. 2,889 m The contribution from equity and debt was Rs. 1,042 m, and Rs. 1,857 m, respectively. The Gearing ratio has increased to 64% from 61% last financial year, due to increase in short term borrowings.



Kalupahana Power Company (Pvt) Ltd. – (KPC)

KPC had an excellent 2020/21 due to the favourable weather conditions prevailed during the year. Significant KPI's of the company have been below.

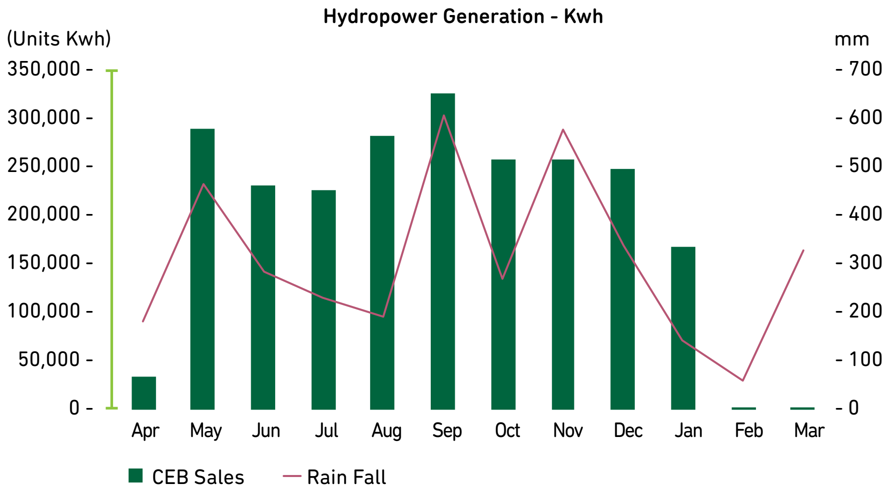
	2020/21	2019/20
GP Margin	71%	78%
NP Margin	58%	64%
Net Asset per share	32.62	29.30
Current Ratio	12	3
ROA	21%	21%
ROE	85%	82%

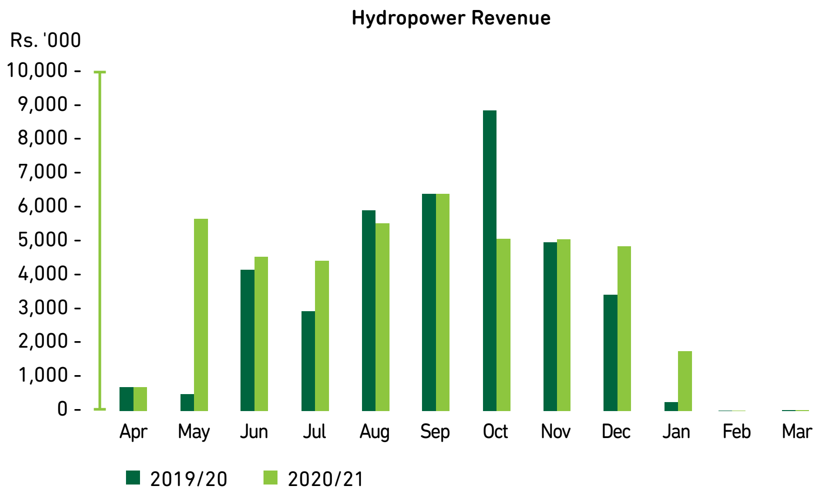
The Company's Revenue increased by 15% compared to the previous year mainly due to the rate increased by a fair margin. In addition, there was also a slight increase in hydropower generation, by 1% over the previous year.

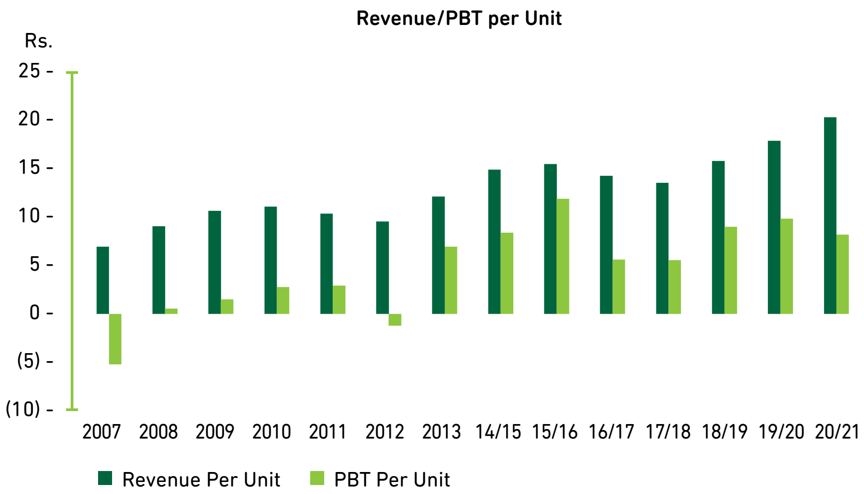
As depicted in the below graph, the hydropower generation in the second and third quarter were higher than the rest of the year due to favourable weather patterns, whilst generation dropped significantly in the last quarter due to reduced rainfall in keeping with the normal trend.

Tariff adjustment was made by the Ceylon Electricity Board as per the agreement in the latter part of the year, which resulted in an additional 2 m. Increase in Revenue. Altogether, KPC achieved a Revenue of Rs. 44 m for the period.

Supported by the upwards movement in top line, Profits Before Tax grew to Rs. 25 m. compared to Rs. 24 m recorded last year. Although Revenue increased by a considerable margin, the PBT of KPC has not improved significantly mainly due to increase in machinery repair cost during the year.







Cash Flow and Liquidity

During 2020/21, the cash flow of the company strengthened significantly compared to previous year to Rs. 35 m, from Rs. 13 m.

Kelani Valley Resort (Pvt) Ltd. (KVR)

KVR, a fully-owned subsidiary of KVPL, owns the bungalow at Oliphant Estate. Located in Nuwara Eliya, the venture is part of KVPL's broader strategy aimed at diversifying into complementary business models by leveraging on Group synergies. The decision to develop the Oliphant Bungalow saw KVPL invest Rs. 65 m. to convert the property into a luxury boutique hotel. Launched to the market in December 2017, the property is managed by Amaya Leisure PLC.

The Oliphant Boutique Bungalow has performed well since its commercial launch. However, its occupation levels were severely affected by the Easter attack in early 2019-20 and the emergence of COVID-19 during 2020-21. Accordingly, KVR's Revenue for the year under review was Rs. 8.3 m against Rs. 28.9 m last year. And it recorded a Gross profit of Rs. 5.7 m (2019/20 – Rs. 23.8 m) and a Loss before tax of Rs. 12 m. (2019/20 – Profit before tax Rs. 2.4 m) for year ended March 2021.

Kelani Valley Instant Tea (Pvt) Ltd. (KVIT)

KVIT is the value-added, instant Tea manufacturing venture established as an initial step towards developing value added Tea-based products for export. KVIT's research on Tea extraction from Broken Mixed Fannings led to the formation of Hayleys Global Beverages (Pvt) Ltd (HGBL).

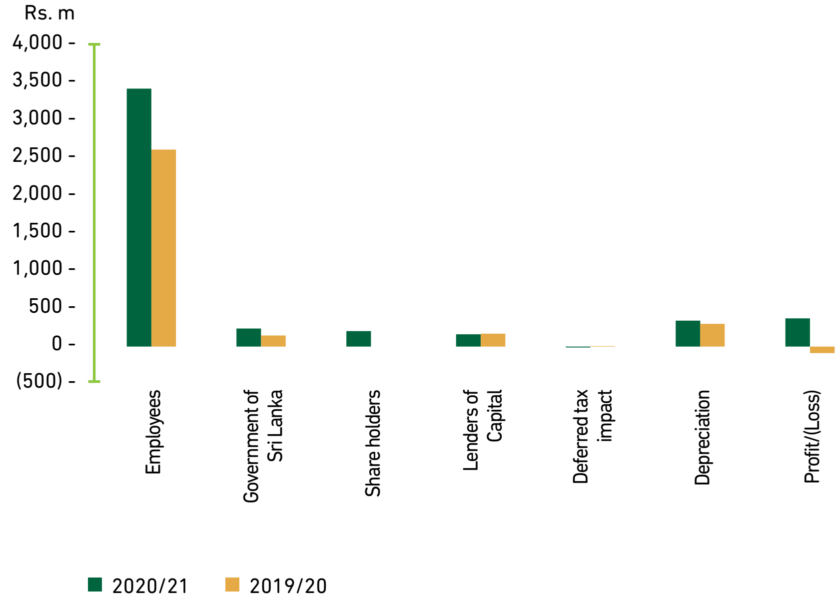
In addition to being a pilot project on value addition, KVIT is also a component of the overall sustainability model of the KVPL Group.

Being a small experimental venture, KVIT 's operations ended following the establishment of Martin Bauer Hayleys (Pvt) Ltd, (a joint venture with Martin Bauer, Germany and Hayleys PLC) As there were no production, the company ended the financial year 2020/21 with a loss of Rs. 2.4 m, which in turn, had a negative impact on the Group's bottom line.

STATEMENT OF VALUE ADDITION AND DISTRIBUTION

For the period ended 31st March	Group				Company			
	2020/21		2019/20		2020/21		2019/20	
	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%
Revenue	11,760		8,909		4,574		4,013	
Other income	149		107		359		217	
	11,910		9,016		4,932		4,230	
Cost of material and services obtained	(7,187)		(5,872)		(1,036)		(1,517)	
Value addition	4,723		3,145		3,896		2,713	
Value created shared with								
Employees	3,414	72.3	2,608	82.9	2,921	74.9	2,521	93.0
Government of Sri Lanka	237	5.0	146	4.6	143	3.7	90	3.3
Shareholders	204	4.3	-	0.0	204	5.2	-	0.0
Lenders of capital	163	3.5	171	5.4	77	1.9	140	5.2
Deferred tax impact	(12)	(0.2)	6	0.2	(14)	(0.3)	11	0.4
Value Retained for Expansion & Growth								
Depreciation	344	7.3	302	9.6	273	7.0	251	9.2
Profit/(Loss)	373	7.9	(87)	(1.8)	292	7.5	(300)	(11.1)
	4,723	100	3,145	100	3,896	100	2,713	100

Distribution of Value Addition



MANUFACTURED CAPITAL

VISION

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

Strategic Pathway Towards Realising our Vision

As such, our aim has always been to maximise the efficient use of manufacturing resources. With this clear objective in mind, our efforts have been focused on the quality of our manufacturing equipment and technologies. Key strategies adopted:

1. **Investments into farming equipment**

- KVPL has implemented the rain guarding of rubber trees to improve yield and the crop. This increases the number of tapping days and protection for the bark. Machine harvesting of tea plantations was initiated to increase crop and field efficiecy of selected fields.
  - Provides a substitute for skilled labor
  - Improved efficiency in plucking hours
  - Combat labor shortage and harvest from tea fields which are otherwise hard to reach by manual labor.

- Motorised high pressure spraying of foliar and fungicides introduced to improve the efficiency and effectiveness of the application.
  - Investing in drones for arial spraying activities for our tea estates

2. **Investing in modern digital hardware**

- Automated digital weighing system for fired Tea. This system is implemented to monitor and control the production efficiency.

The KVPL Group manufactured capital base

Our primary manufactured capitals can be classified as:

Biological assets: Our biological assets refer to different types of crops which are cultivated by the Company and are the most valuable asset class of the Company, generating both current streams of income and future revenue. These are primarily our traditional Tea and Rubber trees and more recently, we have also expanded into Cinnamon, Agarwood, Timber and Coconut. The diversification of export agricultural crop gives our company a competitive advantage over the traditional crop, which are more sensitive to price fluctuations. Traditional asset classes are listed below.

Type of crop	Hectares	Current value Rs'000
Tea	3,422	1,284,360
Rubber	3,990	3,402,780
Cinnamon	156	200,119
Coconut	181	13,314
Timber	221	204,178
Agarwood	10	11,139

Inventory: Our stocks of Tea, Rubber, Cinnamon and Timber are the main manufactured assets of the company that represents our earning capacity.

Buildings: These include office buildings, factory buildings, warehouses, estate bungalows and other buildings in our estates comprising children's creches, worker rest areas, worker houses and modern housing projects and roads within our boundaries.

Machinery and Agri Equipment: As a Company we ensure all our factories are equipped with adequate machinery to assure that our Tea and Rubber meets the highest quality standards. Similarly the agri equipment used in the fields are upgraded or new equipment purchased.

Other equipment including computers: The Company further invested in software and hardware for the electronic green leaf weighing initiative, which provides immediate and precise weight. Furthermore we continued to invest in information technology to enhance our IT capabilities.

Due to the COVID-19 pandemic the Company had to limit its investment activities for the period under review. A relatively small investment of Rs.6 m was incurred to for the above mentioned asset categories.

Changes to manufactured capital in 2020/21

Asset Type	2019-20	2020-21	%
	Rs'000	Rs'000	Change
Biological Assets	4,853,349	5,000,701	3
Inventory	1,056,292	1,346,248	22
Building	816,511	817,191	0.1
Plant & Machinery	731,411	731,701	0.04
Other Equipment Including Computers	174,759	179,854	3
Motor Vehicle	137,515	85,910	-60
Furniture & Fittings	13,384	13,384	0
Other	42,478	42,478	0

During the current financial year, considering the restrictions that prevailed within the country due to COVID-19 we continued to add value to our manufactured capital base on a limited scale by investing in good agricultural practices. This included adhering to a strict maintenance routines to maintain machinery and equipment, painting, repairing and renovation of buildings and replacing parts and equipment.

As at end March 20, the KVPL Group's buildings were valued at Rs. 817 m which is an increase of 0.1%.

The value of our machinery stock remained almost the same compared to last year with a slight increase of 0.04% with a value of Rs.731.7 m.

The stock of other equipment and computers has increased by 3% during the year, KVPL invested in computer based assets to combat the COVID-19 limitations of mobility and accessibility. The value of the asset category at the end of the year was Rs.179.8 m.

The value of our furniture and fittings remained the same at a value of Rs.13.3 m due to the limited investment plan during the year due to COVID-19.

The value of our inventories increased by 22% to Rs.1,346 m. This is largely due to holding of stocks by Mabroc to meet the rising demand for Tea and due to higher prices for both Tea and Rubber which resulted higher valuations compared to last year.

The value of 'Other' remained the same at Rs.42 m as these assets required no further improvement nor replacements.

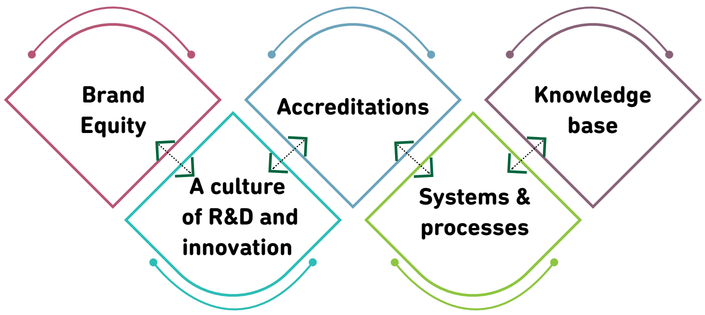
GRI 102 - 12

Value creation and intellectual capital are inter-dependent. And we believe higher the value an organisation seeks to create higher it moves along the industry value chain, the importance of its intellectual capital. For the Tea industry, where the nation's competitiveness in the global market has been eroding over the past few decades due to higher costs of production vis a vis its key competitors such as India and Kenya; adding value and moving up the value chain has become an imperative for its long term sustainability.

Sri Lankan Tea now continues to build on its well established brand platform of "Ceylon Tea" by adding value in numerous ways such as through market specific, specialised brands which can earn higher prices. The recent policy decisions which are inimical to the sustainability of the Tea industry in fact has challenged us for a paradigm shift in order to survive. It has spurred us on to adopt Smart Precision Agriculture as one of the solutions.

KVPL thus identifies five elements of Intellectual Capital as playing a significant role in its value creation and its competitive advantage. The diagramme below depicts the five intangibles and the win win impact they have on each other, in creating value.

Key Elements of our Intellectual Capital



Brand Equity

The KVPL brand, of more than 25 years has earned global recognition as a supplier of premium Tea and Rubber . Quality, reliability, speed, innovation, excellence in customer service and social and environmental responsibility are the key attributes of the KVPL brand which offer the Group a competitive advantage in the industry and the global market place.

Since 1996, the KVPL brand equity has been further bolstered as a member of the Hayleys Group- one of Sri Lanka' oldest, largest and most respected conglomerates.

KVPL brand has consistently been placed within the top ten for its National Sales Averages which is a reflection of its reputation for the quality of its Tea.

In addition to the KVPL brand, a number of our product brands also enjoy considerable brand equity in the global market. These include the Single Origin Teas and the brands marketed by our export marketing arm - Mabroc which has established our brand presence in over 50 countries. Below are some of KVPL's tea brands which have made significant inroads in global markets and are now much sought after in several countries.

Knowledge Base

KVPL as a Company has been in the Plantation industry for over 28 years and as part of Hayleys Group for over 25 years. These employees, most of whom are resident populations, represent and contribute immensely to the Company's value creation process with a store house of tacit and explicit knowledge, of Tea or Rubber plantations handed down to them from generations. These intangibles have been a key to the sustainability of plantation agriculture and the Company's business model.

Systems & Processes

The Group's accreditations, innovation and its organisational processes and systems all contribute to the Brand reputation it has built, whilst the Organisational Systems are a sine qua non for some of the accreditations we obtain, and the certifications in turn, require the best in our systems and processes. Similarly, R&D contributes to the value we create whilst the brand promise spurs us to actively encourage and invest in innovation to stay ahead in an increasingly competitive industry. The year under review saw an enhancement of our HR Management processes via the deployment of the state of the art in technology. Namely, the Oracle Cloud based system for Executive cadre and the DMS for non-executive staff which have enabled the electronic storage and processing of all HR data for management decision making. The digitisation of field data now ensures that the harvested Tea is electronically weighed and this date together with attendance records of field workers can be viewed by supervisors and managers in monitoring their employees.

The position of industry leadership that the Group has achieved and the relationships it has built with world's leading retail chains have been supported by the rigour of the Group's processes and systems; whether it be in execution excellence or customer engagement or in achieving social and environmental sustainability.

A culture of innovation

KVPL actively promotes a culture of continuous learning, one which encourages across the board from the field level manual worker to the highest level of manager to share their ideas on what they do and how they can do differently. We believe this culture has played a key role in the Company establishing many benchmark and industry firsts. Innovation is encouraged by promoting concept such as 'Learn From Failures' and 'Remove the Fear Factor" which help employees shed fear of failure which is found to be one of the biggest inhibitors to creativity and innovation.

Accreditations

The accreditations we have obtained and the certifications awarded, bear testimony to our commitment to quality and excellence, the strength of our knowledge base and the quality of our systems and processes. The year under review saw us establish another milestone by obtaining a certification for our Organically produced Rubber (GOLS – Global Organic Latex Standards following the conversion of Kiriporuwa, Lavant, Urumiwella, We Oya, Ederapola and Ganepalla estates comprising a total of 675 Hectares to organic latex. The certification by the EU (European Union) Organic certification and USDA/NOP (United Nations Department of Agriculture/National Organic programme) certification have enhanced the Company's brand equity and its intellectual Capital. This Organic certification not only vouch for the purity of the Rubber but also considers the sourcing of the material i.e; whether the organic farms are free of synthetic fertilisers and pesticides, and also extends to social and environmental practices of the supplier such as fair treatment of workers and if proper waste treatment is practiced.

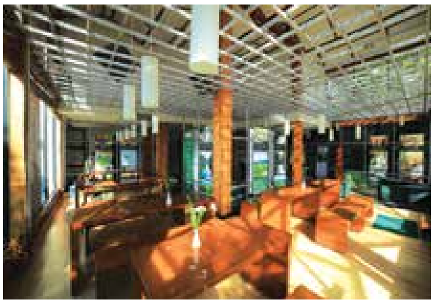
The accreditations are listed below whilst Awards are given on page 23 of this report.

KVPL Tea :

- ISO 22000:2018, HACCP, GMP
- Rainforest Alliance certification as environmental commitments and social commitments

KVPL Rubber :

- Forest Stewardship Certificate (FSC™)
- Organic rubber certifications (EU organic, USDA/NOP and GOLS)
- Fair Rubber Partner



Sustaining our position amongst the top three Plantations Companies in the country and continuing to achieve the best ranks amongst RPC's all a result of the talents, commitment and dynamism of our people. The resilience we demonstrated during one of the most challenging years for the entire world, is testimony to the dedication and passion of our people across the value chain and the strength of our relationships with our people.

Strategic Priorities of our HR Management for 2022/23

KVPL's HR Management Strategies encompass executives, non-executives and its operational workforce, which together number over of 8,500 as at year end. Being one of the first Plantation Companies to implement a HR Strategic plan in 2014, KVPL continues to update its Strategic Plan as per changing needs of the Company. The Strategic Priorities for 2022/'23 include the following

- Sustainable Professional Development
- Developing an innovative, diverse and positive work environment

Information on employees and other workers

Total Head Count - Group GRI 102 - 8	
Total Employees	8,854
Permanent Employees	7,070
Contract/Short-Term	1,784
Executive and Above	154
Non-Executive*	558
Manual Grades	8,142
Total	8,854

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

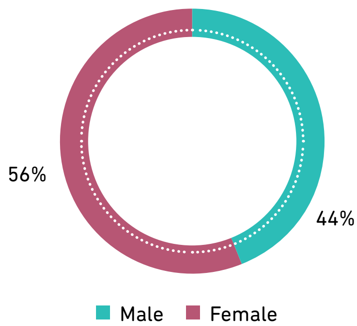
Total Head Count - KVPL	
Total Employees	8,722
Permanent Employees	6,944
Contract/Short-Term	1,778
Executive and Above	95
Non-Executive*	532
Manual Grades	8,095
Total	8,722

*(Office Supervisory, Production, Supportive and Human Development) Total head count of KVPL

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

Category	Male	Female	Total
Executive	83	12	95
Non-Executive	390	142	532
Manual	3,387	4,708	8,095
Total	3,860	4,862	8,722

Gender - Wise Workforce



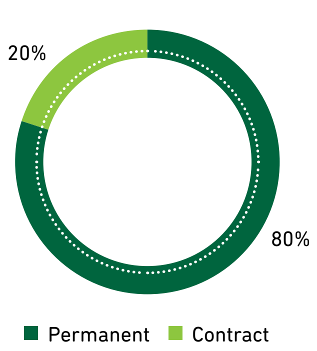
Total number of employees by employment contract (permanent and temporary), by region.

Category	Western Province	Central Province	Sabaragamuwa Province	Total
Management	16	25	29	70
Executive	15	7	3	25
Clerical	8	267	257	532
Manual	0	5,004	3,091	8,095
Total	39	5,303	3,380	8,722

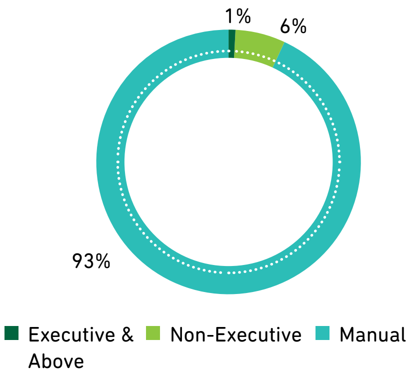
Total number of new employee hires during the reporting period, by age group, gender and region. GRI 401 - 1

Category		Executive	Non-Executive	Manual	Total
Age Group	>30 years	6	8	183	197
	30-50 years	9	33	261	303
	>50 years	1	6	151	158
	Total	16	47	595	658
Gender	Male	15	39	270	324
	Female	1	8	325	334
	Total	16	47	595	658
Region	Central	8	23	363	394
	Sabaragamuwa	7	24	232	263
	Western	1	0	0	1
	Total	16	47	595	658

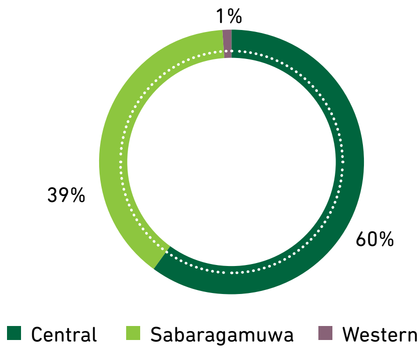
Permanent & Contract Employees



Executive, Non-Executive & Manual Workforce



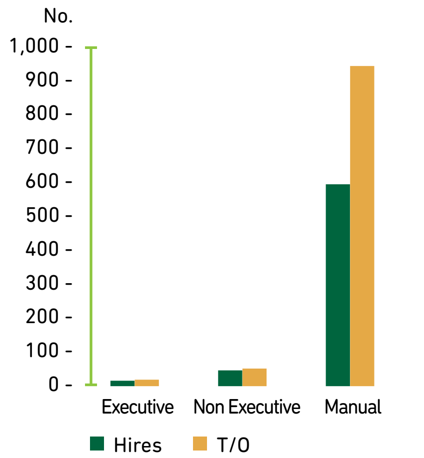
Region - Wise Head Count



Total number of turnover during the reporting period, by age group, gender & region. GRI 401 - 1

Category		Executive	Non-Executive	Manual	Total
Age Group	>30 years	4	8	227	239
	30-50 years	10	28	380	418
	>50 years	5	16	336	357
	Total	19	52	943	1014
Gender	Male	19	38	428	485
	Female	0	14	515	529
	Total	19	52	943	1014
Region	Central	8	34	690	732
	Sabaragamuwa	9	18	253	280
	Western	2	0	0	2
	Total	19	52	943	1014

Comparison of Hired & Employee Turnover



HUMAN CAPITAL

Meeting the many challenges of 2020 – a reward and a validation of the social Sustainability of our model

The year under review was unprecedented for us, and the entire world. The threat of the pandemic tested the mettle of every individual and business. When looking back, for KVPL, it also gave reason to be humbly proud, of the strength of its relationships, which underscored the Company's strength and resilience as a truly socially sustainable enterprise amidst the many challenges that came up. Employee commitment and cooperation across the board, enabled all our estates to ensure the implementation of all COVID 19 safety protocols, and thereby obtain approval to carry out our harvesting and manufacturing operations throughout the lockdown. It was a result of a laudable and cohesive effort by the entire team that makes up KVPL as well as the industry.

It is also most encouraging that KVPL was one amongst a few who did not have to face employee unrest during and in the immediate aftermath of the wage negotiations.

Our COVID-19 response in a nutshell

- Developed a COVID -19 Safety Policy and enhanced the existing Health & Safety Policy of the Company.
- Sponsored and arranged PCR testing of employees at an investment of Rs. 1.24 m.
- Established sanitising facilities at common locations at offices, factories and fields.
- Provided digital thermometers, face shields and masks.
- Continued to conduct comprehensive training and awareness generation initiatives on safety measures and minimising the threat, in collaboration with national/ provincial Health authorities such as the area MOH.
- Facilitated Company transport for our employees at Head Office to minimise exposure to public transport.
- Facilitated working from home by providing the required IT such as laptops, tabs and access to data.
- Facilitated logistics and took on all health expenses for those who needed to be quarantined.
- Distributed food, medicine and other goods to estate workers and their families during curfews and lockdown periods.

Accolades

We are heartened by the many external endorsements of our efforts to enhance the value of our human Capital, The accolades during the year for HRM include the following:

- Gold Award, for "Excellence in Performance Management" at National Business Excellence Awards 2019, by the National Chamber of Commerce
- Winner, Best HR Organisation to Work for, Global HR Excellence Awards 2019
- National Social Dialogue & Workplace Cooperation Awards 2019:
  - Gold Award winner for Service Sector Small scale
  - Gold (Joint) Winner by Pedro Estate in Plantation Sector Large Scale
  - Silver By Nuwara Eliya & Annfield Plantation Estates, and Bronze by Robgill Estate in Plantation Sector Medium scale
  - Gold by Battalagala Estate and Silver by Edinburgh & Oliphant Estates in Plantation Sector Small scale
- Silver Award in Extra Large Category at Sri Lanka Corporate Health & Productivity Awards 2020, organised by the Chamber of National Young Lankan Entrepreneurs (COYLE) and Japan External Trade Organisation (JETRO).
- Winner - Great HR Practices at National HR Conference 2019, organised by the Chartered institute of Personnel Management (CIPM), Sri Lanka in recognition of Participation and Progressive Effort to uplift HR practices through the Concept of Environment.

Enhancing our HC Management Processes through a Digital Transformation

2019 saw a significant achievement in transforming our HRM practices and processes as Hayleys Group invested in a state of the art 'ORACLE Fusion HCM CLOUD", which is reputed to be one of the world's best cloud based Human Capital Management (HCM) systems. It also marks an industry first, as it is the first time in Sri Lanka's 154 year old plantation history that a Plantation Company has begun to use Oracle, the world's best HCM Cloud based system as its HRIS. The comprehensive system covers the every HR process, from recruitment to retirement. The implementation and online access to the system was completed for all Head Office and Estate Executives in May 2020 and it is being used for core HRM, Workforce Management and optimisation including Talent Management, Recruiting and Onboarding, Goals and Performance Management and Succession Planning amongst others.

In a fast changing world where today's technology is being rendered obsolete at an accelerated pace, the Oracle (HCM) solution also offers greater agility, as it is built on an open standards-based platform and based on best practice business processes; thus enabling us to adapt the system to remain compatible with technological advancements. Moreover, it has also given priority to data security, a vital aspect amidst increasing vulnerability of software to hacking and viruses. The module also comes with an exclusive mobile application which enables employees to remotely access the system on any Android Application. And security was further enhanced via the addition of a special tracking system to capture locations of access to minimise misuse and increase transparency.

In addition, the Company has also incorporated DMS - HRIS to digitise the HRM functions of non-executive employees, thereby eliminating the use of paper for a number of tasks such as leave applications, increasing the channels of communication and enhancing decision making and facilitating greater transparency. For example, digital entry of field employee data have enabled the speedier and transparent calculation of overtime and attendance bonuses. The digital weighing system with a link to the data base has enhanced transparency and accuracy of worker harvest data. A system generated report thus enables a supervisor or a manager to monitor the employee's performance.

Performance Management :

The Group's Performance Management system is based on ORACLE Fusion HCM Goals and Performance Management modules and translates and aligns business strategy into goals of teams and individuals across all levels of business. Organisational goals are then translated into Key Performance Indicators (KPI's) of employees. The KPI's are based on the perspectives of a Balance Score Card comprising Learning, Internal Business Systems and Processes and Financial and Customer focus. All employees across the Company have an opportunity for a two way appraisal process conducted bi-annually, where performance targets and measures are agreed on at the beginning of the year and monitored across companies, with contributions and achievements recognised and rewarded. The final performance appraisals via Oracle of executive categories and above are reviewed by a Steering Committee chaired by the MD; and comprising the CEO, Operational Directors, Heads of Departments and the Head of HR.

GRI 404-3, SDG 05, UNGC 06

The percentage of our employees who receive regular performance and career development reviews is 100% . Moreover, KVPL practices a concept it has named as "You are Identified" which clearly defines, monitors and recognised every operational level employees' performance via on-line, operational data. The project is a result of the use of a ground breaking state of the art information system which has taken operational level evaluations and rewards to a whole new level with greater accuracy and objectivity; enabling more effective and speedier decision making by the management. The harvesters are periodically rewarded for being the "Best Harvester of the month" at every KVPL estate and recognised with a certificate from the MD.

Constant improvement of the workplace environment in the plantations sector is also being carried out under the concept "Quality-of-Work-Life (QWL)" and "Quality of Life" to maintain health, safety and security of the workforce in the factories and in support services. Comprehensive programmes for uplifting QWL are aligned with the Company's key value drivers and considering the importance of employee engagement in enhancing the QWL, workers are included in the implementing committees.

Labour Relations Management

GRI 407 -01

KVPL is bound by the Collective Agreements (CA) which are signed following a process of collecting bargaining between the plantation industry, trade unions and the management. An agreement is signed for a period of two years and discussions and negotiations begin before the signing of the agreement for the next two years. The CA currently applicable was negotiated and signed in 2020 and KVPL strictly adheres to all aspects of CA including the minimum notice period stipulated below.

Minimum notice periods regarding operational changes including those specified in CA's	1 Month
Is notice period & provision for conclusion specified in the agreement	Yes

GRI 408-01

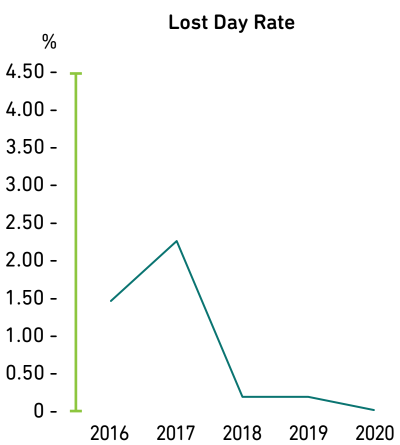
KVPL ensures that all its Estates are committed to and strictly adhere to a policy of recruiting no one under the age of 18 years.

Employee Benefits

Employees of all grades enjoy many benefits above the legal requirements. The Company invests considerable funds to provide additional funds which in turn contribute to a happier and more motivated workforce.

Employee benefits which are available to all permanent female employees include Maternity leave as stipulated by labour laws, as well as flexi hours for nursing mothers but is not afforded to temporary and part time employees.

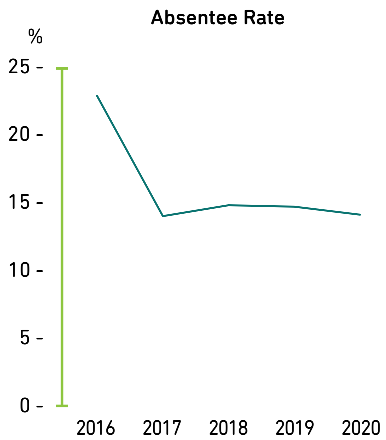
Maternity Leave	No. who took
Total Number of employees entitled to maternity leave	258
Total Number that took maternity leave	162



Occupational Health & Safety Record 2020/21

GRI 403 - 2

	Company Total %
Type of Injury	No major Injuries were recorded
Injury Rate (IR)	0.023
Occupational Disease Rate (ODR)	0.00
Lost Day Rate (LDR)	0.023
Absenteesm Rate (AR)	14.10
Work-related fatalities	0
Workers in high-risk situations	N/A



Training & Development

Employees being our most valuable asset, one of our critical strategic imperatives is to enhance the value of that asset. Thus, promoting education, training and a culture of continuous learning remain key focus areas at KVPL. Our employees across the Group and across the different functions were afforded a variety of training opportunities conducted in house and externally during the year. It is noteworthy that the overall effective training person hours and training yield ratio increased in 2020, despite the inimical environment due to COVID 19 and its implications.

Training Detail Report - 2020/21

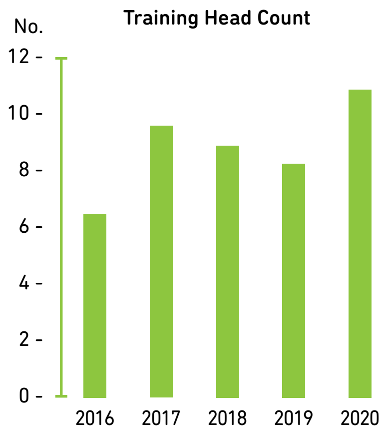
Category	Head Count			P/Hours			P/H Per Person		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive	660	47	707	2,430.5	96	2,526.5	3.6	2.04	3.57
Non-Executive	1,569	0	1,569	2,413.5	0	2,413.5	1.54	0	1.54
Manual	2,836	5,729	8,565	19,737.5	30,202	49,939.5	6.96	5.27	5.83
Total	5,065	5,776	10841	24,581.5	30,298	54,879.5	4.85	5.25	5.06

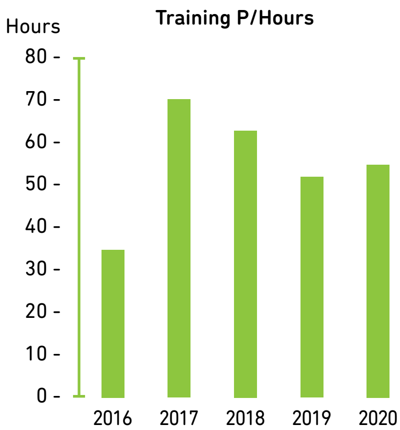
Average Hours of Training Per Year Per Employee GRI 401 - 1

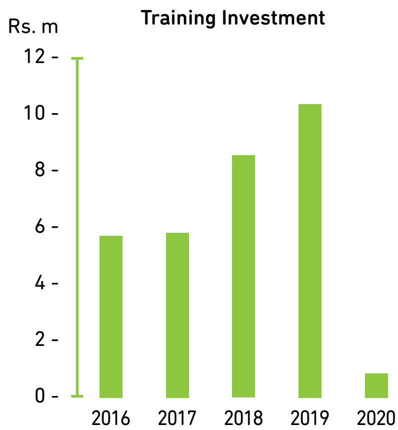
Category	P/H Per Person - 2019			P/H Per Person - 2020		
	Male	Female	Total	Male	Female	Total
Executive	7.56	4.83	7.16	3.6	2.04	3.57
Non-Executive	2.04	5.16	2.30	1.54	0	1.54
Manual	6.09	7.19	6.66	6.96	5.27	5.83
Total	5.61	7.11	6.20	4.85	5.25	5.06

Training Hours Comparison (Year Vs Person Hours of Training)

Year	Training Head Count	P/Hours	% Over Previous Year
2017	9,568	69,993	101.12
2018	8,866	62,690	-10.43
2019	8,216	51,849	-17.29
2020	10,841	54,879.5	5.84







Strengthening Management and Leadership capacities

One of the key training initiatives during the period of review, aimed at enhancing senior management capabilities was a training programme organised by the Association for Overseas Technical Corporation and Sustainable Partnership (AOTS) of Japan. The highly specialised management and leadership development training programme which has been customised for employees from KVPL, is designed to enhance employee capabilities in leadership, business strategy and philosophy, and Japanese management systems, including quality management strategies. The programme arranged with an investment of Rs. 6 m by KVPL is the largest single batch of plantations executives to be sent for training by AOTS. KVPLs batch comprised Corporate and estate level Senior Managers including leadership, and the emerging leaders in Middle Management on the estates.

Outward Bound Training

Management level training also included an Outward Bound training session at the Kuda Oya Commando Regiment with the aim to strengthen managerial attributes such as ability to meet unexpected challenges, team work, mindfulness and critical decision making, and the programme also included meditation to enhance individual capacities.

Mindfulness Training

The year under review also saw the launch of a Mindfulness at Work programme to infuse intellectual and spiritual stimulation and a more holistic approach, enabling them to see the invaluable benefits and transformation that comes from practicing mindfulness in our daily lives and as an essential means to reach one's potential in work and personal life.

Facilitating NVQ 3/ 4 Levels & First Ever Skills Passport Qualified Field Officers in the Tea Industry

KVPL is also proud to establish another benchmark in Sri Lanka's Plantation industry by becoming the first Plantation company to introduce the National Vocational Qualification (NVQ) to supervisory staff members who work on estates. The NVQ training was launched during the year for 56 field level staff members, including 9 assessors, in collaboration with the Tertiary and Vocational Education Commission (TVEC) and Employers' Federation of Ceylon (EFC) and the ILO.

With support and guidance of the EFC, the National Apprentice & Industrial Training Authority (NAITA), saw the completion of all evaluations of our Field Officers. Furthermore, with the guidance of the ILO, the graduating officers were also empowered with the issuance of a "SKILL PASSPORT"; an unique, globally accepted standard for verifying vocational training qualifications.

Hayleys Plantations Technical Skills Development Programme (HPTDP-1) – Tea & Rubber

Hayleys Plantations set a new benchmark for the Sri Lankan plantation sector, with the ground-breaking in-house developed "Hayleys Plantations Technical Skills Development Programme" (HPTDP- Tea and Rubber) for our Supervisory level staff in the Tea and Rubber sectors. During the year, eighty of our Field Officers upon passing a final oral and written examination became the first-ever graduates of the course.

The course harnesses an in-house repository of unmatched experience and technical and practical knowledge at Hayleys Plantations. The resource pool comprises our Estate Managers, Deputy Managers, Assistant Managers, and members of the Corporate Management team, including the Managing Director. In addition, specialised technical expertise also comes from senior scientists from the Tea & Rubber Research Institutes (TRI & RRI) and the Faculty of Agriculture of the University of Peradeniya.

HUMAN CAPITAL

The HPTDP- Tea Programme was inaugurated at the Darawala Maskeliya Cricket Club (DMCC) in September 2019, and consists of 40 in-house lectures of 1.5 hour duration, held twice a week at training venues on our plantations; whilst the HPTDP programme for the Rubber sector was launched at the Dewalakane Estate training Centre in December 2019. The training courses cover all theoretical and practical aspects of Tea and Rubber, from soil to plant and aims to improve planning, organising and effective utilisation of resources, upgrading of skills for modern methods and techniques and providing scientific knowledge, on all Tea & Rubber field operations.

Number of HPTDP Programmes held in 2020/21

	Tea	Rubber
Number of Sessions	44	30
Number of Field Officers	12	38
Number who passed oral & written test	10	32

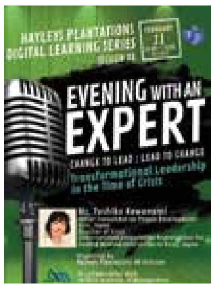
Plantation Executives afforded an opportunity for Technical Learning with Academics at UOP

The Company also held a second programme to enhance technical skills of Estate Managers and Assistant Managers and select Corporate Managers, in collaboration with the Faculty of Agriculture (FOA) of the University of Peradeniya (UOP) in September 2020. All lectures and laboratory visits were arranged by the FOA, UOP at their own facilities with lectures conducted by senior academics of the faculty. The programme was a valuable milestone in the industry's T&D journey, being possibly the first occasion that an RPC was able to benefit from valuable university resources. Each participant was also awarded a certificate signed by the Dean of the faculty.

Towards Sustainable Knowledge Transformation via Digital Platforms

We began shifting our learning and development pathways to digital platforms a few years ago; well aware of the greater resource efficiencies it offered as a L&D channel and the greater flexibility it offered to trainers and trainees, and the wider audience we can reach. The pandemic situation in 2020 with its resulting restrictions to mobility and need for social distancing, prompted us to intensify our efforts to fast forward KVPL's programme for "Sustainable Knowledge Transformation via Digital Platforms"; in order to optimise business processes. We are happy to note that the digital channels reached employees from across our estates and all tiers of management.

In addition to the planned T&D initiatives which were delivered through digital channels, KVPL, also introduced a serious of programme "An Evening with an Expert" which enabled employees at Head Office as well as estates to benefit from knowledge shared by experts from respective fields. Two such programmes were conducted during the year. Namely, "Transformational Leadership at a Time of Crisis" by a Japanese Consultant on People Development and "Innovations in Agriculture" by a Sri Lankan Agricultural expert.



SOCIAL AND RELATIONSHIP CAPITAL

The year under review and our ability to respond swiftly and effectively and remain resilient, tested our mettle and proved the social sustainability of our value creation model.

As it did for most other enterprises, minimising the threat of the COVID-19 for our estate communities and all employees took precedence in our social initiatives in 2020.

The curfews and the prolonged lockeddowns necessitated by the threat of the pandemic, posed greater difficulty to estate communities than it did to those close to cities, in accessing food and other essentials. In keeping with our values and how we engage with our people, the entire team of managers and executives rose to the occasion with hands-on engagement from the top, to ensure that no household on our plantations was left wanting under these unprecedented circumstances. A concerted effort and commitment by our entire team of managers and executives across our estates, saw the purchase of essential provisions and more, such as Vitamin C and herbal foods and Coriander and Ginger as immunity boosters, to help our associates and their families cope with a lockdown and stay safe. The provisions bought were also packaged and delivered by our teams.

Seeing the Company's values thus translated into action, further strengthened our employee relations.

It is most encouraging that the importance we place on engendering trust and ensuring effective channels of communication and dissemination of information in the organisation were both proven effective and valuable during the year.

In addition, the Company conducted continuous training and awareness programmes to ensure our employees and their families remained aware of the risk of the pandemic, and knew and practiced ways to minimise risks for themselves and the communities. In addition to the dissemination of information, demonstrations were also held to ensure proper safety measures.

SOCIAL AND RELATIONSHIP CAPITAL

KVPL's responses to COVID 19 in 2020/21 on our estates included the following :

- Development of a COVID 19 Safety Policy.
- Sponsorship of PCR tests for estates in the Hatton region at an investment of Rs. 1.2 m by the Company.
- Distributed masks to workers.
- Ensured continuity of operations requiring minimal attendance in order to minimise exposure and enable social distancing.
- Weekly sanitisation of frequently used common areas, such as workstations, equipment, screens, doorknobs and restrooms.
- Issued Digital Thermometers .
- Expanded hand washing facilities at offices, Tea & Rubber fields and factories and other areas.
- Awareness creation of risks, prevention and safety measures through training programmes and display of posters.
- Activated Emergency Teams at estate and divisional levels.
- Formed Health, Safety & Well-being Committees, and Vigilance Committees.
- Mandated staggered lunch and tea breaks to facilitate social distancing.
- Provided special training for Child Development Centre officers to take extra measures required, in caring for children under pandemic conditions.
- Provided herbal drinks and foods as immunity boosters.
- Maintained records of estate residents, new comers and provided information to the PHDT and PHI's as required.
- Facilitated quarantine for those who required it.
- Promoted the out grower model amongst employees and harvesters to work and earn during pandemic conditions.
- Adopted Zoom training & development in place of physical meetings.
- Encouraged E-learning amongst Corporate and estate management and other staff.

KVPL's flagship initiative **The Home for Every Plantation Worker** launched in 2006 continues to be funded by an annual budgetary allocation as well as an allocation of Rs. 1.50 from every kg of single origin tea sold.

The project comprises 4 primary pillars

Living Environment

- Building new houses and improving existing houses for workers
- Sanitation
- Electrifiation
- Other infrastructure projects

Community Capacity Building

- Micro-financing
- Skills & personality developent programmes - computer classes, Alcohol Prevention Programmes
- School & Nursery

Health & Nutrition

- Day to day preventive and curative health measures
- immunisation coverage
- Nutritional Programmes
- Special projects - medical camps, clinics

Empowerment of Youth

- Training for small business management
- Home gardening
- English classes
- Computer classes
- Bridal & beauty care

GRI 413 - 1

Description of work	"KVPL TOTAL "
Category 1: Living Environment	
New houses built (units)	87
Land extent granted (perches)	104
Reroofing houses (units)	14
Upgraded houses (units)	0
Ramps & drains (m)	1
Access roads (km)	103
Water schemes (units)	5
Sanitation - toilets (units)	33
Play grounds (units)	4
Upgrading staff quarters (units)	8
Community centers (units)	0
Electrification (housing units)	95
Field rest room (units)	12
Factory rest room (units)	0
Hot water bathing spots (units)	0
Category 2: Health and Nutrition	
Logistic support (km)	1032
Dental clinics	6
Eye care operations - Cataract	60
- Spectacles	71
- Clinics	14
Oral Cancer programmes	6
AIDS awareness programme	14
TB awareness programme	18
Dengue awareness programmes	109
Category 3: Community Capacity Building	
Micro financing (Rs.)	48,076,483.00
No. of borrowers	3432
Deposits accepted (Rs)	15,438,021.15
Street Dramas	12
Prevention of Alcoholism programmes	69
House hold cash management programmes	61
Category 4: Empowerment of Youth	
Training for small business management	114
home gardening	269
english classes for estate children	200
computer classes	74
vocational training -self employment	80
COVID - 19 Programmes	691

Our partnerships

KVPL partners with numerous national, international, Government and non-governmental bodies to uplift its social capital and in its CSR projects. These include :

- Plantation Human Development Trust (PHDT).
- Ministry of Plantations, Ministry of Estate Infrastructure Development and other Government institutes.
- National Institute of Occupational Health and Safety (NIOHS).
- Schools within the estates and surrounding villages.
- Universities.
- Divisional secretaries & other legal entities.
- Government and Private sector Banks & Micro Financial service providers.
- Deutsche Bank.
- Trade Unions.
- Sri Lankan Government.
- Mahaweli Authority of Sri Lanka.
- Save the Children Fund - Save the Children Sri Lanka.
- International Union of Conservation of Nature (IUCN).
- Sri Lanka Red Cross Society.
- United Nations Global Compact (UNGC).

Our Commitment from the top

Reflecting the value we place on our Social Capital at KVPL, the management at the highest level, including the Managing Director and Senior Management team are involved from point of strategy development to implementation and monitoring of the Group's social sustainability agenda. The Senior Management also engage in the development of policies. For example, the Child Policy was formulated in conjunction with Save the Children. They also deal with certain regulatory bodies as well as lend their time and effort to national level sustainable platforms. In addition, the Group's senior managers contribute by sharing their knowledge and expertise with different stakeholders, for example as guest speakers at Universities and National conferences.

Child Policy

In 2018, KVPL became the first Plantation Company in Sri Lanka to adopt a Child Protection Policy, in conjunction with the Save the Children Fund. This policy, formulated in line with the fifth Principle of the UNGC mandate; entails improving maternal health and improving health, nutrition and sanitation facilities and education of children amongst estate communities. These also included establishing feeding corners in crèches. Through the adoption of the policy and its 15 Principles, KVPL is committed to ensure that all children living on estates owned by KVPL are protected from all forms of harm, violence, abuse and exploitation.

During the year, the following progress was made in implementing the strategy

- Appointed Child Protection Focal Points (CPFP) on each tea estate, sub office level and head office level to implement, coordinate and monitor the Child Policy
- Established Village Child Development Committees (VCDC) and Children's Clubs
- Introduced an online monitoring tool for the CPFPs to update the work that they do.
- Distributed the following material to create awareness :
  - 3000 leaflets to raise community awareness on Child abuse, ways to identify, symptoms and its impacts
  - Case record (log) books so that CPFP/Estate managers could have uniform template on which they can report to Head Office
  - Training packs for CPFPs for easy reference and use during worker training

We are thankful for the many external endorsements of our efforts to enhance the value of our Social Capital and the socially sustainable model of KVPL. Those we received during 2019-20 are listed below.

ACCOLADES FOR OUR EFFORTS TO UPLIFT OUR SOCIAL CAPITAL

- Gold award for Excellence in Corporate Social Responsibility at the National Business Excellence Awards 2019 by the National Chamber of Commerce of Sri Lanka
- National Social Dialogue & Workplace Cooperation Award 2019 by - the Ministry of Labour
  - Plantation Sector Large Scale - Gold (Joint Winner) – Pedro
  - Plantation Sector Medium Scale -Silver - Nuwara Eliya & Annfield Bronze – Robgill
  - Plantation Sector Small Scale - Gold - Battalgalla Silver - Edinburgh & Oliphant
  - Service Sector Small Scale -Gold

In support of Gender Equity through P.A.C.E

The programme "Personal Advancement and Career Advancement" (PACE) for estate residents funded by Chrysalis promotes the empowerment of women estate residents through targeted educational training programmes which cater to the challenges faced by estate women in their day to day lives. The programmes intend to empower women via knowledge sharing, and equipping them to make better informed decisions, the effects of which would cascade down to family units. The topics covered include Gender based Equity programmes, and Water Sanitation and Hygiene (WASH).

Health & Safety Impacts of Product and Service Categories

GRI 416-01

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

- Annual Injury Rate
- Annual Lost Day Rate

GRI 416-02

There were no incidents of non-compliance concerning the health and safety aspects of products and services. KVPL observes stringent standards and controls on food and safety in its Tea production as per the ISO 22000 standards.

Educational Support

Amongst the focal areas of support for social upliftment is education for our estate children and youth, which we believe as a Win-Win for all stakeholders – the individual and community, the Company, society and ultimately the economy. It is also a means for estate youth to elevate their standing in society and shed the stereotyping of estate communities, that still prevails. Amongst KVPL's support to education are

- Scholarships for children of employees to support their higher education aspirations. We have been rewarded seeing many qualify as Doctors, Engineers, Accountants, Teachers, and other professionals
- Establishment of E-Learning Centres to enhance IT skills
- Granting of land to build schools on some estates so that children no longer have to commute long distances to reach the closest school.

On our estates, which have a resident population of over 58,000 while 8,095 count as permanent or part time employees of KVPL. However, the Company has ensured that its employee training efforts also benefit entire communities. For instance, the online training launched during the year, benefitted youth under KVPL's youth empowerment agenda where we conducted knowledge sharing programmes for the benefit of estate youth though an online journey of learning at no cost; on topics such as IT and English and Tamil language training to help pursue careers. In addition to empowering underprivileged youth, this learning drive will also support the Company's HR strategy by grooming youth as well as by helping the Company to identify talent which it can recruit to its workforce.

Home Gardening

In line with the Government's vision to grow our own produce and reduce dependence on imports; KVPL continued to drive its Triple Bottom Line initiative of promoting home gardening amongst its estate communities. The value of such an effort is further underscored by the local and global environment since 2020, where the pandemic has restricted economic activity across the world and shipments between countries. Our support includes the provision of seeds and plants and sharing of knowledge and best practices for communities to nurture home gardens that blossom.

SOCIAL AND RELATIONSHIP CAPITAL

During the year, the Agriculture Extension Officers visited home gardens and offered advice on maximising yields and controlling the threats from pests. In addition continuous education by estate level Human Resource Development staff also promoted the value of growing one's own food, not only as a healthier alternative to what is available in markets but also as a means to minimise travel and face curfew periods during the pandemic conditions.

Further Upliftment through CSR

In addition to the projects under our four pillars listed above, KVPL also conducted CSR projects such as the following :

- Arranged Ayurveda medical camps on *Ederapolla Estate in 2019 and 2020 and on Dewalakande Estate in 2019 and 2020,*
- Held blood donation campaigns at estates *in the Low Country Regions in 2020*
- Arranged eye camps to help clear the backlog of avoidable blindness on *Hatton Region Estates (Battalagalla, Robgill, Tillyrie, Fordyce) 2020 and on Low Country Region Estate (Lavant) 2020.*

Political Contributions

GRI 415-01

As a policy KVL refrains from making any contributions to any local political party or person or any foreign political party, person or affiliate.

Compliance

GRI 419-01

There were no incidents of non-compliance with any laws or regulations and hence no fines, penalties for non-compliance during the year

Customer Relationships

Our approach of building long term relationships based on trust and reliability also extend to our Customers- which we consider a sine qua non for long term value creation. During the year a number of initiatives were introduced to strengthen customer engagement

- We continued to facilitate consumer participation in our CSR initiatives by enabling them to contribute to the KVPL Home for Every Plantation Worker fund by transferring Rs.1.50 from every Kg of our single origin tea range sold.

Shareholders

KVPL is committed to providing attractive returns on investments to its owners of capital. They are offered the best returns under the Company's value per share policy.

Suppliers

The fact that the Company has a number of suppliers who continue to be its suppliers since 1992 the privatisation of the Company) reflects the strength and sustainability of our supplier relationships.

As a Company engaged in Agriculture, we are always mindful that the long term sustainability of our profitability depends on the sustainability of our Natural Capital, which includes over 13,000 hectares of land spread across the Up country, Mid country and Low country of Sri Lanka. The long term productivity of our land, our people and financial capital are mutually dependent. Integrating the social, environmental and economic value creation has for many years been a strategic imperative for KVPL. Hence is our Vision : " To be the Environmentally sensitive Tea & rubber Producer of the World".

In approaching this vision, we strive to minimise our environmental foot print on the one hand whilst we proactively seek ways in which we can contribute to the sustainability of the natural capital. Our proactive approach to enhancing our natural capital include the following :

1. Adoption of environmental best practices and international standards
2. Development of renewable energy
3. Proactive efforts to directly impact the long term value of natural capital
4. Planning for and responding to climate change impact
5. Driven by a Triple Bottom Line focus, Integrating people and profit where possible, in environmental initiatives.

KVPL Environmental Policy

KVPL is committed to conserving the environment for future generations by aligning its plantations, in compliance with legal and voluntary international environmental management principles. To this end, we adopt sustainable, environmentally friendly processes with the participation of all our employees whilst creating a framework to continually improve the system.

Goal	Strategy	Approach
Materials Management	Reduce material usage	Compliance with Company policies
Energy Management	Reduce impact of GHG emissions by planting trees Improve the efficiency & effectiveness of energy usage	Compliance with policies of certification bodies
Water Management	Maintain quality drinking water	Compliance with national environmental laws & regulations
Waste Management	Increase recycling of solid waste	-do-
Habitat Conservation	Maintain soil nutrient and reduce erosion	-do-

Impacts of Climate Change

Climate change, once considered a threat for the distant future now looms in front of us impacting everyone. The beginning of last year saw Tea as well as other agricultural output decline sharply across the country due to drought conditions. Similarly, too much rainfall can also impact Tea. The optimum rainfall for Tea cultivation varies from about 223 mm per month in the upcountry region to about 417 mm per month in the other regions.

Implications of Climate Change on Tea cultivation:

- Disruption to weather patterns can reduce overall cultivation which in turn impacts the Company's financial performance,
- A change in rainfall patterns in Sri Lanka as well as other Rubber growing countries induces fluctuations in Rubber Latex pricing.
- Changing weather patterns in Natural Rubber producing regions make supply forecasting difficult.
- Global warming also drives the demand for cooling mechanisms and hence higher energy requirements, which impact the price of fossil fuels and in turn indirectly impacts the world market prices of Rubber.

Some of the contingency measures and efforts we've taken to minimise the adverse impacts of climate change and other environmental factors include infilling, use of drought and heat tolerant cultivars, soil and soil moisture conservation, soil improvement, intercropping, crop diversification, planting and managing of shade trees, and increased scrutiny in selection of lands for replanting. The fact that we have continued with these investments even during downswing years for the Tea sector underscores the long term perspective we have in our business.

Certifications

The certificate from Rainforest Alliance (RA) confirms KVPL's compliance with the requirements of the Sustainable Agriculture Network (SAN), a global standard given to organisations which satisfy stringent conditions relating to the environment (eco system, wildlife, soil and water conservation), community relations (occupational health & safety, fair treatment and good working conditions for workers) and economic aspects (integrated crop and waste management). The RA certification which encompasses Triple Bottom Line aspects, further reaffirms the Group's strong focus on sustainable and ethical business practices. In addition, KVPL is also Forest Stewardship Council (FSC) certified and also received the organic rubber certification (EU organic and USDA/NOP).

Furthermore, KVPL is also an active member of Biodiversity Sri Lanka and has made commitments under the UN Global Compact & UN Sustainable Development Goals (SDG's).

Changes to our Natural Capital

	2020-21	2019-2020	% change
Expenditure on environmental responsibility/ conservation projects (Rs)	7,288,870	35,089,793	-79
Energy cost (Rs)	98,195,846	101,544,505	-3
Water Usage (L)	97,484,614	98,667,945	-1
Carbon footprint (tCO2e)	5,047	5,262	-4
Generation of Hydropower	10,034,375	18,859,314	-47
Generation of Solar power	132,212	151,467	-13
Water treatment (L)	106,762,361	107,106,108	-0.32

Materials Management

The materials used by KVPL includes the renewable materials, which is primarily green leaf, latex and packing materials (paper bags) and the non-renewable inputs such as Fertiliser, Dolomite, and Agrochemicals in liquid and solid form.

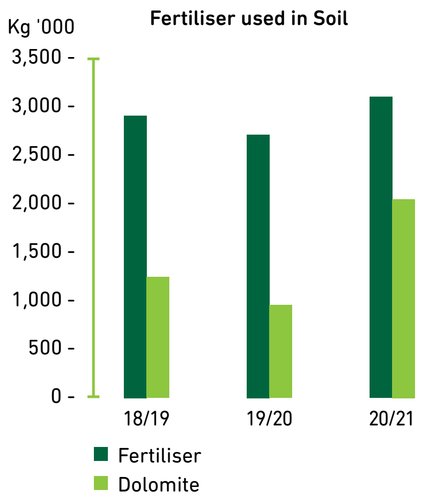
Since 2014, the Company has committed itself to a 2% year-on-year reduction in the use of Agrochemicals, Fertiliser and Dolomite which are used to enhance soil and crop productivity; by reducing wastage and increasing efficiency. KVPL has extended itself by setting for itself targets which go beyond the minimum standards for Agrochemicals, established by the Tea Research Institute and the Rubber Research Institute and aims to meet the globally accepted sustainable agriculture standards. Our renewable and non-renewable material usage is presented below.

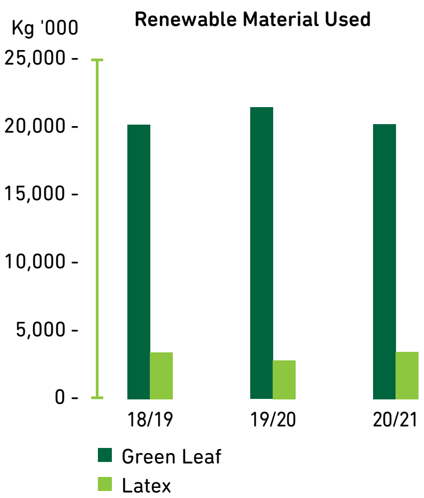
Materials used by weight or volume

GRI 301-1, SDG 12, 13, UNGC 7, 8

	Usage of Non-renewable Material			
Type of material	Unit	2020/21	2019/20	2018/2019
Fertiliser	Kg	3,099,096	2,706,794	2,905,338
Dolomite	Kg	2,046,777	965,685	1,241,688
Agrochemicals (Liquid form)	Litres	18,942	13,393	5,351
Agrochemicals (solid form)	Kg	2,244	2,414	5,478

Renewable Material Used				
Type of material	Units	2018/2019	2019/2020	2020/2021
Bought leaf	Kg	4,967,434	4,222,222	2,293,333
Estate leaf	Kg	17,829,148	17,185,575	17,893,179
Total green leaf	Kg	22,796,582	21,407,797	20,186,512
Bought latex	Kg	486,301	134,000	126,000
Estate latex	Kg	2,710,114	2,710,000	3,304,000
Total latex	Kg	3,196,415	2,844,000	3,430,000
Packing materials	Nos.	104,873	113,283	92,364
Firewood	m3/ Cubes	33,844	28,947	27,789





Improvements to material management

Improved soil condition to increase fertiliser efficiency by burying weeds, adding compost, maintaining good agricultural practices as a non-negotiable activity and under the direct guidance of the Senior Management.

Establishing new benchmarks in environmental stewardship in the Rubber industry and continuing on its progressive path, KVPL launched the production of organically certified latex during the year. Kiriporuwa, Lavant, Urumiwella, We Oya, Ederapola and Ganepalla estates comprising a total of 675 Hectares was converted to organic latex certified under the EU (European Union) organic certification and USDA/NOP (United Nations Department of Agriculture/National Organic Programme) certification. Organic certifications not only vouch for the purity of the rubber but also considers the sourcing of the material i.e; whether the organic farms are free of synthetic fertilisers and pesticides, and also extends to social and environmental practices of the supplier such as fair treatment of workers and if proper waste treatment is practiced.

Smarter Agriculture by Deploying Drone Technology

In a pioneering initiative, KVPL successfully piloted a spraying of fertiliser deploying drones on its up country estates, using a Swiss-Norweigian system and digital terrestrial mapping of all the up country estates. The aerial robotic vehicles provide consistent and dependable spraying services which reduces wastage and increases efficiency of spraying. Quality control and reporting of efficiency metrics through GPS tracking of path flown, plant coverage, and spray utilisation demonstrated to farmers and senior managers that their plantations were fully covered. The pilot projects clearly demonstrated significant efficiency and cost effectiveness compared with manual, backpack spraying. However, the impacts of the COVID-19 during the year necessitated that we postpone the full scale deployment until the year ahead or the aftermath of pandemic conditions and KVPL will now launch a full scale deployment in the year ahead.

Energy Management

The need for conservation of energy and sources of renewable energy in the world has been made more urgent today than ever. The need is that much greater and immediate for countries such as Sri Lanka whose high dependence on oil imports continues to burden the Balance of Payments. The Tea sector is an energy intensive industry. KVPL thus approaches Energy Management through efforts to reduce energy consumption on the one hand whilst also developing renewable energy wherever possible. Renewable energy is also of critical importance due to the favourable impact on the environment vis-à-vis the detrimental effect of green house gas emissions from other forms of energy.

Developing & Harnessing Renewable Energy

KVPL's renewable energy initiatives include generation of hydropower, solar power and biomass.

KVPL Hydropower Projects

Utilise the available water streams and strong currents in the estates of Glassaugh, Kalupahana and Battalgalla.

Mini-hydro power plant - Battalgalla

Hydropower Generation	2020/21 Units (kWh)	2019/20 Units (kWh)	2018/19 Units (kWh)
Kalupahana	2,351,427	2,133,639	2,524,652
Glassaugh	7,471,085	16,632,883	9,853,816
Batalgalla	211,863	92,792	85,444
Total	10,034,375	18,859,314	12,463,912

Rooftop solar system - Dewalakanda

Solar Power

A roof top solar power project installed in 2018/19 at the Dewalakande factory at an investment of Rs 21.2 m with a capacity to generate 165.1kWp which amounts to 18810 kWh per month, continues to add to the power supply.

Solar power generation 2020/2021 - 132,212 units

Biomass

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

Energy Source	2020/21	2019/20	2018/19
Total non-renewable energy usage (GJ)	12,969	12,870	13,802
Total renewable energy usage(GJ)	112,891	117,597	137,493

Reducing Energy Consumption

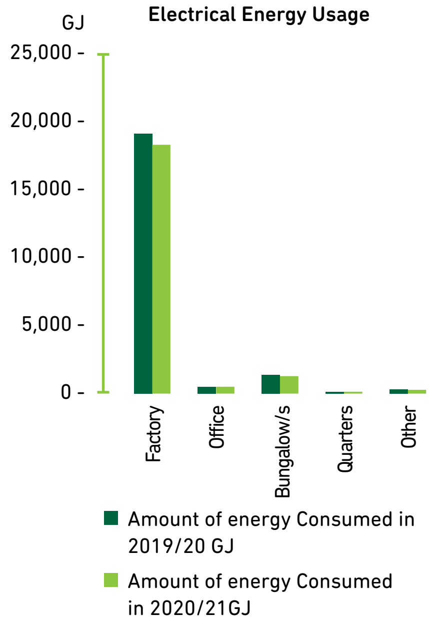
Whilst we explore all avenues of conservation, one of the Company's policies to conserve energy is the use of LED bulbs that consume lower levels of energy compared to conventional bulbs. Investing in energy efficient machinery and equipment including capacity banks and Variable Frequency Drivers (VFD) in factories also helps conserve energy. Recently, 77 VFD units were installed in nine factories on Annfield, Ederapolla, Fordyce, Halgolla, Ingestre, Kelani, Nuwara Eliya, Pedro and Udaradella estates, at an investment of Rs 11.5 m.

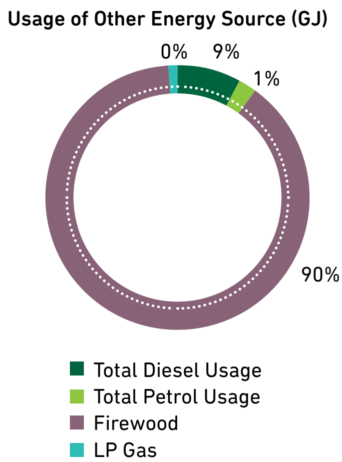
Energy Consumption within the Organisation

GRI 302-1, SDG 7,8,12, 13, UNGC 7, 8

Energy Source	Amount (GJ)		
	2018/19	2019/20	2020/21
Total diesel usage	11,791	10,910	10,841
Total petrol usage	1,604	1,573	1,724
Firewood	137,493	117,597	112,891
LP Gas	407	387	405

	Amount of electricity energy consumed in		% Change in energy use
Location	2019/20 GJ	2020/21 GJ	
Factory	19,081	18,278	-4%
Office	521	510	-2%
Bungalow/s	1,361	1,312	-4%
Quarters	156	159	2%
Others	331	274	-17%
Total energy consumption from Indirect energy sources (GJ)	21,451	20,532	-4%





Water Management

As a custodian of large extents of flora and fauna, KVPL understands the importance of protecting essential life sustaining watersheds; and has hence developed a formal policy for watershed management, to protect all watersheds and water resources within company lands. In this regard, the Company strictly observes guidelines on chemical-free buffer zones and vegetation barriers around water sources and has also established soak pits in all estates to prevent water pollution due to community activities.

Water fall - Robgill Estate

Periodic laboratory tests are conducted to ensure quality of drinking water in estates and waste water after filtration, through soak pits is tested by independent laboratories to assess effectiveness of existing systems and to develop further improvements.

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

As a signatory to the CEO water mandate (a public-private initiative sponsored by the United Nations Global Compact and the Government of Sweden), KVPL has infused further investments towards safeguarding water quality within its estates. These include maintaining riverine forests and establishing water purification and distribution plants.

Catchment Protection Program, Kumbuk Tree Planting in KVPL Low country Estates with WaSSIP (The Water Supply & Sanitation Improvement Project)

Over the year KVPL has planted 2,000 Kumbuk trees on Ederapolla, Dewalakanda, Lavant, Ganepalla, Kalupahana, Urumiwella, Kelani, Halgolla, Kitulgala, Panawatte, Kiriporuwa, Weoya estates. The plants will be monitored and nurtured by KVPL low country estates. They would enhance catchment areas of drinking water sources and reduce water pollution.

Water Withdrawal by Source

GRI 303-1, SDG 6, UNGC 7, 8

As a plantation company KVPL uses natural surface water for manufacturing and other operations.

Surface water withdrawal	97,484,614 L
Monthly average rainfall	295 mm
No. of wet days	186

Soil Conservation

As a plantation, KVPL takes all recommended measures to control soil erosion and enhance the value of the soil we reap However, the uprooting process presented some sustainability challenges with regards to soil conservation during the previous year, due to the activity being outsourced on contract basis. Accordingly, during the current financial year, this activity was also aligned with our sustainability priorities by reallocating the task to a contractor who takes into account the sustainability of the soil when uprooting. An environmental impact assessment will also be conducted with mechanisms to check on progress.

Under Forest Stewardship Council (FSC) certification requirements, KVPL has implemented soil erosion measuring and mitigation actions. Soil quality at KVPL receives the attention of the highest level in management and the use of compost and other organic material is actively pursued to improve soil quality.

KVPL believes that proper land preparation before planting of tea and forking of mature tea fields, are essential to loosen the soil or reduce the bulk density in soil, in order to improve its water retention capacity. Both on-farm and off-farm soil conservation measures are to be given high priority. Under these, cutting of lateral drains of "lock and spill" type provided with silt pits / reverse slopes on contour lines serve to retain a high volume of water while depositing soil which moves down with runoff water during rains and to gradually absorb water into soil. As off-farm (off-land) interventions, connect all contour drains to the leader drain to remove excess water into the leader drain.

Cover crops planted in Rubber Estates

Soil rehabilitation and cover crops also serve to improve the water retention capacity of our soil during rains whilst also helping to minimise casualties of drought conditions in new clearings.

Following a medium term strategy such as burying of pruned litter on trenches cut along tea inter rows, in addition to adding nutrients to soil will help preserve rain water in soil for more than 2 years. Accordingly, the following ground cover management methods have been adopted on KVPL estates as short term strategies to help preserve rain water in soil by reducing evaporation from ground surface under drought situations.

1. Proper mulching of tea inter rows with a suitable thatching material or shade loppings
2. Proper tea bush management following suitable pruning practices
3. Incorporation of organic matter such as compost, weed compost and refuse tea
4. Establishment of cover crops and cutting them back to ground level before the on set of drought
5. Leaving of soft herbs on the ground

Soil Management Practices

Bio Diversity

As a policy, KVPL replants bare lands. The Company has also commissioned an in-depth study on biodiversity within its lands and a high value conservation area assessment and undertaken a comprehensive inventory of all its biological assets.

A GPS mapping progamme has mapped out the conservation areas, forest reserves, timber blocks, waterways, and marginal areas that can be planted with native species in addition to the present plantation crops.

In addition the Company planted Bamboo and Kumbuk plants on river banks, and also plants trees in identified water catchment areas.

"Plant Trees, Plant Life" project

Planted 11,000 native trees on Urumiwella Estate, Bulathkohupitiya. The plants included Kos, Ugurassa, Kumbuk, Mahul, Karanda, Veralu, Mohogany, Amba, Dhan, Kohomba, Kaya, NaDilul, Mee, Dadha Dehi, Aligata pera, Goraka, Anoda, Dehi, Bulu, other plants (such as Welan/Pelan/Bata domba/Nadum/Hora) and Pera.

These trees will help conserve existing forests & sensitive areas and protect watersheds, water resources & valuable biodiversity resources. The Urumierlla Estate, in collaboration with the Church of Ceylon in the Diocese of Colombo, will nurture and maintain the planted trees for 5 years.

Flora and Fauna Identified in our Estates

One million tree planting project in collaboration with Rotary Club and Estate community

Under this project the Company has planted 80,800 saplings of Eucalyptus grandis as at year end. The project includes Commercial timber planting with a sustainable forest management plan.

Timber harvesting was carried out in accordance with the 5 years forestry management plan. Prior to cutting the Company obtained the approval of the NBRO (National Building Research Organisation) and EIA & IEE reports to ensure that no damage was caused to the soil. Thinning out of trees was avoided on steep hill slopes which are prone to landslides, adjacent to waterways and biodiversity conservation areas.

Eucalyptus plant nurseries

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

GRI 304-1, SDG 6, 15, UNGC 8

Conservation Area (ha)	
Forest	1501.61
Marsh land	180.09
Rock area	266.93
Watersheds	83.1
River / water sources & relevant land area	15.95
Total (ha)	2,047.68

Amount expended on habitat conservation and prevention and environmental management Rs. 7,288,870/-

Emissions

Commitment to a science based target initiative

In keeping with the our commitment to contributing to environmental sustainability, KVPL committed to a science based target initiative' in 2020, to become a "Carbon Conscious" and a "Climate Friendly" company; with a long-term vision to "be a NetZero by 2050" as per the Paris Agreement to limit global warming to well-below 2°C above pre-industrial levels, and to pursue efforts to limit warming to 1.5°C. KVPL at present is in the process of target setting.

In the current year, KVPL recorded the carbon footprint of 25 estates located in Nuwara Eliya, Hatton and Yatiyantota, which cover an area of 13,128 hectares, and employ 8,722 people. We will continue to measure and manage our carbon footprint to achieve our objective.

GHG Emissions (tCO2e)

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

GRI 305-1, 305-2, 305-3, 305-5 / SDG 3, 12,13 15 UNGC 7,8

Scope	2019/20 (tCO2e)	2020/21 (tCO2e)	Reduction of GHG emissions (tCO2e)
Direct (Scope 1) GHG emissions	1,419	1,377	(41.82)
Energy indirect (Scope 2) GHG emissions	3,773	3,612	(161.70)
Other indirect (Scope 3) GHG emissions	70	58	(11.24)
Total GHG emissions	5,262	5,047	(214.77)

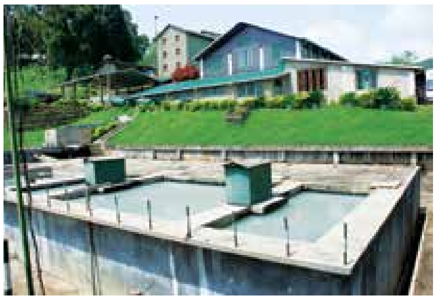
Scope 1: Consumption of diesel, petrol, , sustainable biomass, fertiliser (dolomite and urea)
Scope 2: Electricity usage from CEB, electricity transmission & distribution losses,
Scope 3:, Packing material, plastic Recycling, waste disposal, business air travel
Exclusions: CO2 fire extinguishers, refrigerant, employee commuting, raw material transport, 3rd party transport, compost

Projects invest as carbon sinks and to reduce the GHG emission – Reforestation, solar power projects, hydropower projects

GHG Saving from Hydro & Solar Power Generation - 8,236 tCO2

Effluents and Waste Management

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



Effluent treatment plant - Panawatte

Water treated by effluent treatment plants - 106,762,361L

KVPL's Integrated Waste Management Programme

This initiative encourages employees and estate communities to practice waste segregation, waste collection and composting techniques for degradable waste. Empty chemical containers used in estates are sent for recycling. In addition, training and awareness programmes are conducted to promote eco-friendly practices among employees.

Waste by type and disposal method

GRI 306-2, SDG 3, 12, UNGC 8

Waste generated by KVPL estates and their disposal method

Type of waste (non-hazardous)	Weight Kgs	Disposal method
Biodegradable waste	9,584	Dumping
Non-biodegradable waste		
Glass	505	On-site storage
Paper	1,628	Recycling and Dumping
Polythene	817	Dumping
Plastic	963	Recycling and Dumping
Hazardous waste (medical waste)	40	Incineration
E-waste	364	On site storage
Bulbs	262	On site storage
Empty chemical cans	1,948	Recycling

Non-compliance with environmental laws and regulations

GRI 307-1, SDG 16, UNGC 8

KVPL is fully compliant with all applicable environmental laws and regulations and did not face any fines or penalties for non-compliance during the year under review.

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103-2	The Management approach and it's components	34	Materiality Assessment
103-3	Evaluation of the Management approach	34	Materiality Assessment
413-1	Operations with local community engagement, impact assessments, and development programmes	75	Social Capital
GRI 415: Public Policy			
103-1	Explanations of the material topics and it's boundary	34	Materiality Assessment
103-2	The Management approach and it's components	34	Materiality Assessment
103-3	Evaluation of the Management approach	34	Materiality Assessment
415-1	Political contributions	78	Social Capital
GRI 416: Customer Health and Safety			
103-1	Explanations of the material topics and it's boundary	34	Materiality Assessment
103-2	The Management approach and it's components	34	Materiality Assessment
103-3	Evaluation of the Management approach	34	Materiality Assessment
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	77	Social capital
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	78	Social capital

Steadfast

IN CARRYING OUT OUR SUSTAINABLE INITIATIVES

Kelani Valley Plantations®

CORPORATE GOVERNANCE

GRI 102 - 16, 17, 18

Statement from the Chairman on Corporate Governance

Good corporate governance is a vital element that contributes to the long term growth and sustainability of KVPL. We strive to emulate good governance practices in all our day-to-day activities vis-à-vis strategies and procedures to facilitate good ethical behavior and a sound ethical culture. Our Corporate Governance framework consists of strong business principles, sound policies and procedures, underpinned by an efficient monitoring mechanism, where The Board of Directors stands as the apex governing body.

The Board consists of a diverse mix of individuals drawn from various disciplines. Their collective experience and varied perspectives have enabled the Company to implement strategic initiatives to enhance the performance of KVPL, to overcome numerous sector-specific business challenges that we had to face in the period under review.

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

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

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

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

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

A. M. Pandithage
Chairman

GRI 102 - 22

"CORPORATE GOVERNANCE SHOULD BE DONE MORE THROUGH PRINCIPLES THAN RULES"

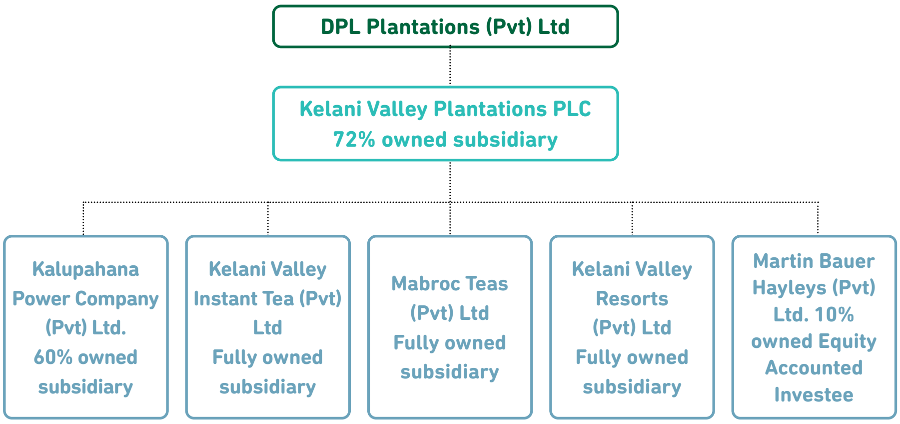
Corporate Governance is the systems of rules, practices, and processes by which an organisation is directed, controlled and managed. The Framework guides the organisation and drives towards progress by way of developing and implementing appropriate corporate strategies. In pursuing the corporate objectives, we have committed to the highest level of governance and strive to foster a culture that helps build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business ethics, thereby nurturing stronger growth and more inclusive societies out of integrity and mutual respect.

The Corporate Governance Framework at Kelani Valley Plantations plays a vital role in order to achieve a sustainable growth. Therefore we endeavour ethical business practices while maintaining the trust placed by our stakeholders.

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

OWNERSHIP

Kelani Valley Plantations PLC (KVPL) is a member of the Hayley's Group and a subsidiary of DPL Plantations (Pvt) Ltd ("DPLP"), which is a fully owned subsidiary of Dipped Products PLC ("DPL"), a leading manufacturer of hand-protection wear in the world. Mabroc Teas (Pvt) Ltd ("MTPL") and Kelani Valley Instant Tea (Pvt) Ltd ("KVIT") are fully owned subsidiaries of KVPL. Mabroc Teas (Pvt) Ltd is one of Sri Lanka`s leading tea exporters supplying a wide range of teas to the global markets. Kelani Valley Resorts (Pvt) Ltd operates the Oliphant Boutique Bungalow which is a fully owned subsidiary of KVPL. In association with Eco-Power (Pvt) Ltd., KVPL established Kalupahana Power Company(Pvt) Ltd., in 2003, contributing 01 mw of electricity through its mini-hydro plant. 60% of Kalupahana Power Company (Pvt) Ltd ("KPC") is owned by KVPL. Martin Bauer Hayleys (Private) Limited is an equity accounted investee of KVPL and has a 10.1% ownership.



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

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

Name of Director	Director Category	06/08/2020	04/11/2020	03/02/2021	11/05/2021	Attendance
A M Pandithage - Chairman	Ex	√	√	√	√	4/4
W G R Rajadurai (Managing Director)	Ex	√	√	√	√	4/4
A Weerakoon	Ex	√	√	√	√	4/4
Faiz Mohideen	INEx	√	√	√	√	4/4
S C Ganegoda	NEx	√	√	√	√	4/4
C V Cabraal	INEx	√	√	√	√	4/4
L N de S Wijeyeratne	INEx	√	√	√	√	4/4

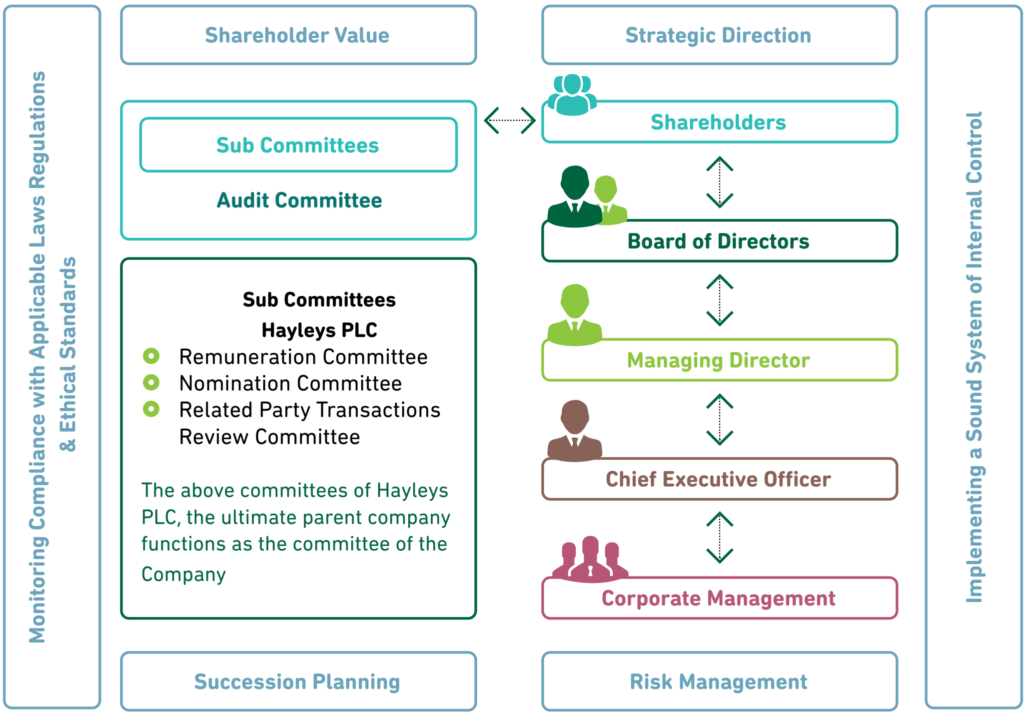
Ex: Executive, **INEx**: Independent Non-Executive, **NEx**: Non-Executive

CORPORATE GOVERNANCE

Coporate Governance Framework

GRI 102 - 20, 23, 24

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



Coporate Governance Structure

GRI 102 - 18

KVPL Group governance structure comprises of two levels,

KVPL Corporate Governance Structure

Internal Governance

- KVPL Board of Directors
- Hayleys PLC Board of Directors
- Hayleys PLC Group Management Committee (GMC)
- Audit Committee
- Nomination Committee
- Related Party Transactions Review Committee
- Remuneration Committee
- Corporate Management

External Governance

- Code of Best Practice on Corporate Governance – CASL and SEC of Sri Lanka
- Companies Act No 07 of 2007
- Continued Listing Requirements of
- Inland Revenue Act No. 10 of 2006 and Inland Revenue Act No. 24 of 2017
- Customs Ordinance No. 17 of 1869
- Exchange Control Act No. 24 of 1953
- Ministry of Plantations
- Chamber of Commerce
- Tea Board of Sri Lanka

Internal Governance Structure GRI 102 -22

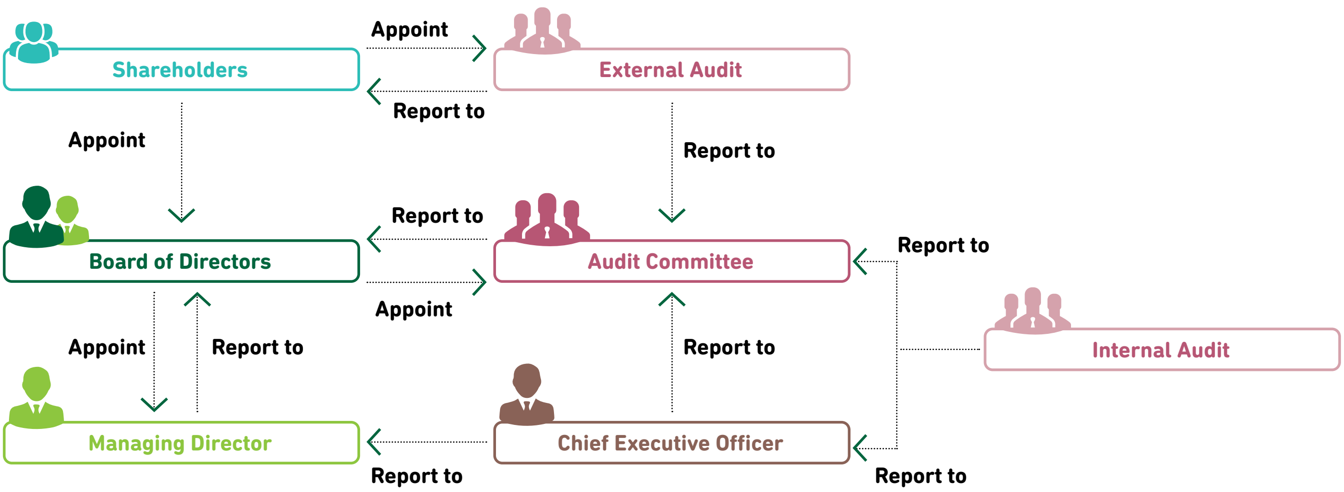
Internal controls are established with emphasis on safeguarding assets, making available accurate and timely information and enforcing greater discipline on decision making. This section details the components that are embedded within the Company, and as a result, have an impact on the execution, and monitoring of all governance related initiatives, systems and processes. The Internal Governance Structure encompasses:

- The Board of Directors
- Board Sub Committees
- The Combined Role of the Chairman-CEO
- Group Management Committee and Other Management Committees
- Employee Empowerment

GRI 102 - 26,33

The above components are strengthened and complemented by internal policies, processes and procedures such as strategy formulation and decision making, human resource governance, integrated risk management, IT governance stakeholder management, and effective communication.

The policies and procedures established under the guidance of KVPL's Board of Directors support an effective and efficient decision making process that helps the company to meet corporate governance standards. It includes the roles of various stakeholders play in achieving organisation's goals.



Corporate Management Team

Comprising of the Managing Director and Director/CEO and the Senior Management Team, the Corporate Management Team is responsible for formulating, obtaining Board approval and implementing strategic imperatives within the policy framework established by the KVPL Board. The Management Committee is tasked with reviewing the annual budget, operational targets, review of monthly performance against budget and capital expenditure proposals prior to making recommendations to the Board.

The Audit Committee and the Corporate Management team are jointly responsible for reviewing managing risks and designing internal control systems to safeguard Company assets, ensure accurate and reliable system of record keeping and the timely dissemination of critical management information.

Corporate Management

GRI 102 -19

The Board has authorised the Managing Director (MD) as the primary authority responsible for the implementation of policies and achieving of strategic objectives of the Company. The MD is expected to exercise this authority within the policy framework established by the Board and the ethical framework and business practices inherent to the Company, which stipulates that the MD should comply with best practices when dealing with employees, customers, suppliers and the community at large.

The MD is also entrusted with optimising the use of Company's resources and implementing financial strategies outlined in the annual corporate plan and budget. In doing so, the MD should employ a continuous planning process with the active involvement of all executives. A system of regular review of operations is also in place to ensure close monitoring of performance and prompt corrective action is deployed where necessary.

Monthly Review Committees

GRI 102 - 31, 34

Meeting of Finance, Corporate Communications and HR clusters of the Hayleys Group bring together representatives from different sectors of the Group to communicate relevant matters, areas of special interests and concerns, and share best practices. KVPL's Managing Director is a member of the Hayleys Group Management Committee

(GMC) and expected to participate in all monthly review meetings. A monthly meeting chaired by the Chairman of the Hayleys PLC brings together all GMC members from different sectors within the Hayleys Group. This provides a platform for the group to review sector performance, formulate policy, communicate sector relevant matters, areas of special interests and concerns and share best practices.

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

Executive Management meetings are carried with the participation of The MD, CEO and all other Heads of departments, to discuss the performance, new initiatives problems and strategies etc. This works as a brainstorming session where matters pertaining to KVPL's performance, growth, governance, administration etc. are reviewed.

Both the Director of Plantations Up Country and Low Country conduct review meetings at a regional level, to assess estate-level performance and discuss issues, strategies and initiatives needed at this level. This process also functions as an effective communication channel between estate level management and the corporate management. The decisions taken at these meetings are tabled and reported to Head Office.

External Governance Structure

GRI 102 - 17

We adhere to the regulations, codes and best practices adopted by different governing bodies.

- Companies Act No. 7 of 2007
- Listing rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued jointly by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka
- Inland Revenue Act No 10 of 2006 and Inland Revenue Act No. 24 of 2017
- Customs Ordinance
- Exchange Control Act
- Tea Board of Sri Lanka
- Chamber of Commerce
- Ministry of Plantations

Internal Audit and Control

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

Information Technology (IT) Governance

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

IT Value and Alignment

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

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

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

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

IT Risk Management

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

External Audit

For the seventh consecutive year, Messrs. Ernst & Young (EY) were appointed as the external auditors of the Company. The Company is guided by the knowledge and experience of the Audit Committee to ensure effective usage of our external auditor's expertise, while maintaining independence in order to deliver a transparent set of Financial Statements which are certified annually by them.

Whistle-blower Policy

GRI 102 - 17

The Whistle-blower policy provides a mechanism for employees to raise concerns regarding any person within the organisation who they see as engaging in unlawful behavior or violating the Company code of conduct by engaging in financial fraud, incorrect financial reporting, and improper conduct, breach of values and policies of the organisation. Under the guidelines of the Whistle-blower policy, any employee who raises such concerns will be provided a guarantee that they will be protected from reprisals and victimisation.

The Company's whistle-blowing policy enables staff to raise concerns of suspected wrongdoing without fear of reprisal or retribution. The policy allows employees to directly raise concerns with the Company Secretary or a designated officer. Such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Board Audit Committee.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Section 1: The Company **A. Directors**	
Principle: A.1 The Board GRI 102-23 **AN EFFECTIVE BOARD** The overall effectiveness of the Board is enhanced by the diversity and breadth of perspectives of its members, who combine professional and academic skills and experience. Collectively, the Board also has sufficient financial acumen and knowledge with three Directors holding membership in professional accountancy bodies. All Directors have received comprehensive training and encompassing both general aspects of directorship and matters specific to the Company and industry. During the year under review, The Board consisted of Seven Directors – Four Non-Executive Directors and three Executive Directors including the Chairman. The Board considered that the preset composition and expertise is sufficient to meet the needs of the Group. The Non-Executive Directors contribute with their knowledge and experience collectively gained from experience in serving a variety of public and private organisations. Accordingly, the composition of the Board as at the end of the financial year is illustrated as follows: The profiles of the Directors are found on page 14 of this report.	
Principle A.1 The Board GRI 102-20 Every public company should be headed by an effective Board, Which should direct, lead and control the Company	
A.1.1 Board meetings **COMPLIED**	The Board meets on a quarterly basis with special meetings convened if and when the need arises. During the year under review the Board met on four occasions. Details of meetings of the Board and attendance of the members are set out on page 93 of this Report. The information is provided to the Board on a structured manner and regular basis as agreed by the Board. Information to be reported to the Board includes ; • Financial and operational results on pre agreed Key Performance Indicators • Financial performance compared to previous periods, budgets and targets • Impact of risk factors on financial and operating results and actions to mitigate such risks • Compliance with laws and regulations and any non-compliances • Internal control review • Share trading of the company and related party transactions by Key Management Personnel • Any other matters the Board should be aware of The minutes of the previous Board meeting and above information are distributed among the members 7 days prior to the meeting.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.1.2 Responsibilities of the Board COMPLIED	The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long term sustainable shareholder value through the entrepreneurial leadership. The Board has engaged DPL Plantations (Pvt) Ltd as the managing agent to manage the business and assets of the company. The Board's key responsibilities include: • Providing direction and guidance to the Company in the formulation of high-level medium, and long term strategies which are aimed at promoting the sustainable long term success of the Company • Appointing and reviewing the performance of the Chairman, Managing Director and CEO • Ensure Executive Directors and key management team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place • Reviewing, approving and monitoring annual corporate plans, corporate budget and capital expenditure • Reviewing and approving major acquisitions, disposals and major investments by the management within their limits of authority • Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management • Ensure compliance with laws, regulations and ethical standards • Ensure all stakeholder interests are considered in corporate decisions • KVPL has adopted Integrated Reporting since 2012 and recognises sustainable business development in corporate strategy, decisions and activities • Set and communicate values/standards, with adequate attention being paid to accounting policies/ practices and fostering compliance with financial regulations • Adequacy and the integrity of the Plantation's Internal control systems over financial reporting and Management Information Systems are reviewed by the Board Audit Committee • Ensuring that financial statements are published quarterly and the Annual Report is published at the end of the financial year • Determining any changes to the discretions/authorities delegated from the Board to the key management team • Approving any amendments to constitutional documents
A.1.3 GRI 102-27 Compliance with the laws of the country and agreed to obtain independent professional advice. COMPLIED	The Board collectively as well the Directors individually, recognise their duty to comply with laws of the country which are applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. Directors have the power to obtain independent professional advice as deemed necessary, in furtherance of their duties, at the Company's expense. This will be coordinated through the Board Secretary facilitated through Hayleys Group Legal and Group Finance, as and when it is requested.
A.1.4 Access to the advice and services of the Company Secretary. COMPLIED	The services and advice of the Company Secretary are available to all the Directors. The Company Secretary ensures that Board procedures and all applicable rules and regulation are complied with. The removal of the secretary is a matter for the Board as a whole. Obtained a directors and officers' liability insurance, providing worldwide cover to indemnify all Directors and Officers.
A.1.5 Independent judgment of the Directors. COMPLIED	Non-Executive Directors are independent from the Management and free from any business and other relations. None of the other Directors are related to each other. This enables all the members of the Board to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.1.6 Dedication of adequate time and effort of the Directors COMPLIED	The Board of Directors dedicates adequate time and effort to ensure that their duties and responsibilities towards Company and Board are discharged. Dates of regular Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting giving sufficient time for review. Hence, they are able to familiarise with the business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.
A.1.8 Training for new and existing Directors COMPLIED	The Board of Directors recognises the need for continuous training & expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors. Every new Director and existing Directors are provided training on general aspects of directorship and matters specific to the industry when they first appointed to the Board. Training programmes for top-management cover the training requirement for the Directors as well. Training was provided through the ultimate parent Hayleys group during the year.
Principle: A.2 Chairman and Chief Executive Officer (CEO) **There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.**	
A.2.1 Division of responsibilities of Chairman and CEO COMPLIED	The Chairman and the Chief Executive Officer of the Company are two different personnel where clearly distinguish the power and authority. The Chairman of the Company is also the Chairman of DPL Plantations Limited, DPL PLC and Hayleys PLC. The separation between the position of the Chairman and officers with executive powers in the Company ensure a balance of power and authority.
Principle: A.3 Chairman's role G4-42 **The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.**	
A.3.1 GRI 102-26 Chairman's role COMPLIED	The Chairman's role involves: • Approving the agenda for each meeting prepared in consultation with the CEO, directors and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. • Ensuring that all directors are aware of their duties and responsibilities • All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company • All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda • Maintaining the balance of power between Executive and Non-Executive Directors • The view of Directors on issues under consideration are ascertained • The Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders
Principle: A.4 Financial Acumen **The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.**	
A.4.1 Financial acumen. COMPLIED	The Board includes two senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Executive Director of Hayleys PLC .The Audit Committee chairman is also a senior Charted Accountant. Other members of the Board are adequately experienced in handling matters of finance by serving in different organisations. Hence the Board is with sufficient financial acumen and knowledge to offer guidance on matters of finance.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle: A.5 Board Balance **It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.**	
A.5.1 Non-Executive Directors COMPLIED	Four out of seven Directors as at 31st March on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors) satisfy the requirements laid down in the Listing Rules of the Colombo Stock Exchange
A.5.2 Independence of Non-Executive Directors COMPLIED	Three of four Non-Executive Directors are independent. The Board has determined that three Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules. The Board of Directors of the Company has determined that Mr. F. Mohideen nevertheless be independent as the objectivity of his role is not compromised by him being on the Board for nine years.
A.5.3 Independence of Non-Executive Directors COMPLIED	Non-Executive Directors' profiles reflect their calibre and the weight their views carry in Board deliberations. Each is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small Group of Directors dominate Board discussion and decision making.
A.5.4 Annual declaration of independence – of Non-Executive Directors COMPLIED	Each Non-Executive Director submits annual declarations on his independence or non-independence in a prescribed format.
A.5.5 Board determination of independence of Non-Executive Directors and disclosure in Annual Report COMPLIED	The Board considers the declaration of independence submitted by each Non- Executive Director with the basis for determination laid down by the Listing Rule of the CSE and the Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Brief resume of all the Directors is available in page 14.
A.5.6 Appointment of alternate Director NOT APPLICABLE	There were no appointments of alternative Directors during the year
A.5.7, A.5.8 Requirement to appoint Senior Independent Director NOT APPLICABLE	This is not applicable as the Chairman and the Managing Director is not the same person.
A.5.9 Chairman's meetings with Non-Executive Directors COMPLIED	The Chairman holds meetings with the Non-Executive Directors, without Executive Directors, at least once in each year and at any other time where necessary.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.5.10 Record in the Board minutes of Concerns not unanimously resolved. **COMPLIED**	All Board/Committee matters of the Company are accordingly minuted with sufficient detail to enable a proper assessment to be made of the deliberations and any discussions taken at the meeting. All discussions during the year were unanimously agreed.
Principle: A.6 Supply of information **The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.**	
A.6.1 Timely and appropriate information to the Board. **COMPLIED**	Management provides the Board with appropriate and timely information. When information volunteered by management is inadequate Directors could make further inquiries. Chairman ensures that all Directors are properly briefed on issues arising at meetings.
A.6.2 Information provided in advance to the Board meetings. **COMPLIED**	The Board meetings are arranged in advance and all Directors are informed. The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board Meetings 7 days prior to the Board/Sub-Committee meetings.
Principle: A.7 Appointments to the Board G4-40 **There should be a formal and transparent procedure for the appointment of new Directors to the Board.**	
A.7.1, A.7.2 GRI 102-24 Appointment to the Board. **COMPLIED**	As per the recommendation made by the Nomination committee of Hayleys PLC, the ultimate parent company, the Board as a whole approves on the appointment of Directors. The Nomination Committee annually assess Board Composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.
A.7.3 Appointment of a new Director. **COMPLIED**	There were no new Board appointments made during the financial year. In the event of new appointments, a brief resume of the Director, nature of his experience and the independency is informed to the Colombo Stock Exchange in line with the listing Rules and disclosed in the Annual Report on Pages 113 and 114
Principle: A.8 Re-election **All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.**	
A.8.1, A.8.2 Re-election of Directors **COMPLIED**	The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re-appointment. Retiring Directors are generally eligible for re-election. The Managing Director does not retire by rotation.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
A.8.3 Resignation COMPLIED	In the event of a resignation of a Director prior to completion of his appointed term, the director should provide a written communication to the Board of his reasons for resignation.
Principle: A.9 Appraisal of Board Performance G4-44 GRI 102-28 **Board periodically appraises their own performance in order to ensure that Board responsibilities are satisfactorily discharged.**	
A.9.1, A.9.2, A.9.3, A.9.4 Appraisal of Board performance COMPLIED	The performance of the Board and Sub-Committees is evaluated annually on self-assessment basis.
Principle: A.10 Disclosure of Information in respect of Directors **Shareholder should be kept advised of relevant details in respect of Directors**	
A.10.1 Disclosures about Directors COMPLIED	Name, qualifications, brief profile, and nature of expertise are given in page 14 of this annual report. Director's interests in contracts are given in the page 127 of this report. The numbers of Board meetings attended by the Directors are available in the page 93 of this report. Names of listed companies in Sri Lanka in which the director concerned serves as a director is given in page 14. Names of the Directors serve as chairman or members of board committees and their attendance are given in page 93.
Principle: A.11 Appraisal of Chief Executive Officer **The Board should be required at least annually, to assess the performance of the CEO**	
A.11.1, A.11.2 Evaluation the performance of the CEO COMPLIED	The short, medium and long-term objectives determined by the Board including financial and non-financial targets that should be met by the CEO are set and evaluated at the commencement of each fiscal year. The performances were evaluated annually and ascertained whether the targets were achieved or whether achievement is reasonable in the circumstances.
B. Directors Remuneration	
Principle: B.1 Remuneration procedure G4-51, 52 GRI 102-35, 36 **Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.**	
B.1.1 Remuneration Committee. COMPLIED	The Remuneration Committee of Hayleys PLC, the ultimate parent company is responsible in assisting the Board in recommending the remuneration payable for the Executive Directors and Corporate management. The Board makes the final determination after considering such recommendations. No Director is involved in deciding his own remuneration.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
B.1.2, B1.3 Composition of the remuneration committee **COMPLIED**	The Remuneration Committee of Hayleys PLC, which is the ultimate parent of the Company, acts as the Remuneration Committee of KVPL. The Remuneration Committee comprises of three Independent/Non-Executive Directors including Chairman and a Non-executive Director of Hayleys PLC Dr. H.Cabral, PC – Chairman (IND/NED) Mr. K.D.D.Perera (NED) Mr. M.Y.A Perera (IND/NED) Mr. M.H. Jamaldeen (IND/NED) (IND – Independent , NED- Non-Executive Director)
B1.4 Remuneration of the Non- Executive Directors **COMPLIED**	The Board as a whole decides the remuneration of the Non-Executive Directors in line with the market rates and within the limit set in the Articles of Association of the Company.
B1.5 Consultation of the Chairman and access to professional advice. **COMPLIED**	Remuneration Committee consults the Chairman about its proposal regarding the remuneration of other Executive Directors. Both internal and external professional advice has been taken during the year under review.
Principle: B.2 The level and make up of remuneration **Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.**	
B.2.1, B.2.2 Levels of remuneration for Executive Directors **COMPLIED**	Remuneration package is designed to attract, retain and motivate the Directors needed to run the Company successfully but avoid paying more than necessary for this purpose. The Remuneration Committee takes into account market practices. Their remuneration comprises a fixed salary component, which include perquisites and allowances to promote the long-term success of the Company.
B.2.3 Positioning company remuneration levels relative to other companies **COMPLIED**	The Remuneration Committee structured and reviews the Company's remuneration levels in relation to performance comparing with other companies and other parts of the Hayleys Group.
B.2.4 Determining annual salary increases & employment conditions **COMPLIED**	The Remuneration Committee considers remuneration and employment conditions sensitively elsewhere in the Company or the Group of which it is part.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
B.2.5 Performance related elements of remuneration for executive Directors COMPLIED	The performance based incentives has been determined by the remuneration committee to ensure that the earnings of the executives are aligned with the achievement of objectives and budgets of the Group companies
B.2.6 Share option schemes NOT APPLICABLE	Presently the Group does not have an Executive Share Option scheme
B.2.7 Designing performance related remuneration COMPLIED	Performance-related remuneration is designed by the Remuneration Committee based on the provisions set out.
B.2.8, B.2.9 GRI 102-39 Compensation, commitments in the event of early termination and dealing with early termination COMPLIED	There are no provisions for compensation for early termination in the letter of contract. However, the Directors would determine this on a case by case basis.
B.2.10 Levels of remuneration for Non-Executive Directors COMPLIED	The Remuneration Committee determines the levels of remuneration for Non- Executive Directors taking into account the time, commitment and responsibilities of their role and market practices. Remuneration for Non-Executive Directors does not include share options.
Principle: B.3 Disclosure of the Remuneration **The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.**	
B.3.1 Disclosure of the remuneration. COMPLIED	The names of the Directors of the Remuneration Committee are given under section B.1.2 above. The remuneration policy is to attract and retain a highly qualified and experienced work force, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution, bearing in mind the business' performance and shareholder return. The total of Directors' Remuneration is reported in note 9 to the Financial Statements.
C. Relations with Shareholders - Constructive use of the AGM and conduct of General Meetings **Principle: C.1 Boards should use the AGM to communicate with shareholder and should encourage their participation.**	
C.1.1 Notice of the AGM COMPLIED	The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are released to the shareholders 15 working days prior to the meeting.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
C.1.2 Separate resolution on each substantially separate issue **COMPLIED**	Separate resolutions are proposed at an Annual General Meeting on each substantial issue. A resolution for adoption of the Annual Report of the Board of Directors and the Financial Statements with the Independent Auditor's Report is proposed separately. A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.
C.1.3 Votes and use of proxy **COMPLIED**	The Company ensures that all proxy votes are properly recorded and counted. The level of proxies lodged on each resolution is conveyed to the Chairman.
C.1.4 Answer questions at the AGM **COMPLIED**	The Board invites the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary.
C.1.5 Notice of General Meetings **COMPLIED**	The Notice of Meeting is included in the Annual Report. The Notice contains the Agenda for the AGM as well as instructions on voting for shareholders, including the appointment of proxies. The period of notice prescribed by the Companies Act No 7 of 2007 has been met. The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
Principle: C.2 Communication with shareholders GRI 102-21 **The Board should implement effective communication with shareholders.**	
C.2.1 Channel to reach all shareholders of the company. **COMPLIED**	The modes of communication between the company and the shareholders are the Annual Reports, Quarterly Financial Statements, and Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual / Extraordinary General Meetings. Shareholders may bring up concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the Company website as soon as they have been released to the Stock Exchange. The website posts news and latest updates of the Company. The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders. The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.
C.2.2 Disclosure of the communication policy **COMPLIED**	The communication policy and methodology for communication with the shareholders are given in the stakeholder engagement.
C.2.3 Implementation of the policy and methodology for communication with Shareholders **COMPLIED**	In terms of the CSE Listing Rules, Annual Reports are issued in CD form. However a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so. A copy of the interim financial statements are released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
C.2.4 Disclosure of contact person **COMPLIED**	Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.
C.2.5 Major issues and concerns of shareholders **COMPLIED**	All the major issues relating to shareholders are brought to the attention of the Board.
C.2.6 Person to be contacted with regard to shareholders' matters. **COMPLIED**	The company secretary holds the responsibility to be contacted in relation to shareholder's matters
C.2.7 Process for responding to shareholder matters. **COMPLIED**	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and General meetings. The Board in conjunction with the Company Secretary formulates the process for addressing shareholder matters.
Principle: C.3 Major and material Transactions GRI 102-25 **Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would material alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.**	
C.3.1 Major Related Party Transactions **COMPLIED**	Prior to engaging to a major transaction with a related party or related party transactions which have the effect of substantially altering the nature of business, the Directors disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extra ordinary general meeting.
C.3.2 Disclosure of Major Transactions to shareholders **COMPLIED**	There have been no transactions during the year falling within the definition of "Major Transactions" as set out in the Companies Act No 7 of 2007.
D. Accountability and Audit – Financial and Business Reporting (The Annual Report)	
Principle: D.1 The Board should present a balanced and an understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects. GRI 102-29	
D.1.1 /D.1.2 Balance and understandable information to shareholders **COMPLIED**	Company has presented balanced and understandable financial statements which gives a true and fair view quarterly and annually. In the preparation of Financial Statements, company has complied with the requirements of the Companies Act No 07 of 2007 and requirement of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner as required.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D.1.3 CEO's & CFO's approval on financial Statements prior to Board approval **COMPLIED**	Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board. Responsibilities of the Board of Directors and Directors statement on internal controls are given in pages 131 and 130 respectively
D.1.4 The Directors ' Report **COMPLIED**	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 126 to 129 of this Annual Report which contains the following: Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka (refer page 126); - Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested (refer pages 126). - Equitable treatment to shareholders (refer page 127) - Compliance with best practices of corporate governance (refer page 128) - Information relating to PPE has been given in notes 12, 13 and 14 to the Financial statements - Review of internal controls, risk management and reasonable assurance of effectiveness and adherence (Refer page 129) - Going concern of the business (refer page 129)
D.1.5 Statement of Directors Responsibility, statement on internal controls and Auditors' Report. **COMPLIED**	The Statement of Director's Responsibilities for the financial statements is given in page 131 and Directors statement on internal controls are given in page 130. The Auditors' Report is available on page 139.
D.1.6 Management Discussion & Analysis **COMPLIED**	A comprehensive coverage of key initiatives undertaken during the year, business model, industry structure and development, opportunities and threats, risk management, internal controls and their adequacy, governance, stakeholder relationship, social and environment protection activities, financial performance, Investment in physical and intellectual capital, human resource / industrial relations, sector performances, achievements and prospects for the future. Awards won and certifications received are available in the Management Discussion (page 23 and 25) of this Report.
D.1.7 Summon an EGM to notify serious loss of capital **COMPLIED**	In the event the net assets of the Company fall below 50% of its Stated Capital, the Directors will forthwith summon an Extra Ordinary General Meeting to notify shareholders the remedial action being taken. However such event has not taken place since the adoption of New Companies Act. No. 07 of 2007.
D.1.8 Related party transactions **COMPLIED**	The company adheres to the Code of Best Practices on Related Party Transactions which is issued by the Securities and Exchange Commission of Sri Lanka. The company secretory keeps records on related party transactions quarterly.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle: D.2 Risk Management and Internal Control GRI 102-30 **The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by a Company's Board of Directors and management designed to provide reasonable assurance regarding the achievement of Company's objectives**	
D.2.1 Monitoring sound system of internal control **COMPLIED**	The Directors reviews the risks facing the company and the effectiveness of the internal controls. The Audit Committee executes this function evaluating the effectiveness of the internal controls and risk management on behalf of the Board and make necessary recommendations to the Board.
D.2.2 Review of the process and effectiveness of risk management **COMPLIED**	The details of those risks affecting the company and mitigation actions are explained in pages 120 to 125.
D.2.3 Internal Audit function **COMPLIED**	Company is having an internal audit function at head office and sub office. Audits are conducted in accordance with the programme prepared at the beginning of the year. The Hayleys Group Management Audit and System Review Department (MA&SRD) carried internal audits according to the annual plan. The internal audit function are also outsourced to leading audit firms according to the annual audit plan.
D.2.4 Review the internal controls and risk management by the Audit Committee **COMPLIED**	The Board has delegated to the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to report it to the Board.
D.2.5 Content of statement internal controls **COMPLIED**	Directors' Statement on Internal Controls is given in page 130.
Principle: D.3 Audit Committee GRI 102-22 **The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.**	
D.3.1 Composition of Audit Committee **COMPLIED**	The Audit Committee was established in 2008. The Committee consists three Independent Non-Executive Directors and is chaired by Mr. L.N.De.S.Wijeyeratne. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
D.3.2 Committees' terms of reference **COMPLIED**	Terms of References (TOR) provides proper guideline duty and authority to deliver the responsibilities. The Committee is empowered to examine any matters relating to the Financial Reporting systems of KVPL, risk management, external audits and internal audits. Its duties include the detailed review of Financial Statements, internal control procedures and risk management framework, accounting policies and compliance with applicable accounting standards and other rules & regulations. It reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and company policies. The Audit Committee makes recommendations to the Board pertaining to appointment, re –appointment of External Auditors after assessing the independence and performance, and approves the remuneration and terms of engagement of the external auditors. The Chairman, the Managing Director, the Chief Executive Officer of the Company, Head of Group Internal Audit and Hayleys Group CFO are invited to attend Meetings. Other Directors and Senior Managers attend meetings as required. The input of the External Auditors is obtained where necessary. The Audit Committee helps the Group to achieve a balance between conformance and performance.
D.3.3 Disclosures **COMPLIED**	Mr. L.N.De.S.Wijeyeratne is the Chairman of the Audit Committee. Mr. F. Mohideen and Mr. C V Cabraal are the two other members. Annual report contains a compliance report of the Audit Committee in pages 132 and 133. Audit committee charter can be found on pages 132.
Principle: D.4 Related Party Transactions Review Committee **G4-56** **The Board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business**	
D.4.1 Related Party Transactions **COMPLIED**	Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in note 30 to the financial statements.
D.4.2 Composition of Related Party Transactions Committee **COMPLIED**	The Related Party Transactions (RPT) Review Committee of Hayleys PLC acts as the Company's RPT Review Committee and consists of - Dr H Cabral,PC – (chairman) Independent Non – Executive - M Y H Perera – Independent Non – Executive - S C Ganegoda – Executive
D.4.3 Terms of Reference **COMPLIED**	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. RPT Review Committee report describing the duties , task and attendance of the committee appear on page 134.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle: D.5 Code of Business Conduct & Ethics **Companies must adopt a Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other employees' including but not limited to: dealing with shares of the company; compliance with listing rules; bribery and corruption; confidentiality; encouraging that any illegal fraudulent and unethical behavior be promptly reported to those charged with governance. The company must disclose waivers of the Code of Directors, if any.**	
D.5.1 Disclosure on presence of Code of Business Conduct & Ethics **COMPLIED**	The Directors and members of the Senior Management team are bound with a Code of Business Conduct & Ethics which is developed by the Hayley's Group. The Code consists of important topics such as conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, fair and transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets including information assets, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal, fraudulent or unethical behaviour. The Board ensures the compliance with the code and non-compliance may cause to disciplinary actions
D.5.2 Process to identify & report price sensitive information **COMPLIED**	The Company has a process in place to ensure that material & price sensitive information is promptly identified and reported.
D.5.3 Shares purchased by directors and key management personnel **COMPLIED**	The Company has a policy and a Process for monitoring, and disclosure of shares purchased by any Director and key management personnel. Details of Directors share holdings are given in page 127 of the annual report of Board of Directors on the affairs of the Company.
D.5.4 Affirmation of Code in the Annual Report by the Chairman **COMPLIED**	The Chairman affirms that code of conduct and business Governance offers direction for all the employees across the organisation and he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics in Statement from the Chairman on Corporate Governance in page 92.
Principle: D.6 Corporate Governance disclosures **Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.**	
D.6.1 Disclosure of adherence to Corporate Governance **COMPLIED**	The extent to which the Company adheres to established principles and practices of good Corporate Governance are disclosed on page 128 under the Annual report of the Board of Directors on the affairs of the Company.
Section 2: Shareholders GRI 102-37 **E. Institutional Investors**	
Principle: E.1 Shareholder voting **Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice**	
E.1.1 Dialogue with shareholders **COMPLIED**	All shareholders are invited to attend the Annual General Meeting and they are encouraged to make comments/suggestions. The Company seeks dialogues with institutional investors. Impartiality is maintained on shareholder vote at the AGM based on individual holding and weightage.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle E.2. Evaluation of governance disclosures **When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encourage to give due weight to all relevant factors drawn to their attention.**	
E.2 Evaluation of governance disclosure COMPLIED	Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating Companies' Governance arrangements particularly in relation to Board structure and composition.
F. other investors	
Principle: F.1 Investing/Divesting decisions **Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.**	
F.1 Individual shareholders are encouraged to do their own analysis or seek independent advice. COMPLIED	The quarterly Financial Statements, Company disclosures, and Annual Report provide sufficient information to carry out their own analysis in investing or divesting decisions. In addition, KVPL encourages individual shareholders to seek independent advice for their investing and divesting decisions.
F.2 Shareholder voting **Principle F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.**	
F.2 Encourage Shareholders to participate and vote at AGM COMPLIED	All individual shareholders are encouraged to actively participate in the Annual General Meetings and they have the independence of exercising their votes as they wish.
Principle: G. Internet of Things and Cyber security	
G.1 The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cyber security risks that may affect the business. Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's network to send and receive date. Such access could be authorised or unauthorised.	
G.1 Cyber security risk by the send and receive information COMPLIED	Company has a sound disaster recovery plan to mitigate the risk associated with IT failures due to both internal and external threats. Company's IT policy, including IT security, Privacy and Confidentiality is supported by maintenance contracts with reputed companies. The use of licensed software, close monitoring of internet usage (to comply with the IT Use Policy), mail server operations, the use of antivirus and firewall software to screens malicious content, are some of the safeguards currently in place to minimise IT related risks.
Principle G.2 The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security risk management policy which should be approved by the Board.	
G.2 Appointment of Chief Information Security Officer (CISO) COMPLIED	Hayleys Group IT department performs the role of the Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to implement and manage cyber- security risk.

REFERENCE TO CASL & SEC CODE	DETAILS OF COMPLIANCE
Principle G.3 The Board should allocate regular and Adequate time on the board meeting agenda for discussions about cyber-risk management.	
G.3 Allocation of adequate board time to discuss cyber- risk management COMPLIED	The Board reviews business risk quarterly including IT and cyber- security risk.
Principle G.4 The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance. **The Scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.**	
G.4 Review and assurance of effectiveness of the cyber security risk management COMPLIED	Independent reviews are carried out to ensure cyber- security and secured management information system.
Principle G.5 The Board should disclose in the annual report, the process to identify and manage cyber security risks.	
G.5 Disclose of the process to identify and manage cyber security risk COMPLIED	Hayleys IT security policy provides a procedure to identify and manage cyber security risk. Manager – Information Technology, adhere the Group policy to manage and control the cyber security risk. Include procedure
Principle: H. Environment, Society and Governance (ESG) GRI 102-30, 32 **H.1 The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported.**	
H.1.1 Provide Sufficient information relating to ESG risks COMPLIED	Annual report contains sufficient and relevant information of ESG to assess how risks and opportunities are recognised, managed, measured and reported in pages 121 to 122. The impact of ESG issues are disclosed in Risk management report in pages 121 to 122.
H. 1.2.1 H.1.3.1 Environmental and social Factors COMPLIED	Direct and indirect economic, social, health and environmental implications of Company decisions and activities are discussed in pages 66 to 86.
H.1.4.1 Governance COMPLIED	Company has an established Governance structure supporting the company's ability to create value and manage risk at all times on all pertinent aspects of ESG. Company has well recognised the key resources deployed in the business and financial and non-financial measures are established. The company has identified risk and taken mitigatory actions for the risks which have an impact on the sustainability of the business and are discussed in the Risk Management Report in pages 120 to 125.
H.1.5.1 Board's Role on ESG Factors COMPLIED	The Board has committed to environment, social and governance aspects and the environmental management and social activities have been discussed in the pages 66 to 86.

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.1 (a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Compliant	Corporate Governance A.5.1 Four out of seven Directors on the Board are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be Independent	Compliant	Corporate Governance A.5.2 Three of four Non-Executive Directors are Independent
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/non independence in the prescribed format	Compliant	Corporate Governance A.5.4 Each Non-Executive Director has submitted declarations stating the independence/non-independence in a prescribed format
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Compliant	Corporate Governance A.5.5 Brief resume of all the Directors is available on page 14
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met	Compliant	Corporate Governance A.5.5 All the Independent Non-Executive Directors meet the criteria specified in the Listing Rules of the CSE.
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Compliant	Corporate Governance A.5.5
7.10.3 (d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange	Compliant	Corporate Governance A.7.3 There were no new appointments of new Directors during the financial year.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Corporate Governance B.1.1, B.1.2,B.1.3, B.1.4, B.1.5 Remuneration Committee of Hayleys PLC, the ultimate parent company, acts as the Remuneration Committee of KVPL
7.10.5 (a) G4-52	Composition of Remuneration Committee	Shall comprise Non-Executive Directors a majority of whom will be independent	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 Comprise of two Independent Non-executive Directors
7.10.5(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors	Compliant	Corporate Governance B.1.1, B.1.2,B.1.3, B.1.4, B.1.5
7.10.6	Audit Committee	The company shall have an Audit Committee	Compliant	Corporate Governance D.3.1, D.3.2 The Audit Committee was Established in 2008.

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
7.10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors a majority of whom will be Independent Non-Executive Directors shall be appointed as the Chairman of the committee Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	Corporate Governance D.3.1, D.3.2 Audit Committee Report is availablein pages 132 and 133
7.10.6 (b)	Audit Committee Functions	Functions shall include: • Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards • Overseeing of the compliance with financial reporting requirements, information requirements of the • Companies Act and other relevant financial reporting related regulations and Requirements. • Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the external auditors • Make recommendations to the Board pertaining to appointment, re – appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.	Compliant	Corporate Governance D.3.3
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee	a) Names of Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	The Audit Committee Report (Pages 132 and 133).
9.2.1 & 9.2.3	Related Party Transactions Review Committee	As per the Listing Rules of the CSE this is mandatory from 1 January 2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.	Compliant	The RPT Committee of Hayleys PLC the Parent Company, which was formed on 10 February 2015 functions as the committee of the Company.
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director	Compliant	RPT Review Committee Report Annual Report of the Board of Directors

Rule no	Subject	Applicable requirement	Compliance status	Applicable section in the Annual Report
9.2	Related Party Transactions Review Committee Functions	• To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. • Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party. • Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons. • To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction. • To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders. • Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties. • To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged. • To review the economic and commercial substance of both recurrent/non recurrent related party transactions • To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party Transaction.	Compliant	RPT Review Committee Report
9.2.4	Related Party Transactions Review Committee-Meetings	Shall meet once a calendar quarter	Compliant	RPT Review Committee Report. Annual Report of the Board of Directors.
9.3.2	Related Party Transactions Review Committee-Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts c) Report by the Related Party Transactions re-view Committee d) A declaration by the Board of Directors	Compliant	RPT Review Committee Report. (Page 134) Annual Report of the Board of Directors. (Page 127)

RISK MANAGEMENT

Risk Management in KVPL

Up until the middle of the financial year 2020/21, it was challenging for the entire plantation sector with the 1st & 2nd wave of the outbreak of Covid-19. With the lockdown measures taken by the Government, the Tea Auctions were not held physically and it was converted into online auctions with the latest technological developments.

With the severe hit on the economy by the pandemic, the Government offered special concessionary loans with lower borrowing cost especially for the Plantation Sector to carry out daily routines without any working capital deficits. KVPL as a Group also benefited from the said facilities and it is discussed further in the Interest Rate Risk Section.

In addition to that, with the expertise knowledge of the top management and the unique Enterprises Risk Management Process of the Company, KVPL was able to mitigate the other major risks within a controllable level during the year in a transparent manner.

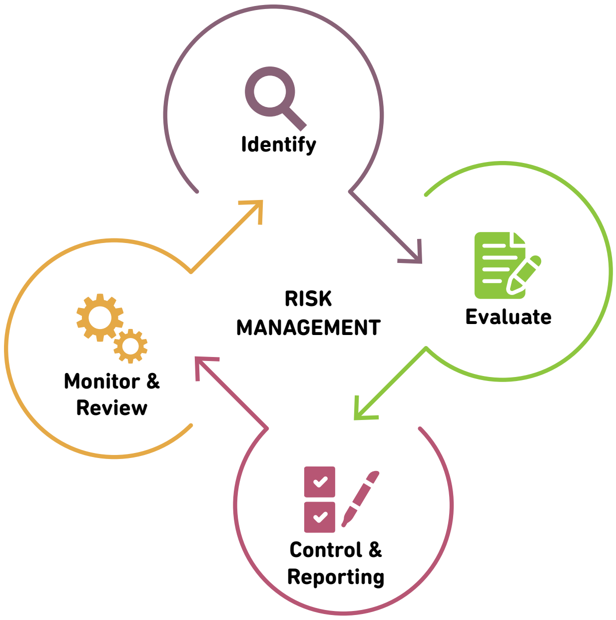
Further, the overall Risk Management System of the Company is reviewed internally and externally regularly by following mechanisms,

- A special review team has been developed in the regions to carry out the system reviews to make sure that the systems are in line with the existing controls & systems. Based on their findings, necessary feedback will be given to the Head-Office Management as well as to the respective estates to take necessary actions.
- An independent external risk assessment is also conducted by the external auditors and specific risks which are identified through the audit findings will be mentioned in the year end management letter.
- As a member of the multinational & diversified conglomerate, KVPL 's entire Risk Management Process is strictly supervised by the Hayleys Group through Halyelys PLC Audit Division. They regularly involving & coordinate with the company on controlling risks and improving the effectiveness of the Risk Management System.

Risk Management Process

The KVPL Group including the subsidiary companies has adhered to a comprehensive Risk Management Process as shown below to face the unpredictable risks in the plantation industry. As a company, KVPL is focusing on mitigating risks rather than avoiding or accepting them mostly by obtaining insurance coverage based on the nature of the business and advice of experts.

Similar to the other companies, KVPL Group's Risk Management Strategy also comprises of four steps as follows,



1. Risk Identification

As the initial step of the Risk Management Process, it is very important to identify the risk in order to manage it successfully, since the success of the entire Risk Management Process relies this step. Basically, in KVPL, the Risk Identification Process begins from the Estate Managers and they will identify the risks in their respective areas. As soon as the risk identification is done, the identified risks will be brought into the monthly/quarterly meetings for broader analysis in order to identify possible risks which arise from unique events.

2. Risk Evaluation

The response steps for the identified risks will be taken based on the priority given in this Risk Evaluation Step. Therefore, the identified risk will be evaluated carefully through an evaluation procedure. Through the evaluation process, the risk will be ranked as low, medium or high based on the impact of the risk and the probability. After the ranking is done, the Company management will take the necessary actions to respond to the risks based on the priority.

Severity \ Likelihood	1	2	3
1	Low	Low	Medium
2	Low	Medium	High
3	Medium	High	High

3. Risk Control

Based on the rankings, the top management of the Company will control the risk through the following steps.

- **Developing Risk Response Strategies**

The Risk Response Strategies will be planned & developed to manage the evaluated risk. The strategies will be mainly developed to accept, reduce and share or to avoid the risk based on the impact and the probability of the identified risk. The entire responsibility of developing risk strategies lies on the Managing Director of KVPL and the Top Level Management Team. In addition, to provide the ideal response strategy out of the alternatives, the Company carries out an ideal internal control system where it will filter and provide the best response strategy for the Company. Similar to previous years, KVPL has responded to most of the risks that came across in 2020/21 by mitigating them rather than avoiding or accepting by obtaining insurance coverage adequately based on the nature of the business and having several meaningful discussions with industry experts.

- **Risk Reporting**

As soon as the Risk Response Strategies are developed, they will be discussed by the Company's top management and thereafter will be presented to the Board of Directors as well as the Audit Committee alongside the review reports for further analysis. Throughout the analysis, the parties will be evaluating the developed risk strategies along with the respective risks and will do the necessary adjustments before implementing them in practical scenarios. After the developed strategies are finalised, they will be communicated to the ground level for the implementation process.
In KVPL, there are 3 components in the communication process as,

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

- **Corporate Level Communication**

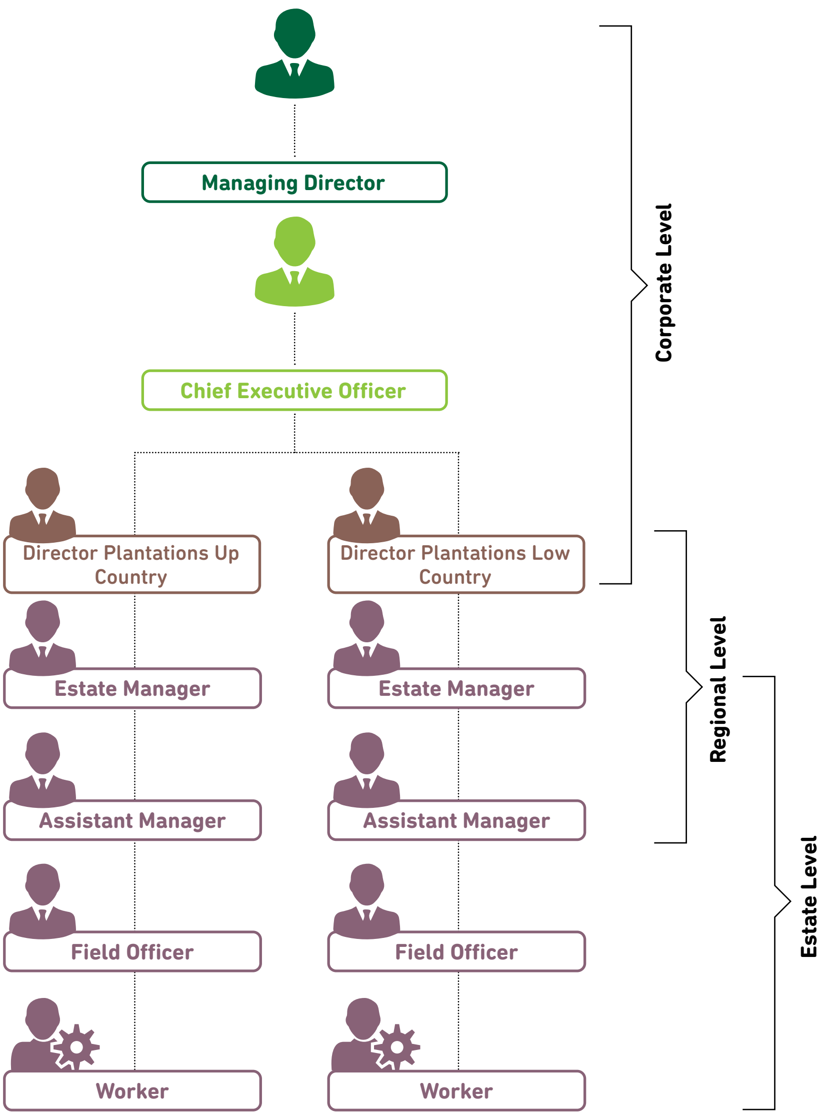
This is the top level of the communication process. In this level the communication will be done between the Directors of the Plantation, CEO & The Managing Director and they will discuss the uncontrollable risks which can not be solved at the ground level of the estates or regional level. The most important high risk issues will be discussed at this level.

- **Regional Level Communication**

This is the intermediary level of the KVPL communication process. The issues raised by the ground level/estate level workers which can't be solved at the estate level will be brought into this level and will be discussed and solved between the Estate Managers and the Directors of the Company of Low Country & Up Country.

- **Estate Level Communication**

This is the initial step of the communication process of KVPL. In this the ground level workers and the staff of the estates has the opportunity to raise their issues to the Estate Manager and the Assistant Manager regarding their employment or community on a special labour day of each week which has been allocated by the Company.



4. Risk Monitoring

This is the final step of the Risk Management Process where the Company has to monitor the entire Risk Management Process and this step can be divided into two parts as,

- **Monitoring:**

In this step the Company is expected to evaluate the efficiency of the implemented strategies such as whether the strategies has brought the expected results to the Company by reducing the respective risks within the Year. This monitoring process is carried out in different levels of the organisation by different parties.

- **Review:**

Throughout the review process the risk profile of KVPL will be reviewed quarterly and it has been revealed there has been no substantial diversion.

Risk Portfolio of the KVPL Group

With the entrance of diversified business sectors KVPL Group has a wide range of risk portfolio as shown by the graph below. Though there are different types of risks, KVPL management has taken necessary steps to mitigate the risk exposures under various strategies.

Key Risks Faced in 2020/21

GRI 201 - 2

Strategic Risk
- Climate Changes
- Production Risk
- Political Risk
- Commodity Risk
- Acquisitons
- Social & Environmental Risk

Financial Risk
- Foreign Exchange Risk
- Interest Rate Risk
- Credit Risk
- Investment Risk
- Liquidity RIsk
- Accounting & Reporting Risk

Operational Risk
- Value Chain Risk
- Management Personnel & Worker Migration
- Business Disruption
- IT Risk
- Technological RIsk
- Reputational Risk

Compliance & Other RIsk
- Legal
- Tax
- Market Prices
- Data Privacy
- Product Security
- General Business Principles
- Occupancy Risk

KVPL Approaches towards Risk Management

- **Bottom-up approach:**

In this approach, the information such as Company results, opportunities and operational risks will be flown from the ground level worker to the top-level employees of the Company through regular meetings and simultaneously remedial actions and goal setting will be done during these sessions.

- **Hayleys Groups' Risk Management Functions:**

The audit division of the ultimate parent of the company (Hayleys PLC) also pays more attention to the KVPL Risk Management Process. They coordinate the identification and documentation of control risk areas and attempts to enhance the Risk Management System at regular intervals while in discussion with Company management.

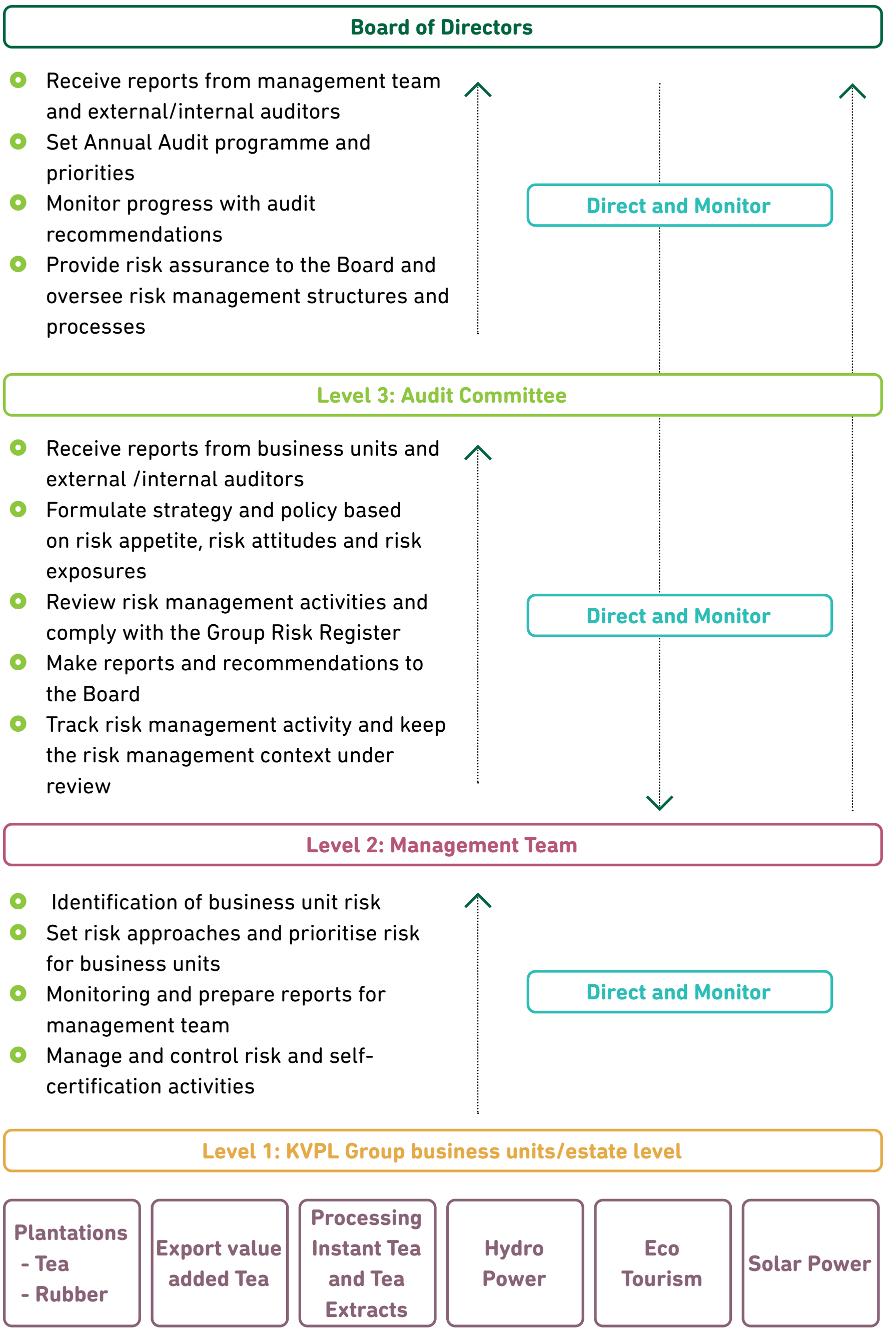
- **Internal Systems Review:**

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

- **External Auditor's Management Letter:**

The year-end management letter issued by the external auditors highlights the risks associated with the audit findings. KVPL uses those findings for continuous enhancement of the Company's overall Risk Management System.

Risk Architecture



Business Units/Estates: Divisional business units identify each unit's value creation model and shareholder concerns recognised from the stakeholder engagement processes, to identify material aspects and risk indicators. The risks originated are evaluated and managed within their approved risk appetites and policies. To manage these risks, they are required to establish and maintain appropriate risk management controls, resources and self -assurance processes.

Management Team / Executive Committee: – The management team is responsible for developing division-specific risk appetite statements, policies, controls and procedures, in addition to monitoring and reporting in line with the Board's statement of risk appetite and the risk management frameworks approved by the Board of Directors. The heads of the business units evaluates operational risk and consults operational management. The significant risks are reported to the corporate management where risks are analysed, mitigated and implemented to the operational level.

Audit Committee – Group Audit Committee leads the optimisation of the risk-reward concept by overseeing the development of risk appetite statements, risk management frameworks, policies and risk concentration controls and monitoring diverse risk profiles to sharpen the alignment with approved risk appetites and strategies.

Board of Directors

The ultimate responsibility of managing risk lies with the Company Board of Directors. They have to ensure that the risk management is embedded into all processes and has to review the Group risk profile. Further the BOD will assist by the audit committee to overlook the responsibility for risk and internal control.

Estate Level Risk Management Process

Since KVPL operates in the Plantation Industry, the risk management process has identified that the workers including the estate community are exposed to a large scale risk when they are on & off duty. These risks basically can be divided into two components as,

1. **Environmental Risk** – Earth slips, floods, cyclones, lightning strikes, animal attacks
2. **Housing & Other Risk** – Factory fires, factory accidents, customer complaints, fire at worker houses, violence & strikes, field accidents & sudden illness etc.

For these above-mentioned risks, the Estate Risk Management Process will identify the answers for the following questionable areas,

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

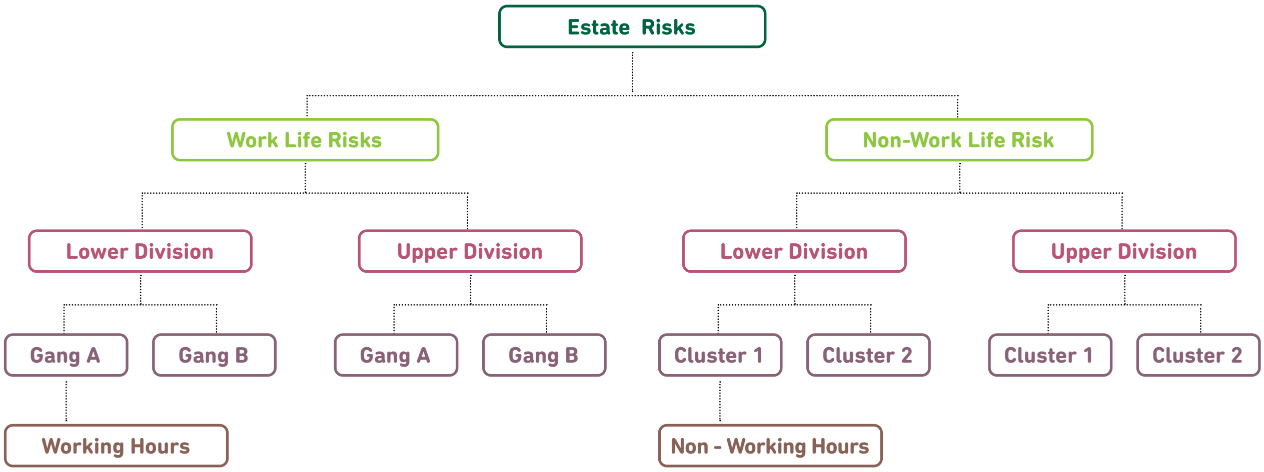
RISK MANAGEMENT

Process of Managing Estate Risks

Based on the location where the risks are arising, the Estate Risk Management has divided the risks into two components as,

- Field Level Risk Management
- Worker Housing/Environment Risk Management

Basically the Field Level Risk Management directly covers the labour force while the Worker Housing/Environment Risk Management covers the entire estate community. Response action to hazards are assigned at divisional, field and work group levels, to be able to reach the grass root level in each estate. Responsibilities are assigned between working hours and non-working hours and the risk communication processes follows a bottom-up approach.



Group Risk Management in 2020/21

Significant changes in the risk status was observed during the current period, compared to the previous year. As in the previous year, climate change, value chain and possible changes to the wage structure were the other high-risk areas.

L Low M Medium H High

Risk Factor	Risk Rating		Response
	2020/21	2019/20	
Strategic Risk			
Climate Changes • Both Tea and Rubber crops fluctuated due to adverse weather and erratic weather patterns. This affected the quality, market share, earnings and profitability of the product.	H	H	Climate change risk remained high and an unpredictable area during the current year as well. Our sustainable agricultural practices strengthened the emergency response plan and business recovery plan thereby mitigating the effects of climatic changes. • Monitor Tea and Rubber crop variances. • Successful implementation of the Company Crisis Management Plan with periodic review. • Preserve forests and watersheds to retain moisture. • Pre-drought spraying for Tea to prevent excessive transpiration during dry seasons. • Sloping Agriculture Land Technology (SALT) to avoid soil erosion. • Management of shade trees • Burial of weed heaps to retain moisture • Fixing of rain guards to protect the tapping area of Rubber trees

Risk Factor	Risk Rating		Response
	2020/21	2019/20	
Production Risk • Consistencies in product quality depends on the consistency in quality of raw material (Green leaf, Latex... etc).	H	H	Quality of end product (Eg; made Tea and Rubber) is purely dependent on quality of the raw material. Production risk remained high during the year as well due to the continuation of prohibition of weedicides and COVID-19 Global Pandemic. Following mitigatory measures have been undertaken, • Strict health and safety measures have been provided by the management of the Company for manual grade workers with relevant infrastructure facilities. • Guidelines have been provided to the Estate Managers to monitor the behaviour of the workers during the pandemic while the overall monitoring was done by the Head Office HR Team • The Estate staff and workers, adequate facilities were provided to the head office staff to work from home. • Regular refresh programmes are conducted for the manual grade work force on quality raw material and ways and means of harvesting. • Encouraged the workforce by having plucking competitions. • Revenue Share Model introduced to mitigate the shortage of workers. • Machinery Harvesting has been introduced as a pilot project in a few estates to maintain the same leaf quality for the manufacturing process.
• Inconsistencies lead to reduced demand, resulting in a drop in market price, market share and reputation, and increasing the number of quality claims			• Obtaining advice from industry experts, TRI and RRI brokers and feedback from customers. • Conduct weekly Tea assessments on quality. • Frequent quality audits, reviews and corrective measures. (quality assurance systems) • A better grade mix by converting our plantation latex crop in order to obtain the best market trends. • Centralising Tea factories according to high NSA • Developed new areas of diversification in to identified high market potential crops and products such as Cinnamon, etc. • Exploring new non-traditional markets (China)
Political Risk • Political intervention in wage negotiations and major industrial relations inhibit the resolution of issues on the basis of economic viability alone	H	H	• Political risks remained a high-level risk during the year. Management initiatives to improve labour productivity in line with wage were not supported as expected due to implementation of one of the election manifestos to increase wages to Rs.1,000 (Gazetted under Wage Board) without a proper productivity link. • PA filled a case on this regard against the Gazette Notification and decision is still pending.
• Instability & volatility in the political environment			• However, Plantation Management has a good rapport with the workers to mitigate the unrest within the plantation.

RISK MANAGEMENT

Risk Factor	Risk Rating		Response
	2020/21	2019/20	
Value Chain Risk • Fluctuations in global supply and demand, close substitutes and competition from other major low cost producers (India, China, Kenya, Vietnam and Indonesia) affects the demand and determines the price(s) of KVPL products • Unavailability of chemicals and fertilisers due to restrictions imposed during the panademic • Restrictions in Rubber Exports due to rules and regulations imposed by certain countries during the panademic	H	H	• Obtaining accreditations for Black Tea factories on international food hygienic standards and accreditations of Tea estates for good agricultural practices • Membership in the UNGC which positions KVPL as a socially responsible plantation company • Company continues to produce high quality products in order to reach high end markets by with maintaining high net sale average to optimise the profit margin • Obtaining certifications which increase the goodwill of the estate products 1. ISO 22000:2018-Food Safety Management System Certification 2. Fair Rubber Certification 3. Organic Rubber Field Certification • Completely stopping certain chemicals and regular chemical tests. • Integrated weed management system • Searching for new global markets for Rubber (Germany) • Maintaining a good relationship with the global customers during the pandemic.
Social Environmental Risk • The younger generation is searching advance employment brands. • Unfavourable campaigns organised by Trade Unions.	M	M	• We maintain a good rapport with workers and trade unions and arrange regular social and cultural events and youth events to develop relationships with the new generation. • Providing uniforms, change of designations, providing all the awareness highlighting the benefits of working in the plantation industry, such as medical, housing and other income sources. This will enhance the relationship with the younger generation and workers to attract them to work in the plantation sector.
Financial Risk			
Foreign Exchange Risk • Our subsidiary Mabroc is mainly focused on foreign markets and adverse fluctuations of foreign exchange rates affects the pricing policy and results of these companies.	M	M	The exchange rate risk and the associated risk exposure is managed as follows. • Arranging forward exchange contracts to minimise the exposure of currency volatility • Monitor exchange rate movements and outlook for high exposure currencies • Forex exposures are monitored and appropriate action is recommended to reduce inherent risk and minimise adverse impact of currency rate movements on assets and liabilities • Measures are established to determine effectiveness of actions taken

Risk Factor	Risk Rating		Response
	2020/21	2019/20	
Interest Rate Risk • Changes in national fiscal and monitory policies affect the Company's pricing policy and profitability. Similarly, low returns on investment, high opportunity cost of investment and difficulty in generating funds for capital development and growth are the other major risks inherent in the industry.	M	M	• The KVPL Group's credibility, reputation strength and financial dependability help ensure ready access to funds at attractive rates. • Fluctuation of local currency interest rates are minimised by having foreign currency borrowings linked to LIBOR. • Company has taken actions to settle the high interest rate loans by obtaining Low interest rate loans from the banks as soon as market rates were reduced with Central Bank initiatives against Covid 19 pandemic.
Credit Risk • Credit risk is in the form of financial losses when customers default and the prospect of protracted legal proceeding without assurance of a favourable outcome.	M	M	Although this is a medium risk area for mitigatory measures are followed. • Credit risks are assessed, limits are set and credit granted is closely monitored. • Suppliers are settled and dues collected from customers leaving no room for default on payment. • Tea and Rubber stocks are sold through auction and settlements are assured in seven (07) days. • Customers of Mabroc Teas (Pvt) Ltd are given credit through a proper evaluation and all open account customers are subjected to credit insurance by SLECIC. • Government leases and other finances are closely monitored and settled without delay.
Investment Risk • This entails failure in investments/ inability to achieve expected objectives. This affects future profitability and sustainability of the Group.	M	M	• Any "proposed investments" are subjected to a rigorous evaluation and feasibility process by seeking expert advice to ensure a maximum return on investment and seek Board approval prior to embarking on a proposed investment. • Further we closely monitor the progress to ensure project deliverables are achieved within the given budgets and timelines. • Prudent investments are made in capital development i.e. replanting, machinery and plant upgrading and rationalising the production capacities in major factories. • The investments have been diversified such as to minor crops to minimise the investment risk to a certain level.
Liquidity Risk • Liquidity problems are bound to arise due to uncontrollable factors such as erratic weather patterns, wage hikes, drop in demand and prices and increase in prices of input materials etc.	M	M	Due to the positive performance of the year under review, the Liquidity Risk of the Company has reduced to a certain level compared to the 2019/20. Further, the Liquidity Risk of the company was managed by the following steps, • Efficient cash management such as close monitoring of expenditure, maintaining effective budgetary control system and building up of reserves are key to minimise liquidity risks. • We monitor cash flows daily basis as against monthly forecasts (expenses are prioritised and expenditure curtailed to the earnings of the estates especially in less crop and lower NSA seasons). • Estates level monthly expenditure is monitored by plantation directors based on monthly expenditure forecast which is approved by the CEO at the beginning of each month. Further expenses are monitored through the Annual Budget.

RISK MANAGEMENT

Risk Factor	Risk Rating		Response
	2020/21	2019/20	
Accounting and Reporting Risk - Possibility of misstatement of financial position or profitability and non-compliance with accounting standards and other regulatory requirements	L	L	- The KVPL Board consists of Senior Qualified Accountants - The KVPL Group consists of Chartered Accountants and skilled staff with relevant qualifications and expertise knowledge in the industry. - We consult experts in the field when required and regular training on areas such as changes in standards, laws and compliance are given to the staff.
Operational Risk			
Human Capital Risk - Increase the level of knowledge and competencies of estate level employees - Performance Evaluation	H	H	- Hayleys Plantations Technical Skills Development Programme (Batch 01) was successfully completed by building up an innovative learning platform fulfilling the objectives of improving the technical competencies and existing knowledge of supervisory and field officers. KVPL intends to continue this programme. Hence, Batch of this programme has already been announced. This is a key training programme which KVPL implements, since the estate supervisory level employees are the critical staff category who obtain the raw materials. - Introduction of Oracle Performance Management Model 2020/2021. It was successfully completed for the Estate Management and Head Office Employees. For the first time in the plantation management category, Oracle HCM Module has been used for the performance evaluation in KVPL. This is a much more transparent, and comprehensive model which is based on actual/real time data
Wage Structure Risk - Increase in daily wage rate from Rs.750 to Rs.1,000 has a significant impact on cost of production, profitability and gratuity liability as the industry is highly labour intensive. - Strong Trade Unions play an active role in determining wages.	H	H	This remained a high-risk area as labour cost accounts for over 60% of total costs of the Company. We are managing this risk by: - Increasing land and worker productivity through training, monitoring, motivation and mechanisation, - Revenue share model for harvesting and outsourcing non-value adding activities - Motivating and empowering manual grade workers through several programmes such as, 1. Team Leader Development Programmes 2. Hayleys Plantation Technical Development Programmes
Reputation Risk - KVPL's reputation may be tarnished due to non-compliance, unethical practices, and inconsistency in product/service quality.	L	L	- KVPL continues to adopt all the global and local standards such as quality assurance policies, food safety standards, ISO standards etc to maintain the reputation within the country and globally. - Further to maintain the product quality, the Company sends Tea samples frequently to Eurofins Dr.Specht International GmbH in Germany.

Risk Factor	Risk Rating		Response
	2020/21	2019/20	
Business Disruption Risk • Disasters, human involved activities (human errors, accidents etc.) may cause business/ operational disruptions.	L	L	• Obtained regular 3rd party certification on Health & Safety and implemented disaster management policies.
IT Risk • Include risk of system failure and loss of data	M	M	• Have implemented a sound IT policy, including IT security, privacy and confidentiality, supported by adequate systems and controls • Have a Disaster Recovery Plan in place to mitigate the risk of IT failures. An effective backup procedure has been implemented both at estates and head office level with the support of Hayleys Group IT unit • Monitor system hardware capacities • Have a maintenance contract for hardware with a reputed company • Have immediate IT related support for estates in the capacity of skilled personnel in the regional office • Have provided new technologies (Tabs, Smart phones etc.) for online transmission of daily information to the Estate Managers • Closely monitor the internet and email usage
Technological Risk • Not keeping pace with technological developments could lead to obsolescence.	L	L	• Mechanisation of estate functions up to the highest possible extent • Investing in Research and Development activities whenever necessary • Investing in hardware resources • Maintain cost relationship with research institutes and universities for new technology.
Compliance and Other Risks			
Regulatory Risk (Legal, Tax...etc) • Compliance with laws and other statutory obligations and risk arising from litigation and law suits against the company may lead to loss of reputation and penalties being imposed.	L	L	• Statutory obligations are regularly reviewed by the Head of Finance and reported to the Audit Committee. • Group has its own legal and tax consultants.

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

The Board of Directors of Kelani Valley Plantations PLC has pleasure in presenting its Report on the Affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31 March, 2021.

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

Principal Activities, Business Review and Future Developments

The principal activities of the Company are producing and processing of Tea and Rubber. Details of activities of other companies in the Group are given on page 16 of this Report. The Chairman's Message (pages 25 to 26) Managing Director's Review (pages 28 to 30), Sustainability Report (pages 62 to 86) and Financial Capital (pages 50 to 60) describe the performance of the Company during the year, with comments on the financial results, future strategic developments and the progress of its subsidiaries, Kalupahana Power Company (Pvt) Ltd., Kelani Valley Instant Tea (Pvt) Ltd., Mabroc Teas (Pvt) Ltd., Kelani Valley Resorts (Pvt) Ltd. and Investment in Martin Bauer Hayleys (Pvt) Ltd.

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

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

Financial Statements

The Financial Statements of the Company and the Group are given on pages 142 to 202.

Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on pages 139 to 141.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 149 to 163.

Group Revenue

The Group revenue during the year was Rs. 11,760,469,848 /- (2019/20 - Rs. 8,909,173,526/-) and an analysis is given in Note 6.1 to the Financial Statements.

The Group revenue from tea increased by Rs. 2,623,218,362 /- (2019/20 – decreased by Rs. 281,864,649/-) and rubber increased by Rs. 429,199,038 /- (2019/20– increased by Rs. 19,443,774/-) during the year, respectively.

Results and Dividends

First interim dividend of Rs. 1/- (Rupees One) per share and second interim dividend of Rs. 1/- (Rupees One) per share was paid the shareholders on 23 December 2020 and 26 March 2021 respectively.

The Board of Directors has recommended the payment of final dividend of Rs. 1.50 (Rupee one and cents fifty) per share for the 2020/21 subject to the approval of the shareholder at the oncoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the First and Second Interim dividends paid and final dividend proposed. A solvency certificate was obtained from the auditors in respect of the First and Second Interim dividends paid and one has been sought in respect of the final dividend proposed (2019/20 –Nill)

The Group profit before taxation amounted to Rs. 947,520,544 /- (2019/20- loss before taxation Rs. 22,771,580/-). After deducting Rs. 145,335,466/- (2019/20 - Rs. 64,247,353/-) for taxation, the profit for the year was Rs. 802,184,978 /- (2019/20 – loss of Rs. 87,018,573/-).

The Group profit attributable to owners of the parent which was deducted for non-controlling interest of Rs. 7,092,743 /- (2019/20- Rs. 8,419,850/-) for the year was Rs. 795,092,235 /- (2019/20 – loss of 95,438,583/-).

The Profit available for appropriation, inclusive of Rs. 1,397,192,252/- (2019/20- Rs. 1,282,542,866/-) of brought forward retained profit amounted to Rs. 2,209,054,344/- (2019/20 - Rs. 1,397,192,252/-)

Property, Plant & Equipment

The capital expenditure of the Group during the period amounted to Rs. 266,954,495/- (2019/20 - Rs. 1,083,189,668 /-) whilst that of the Company was Rs. 185,216,720/- (2019/20 – Rs. 263,498,279/-) which includes replanting expenditure of Rs. 173,150,488/- (2019/20 - Rs. 235,926,599/-) on tea, rubber, coconut, cinnamon and fuel wood.

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

Stated Capital and Reserves

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received, due or payable to the Company in respect of the issue of shares.

The ordinary shares of the company were subdivided by splitting each issued ordinary share into 02 ordinary shares on 10 February 2021. Consequently the total number of existing issued Ordinary Shares were increased from 34,000,000 to 68,000,000 without changing the Stated Capital of the Company which will remain at Rs. 340,000,010/-

Accordingly, The stated capital of the Company, consisting of 64,000,000 ordinary shares and one Golden share amounts to Rs. 340,000,010/-.There was no change to the stated capital during the year.

The Golden share of Rs. 10/- held by the Secretary to the Treasury, enjoys the following special rights:

- The concurrence of the Golden Shareholder should be obtained to sub-lease estate lands and amend the Articles of Association of the Company in which the Golden Shareholders' rights are given.

- The Golden Shareholder, or his nominee, has the right to examine the books and accounts of the Company.
- The Company is required to submit a detailed quarterly report to the Golden Shareholder.
- The Golden Shareholder can request the Board of Directors of the Company for a meeting.

Reserves

The total reserves of the Group as at 31 March, 2021 amounted to Rs. 3,909,054,264/- (2019/20 - 3,097,192,252/) comprising the general reserve of Rs. 1,700,000,000/- (2019/20 - Rs. 1,700,000,000/-) and the carried forward profit of Rs. 2,209,054,264/- (2019/20 - Rs. 1,397,192,252/-)

The movement is shown in the Statements of Changes in Equity in the Financial Statements.

Taxation

It is the Company's policy to provide for deferred taxation on all known temporary differences on the liability method. The Company is liable to income tax at the rate of 14% on its agro processing activities and other income. Agricultural profits of the Company is exempted for the year of assessment 2020/21

Information relating to income tax rates of subsidiary companies is shown in Note 10 to the Financial Statements.

Interest Register

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interest Register. Particulars of entries in the Interest Register are detailed below. The subsidiary companies have unanimously agreed to dispense with the keeping of an Interest Register.

Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Note 32 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Related Party Transactions

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

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayley's PLC, the Parent Company and are in compliance with Section 09 of the CSE Listing Rules.

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director of Hayleys PLC. The Committee comprises the Following members.

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

Attendance

Committee met – 04 times in the Financial Year 2020/21.

Meetings were held on 15 June 2020, 11 August 2020, 6 November 2020 and 10 February 2021.

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

The related party transaction review committee report is shown on page 134.

Directors' Interests in Shares

Directors who have relevant interests in the shares of the Company have disclosed their shareholdings and any acquisitions/ disposals during the year to the Board, in compliance with Section 200 of the Companies Act.

Dr. W G R Rajadurai, Managing Director purchased 1,000 shares (2,382 shares as at 31-03-2021) of the Company during the financial year other than that there were no share transactions by Directors during the year in terms of Section 200 of the Companies Act.

The Director's shareholding increased consequent to the subdivision of shares on 10 February 2021 by splitting each ordinary share into two (02) ordinary shares.

None of the other Directors held shares of the company as at 31 March 2021.

Insurance & Indemnity

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

Payment of Remuneration to Directors

Executive Directors' remuneration is determined within an established framework. The total remuneration of the Executive Directors of the Group and the Company for the year ended 31 March, 2021, is Rs. 69,920,956/- and Rs. 28,272,893/- respectively, including the value of perquisites granted to them as part of their terms of service.

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

The total remuneration of Independent Non-Executive Directors of both Group and the Company for the year ended 31 March, 2021, is Rs. 2,614,500/-, determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of this remuneration is fair to the Company.

Corporate Donations

No donations were made during the year (2019/20 - Nil) by the Company and its subsidiaries. No donations were made for political purposes.

Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on page 14.

Executive Directors

A M Pandithage, W G R Rajadurai, A Weerakoon

Non-Executive Directors

S C Ganegoda

Independent Non-Executive Directors

F Mohideen, C V Cabraal, L N De S Wijeyeratne.

In terms of Article No.30 (1) of the Articles of Association of the Company, Mr. C.V. Cabraal retires by rotation and being eligible, offer himself for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. A M Pandithage, who is 70 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. F. Mohideen, who is 74 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

Notice has been given pursuant to Section 211 of the Companies Act No. 07 of 2007, of the intention to propose an ordinary resolution for the re-appointment of Mr. L.N. De Silva Wijeyeratne, who is 71 years of age, notwithstanding the age limit stipulated by Section 210 of the Companies Act. No 07 of 2007.

Directors of the Company and subsidiaries are given on page 16.

Corporate Governance

The Company has complied with the Corporate Governance Rules laid down under the Listing Rules of the Colombo Stock Exchange. Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Group are explained in the Corporate Governance Statement on pages 92 to 115.

Auditors

The Auditors, Messrs Ernst & Young, were paid Rs. 5,991,959/- (2019/20 – Rs. 5,985,980/-) and Rs. 5,203,060/- (2019/20 - Rs. 5,197,080/-) by the Group and the Company respectively as Audit fees for the Financial year ended 31 March 2021.

In addition, the Group paid Rs. 522,509/- (2019/20 - Rs. 399,905/-) to Messrs Ernst & Young for the year whilst the Company incurred Rs. 274,320/- (2019/20– Rs. 151,716) on non – audit related work which is mainly consists of tax consultancy services.

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in the Company or any of its subsidiaries other than those disclosed above.

Messrs Ernst & Young, Chartered Accountants are deemed re-appointed, in term of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company.

A resolution proposing the directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

Share Information and Major Shareholdings

Information relating to earnings, dividend, Net Assets per Share, Market Value Per Share and share trading is shown on pages 205 and 206 respectively.

Shareholders

It is the Group / Company policy to endeavour to ensure equitable treatment to its shareholders. The Twenty major shareholders' names, comparative number of shares held and the percentage held as at 31 March, 2021 and public shareholding percentage and total number of public shareholders is shown on page 206.

Events occurring after the date of Statement of Financial Position

No circumstances have arisen since the date of Statement of Financial Position, which would require adjustments to, or disclosure of other than those disclosed in Note 35 to the Financial Statements.

Employees & Industrial Relations

The Company has a structure and a culture that recognises the aspirations, competencies and commitment of employees. Career growth and advancement within the Company is promoted. Details of Company's human resource practices and employee and industrial relationships are given in Human Capital Section. The number of persons employed by the Group at financial year-end was 8,854 (2019/20 – 9,210) of which 8,711 (2019/20 – 9,067) are engaged in employment outside the Western province.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made promptly.

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 131.

Ratios and Market Price Information

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given in page 20.

Environmental Protection

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the environment section of the Sustainability Report in pages 62 to 86.

The Group's business activities can have direct and indirect effect on the environment. It is the Group's policy to minimise any adverse effects its activities may have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

Internal Control

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness for the period up to the date of signing the Financial Statements.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the corporate governance code, the Directors have a reasonable expectation that the Group and Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company at No. 400, Deans Road, Colombo 10, Sri Lanka on 25 June 2021 at 1.30 p.m. The Notice of the Annual General Meeting appears on page 210.

For and on behalf of the Board,

A M Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

11 May, 2021

DIRECTORS' STATEMENT ON INTERNAL CONTROL

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

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Hayley's Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by MA & SRD and Management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits.
- The adoption of new Sri Lanka Accounting Standards, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2019/20 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Dr. Roshan Rajadurai
Managing Director

Anura Weerakoon
Director/Chief Executive Officer

11 May 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1),) & 153 of the Company's Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards, Company's Act. No. 07 of 2007 and the listing rules of the Colombo Stock Exchange. Further, the financial statements provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Company's Act No. 07 of 2007 for first and second interim dividends paid and final dividend proposed and the solvency Certificate has been sought from the auditors in this respect.

The external Auditors, Messrs. Ernst & Young deemed re- appointed in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on pages 139 to 141 sets out their responsibilities in relation to the Financial Statements.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for.

By order of the Board
HAYLEYS GROUP SERVICES (PVT) LTD
Secretaries

11 May 2021

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors.
Mr. L N de S Wijeyeratne (Chairman)
Mr. F Mohideen
Mr. C V Cabraal

The Chairman of the committee, Mr. L N de S Wijeyeratne is an Independent Non - Executive Director. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and over thirty six years of experience in Finance and General Management.

Brief profiles of each member are given on pages 14 of this report. Individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Hayleys Group Services (Pvt) Ltd. - Company Secretaries acts as the secretary to the audit committee. The Chairman & Chief Executive, Group Chief Finance Officer of Hayleys PLC and Head – Hayleys Group Management Audit & System Review, Managing Director, Director/CEO and General Manager Finance of Kelani Valley Plantations PLC attend meetings of the Committee by invitation.

Charter of the Audit Committee

The audit committee Charter is periodically reviewed and revised with the concurrence of Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance under listing rules of corporate governance under Colombo Stock Exchange and 'Code of Best Practice on Corporate Governance' issued jointly by Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

Meetings of the Audit Committee

The Audit Committee met 4 times during the year. The attendance of the members at these meetings is as follows:

Independent Non-Executive Director	09/06/2020	06/08/2020	04/11/2020	03/02/2021	Total
Mr. L N de S Wijeyeratne (Chairman)	√	√	√	√	4/4
Mr. F Mohideen	√	√	√	√	4/4
Mr. C V Cabraal	√	√	√	√	4/4

Role of the Audit Committee

The committee has a write terms of reference, which clearly defined oversight role and responsibility of the Audit committee, is described in the Corporate Governance Report on page 109.

Tasks of the Audit Committee

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from Managing Director and Director/CEO. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Hayleys Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedure in Group companies that are selected according to an annual plan were reviewed. Internal Audits are outsourced wherever necessary, to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the MA & SRD and other internal auditors, in the conduct of their assignments.

The committee reviewed statements that indicated major business risks, mitigating actions or contemplated for management of these risks.

External Audits

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial actions were recommended wherever necessary.

The audit results were presented to the Audit committee after the completion of the audit. The Committee reviewed the audit observations in relation to the Group's accounting policies, judgments and accounting estimates adopted ,with particular reference to the Going concern and impairment of assets assessments carried out by management and noted that there were no significant issues reported .

The Audit Committee has reviewed the other services provided by the External Auditors to the Group to ensure that their independence as External Auditors has not been compromised.

Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messers Ernst & Young; continued as Auditors for the financial year ending March 31, 2022.

Support to the Committee

The Committee received information and support from Management and Group Auditor during the year to carry out its duties and responsibilities effectively.

Ethics and Good Governance

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

Sri Lanka Accounting Standards

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

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

The committee has pursued the support of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.

L N de S Wijeyeratne
Chairman
Audit Committee

11 May 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee (RPTRC) of Hayleys PLC, the parent Company functions as the RPTRC Committee of the Company in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director and the members are as follows,

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

** Independent Non-Executive
* Executive

Attendance

Committee met – 04 times in the Financial Year 2020/21

Meetings held on 15 June 2020, 11 August 2020, 6 November 2020 and 10 February 2021.

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

The Duties of the Committee

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

Task of the Committee

The Committee reviewed the related party transactions and their compliances of Kelani Valley Plantations PLC and communicated the same to the Board.

The Committee in its review process recognised the adequate of the content and quality of the information forwarded to its members by the management.

Dr. Harsha Cabral, PC.
Chairman

Related Party Transactions Review Committee of Hayleys PLC

11 May 2021

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

The Financial Statements of Kelani Valley Plantations PLC and the Consolidated Financial Statements of the Group as at 31 March, 2021 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accounts of Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange; and
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

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

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

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

The Financial Statements were audited by Messrs Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is given on pages 139 to 141 of the Annual Report.

The Audit Committee reviews the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that:

- The Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements:
- There are no non-compliances: and
- There is no material litigation that is pending against the Group.

Dr. Roshan Rajadurai
Managing Director

Anura Weerakoon
Director / Chief Executive Officer

Vidura Weerabahu
General Manager- Finance

11 May 2021

Steadfast

IN ENSURING THAT WE ARE GROWING TOGETHER

Kelani Valley Plantations®

FINANCIAL INFORMATION

FINANCIAL CALENDAR

Financial Calendar	**2020/21**	**2019/20**
01st Quarter	06 August 20	01 August 19
02nd Quarter	04 November 20	31 October 19
03rd Quarter	03 February 21	03 February 20
Annual Report	11 May 21	09 June 20
Annual General Meeting	25 June 21	23 July 20

Date of Authorisation for Issue	Financial Year	Annual General Meetings
07 May 2019	2018/19	25 June 2019
09 May 2018	2017/18	22 June 2018
16 May 2017	2016/17	22 June 2017
11 May 2016	2015/16	16 June 2016
08 May 2015	2014/15	29 June 2015
13 February 2014	2013	28 March 2014
20 February 2013	2012	28 March 2013
14 February 2012	2011	29 March 2012
09 February 2011	2010	31 March 2011
09 February 2010	2009	31 March 2010

INDEPENDENT AUDITORS' REPORT

Building a better working world

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

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

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Kelani Valley Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2021, and statement of Profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2021 and of their financial performance and cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation	
The retirement benefit obligation as at 31 March 2021 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group. Assessing the present value of retirement benefit obligation was a key audit matter due to following reasons: • The retirement benefit obligation of the Group is significant (Rs. 1,073 Mn) in the context of the total liabilities of the Group (17% of total liabilities). • The actuarial valuation involves making significant assumptions about discount rates and future salary increases. Further, the complexity of the valuation and the changes in underlying assumptions are highly sensitive in assessing the value of retirement benefit obligation. • The determination of the base salary/wage rate and the future salary/wage growth rates for the purpose of measuring retirement benefit obligation as of year-end, required significant management judgments giving due consideration to wage/salary negotiations which are currently under discussions. The matter is also referred to the Court of Appeal as at the statement of financial position date as disclosed under Note 33 to the financial statements. Key areas of significant judgments, estimates and assumptions included the following: • Discount rate • Future salary increase rate	Our audit procedures included the following amongst others: • We assessed the competency, capability and objectivity of the external actuary engaged by the Group. • We read the external actuary's report and understood the key estimates made and the approach taken by the valuer in determining the present value of retirement benefit obligation. • We assessed the assumption for salary increases against the historical collective agreements. • We agreed the discount rate used, to our internally developed benchmarks. • We validated the key data used by the actuary to the underlying data held by the Group. • We evaluated the impact on retirement benefit obligation resulting from wage negotiations and assessed the adequacy of disclosures given in Note 33 to the financial statements. We have also assessed the adequacy of the disclosures made in Notes 26 to the financial statements relating to the significant judgements and estimates.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Bearer Biological Assets	
The Bearer Biological Asset is a significant non-current asset of the Group representing 36% of the total assets consisting with Rs 2,619Mn as Mature and Rs 1,239Mn as Immature Plantations as at 31 March 2021. Assessing the existence, valuation, and fair presentation and disclosure of Bearer Biological asset in the financial statements is a key audit matter due to following factors: • Magnitude of the balance and its significance to total assets (36%) of the group • Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers to be made from immature plantations to mature plantations and for the identification of triggers of impairment (if any)	Our audit procedures included the following amongst others: • We assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations • We validated the significant amounts capitalised (including capitalised labour and other acceptable costs) by examining related invoices, capital expenditure authorisations and other corroborative evidences. • Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations. • Assessed the adequacy of depreciation provided on the matured plantations by performing independent computation. • We inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements. • We also assessed the adequacy of the related disclosures given in Notes 3.7.8.1 and 14.2 in the financial statements.

Other information included in The Company's 2021 Annual Report

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-2440.

Ernst & Young

11 May 2021
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Revenue	6.1	**11,760,469**	8,909,174	**4,573,645**	4,012,910
Cost of sales		**(10,003,835)**	(8,064,217)	**(3,868,725)**	(3,943,084)
Gross profit	6.2	**1,756,634**	844,957	**704,920**	69,826
Gain on change in fair value of biological assets	14.2.1	**8,840**	11,359	**8,840**	11,359
Other income	7	**140,284**	95,998	**349,804**	205,812
Administrative expenses		**(708,587)**	(678,266)	**(362,210)**	(360,375)
Distribution expenses		**(24,737)**	(49,130)	**-**	-
Results from operating activities		**1,172,434**	224,918	**701,354**	(73,378)
Finance income	8.1	**176,711**	35,005	**12,517**	7,298
Finance expenses	8.2	**(320,568)**	(203,396)	**(88,348)**	(140,923)
Interest paid to Government on lease	8.3	**(81,056)**	(79,299)	**(81,056)**	(79,299)
Net finance cost	8	**(224,913)**	(247,690)	**(156,887)**	(212,924)
Profit/(loss) before tax	9	**947,521**	(22,772)	**544,467**	(286,302)
Tax expense	10.1	**(145,336)**	(64,247)	**(48,929)**	(13,737)
Profit/(loss) for the year		**802,185**	(87,019)	**495,538**	(300,039)
Attributable to:					
Equity holders of the Parent		**795,092**	(95,439)	**495,538**	(300,039)
Non-controlling interest		**7,093**	8,420	**-**	-
Profit/(loss) for the year		**802,185**	(87,019)	**495,538**	(300,039)
Earnings per Share					
Basic earnings per share (Rs.)	11.1 (A)	**11.69**	(1.40)	**7.29**	(4.41)
Diluted earnings per share (Rs.)	11.1 (B)	**11.69**	(1.40)	**7.29**	(4.41)
Dividend per Share (Rs.)	11.2	**-**	-	**3.00**	-

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 149 to 202 form an integral part of these Financial Statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Profit/(loss) for the year		**802,185**	(87,019)	**495,538**	(300,039)
Other Comprehensive Income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) on retirement benefit obligations	26	**138,110**	29,384	**142,116**	30,461
Income tax effect	10.2	**(19,332)**	(4,114)	**(19,896)**	(4,264)
Other comprehensive income for the year, net of tax		**118,778**	25,270	**122,220**	26,197
Total comprehensive income for the year, net of tax		**920,963**	(61,749)	**617,758**	(273,842)
Attributable to:					
Equity holders of the Parent		**913,864**	(70,251)	**617,758**	(273,842)
Non-controlling interest		**7,099**	8,502	**-**	-
Total comprehensive income for the year		**920,963**	(61,749)	**617,758**	(273,842)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 149 to 202 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Notes	As at 31.03.2021 Rs. '000	As at 31.03.2020 Rs. '000	As at 31.03.2021 Rs. '000	As at 31.03.2020 Rs. '000
ASSETS					
Non-current assets					
Right-of-use Assets	12	624,842	640,895	624,842	640,895
Freehold property, plant & equipment	13	2,021,491	2,090,554	862,329	935,019
Improvements to leasehold property	14.1	3,858,625	3,829,473	3,858,625	3,829,473
Biological assets - consumable	14.2	204,178	199,003	204,178	199,003
Investments in subsidiaries	15	-	-	350,609	353,066
Other non-current financial assets	15.2	390,920	390,920	390,920	390,920
Intangible assets	16	40,521	35,161	-	-
Total non-current assets		7,140,577	7,186,006	6,291,503	6,348,376
Current assets					
Produce on bearer biological assets	17.1	9,286	5,621	9,286	5,621
Inventories	17.2	1,346,248	1,056,294	503,516	448,065
Amounts due from subsidiaries	30.1	-	-	21,153	22,738
Amounts due from other related companies	30.1	72,655	42,327	49,209	34,509
Trade and other receivables	18	1,804,972	785,902	510,425	384,962
Income tax recoverable	29.1	422	622	-	-
Short-term deposits	20.1	46,088	41,726	45,837	41,513
Cash and cash equivalents	20.2	332,148	253,162	133,815	23,235
Total current assets		3,611,819	2,185,654	1,273,241	960,643
Total assets		10,752,396	9,371,660	7,564,744	7,309,019
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	340,000	340,000	340,000	340,000
Revenue reserves		3,909,055	3,097,193	3,066,030	2,550,272
Total equity attributable to equity holders of the company		4,249,055	3,437,193	3,406,030	2,890,272
Non-controlling interest		41,182	41,882	-	-
Total equity		4,290,237	3,479,075	3,406,030	2,890,272
Non-current liabilities					
Interest-bearing borrowings	22.1	193,108	270,817	39,200	45,817
Other financial liabilities	23	71,454	200,411	-	-
Amounts due to other related companies	30.2	-	13,086	-	13,086
Deferred income	24	667,443	616,630	666,796	615,957
Deferred tax liability	25.1	462,162	415,361	432,211	387,376
Retirement benefit obligations	26	1,073,035	1,152,014	1,031,234	1,114,932
Lease liability	27.3	599,096	587,014	599,096	587,014
Total non-current liabilities		3,066,298	3,255,333	2,768,537	2,764,182

	Notes	Group As at 31.03.2021 Rs. '000	Group As at 31.03.2020 Rs. '000	Company As at 31.03.2021 Rs. '000	Company As at 31.03.2020 Rs. '000
Current liabilities					
Trade and other payables	28	**813,673**	575,877	**514,600**	367,981
Lease liability	27.3	**14,785**	10,023	**14,785**	10,023
Amounts due to subsidiaries	30.1	**-**	-	**12,469**	14,868
Amounts due to other related companies	30.1	**90,199**	130,512	**49,302**	120,065
Income tax payable	29.2	**42,997**	41,114	**1,642**	-
Interest-bearing borrowings payable within one year	22.1	**159,454**	186,233	**64,712**	111,233
Other financial liabilities	23	**150,000**	150,000	**-**	-
Short-term interest bearing borrowings	22.2	**1,983,276**	908,564	**600,000**	413,794
Bank overdraft	20.3	**141,477**	634,929	**132,667**	616,601
Total current liabilities		**3,395,861**	2,637,252	**1,390,177**	1,654,565
Total liabilities		**6,462,159**	5,892,585	**4,158,714**	4,418,747
Total equity and liabilities		**10,752,396**	9,371,660	**7,564,744**	7,309,019
Net assets per share (Rs.)		**62.49**	50.55	**50.09**	42.50

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

Vidura Weerabahu
General Manager - Finance

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

A M Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

11 May 2021

Notes to the Financial Statements from pages 149 to 202 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March,		Attributable to equity holders of the parent								
			Revenue reserves							
Group	Note	Stated capital Rs. '000	General reserve Rs. '000	FVTOCI financial assets Rs. '000	Timber reserve Rs. '000	Bearer biological produce Rs. '000	Retained earnings Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
Balance as at 31 March, 2019		340,000	1,700,000	89,347	125,375	16,498	1,051,323	3,322,544	33,380	3,355,924
Effect of adoption SLFRS 16, as at 01 April 2019		-	-	-	-	-	184,899	184,899	-	184,899
Balance as at 1 April, 2019	21	340,000	1,700,000	89,347	125,375	16,498	1,236,222	3,507,443	33,380	3,540,823
Profit/(loss) for the year		-	-	-	22,236	(10,877)	(106,798)	(95,438)	8,420	(87,019)
Other comprehensive income		-	-	-	-	-	25,188	25,188	82	25,270
Balance as at 31 March, 2020		340,000	1,700,000	89,347	147,611	5,621	1,154,613	3,437,193	41,882	3,479,075
Profit/(loss) for the year		-	-	-	5,175	3,665	786,252	795,092	7,093	802,185
Other comprehensive income		-	-	-	-	-	118,771	118,771	7	118,778
Dividends	11.2	-	-	-	-	-	(102,000)	(102,000)	(7,800)	(109,800)
Balance as at 31 March, 2021		340,000	1,700,000	89,347	152,786	9,286	1,957,636	4,249,055	41,182	4,290,237

			Revenue reserves				
Company	Note	Stated capital Rs. '000	General reserve Rs. '000	Timber reserve Rs. '000	Bearer biological produce Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 31 March, 2019		340,000	1,700,000	125,375	16,498	797,342	2,979,215
Effect of adoption SLFRS 16, as at 01 April 2019		-	-	-	-	184,899	184,899
Balance as at 1 April,2019	21	340,000	1,700,000	125,375	16,498	982,241	3,164,114
Profit/(loss) for the year		-	-	22,236	(10,877)	(311,398)	(300,039)
Other comprehensive income		-	-	-	-	26,197	26,197
Balance as at 31 March, 2020		340,000	1,700,000	147,611	5,621	697,040	2,890,272
Profit/(loss) for the year		-	-	5,175	3,665	486,698	495,538
Other comprehensive income		-	-	-	-	122,220	122,220
Dividends	11.2	-	-	-	-	(102,000)	(102,000)
Balance as at 31 March, 2021		340,000	1,700,000	152,786	9,286	1,203,958	3,406,030

General reserves set aside for future distribution and investment.
The timber reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.
The bearer biological produce relates to change in fair value of harvestable produce growing on bearer biological assets.

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 149 to 202 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 March,	Notes	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Cash flows from operating activities					
Profit before tax		**947,521**	(22,772)	**544,467**	(286,302)
Adjustments for;					
Interest on Government finance lease	8.3	**81,056**	79,299	**81,056**	79,299
Finance expenses	8.2	**320,568**	203,396	**88,348**	140,923
Finance income	8.1	**(176,711)**	(35,005)	**(12,517)**	(7,298)
Profit on disposal of property, plant & equipment	7	**(6,238)**	482	**(2,000)**	-
Net gains on fair value of biological assets		**(8,840)**	(11,359)	**(8,840)**	(11,359)
Dividend income	7	**-**	-	**(225,000)**	(111,780)
Depreciation		**298,027**	260,019	**228,660**	209,408
Amortisation of Right-of-use assets		**44,290**	41,541	**44,290**	41,541
Amortisation of intangible assets	16	**1,711**	557	**-**	-
Provision for retirement benefit obligations		**186,073**	196,586	**177,720**	189,847
Amortisation of capital grants	24	**(27,474)**	(17,817)	**(27,448)**	(17,791)
Provision for falling value of investments	15.1	**-**	-	**2,457**	6,815
Provision/(reversal) for obsolete inventories		**(4,354)**	2,551	**497**	(857)
Provision/(reversal) for doubtful debts		**(2,155)**	5,663	**(358)**	680
Operating profit before working capital changes		**1,653,474**	703,141	**891,332**	233,126
(Increase)/decrease in inventories		**(285,601)**	62,254	**(55,948)**	84,437
(Increase)/decrease in trade and other receivables		**(1,016,915)**	543,807	**(124,233)**	76,955
(Increase)/decrease in amounts due from related companies		**(30,328)**	37,707	**(13,114)**	42,705
Increase/(decrease) in trade and other payables		**194,485**	(35,017)	**146,620**	(15,507)
Increase/(decrease) in amount due to related companies		**(37,833)**	59,635	**(70,682)**	59,733
Cash generated from operating activities		**477,282**	1,371,530	**773,975**	481,450
Interest paid on Government lease	8.3	**(81,056)**	(79,299)	**(81,056)**	(79,299)
Interest paid		**(174,611)**	(171,534)	**(88,348)**	(140,923)
Taxes paid		**(72,473)**	(80,616)	**-**	(21,281)
Retirement benefit obligations paid	26	**(126,942)**	(125,163)	**(119,302)**	(122,121)
Net cash flow from operating activities		**22,200**	914,918	**485,269**	117,825
Cash flows from investing activities					
Field development expenditure	14.1	**(173,150)**	(235,927)	**(173,150)**	(235,927)
Interest received	8.1	**10,608**	6,627	**6,224**	4,502
Dividends received		**-**	-	**201,780**	-
Acquisition of property, plant & equipment		**(86,733)**	(500,300)	**(12,066)**	(27,572)
Proceeds from disposal of property, plant & equipment		**8,004**	2,567	**2,094**	-
Acquisition of intangible assets		**(7,071)**	-	**-**	-
Net cash used in investing activities		**(248,342)**	(727,033)	**24,882**	(258,997)
Net cash inflow/(outflow) before financing activities		**(226,142)**	187,884	**510,151**	(141,172)

STATEMENT OF CASH FLOWS

As at 31 March,	Notes	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Cash flows from financing activities					
Dividend paid		**(109,800)**	-	**(102,000)**	-
Capital settlement of net liability to lessor		**(11,392)**	(8,874)	**(11,392)**	(8,874)
Exchange gain/(loss)		**20,146**	(36)	**6,293**	2796
Short-term loans obtained during the year		**6,370,234**	3,308,201	**600,000**	367,794
Short-term loans repaid during the year		**(5,295,522)**	(3,419,500)	**(413,797)**	(50,000)
Long-term loans obtained during the year	22.1	**75,000**	300,000	**50,000**	-
Long-term loans repaid during the year	22.1	**(308,445)**	(154,097)	**(103,138)**	(126,613)
Long-term loans repaid to group company		**(15,566)**	(14,783)	**(15,566)**	(14,783)
Grants received	24	**78,287**	38,095	**78,287**	38,096
Net cash used in financing activities		**802,942**	49,006	**88,687**	208,416
Net increase/(decrease) in cash and cash equivalents		**576,800**	236,890	**598,838**	67,243
Cash and cash equivalents at the beginning of the period		**(340,041)**	(576,931)	**(551,853)**	(619,096)
Cash and cash equivalents at the end of the period (Note A)		**236,759**	(340,041)	**46,985**	(551,853)
Note A: Analysis of cash and cash equivalents					
Cash and bank balances	20.2	**332,148**	253,162	**133,815**	23,235
Short-term deposits	20.1	**46,088**	41,726	**45,837**	41,513
		378,236	294,888	**179,652**	64,748
Bank overdraft	20.3	**(141,477)**	(634,929)	**(132,667)**	(616,601)
Cash and cash equivalents		**236,759**	(340,041)	**46,985**	(551,853)

Figures in brackets indicate deductions.

Notes to the Financial Statements from pages 149 to 202 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

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

The registered office of the Company is located at No. 400, Deans Road, Colombo 10 and Plantations are situated in the planting districts of Nuwara Eliya, Hatton and Yatiyantota.

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

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

The Consolidated Financial Statements of Kelani Valley Plantations PLC, as at and for the year ended 31 March, 2021 comprise the Company and its Subsidiaries namely, Kalupahana Power Company (Pvt) Ltd.("KPC"), Kelani Valley Instant Tea (Pvt) Ltd ("KVIT"), Mabroc Teas (Pvt) Ltd ("MTPL") and Kelani Valley Resorts (Pvt) Ltd ("KVRL").

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

1.1 Principle Activities and nature of the operations

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

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

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

1.2 Holding Company

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

1.3 Date of Authorisation for issue

The Financial Statements of Kelani Valley Plantations PLC for the period ended 31 March 2021, were authorised for issue in accordance with a resolution of the Board of Directors on 11 May 2021.

1.4 Responsibility for Financial Statements

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

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements ("the Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

Where appropriate, the specific policies are explained in the succeeding Notes.

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

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

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31 March 2021.

- Amendments to SLFRS 3: Definition of a Business
- Amendments to SLFRS 7 and SLFRS 9: Interest Rate Benchmark Reform
- Amendments to LKAS 1 and LKAS 8: Definition of Material
- Conceptual Framework for Financial Reporting
- Amendments to SLFRS 16 COVID-19: Related Rent Concessions

2.4 Functional and Presentation Currency

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

2.5 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

Impact on COVID-19 and Going Concern Assessment

- Financing and Liquidity

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

- Impact on Assets & Impairments

The company has mitigated the impact of COVID-19. Revenue from the financial year 2021 is successful and overall performance is good. therefore, no requirement to impair of Biological Assets, Debtors and Other Assets of the Company.

- Impact on Internal Operations & Business Continuity

The Company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees and control the outbreak of Corona Virus. The Company continues its policy of Human Resources Development to meet the future challenges that will arise in skill and competency levels.

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

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

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2021. Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Company level investments in subsidiaries are recognised at cost.

3.2.1 Business Combinations and Goodwill

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

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

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

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

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

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

3.3 Current versus non-current classification

The Group presents assets and liabilities in Statement of Financial Position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

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

3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each Statement of Financial Position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Managed Consumable biological assets Note 14.2.
- Produce Growing on Bearer Biological Assets Note 17.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

External valuers are involved for valuation of significant assets, such as managed consumable biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

3.5 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit or loss are also recognised in OCI or statement of profit or loss, respectively).

3.6 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

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

3.7 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on 'Property, Plant and Equipment' in accounting for its assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.7.1 Basis of Recognition

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

3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost (or at fair value in the case of land) less accumulated depreciation and accumulated impairment losses, if any.

3.7.3 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in 'LKAS 23 - Borrowing Costs'.

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

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

3.7.4 Owned Assets

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

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.7.5 Leases

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

Group as a lessee

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

3.7.5.1 Right of Use Assets

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

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

3.7.5.2 Lease Liabilities

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

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

3.7.6 De-recognition

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

3.7.7 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.7.8 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, other plantations and nurseries are classified as biological assets.

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

The entity recognise the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.7.8.1 Bearer Biological Asset

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

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.7.8.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

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

3.7.8.3 Consumable Biological Asset

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

The main variables in Market approach model concerns

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition. Here, the valuer has considered timber prices published by State Timber Corporation as the sector benchmark as the appropriate basis for determining the fair value of the subject timber trees.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in statement of profit or loss for the period in which it arises.

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

3.7.8.4 Nursery Plants
Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.7.9 Depreciation and Amortisation
a) Depreciation
Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

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

Mature Plantations (Replanting and New Planting)

Mature Plantations	No. of Years	Rate (%)
Tea	33 1/3	3.00
Rubber	20	5.00
Cinnamon	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is de-recognised. Depreciation methods, useful lives and residual values are re-assessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

(b) Amortisation

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

Category	No. of Years	Rate (%)
Right-of-use land	53	1.89
Right-of-use building	05	20
Improvements to land	30	3.33
Mature plantations (Tea & Rubber)	30	3.33
Buildings	25	4.00
Machinery	20	5.00

3.7.9.1 Research and Development
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.7.10 Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 Financial assets

3.8.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, investments, trade and other receivables.

3.8.1.2 Subsequent Measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)

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

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

and

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

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

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

b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

and

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

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

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

c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group has opted to classify investment in shares of Martin Bauer Hayleys (Pvt) Ltd under Financial assets at fair value through OCI.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Company has opted to classify investment in shares of Martin Bauer Hayleys (Pvt) Ltd under Financial assets at fair value through profit or loss.

3.8.1.3 De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

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

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3.8.2.2 Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

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

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

3.8.2.3 De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

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

3.8.3 Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an

intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

3.9 Harvestable Agricultural Produce Growing on Bearer Biological Assets

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

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

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

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

3.10 Inventories

(a) Finished Goods Manufactured from Agricultural Produce of Biological Assets These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

(b) Input Material, Spares and Consumables
At actual cost on weighted average basis.

(c) Agricultural Produce Harvested from Biological Assets.

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.12 Impairment of Non-Financial Assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

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

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

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

3.13 Provisions

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

3.14 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in profit and loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/ Estate Staff Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through comprehensive income. Past service costs are recognised immediately in Statement of Profit or Loss

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 26.

3.15 Capital Commitments and Contingencies

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

3.16 Events Occurring after the Reporting Date

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

3.17 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 Deferred Income

3.18.1 Grants and Subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of Profit or Loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years
Sanitation & water supply	20 years
Plant & equipment	13 1/3 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.19 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted, as it represents fairly the elements of the Group's performance.

3.19.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

3.19.1.1 Revenue from contracts with customers

- **Sale of Plantation produce**

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/ rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

The Mabroc Teas (Pvt) Ltd ("Subsidiary") is the most significant revenue contributor to the Group's revenue and they are recognised their export revenue at a point in time when control of the goods is transferred to the customer, generally on delivery / handed over to the shipper.

- **Rendering of services**

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognised at the point of hydro energy releases to the national grid at a pre-determined unit price.

- **Fee from Management Services**

Fee from management services are recognised as revenue over the time during the period in which the services are rendered.

3.19.1.2 Other Source of Income

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

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

- **Interest Income**

Interest income is recognised based on effective interest method.

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

Interest income of financial assets at amortised cost is calculated by using the effective interest method and is recognised as other income.

3.19.2 Expenses

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

3.19.2.1 Financing Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Foreign currency gains and losses are reported on a net basis.

3.19.2.2 Taxes

3.19.2.2.1 Current Income Tax

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

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

3.19.2.2.2 Deferred Tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

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

3.20 Statement of Cash Flow

The Statement of Cash Flow has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows, for the purpose of presenting the Statement of Cash Flow.

3.21 Segment Reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described in Note 36 in the Notes to the Financial Statements. The Group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments, operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

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

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

4.2 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the Inland Revenue (Amended) bill issued on 18.03.2021, company is identified separately business income as Agro Farming & Agro Processing for the purpose of calculating income tax liability. Therefore, the Company has separated assets and liabilities as at 31 March 2021 as Agro Farming and Agro Processing for the deferred tax purpose.

4.3 Measurement of Retirement Benefit Obligation

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

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

Further details about Retirement Benefit Obligations are provided in Note 26.

4.4 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

4.5 Fair Valuation of Consumable Biological Assets

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

4.6 Bearer Biological Assets

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

4.7 Leases - Estimating the Incremental Borrowing Rate

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

4.8 Impairment of Non-Financial Assets

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

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

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

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

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

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

In March 2021, the ICASL adopted amenments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

5.2 Amendments to SLFRS 9, LKAS 39, SLFRS7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – ("IBOR reform")

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after January 01, 2021.

5.3 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

5.4 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

6. REVENUE
6.1 Industry Segment Revenue

For the year ended 31 March,	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Tea	10,518,571	7,993,353	3,127,222	3,005,329
Rubber	1,418,142	988,943	1,418,142	988,943
Others	80,645	85,767	28,281	18,638
Less: Intra-group sales	(256,889)	(158,889)	-	-
	11,760,469	8,909,174	4,573,645	4,012,910

6.2 Industry Segment Results (Gross profit)

	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Tea	1,394,115	771,633	379,346	50,178
Rubber	321,060	17,036	321,060	17,036
Others	41,459	56,288	4,514	2,612
	1,756,634	844,957	704,920	69,826

7. OTHER INCOME

For the year ended 31 March,	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Profit/(loss) on disposal of property, plant & equipment	6,238	(482)	2,000	-
Lease / rent income	40,458	19,852	40,458	19,852
Dividend income	-	-	225,000	111,780
Hydro power & Solar income	10,877	6,015	12,807	8,108
Tea centre income	414	7,652	414	7,652
Amortisation of Government grants	27,474	17,817	27,448	17,791
Revenue grants	-	1,740	-	1,740
Sale of timber	16,673	20,945	16,673	20,945
Sundry income	38,150	22,459	25,004	17,944
	140,284	95,998	349,804	205,812

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

8. NET FINANCE COST
8.1 Finance Income

For the year ended 31 March,	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Interest income	10,608	6,627	6,224	4,502
Foreign exchange gain	166,103	28,378	6,293	2,796
	176,711	35,005	12,517	7,298

8.2 Finance Expenses

	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Interest on term loans	(31,510)	(38,467)	(8,859)	(30,585)
Interest on overdraft and short-term loans	(134,455)	(130,735)	(75,206)	(105,402)
Foreign exchange loss	(145,957)	(28,414)	-	-
Interest expense on corporate guarantee	(4,363)	(844)	-	-
Interest paid on lease	(4,283)	(4,936)	(4,283)	(4,936)
	(320,568)	(203,396)	(88,348)	(140,923)
8.3 Interest paid to Government on lease	(81,056)	(79,299)	(81,056)	(79,299)
	(81,056)	(79,299)	(81,056)	(79,299)
Net finance cost	(224,913)	(247,690)	(156,887)	(212,924)

9. PROFIT BEFORE TAXATION

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

For the year ended 31 March	Notes	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Directors' emoluments		69,921	62,051	28,273	27,821
Auditor's remuneration					
- Audit services		5,992	5,986	5,203	5,197
- Non-audit services		523	400	274	152
Depreciation and Lease Amortisation					
- Right-of-use asset-land	12.1.a	22,396	21,785	22,396	21,785
- Right-of-use asset-building	12.1.b	9,195	7,898	9,195	7,898
- Right-of-use asset-immovable assets	12.2.1/12.2.2	12,698	11,857	12,698	11,857
- Amortisation of intangible assets	16	1,711	557	-	-
- Tangible property, plant & equipment	13	154,030	140,216	84,662	89,605
- Bearer biological assets	14.1	143,998	119,804	143,998	119,804
Staff Costs					
- Defined contribution plan costs (EPF, CPPS, ESPS & ETF)		395,183	398,313	381,457	384,586
- Defined benefit plan cost (Retirement benefit obligations)	26	186,073	196,587	177,720	189,847
- Salaries and wages and other staff costs		2,610,584	2,078,824	2,358,251	1,953,337
- Staff training & development cost		1,162	3,322	569	2,729
Legal fees		9,313	10,978	7,258	8,923
Provision/(reversal) for bad & doubtful debts		(2,155)	5,663	(358)	680
Provision/(reversal) for obsolete inventories		(4,354)	2,551	497	(857)

10. TAX EXPENSE

10.1 Statement of Profit or Loss

For the year ended 31 March			Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
(I) Current Tax Expense						
Income tax on current year profit	Company	10. A	(1,642)	-	(1,642)	-
	Subsidiaries	10. A	(93,296)	(57,017)	-	-
			(94,938)	(57,017)	(1,642)	-
(Under)/over provision in respect of previous years			(851)	1,480	(270)	-
Irrecoverable economic service charge written-off			(22,078)	(2,826)	(22,078)	(2,826)
			(117,867)	(58,363)	(23,990)	(2,826)
(II) Deferred Tax Expense						
Origination and reversal of temporary difference of	Company		(24,939)	(10,911)	(24,939)	(10,911)
	Subsidiaries		(2,530)	5,027	-	-
		25	(27,469)	(5,884)	(24,939)	(10,911)
Tax on dividend income			-	-	-	-
Tax expense reported in the Statement of Profit or Loss			(145,336)	(64,247)	(48,929)	(13,737)
10.2 Statement of Other Comprehensive Income						
Net (gain)/loss on actuarial (gain)/loss on defined benefit plans	Company		(19,896)	(4,264)	(19,896)	(4,264)
	Subsidiaries		564	150	-	-
Tax charge directly to other comprehensive income		25	(19,332)	(4,114)	(19,896)	(4,264)

10. TAX EXPENSE (CONTD.)

KPC is liable to income tax, during the year of assessment 2020/21 at the rate of 14% and 24% in terms of Inland Revenue Act, No. 24 of 2017.

KVIT is liable to income tax, during the year of assessment 2020/21 at the rate of is 24% in terms of Inland Revenue Act, No. 24 of 2017.

The Mabroc Teas (Pvt) Ltd. has been taxed at the rate of 14%, 18% and 24% in terms of Inland Revenue Act, No. 24 of 2017.

KVR is liable to income tax, during the year of assessment 2020/21 at the rate of 14% in terms of Inland Revenue Act, No. 24 of 2017.

(A) Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31 March	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
Profit/(loss) before tax	**947,521**	(22,772)	**544,467**	(286,302)
Aggregate disallowable expenses	**538,702**	542,654	**465,146**	476,086
Aggregate tax deductible expenses	**(432,031)**	(509,682)	**(373,616)**	(473,490)
Aggregate non taxable income	**(33,273)**	(40,027)	**(33,273)**	(40,027)
Total statutory income	**1,020,919**	(29,827)	**602,724**	(323,733)
Tax exempt income/(losses) from agro farming	**55,637**	(299,211)	**55,637**	(299,211)
Taxable income/(losses) from agro procesing	**315,241**	(140,805)	**315,241**	(140,805)
Taxable income from subsidiaries	**637,720**	403,563	**-**	-
Other sours of income	**12,321**	6,627	**231,846**	116,283
Total statutory income	**1,020,919**	(29,827)	**602,724**	(323,733)
Tax losses for the year	**-**	440,016	**-**	440,016
Tax losses claimed during the year	**(315,241)**	(4,502)	**(540,241)**	(116,283)
Tax exempt income	**(55,637)**	-	**(55,637)**	-
Total taxable income	**650,041**	405,686	**6,846**	-
Income tax @ 14%	**88,987**	57,017	**-**	-
Income tax @ 18%	**2,994**	-	**-**	-
Income tax @ 24%	**2,957**	-	**1,642**	-
Income tax on current year profit	**94,938**	57,017	**1,642**	-
(Over)/under provision in respect of previous years	**851**	(1,480)	**270**	-
Irrecoverable economic service charge written-off	**22,078**	2,826	**22,078**	2,826
Income tax charge for the year	**117,867**	58,363	**23,990**	2,826

(B) Tax Losses

	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
As at 1 April	**(1,269,099)**	(843,324)	**(1,256,187)**	(830,412)
Adjustment for tax loss during the year	**314,921**	(102,042)	**314,921**	(102,042)
	(954,178)	(945,366)	**(941,266)**	(932,454)
Tax loss for the year	**-**	(440,016)	**-**	(440,016)
Loss set-off during the year	**540,241**	116,283	**540,241**	116,283
	540,241	(323,733)	**540,241**	(323,733)
As at 31 March,	**(413,937)**	(1,269,099)	**(401,025)**	(1,256,187)

11. EARNINGS PER SHARE AND DIVIDEND PER SHARE

11.1 Earnings per Share

(A) Basic earnings per Share

The computation of the basic earnings per share is based on profit attributable to ordinary shareholders for the period divided by weighted average number of ordinary shares outstanding during the period and calculated as follows.

	Group		Company	
For the year ended 31 March	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Amount used as the Numerator				
Profit attributable to ordinary shareholders (Rs. '000)	**795,092**	(95,439)	**495,538**	(300,039)
Amount used as the Denominator				
Weighted average number of ordinary shares ('000)	**68,000**	68,000	**68,000**	68,000
Basic earnings per share (Rs.)	**11.69**	(1.40)	**7.29**	(4.41)

The ordinary shares of the Company were subdivided by splitting each issued ordinary share into two ordinary shares (except for Golden Share) from 10 February 2021. Consequently the total number of existing issued Ordinary Shares increased from 34,000,000 to 68,000,000 without changing the Stated Capital of the Company which remains at Rs.340,000,010/-.

(B) Diluted Earnings per Share

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

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

11.2 Dividend per Share

	Company	
	2020/21	**2019/20**
First interim dividend prior to split Rs.1/- per share & Second dividend after split Rs.1/- per share (2019/20- Rs. Nil/- per share) (Rs. '000)	**102,000**	-
Proposed dividend Rs. 1.50 per share (2019/20-Rs. Nill/- per share) (Rs.'000)	**102,000**	-
	204,000	-
Number of ordinary shares ('000)	**68,000**	68,000
Dividend per share (Rs.)	**3.00**	-

12. RIGHT OF USE ASSETS

As at 31 March	Notes	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Right-of-use of land	12.1.a	**537,507**	544,636
Right-of-use of building	12.1.b	**35,366**	31,592
Right-of-use asset-Immovable bearer biological assets	12.2.1	**51,830**	64,413
Right-of-use asset-Immovable assets (other than Right-of-use asset land, building and bearer biological assets)	12.2.2	**139**	254
		624,842	640,895

12.1.a Right-of-use of land

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

The effect to the Statement of Financial Position and amortisation of the right-of-use of land up to 31 March 2021 are as follows:

As at 31 March	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Capitalised Value		
As at 1 April	**566,421**	333,603
Transferred in due to initial application of SLFRS 16	**-**	(78,600)
Transition adjustment due to initial application of SLFRS 16	**-**	311,418
Adjustment on reassessment of lease liability as at 1 April 2020	**15,267**	-
As at 31 March	**581,688**	566,421
Amortisation		
As at 1 April	**21,785**	78,600
Transferred due to initial application of SLFRS 16	**-**	(78,600)
Amortisation for the year	**22,396**	21,785
As at 31 March	**44,181**	21,785
Carrying amount	**537,507**	544,636

The unexpired period of the lease as at the Statement of Financial Position date is 24 years.

The Company has sub leased an extent of 1.0127 hectares in Ingestre Estate and 2.2247 hectares in Blinkbonnie Estate to Martin Bauer Hayleys (Pvt) Ltd.

12.1.b Right-of-use asset-Building

Kelani Valley Plantations PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent). The effect to the Statement of Financial Position and depreciation of building to 31 March 2021 are as follows:

	Group/ Company 2020/21	Group/ Company 2019/20
As at 1 April	39,490	-
Effect of adoption SLFRS 16, as at 01 April 2019	-	39,490
Adjustment on reassessment of lease liability as at 01 December 2020	12,969	-
As at 31 March	52,459	39,490
Amortisation		
As at 1 April	7,898	-
Amortisation for the year	9,195	7,898
As at 31 March	17,093	7,898
Carrying amount	35,366	31,592
Total Carrying Amount of Right-of-use asset-land & building	572,873	576,228

12.2 Right-of-use asset-Immovable assets

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

As at 31 March,	Mature Plantations Tea Rs. '000	Mature Plantations Rubber Rs. '000	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Capitalised Value (18 June, 1992)	213,541	178,145	391,686	391,686
Amortisation				
As at 1 April	174,660	152,613	327,273	315,532
Amortisation for the year	6,814	5,769	12,583	11,741
As at 31 March	181,474	158,382	339,856	327,273
Carrying amount	32,067	19,763	51,830	64,413

Investment in immature plantations at the time of handing over to the Company as at 18 June, 1992 by way of estate leases were shown under immature plantations.

However, since then all such investments in immature plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation.Further, investments in such plantations to bring them to maturity are shown under Note 14.

12. RIGHT OF USE ASSETS (CONTD.)

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

As at 31 March,	Land development Rs. '000	Buildings Rs. '000	Machinery Rs. '000	Group/Company 2020/21 Rs. '000	2019/20 Rs. '000
Capitalised Value (18 June, 1992)	3,455	84,600	23,094	**111,149**	111,149
Amortisation					
As at 1 April	3,201	84,600	23,094	**110,895**	110,779
Amortisation for the year	115	-	-	**115**	116
As at 31 March	3,316	84,600	23,094	**111,010**	110,895
Carrying amount	139	-	-	**139**	254

13. FREEHOLD PROPERTY, PLANT & EQUIPMENT

(A) Group

As at 31 March,	Land Rs. '000	Buildings Rs. '000	Plant & machinery Rs. '000	Hydro power plant Rs. '000	Motor vehicles Rs. '000	Furniture & fittings Rs. '000	Equipment Rs. '000	Computers Rs. '000	Others Rs. '000	2020/21 Total Rs. '000	2019/20 Total Rs. '000
Cost											
As at 1 April	479,285	1,173,594	1,099,402	133,017	352,834	138,611	143,059	38,256	42,478	**3,600,536**	2,747,716
Additions during the year	-	7,582	5,997	-	17,500	30,554	2,487	4,015	-	**68,135**	858,603
Disposals	-	-	(7,201)	-	(8,172)	(2,589)	-	-	-	**(17,963)**	(5,783)
As at 31 March	479,285	1,181,176	1,098,198	133,017	362,162	166,575	145,546	42,271	42,478	**3,650,707**	3,600,536
Depreciation											
As at 1 April	-	269,589	623,958	62,971	292,840	88,268	119,708	34,372	31,332	**1,523,038**	1,385,556
Charge for the year	-	39,155	63,461	4,434	20,060	13,687	9,506	2,334	1,393	**154,030**	140,216
Disposals	-	-	(7,201)	-	(6,579)	(2,417)	-	-	-	**(16,198)**	(2,734)
As at 31 March	-	308,744	680,218	67,405	306,320	99,538	129,214	36,706	32,724	**1,660,870**	1,523,038
Net book value	479,285	872,432	417,980	65,612	55,841	67,037	16,332	5,565	9,754	**1,989,838**	2,077,498
Work-in-Progress (a)										**31,653**	13,056
Carrying amount										**2,021,491**	2,090,554

(a) Work-in-Progress

	Group				Company			
	Balance as at 01.04.2020 Rs. '000	Additions for the year Rs. '000	Transfers/ Disposals Rs. '000	Balance as at 31.03.2021 Rs. '000	Balance as at 01.04.2020 Rs. '000	Additions for the year Rs. '000	Transfers/ Disposals Rs. '000	Balance as at 31.03.2021 Rs. '000
	13,056	14,130	4,468	31,653	8,972	13,229	(13,527)	8,673
	13,056	14,130	4,468	31,653	8,972	13,229	(13,527)	8,673

(B) Company

As at 31 March,	Buildings Rs. '000	Plant & machinery Rs. '000	Motor vehicles Rs. '000	Furniture & fittings Rs. '000	Equipment Rs. '000	Computers Rs. '000	Others Rs. '000	2020/21 Total Rs. '000	2019/20 Total Rs. '000
Cost									
As at 1 April	816,511	731,411	306,113	13,384	137,516	37,243	42,478	**2,084,656**	2,046,296
Additions during the year	680	290	6,300	-	1,204	3,891	-	**12,365**	38,360
Disposals	-	-	(1,494)	-	-	-	-	**(1,494)**	-
As at 31 March	817,191	731,701	310,919	13,384	138,720	41,134	42,478	**2,095,527**	2,084,656
Depreciation									
As at 1 April	260,174	431,512	272,603	11,546	117,590	33,852	31,332	**1,158,609**	1,069,003
Charge for the year	22,104	38,527	11,934	372	8,209	2,123	1,393	**84,662**	89,605
Disposals	-	-	(1,400)	-	-	-	-	**(1,400)**	-
As at 31 March	282,278	470,039	283,137	11,918	125,799	35,975	32,725	**1,241,871**	1,158,609
Net book value	534,913	261,662	27,782	1,466	12,921	5,159	9,753	**853,656**	926,047
Work-in-Progress								**8,673**	8,972
Carrying amount								**862,329**	935,019

(a) The assets shown above are those movable assets vested in the Company by Gazette notification on the date of formation of the Company (18 June 1992) and all investment in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Note 12.

(b) The cost of fully depreciated Property, Plant and Equipment which are still in use as at date of Statement of Financial Position is as follows,

As at 31 March,	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Computers	**33,289**	29,768	**33,289**	29,768
Equipment	**126,429**	115,365	**109,440**	100,286
Furniture & fittings	**41,547**	41,457	**9,761**	9,544
Motor vehicles	**254,559**	239,383	**249,138**	237,751
Mature plantations	**99,594**	93,086	**99,594**	93,086
Plant & machinery	**211,365**	205,607	**186,363**	181,806
Intangible assets	**3,390**	2,693	**-**	-
Others	**16,458**	14,015	**16,458**	14,015
	786,631	741,374	**704,043**	666,255

(C) Unexpired lease periods of land:

Kelani Valley Plantations PLC	24 years
Kalupahana Power Company (Pvt) Ltd.	24 years

14. BIOLOGICAL ASSETS

14.1 Improvements To Leasehold Property (Bearer Biological Assets)

	Immature Plantations				Mature Plantations				Group/Company	
	Tea	Rubber	Other	Total	Tea	Rubber	Other	Total	2020/21	2019/20
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost										
As at 1 April	212,234	1,064,971	198,332	1,475,537	1,069,964	2,259,470	48,378	3,377,812	**4,853,349**	4,617,422
Additions during the year	2,162	104,138	66,850	173,150	-	-	-	-	**173,150**	235,927
Transfers (from)/to	(71,517)	(303,031)	(34,665)	(409,213)	71,517	303,031	34,665	409,213	**-**	-
Write-off	-	-	-	-	-	(25,798)	-	(25,798)	**(25,798)**	-
As at 31 March	142,879	866,078	230,517	1,239,474	1,141,481	2,536,703	83,043	3,761,227	**5,000,701**	4,853,349
Depreciation										
As at 1 April	-	-	-	-	336,480	684,777	2,619	1,023,876	**1,023,876**	904,072
Charge for the year	-	-		-	33,617	107,957	2,424	143,998	**143,998**	119,804
Write-off	-	-	-	-	-	(25,798)	-	(25,798)	**(25,798)**	-
As at 31 March	-	-	-	-	370,097	766,936	5,043	1,142,076	**1,142,076**	1,023,876
Carrying amount	142,879	866,078	230,517	1,239,474	771,384	1,769,767	78,000	2,619,151	**3,858,625**	3,829,473

These are investments in Mature/Immature Plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Note 12 to the Financial Statements. Further, investments in Immature Plantations taken over by way of leases are shown in this note. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The Company policy is to capitalised borrowings cost on specific borrowing only. However, borrowing costs were not capitalised during the year under Immature Plantations (2019/20 - Nil).

The addition of Rs.173 m (2019/20 - Rs. 236 m) shown above includes the following costs among other costs incurred during the year in respect of Uprooting and Planting of Tea and Rubber.

As at 31 March,		Group/Company 2020/21		2019/20	
		Extent - ha	Rs. '000	Extent - ha	Rs. '000
Uprooting	Tea			-	-
	Rubber	**20**	**165**	37	7,366
Planting	Tea	**-**	**-**	-	-
	Rubber	**11**	**6,622**	56	35,127
		31	**6,787**	93	42,493

14.2 Biological Assets (Consumable)

As at 31 March,	Immature	Mature	Group/Company 2020/21	2019/20
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	-	199,003	**199,003**	176,767
Gain of change in fair value less cost to sell	-	5,175	**5,175**	22,236
As at 31 March	-	204,178	**204,178**	199,003

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

The fair value of managed trees was ascertained in accordance with LKAS 41. The valuation was carried out by FRT Valuation Services (Pvt) Ltd, using Market Approach. In ascertaining the fair value of timber, a physical verification was carried out covering the estates on sample basis.

14.2.1 Change in Fair Value of Biological Assets

As at 31 March,	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Change in fair value of consumable biological assets (Note 14.2)	5,175	22,236
Change in fair value of produce on bearer biological assets (Note 17.1)	3,665	(10,877)
	8,840	11,359

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

Non Financial Asset	Valuation technique 2020/21	Valuation technique 2019/20	Unobservable inputs	Range of unobservable inputs (Probability weighted average) 2020/21	Range of unobservable inputs (Probability weighted average) 2019/20	Relationship of Unobservable Inputs to Fair Value
Consumable managed biological assets	Market Approach	Market Approach	Discounting Rate	13.57%	15%	The higher the discount rate, the lesser the fair value
			Optimum rotation (Maturity)	20-25 Years	20-25 Years	Lower the rotation period, the higher the fair value
			Volume at rotation	23 - 95 Cu.ft	23 - 95 Cu.ft	The higher the volum, the higher the fair value
			Price (per Cu.ft)	Rs.140/- to Rs.2,800/-	Rs.50/- to Rs.3,000/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1. It is assume that the felling of trees will be undertaken at maturity for the period not covered under the Forestry Management Plan. Majority of the timber trees which have reached their maturity at the date of valuation are valued using the adjusted market prices based on the location and accessibility. Remaining timber trees which have not come up to a harvestable age are valued considering their future incremental growth in the coming years and discounting the future value of such trees by appropriate present value discount ratio, which is assumed as the Expected Rate of Return (ERR) of a rationale investor, i.e. 13.57%.
2. The price adopted could vary based on the species and the girth of the respective species and are on the spare net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.
4. Pre commercial stand are valued on cost approach and 15 years is taken as per merchantable depending on the growth.

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

14. BIOLOGICAL ASSETS (CONTD.)

14.2.3 Sensitivity Analysis

Sensitivity variation sales price

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

Group/Company	Rs. '000	Rs. '000
Managed Timber	-10%	+10%
As at 31 March, 2021	(20,418)	20,418
As at 31 March, 2020	(18,304)	18,304

Sensitivity variation discount rate

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

Group/Company	Rs. '000	Rs. '000
	-1.5%	+1.5%
As at 31 March, 2021	863	(808)
As at 31 March, 2020	1,114	(1,053)

No biological assets have been pledged as securities for the year ended 31 March 2021 (2019/20 - nil).
There are no capital expenditure commitments for biological assets as at the reporting date.

15. INVESTMENTS IN SUBSIDIARIES

15.1 Unquoted Investments

As at 31 March	% Holding 2020/21	% Holding 2019/20	No. of Shares 2020/21	No. of Shares 2019/20	Company Value Rs. '000 2020/21	Company Value Rs. '000 2019/20
Kalupahana Power Company (Pvt) Ltd.	**60**	60	**1,800,000**	1,800,000	**18,000**	18,000
Kelani Valley Instant Tea (Pvt) Ltd.	**100**	100	**3,000,000**	3,000,000	**31,881**	31,881
Provision for Impairment - KVIT	-	-	-	-	**(9,272)**	(6,815)
Mabroc Teas (Pvt) Ltd.	**100**	100	**9,000,000**	9,000,000	**260,000**	260,000
Kelani Valley Resorts (Pvt) Ltd.	**100**	100	**5,000,000**	5,000,000	**50,000**	50,000
Carrying amount					**350,609**	353,066

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

15.2 Financial Asset

Martin Bauer Hayleys (Pvt) Ltd.

Group - Fair Value Through Other Comprehensive Financial Asset

	Holding %	No. of Shares	Group 2020/21 Value Rs. '000	Group 2019/20 Value Rs. '000
As at 31 March 2020	10.1	39,091,550	**390,920**	390,920
Gain/(loss) on FVTOCI financial asset		-	**-**	-
As at 31 March 2021	10.1	39,091,550	**390,920**	390,920

Company - Fair Value Through Profit or Loss Financial Asset

	Holding %	No. of Shares	Company 2020/21 Value Rs. '000	Company 2019/20 Value Rs. '000
As at 31 March 2020	10.1	39,091,550	**390,920**	390,920
Gain/(loss) on FVTOCI financial asset		-	**-**	-
As at 31 March 2021	10.1	39,091,550	**390,920**	390,920

	As at 31 March 2021 Value Rs.	As at 31 March 2020 Value Rs.
Fair Value of a share	**10.00**	10.00

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

Financial Asset	Valuation technique	Unobservable inputs	Range of unobservable inputs 2020/21	Range of unobservable inputs 2019/20
Financial Asset (Investment in shares of Martin Bauer Hayleys (Pvt) Ltd)	DCF	Discounting Rate	**11.38%**	15%
		Growth Rate	**2.5%**	5%
		Exchange rate USD	**LKR. 185/-**	LKR. 180/-
		General inflation	**10**	10

15. INVESTMENTS IN SUBSIDIARIES (CONTD.)

15.2.2 Sensitivity Analysis - Based on Discounting Rate

Discount Rate	Rs. '000 -1%	Rs. '000 +1%
2020/21	54,091	(46,028)
2019/20	42,746	(33,113)

Growth Rate	Rs. '000 -1%	Rs. '000 +1%
2020/21	(32,908)	37,797
2019/20	(22,612)	29,938

16. INTANGIBLE ASSETS

Cost	Group			
			2020/21	2019/20
	Goodwill Rs. '000	Software Rs. '000	Rs. '000	Rs. '000
As at 1 April	33,310	5,599	**38,909**	38,909
Addition during the year	-	7,071	**7,071**	-
As at 31 March	33,310	12,670	**45,980**	38,909
Ammortisation and impairment				
As at 1 April	-	3,748	**3,748**	3,191
Amortisation for the year	-	1,711	**1,711**	557
As at 31 March	-	5,459	**5,459**	3,748
Carrying Amount	33,310	7,211	**40,521**	35,161

Key assumptions used in the Value In Use calculations

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount Rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking in to account the growth rates of one of four years immediately subsequent to the budgeted year based on industry growth rates. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The carrying value of goodwill represents the goodwill on acquisition of Mabroc Teas (Pvt) Ltd. There has been no permanent impairment of intangible assets that requires a provision.

17. PRODUCE ON BEARER BIOLOGICAL ASSETS AND INVENTORIES

17.1 Produce on Bearer Biological Assets

As at 31 March,	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Balance as at 1 April	**5,621**	16,498
Change in fair value less cost to sell	**3,665**	(10,877)
	9,286	5,621

Level 2 inputs were used when arriving above figures.

17.2 Inventories

As at 31 March,	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
Input materials	**87,655**	71,943	**87,655**	71,564
Nurseries	**3,546**	9,281	**3,546**	9,281
Harvested crop	**413,479**	367,831	**413,479**	367,829
Bulk tea & raw materials	**845,615**	610,874	**-**	-
Finished goods	**5,700**	10,195	**107**	624
Spares and consumables	**10,237**	10,508	**10,237**	9,778
	1,366,232	1,080,632	**515,024**	459,076
Provision for obsolete inventories	**(19,984)**	(24,338)	**(11,508)**	(11,011)
	1,346,248	1,056,294	**503,516**	448,065

The carrying amount of inventories pledged as securities for bank facilities obtained amounted to Rs. 413 m (2019/20 - Rs. 368 m) and Rs. 507 m (2019/20 - Rs. 451 m) by the Company & the Group respectively .

18. TRADE AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
Trade receivables	**1,506,815**	455,187	**109,045**	26,659
Lease rent paid in advance	**21,114**	20,727	**21,114**	20,727
Employee advances and receivables	**71,824**	67,386	**71,465**	66,957
Advance company tax recoverable	**2,760**	2,760	**2,760**	2,760
ESC recoverable	**17,393**	79,788	**16,862**	58,262
WHT recoverable	**3,262**	3,436	**3,262**	3,409
Dividend receivables	**-**	-	**135,000**	111,780
Other current assets	**186,292**	163,261	**151,953**	95,802
	1,809,460	792,545	**511,461**	386,356
Provision for impairment in trade and other receivables	**(4,488)**	(6,643)	**(1,036)**	(1,394)
	1,804,972	785,902	**510,425**	384,962

18. TRADE AND OTHER RECEIVABLES (CONTD.)

18.1 Movement in the provision for trade and other receivables

	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
As at 1 April,	(6,643)	(980)	(1,394)	(714)
Charge for the period	-	(5,663)	-	(680)
Reversal during the period	2,155	-	358	-
As at 31 March,	(4,488)	(6,643)	(1,036)	(1,394)

18.2 The aging analysis of trade receivables is as follows;

			Neither Past due nor impaired			
Balance as at 31 March 2021	Total Rs. '000	0-60 days Rs. '000	61-120 days Rs. '000	121-180 days Rs. '000	181-365 days Rs. '000	> 365 days Rs. '000
Company	109,045	104,797	122	109	4,017	-
Group	1,506,815	1,498,844	151	354	4,034	3,432

Trade receivables are non-interest bearing and are generally on seven-day terms for the company.
No loans over Rs. 20,000/- have been given to Directors or Officers of the Company.
The carrying amount of debtors pledged as securities for bank facilities obtained amounted to Rs.109 m (2019/20 - Rs. 27 m) by the Company.

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2021 are disclosed below.

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

	Group		Company	
	Interest -Bearing Borrowings Rs.000	Other Borrowings Rs.000	Interest -Bearing Borrowings Rs.000	Other Borrowings Rs.000
Balance as at 01 April 2020	1,716,025	23,836	157,050	23,836
Cash in flows from financing activities	6,445,234	-	50,000	-
Cash out flows from financing activities	(5,603,967)	(15,566)	(103,138)	(15,566)
Balance as at 31 March 2021	2,557,292	8,270	103,912	8,270

20. CASH AND CASH EQUIVALENTS

As at 31 March,	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
20.1 Short-term deposits				
Shor-term fixed deposits	**46,088**	41,726	**45,837**	41,513
	46,088	41,726	**45,837**	41,513
20.2 Favourable balances				
Cash in hand	**1,353**	1,090	**461**	56
Cash at bank	**330,795**	252,072	**133,354**	23,179
	332,148	253,162	**133,815**	23,235
20.3 Unfavourable balances				
Bank overdraft	**(141,477)**	(634,929)	**(132,667)**	(616,601)
	(141,477)	(634,929)	**(132,667)**	(616,601)

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

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

21. STATED CAPITAL

As at 31 March	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Issued & fully paid-ordinary shares				
68,000,000 (2019/20 - 34,000,000) and 01 golden share	**340,000**	340,000	**340,000**	340,000
	340,000	340,000	**340,000**	340,000

The holders of ordinary shares and golden share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the golden share are given in the Annual Report of the Board of Directors on the Affairs of the Company.

The ordinary shares of the company were subdivided by splitting each issued ordinary share into two ordinary shares (except for Golden Share) from 10 February 2021. Consequently the total number of existing issued Ordinary Shares increased from 34,000,000 to 68,000,000 without changing the Stated Capital of the Company which remains at Rs.340,000,010/-.

22. INTEREST-BEARING BORROWINGS

22.1 Long-term interest bearing borrowings

Group	Sampath Bank Rs. '000	Pan Asia Bank Rs. '000	Sri Lanka Tea Board Rs. '000	DFCC Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2020/21 Total Rs. '000	2019/20 Total Rs. '000
As at 1 April	300,000	-	10,475	27,480	31,688	87,407	**457,050**	311,147
Obtained during the year	20,000	5,000	-	-	50,000	-	**75,000**	300,000
Repayments during the year	(76,350)	-	(10,475)	(27,480)	(17,614)	(47,569)	**(179,488)**	(154,097)
As at 31 March	243,650	5,000	-	-	64,074	39,838	**352,562**	457,050
Payable within one year	(91,200)	(3,542)	-	-	(38,100)	(26,612)	**(159,454)**	(186,233)
(Transferred to current liabilities)								
Payable after one year	152,450	1,458	-	-	25,974	13,226	**193,108**	270,817
Analysis of long term borrowings by year of repayment								
Repayable within one year from year-end	91,200	3,542	-	-	38,100	26,612	**159,454**	186,233
Repayable between 2 and 5 years from year-end	152,450	1,458	-	-	25,974	13,226	**193,108**	270,817
	243,650	5,000	-	-	64,074	39,838	**352,562**	457,050

Company	Sri Lanka Tea Board Rs. '000	DFCC Rs. '000	NDB Rs. '000	Amana Bank Rs. '000	2020/21 Total Rs. '000	2019/20 Total Rs. '000
As at 1 April	10,475	27,480	31,688	87,407	**157,050**	283,663
Obtained during the year	-	-	50,000	-	**50,000**	-
Repayments during the year	(10,475)	(27,480)	(17,614)	(47,569)	**(103,138)**	(126,613)
As at 31 March	-	-	64,074	39,838	**103,912**	157,050
Payable within one year	-	-	(38,100)	(26,612)	**(64,712)**	(111,233)
(Transferred to current liabilities)						
Payable after one year	-	-	25,974	13,226	**39,200**	45,817
Analysis of long term borrowings by year of repayment						
Repayable within one year from year-end	-	-	38,100	26,612	**64,712**	111,233
Repayable between 2 and 5 years from year-end	-	-	25,974	13,226	**39,200**	45,817
	-	-	64,074	39,838	**103,912**	157,050

Long term interest bearing borrowings - Lender Analysis

Company

22.1.1 DFCC Bank

As at 31 March,	Loan outstanding 2020/21 Rs. '000	2019/20 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 2	-	27,480	AWPLR + 5.5% After two years	2,290,033/-	60 monthly installments commenced on 14.03.2016
DFCC Total	-	27,480			

22.1.2 Amana Bank

As at 31 March,	Loan outstanding 2020/21 Rs. '000	2019/20 Rs. '000	Rate of interest per annum	Installments and terms of repayments
Disbursement 1	-	9,149	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 14.12.2015
Disbursement 2	**6,503**	25,942	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 19.03.2017
Disbursement 3	**12,838**	22,023	SLIBOR with a cap of 14% and floor of 7.25%	60 monthly installments commenced on 21.01.2017
Disbursement 4	**20,497**	30,293	SLIBOR + 3.25%	60 monthly installments commenced on 17.11.2017
Amana Bank - Total	**39,838**	87,407		

22.1.3 National Development Bank

As at 31 March,	Loan outstanding 2020/21 Rs. '000	2019/20 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 1	-	10,314	AWPLR + 1.5% After two years	1,031,333/-	60 monthly installments commenced on 11.02.2016
Term loan 2	**13,641**	17,278	6.30%	303,125/-	72 monthly installments commenced on 19.01.2019
Term loan 3	**3,234**	4,097	6.30%	71,875/-	72 monthly installments commenced on 19.01.2019
COVID -19 Saubagya Loan	**22,200**	-	4%	1,400,000/-	17 monthly installments of Rs.1.4 m & one month installment of Rs.1.2 m commenced on 24.02.2021
COVID -19 Loan	**25,000**	-	4%	1,400,000/-	17 monthly installments of Rs.1.4 m & one month installment of Rs.1.2 m commencing from 24.04.2021
NDB - Total	**64,075**	31,689			

22. INTEREST-BEARING BORROWINGS (CONTD.)

22.1.4 Sri Lanka Tea Board

As at 31 March,	Loan outstanding 2020/21 Rs. '000	2019/20 Rs. '000	Rate of interest per annum	Monthly installment Rs.	Terms of repayments
Term loan 1	-	6,944	Six month AWPLR + 1%	1,388,889/-	48 monthly installments commenced on 17.08.2017
Term loan 2	-	3,530	5%	1,646,374/-	48 monthly installments commenced on 26.07.2017
Sri Lanka Tea Board - Total	-	10,474			
Company - Total	**103,913**	157,050			

22.1.5 Subsidiary - Mabroc Teas (Pvt) Ltd.

As at 31 March,	Loan outstanding 2020/21 Rs. '000	2019/20 Rs. '000	Rate of interest per annum	Installments and terms of repayments
Lender				
Sampath Bank				
Sampath Bank 1	**223,650**	300,000	AWPLR + 1%	48 monthly installments commenced on 30.04.2019
COVID-19 Loan	**20,000**	-	4%	15 monthly installments commenced on 26.03.2021
Mabroc Teas (Pvt) Ltd - Total	**243,650**	300,000		

22.1.6 Subsidiary - Kelani Valley Resorts (Pvt) Ltd

As at 31 March,	Loan outstanding 2020/21 Rs. '000	2019/20 Rs. '000	Rate of interest per annum	Installments and terms of repayments
Lender				
Pan Asia Bank				
Covid -19 Saubagya Loan	**5,000**	-	4%	24 monthly installments commencing from 30.10.2021
KVR - Total	**5,000**	-		
Group-Total	**352,563**	457,051		

22.2 Short-term interest bearing borrowings

Company

As at 31 March Lender	Currency	2020/21 Rs. '000	2019/20 Rs. '000
National Development Bank	LKR	600,000	345,000
Amana Bank	LKR	-	46,000
Sri Lanka Tea Board	LKR	-	22,794
Total		600,000	413,794

Subsidiary - Mabroc Teas (Pvt) Ltd

As at 31 March Lender	Currency	2020/21 Rs. '000	2019/20 Rs. '000
Hongkong & Shanghai Banking Corporation Ltd.	USD	214,221	326,645
Hongkong & Shanghai Banking Corporation Ltd.	CNY	813,728	132,042
Hatton National Bank PLC	USD	76,535	-
Hatton National Bank PLC	LKR	152,300	-
Standard Chartered (Sri Lanka) Ltd.	LKR	126,492	-
Citi Bank N. A.	USD	-	36,083
Total		1,383,276	494,770
Group-Total		1,983,276	908,564

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

23. OTHER FINANCIAL LIABILITY

Group

As at 31 March	Repayable Within One Year Rs. '000	Repayable After One Year Rs. '000	2020/21 Total Rs. '000	2019/20 Total Rs. '000	Rate of interest per annum	Installments and terms of repayments Due date	Installments and terms of repayments Amount
Long-Term Financial liability	-	71,454	71,454	200,411	10.50%	30-Jan-23	71.4 m
Short-Term Financial liability	150,000	-	150,000	150,000	-	30-Jan-22	150 m
	150,000	71,454	221,454	350,411			

Mabroc Teas (Pvt) Ltd has purchased Company premises from MHL Holding (Pvt) Ltd with future payment of 400 m. The Company has discounted long-term portion of future payment at the rate of 10.5%.

24. DEFERRED INCOME

Grants and Subsidies	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Capital Grants				
As at 1 April	**861,276**	823,180	**860,309**	822,213
Grants received during the year	**78,287**	38,096	**78,287**	38,096
As at 31 March	**939,563**	861,276	**938,596**	860,309
Amortisation				
As at 1 April	**244,646**	226,829	**244,352**	226,561
Amortisation for the year	**27,474**	17,817	**27,448**	17,791
As at 31 March	**272,120**	244,646	**271,800**	244,352
Carrying amount	**667,443**	616,630	**666,796**	615,957

Grants were received from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board, Save the Children International and Rubber Development Department of Ministry of Plantation Industries.

The amount spent is capitalised under relevant classification of improvement to leasedhold Property, Plant & Equipment. Corresponding grant component is reflected under deferred grants and subsidies and amortised over the useful life span of the asset.

25. DEFERRED TAX LIABILITY / (ASSETS)

25.1 Statement of Financial Position

As at 31 March,	Group 2020/21 Temporary difference Rs. '000	Group 2020/21 Tax effect Rs. '000	Group 2019/20 Temporary difference Rs. '000	Group 2019/20 Tax effect Rs. '000
As at 1 April	**2,966,855**	**415,361**	2,895,449	405,363
Amount originating during the year	**306,234**	**46,801**	71,406	9,998
As at 31 March	**3,273,090**	**462,162**	2,966,855	415,361
Deferred Tax Liability				
Temporary difference of Right-of-use asset	**527,751**	**73,885**	576,227	80,672
Temporary difference of Property, Plant and Equipment (including mature and immature plantation)	**4,286,872**	**604,126**	4,794,386	671,215
Temporary difference of biological asset	**199,178**	**27,885**	204,624	28,647
Temporary difference of unrealised foreign exchange gain	**11,922**	**1,669**	-	-
As at 31 March	**5,025,723**	**707,565**	5,575,237	780,534
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	**(748,025)**	**(104,758)**	(1,152,014)	(161,282)
Temporary difference of lease liability	**(571,902)**	**(80,067)**	(597,037)	(83,585)
Temporary difference of provision for impairment of subsidiary	**(9,272)**	**(1,298)**	-	-
Temporary difference of provision for bad debts	**(2,425)**	**(340)**	(4,581)	(641)
Temporary difference of impairment for inventories	**(19,984)**	**(2,798)**	(24,338)	(3,407)
Tax losses	**(401,025)**	**(56,143)**	(830,412)	(116,258)
As at 31 March	**(1,752,633)**	**(245,403)**	(2,608,382)	(365,173)
Net deferred tax liability as at 31 March	**3,273,090**	**462,162**	2,966,855	415,361

As at 31 March,	Company			
	2020/21		2019/20	
	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
As at 1 April	2,766,971	387,376	2,658,575	372,201
Amount originating during the year	320,253	44,835	108,396	15,175
As at 31 March	3,087,224	432,211	2,766,971	387,376
Deferred Tax Liability				
Temporary difference of Right-of-use asset	527,751	73,885	576,227	80,672
Temporary difference of Property, Plant and Equipment	4,055,288	567,740	4,540,905	635,727
(including mature and immature plantation)				
Temporary difference of biological asset	199,178	27,885	204,624	28,647
Temporary difference of unrealised foreign exchange gain	6,168	864	-	-
As at 31 March	4,788,385	670,374	5,321,757	745,046
Deferred Tax Assets				
Temporary difference of retirement benefit obligations	(706,418)	(98,899)	(1,114,932)	(156,090)
Temporary difference of lease liability	(571,902)	(80,067)	(597,037)	(83,585)
Temporary difference of provision for impairment of subsidiary	(9,272)	(1,298)	-	-
Temporary difference of provision for bad debts	(1,036)	(145)	(1,394)	(195)
Temporary difference of impairment for inventories	(11,508)	(1,611)	(11,011)	(1,542)
Tax losses	(401,025)	(56,143)	(830,412)	(116,258)
As at 31 March	(1,701,161)	(238,163)	(2,554,786)	(357,670)
Net deferred tax liability as at 31 March	3,087,224	432,211	2,766,971	387,376

25.2 Statement of Profit or Loss

	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
As at 1 April	415,361	405,363	387,376	372,201
Tax charge recognised in profit or loss	27,469	5,884	24,939	10,911
Tax charge recognised in other comprehensive income	19,332	4,114	19,896	4,264
As at 31 March	462,162	415,361	432,211	387,376

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March, 2021 is 14% (2019/20 - 14%) for the company.

26. RETIREMENT BENEFIT OBLIGATIONS

Movement in the Retirement Benefit Obligations

	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
As at 1 April	1,152,014	1,109,974	1,114,932	1,077,667
Current service cost	77,153	80,850	72,192	77,497
Interest cost	108,920	115,737	105,528	112,350
Charged to profit or loss	186,073	196,587	177,720	189,847
Actuarial (gain) / loss due to changes in financial assumptions	(10,950)	(2,406)	(10,582)	(2,406)
Actuarial (gain) / loss due to changes in experience	(127,160)	(26,978)	(131,534)	(28,055)
Charged to statement of other comprehensive income	(138,110)	(29,384)	(142,116)	(30,461)
Benefit paid by the plan	(126,942)	(125,163)	(119,302)	(122,121)
As at 31 March	1,073,035	1,152,014	1,031,234	1,114,932

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligations and the current service cost. This require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

According to the actuarial valuation report issued by the actuarial valuer as at 31 March 2021 the actuarial present value of promised retirement benefits amounted to Rs. 1,073,035,450/- (2019/20 - Rs. 1,152,013,625/-). If the Group had provided for gratuity on the basis of 14 days wage & half months salary for each completed year of service, the liability would have been Rs. 1,180,496,983/- (2019/20 - Rs. 1,240,398,853/-).

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

	Group		Company	
	2020/21 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2019/20 Rs. '000
Within the next 12 months	248,640	264,064	241,663	256,123
Between 2 to 5 years	369,964	381,509	351,459	368,416
Between 5 to 10 years	249,651	273,751	238,340	262,531
More than 10 years	204,780	232,690	199,772	227,862
	1,073,035	1,152,014	1,031,234	1,114,932

The weighted average duration of the defined benefit plan obligation as at the end of the reporting period for Staff is 5.18 years and workers is 5.61 years .The present Value of retirement benefit obligations is carried on annual basis.

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

	2020/21	2019/20
(i) Rate of interest	8%	10%
(ii) Rate of salary increase		
Workers	5.68% (every year)	18% (every two years)
Staff	7% (per annum)	9% (per annum)
(iii) Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Executive and Head office staff	55 years	55 years

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

Group A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2021	(53,525)	59,970
As at 31 March 2020	(59,166)	64,403

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March 2021	62,746	(56,951)
As at 31 March 2020	37,972	(37,587)

Company A one percentage point change in the discount rate.	+1%	-1%
As at 31 March 2021	(51,494)	57,565
As at 31 March 2020	(57,338)	62,375

A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 March 2021	60,148	(54,708)
As at 31 March 2020	35,777	(35,576)

27. LEASE LIABILITY

As at 31 March,	Note	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Lease liability on Right-of-Use asset- Land	27.1	**575,786**	563,702
Lease liability on Right-of-Use asset- Building	27.2	**38,095**	33,335
	27.3	**613,881**	597,037

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

	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Balance at the beginning of the year	**563,702**	439,902
Transition adjustment due to initial application of SLFRS 16	**-**	126,518
Reassessment Adjustment as at 01 April 2020	**15,267**	-
Accretion of Interest	**81,056**	79,299
Repayment during the year	**(84,239)**	(82,017)
Balance as at end of the year	**575,786**	563,702

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

	Group/Company Lease Liability Rs. '000	Group/Company Right of Use Assets - Land Rs. '000	Group/Company Retained Earnings Rs. '000
Balance as at 01 April 2019 (before intial application of SLFRS 16)	439,903	255,003	797,342
Transition adjustment due to initial application of SLFRS 16	126,518	311,418	184,899
Adjusted balance as at 01 April 2019 (at the intial application of SLFRS 16 leases)	566,421	566,421	982,241

27.1.1 Maturity analysis of lease liability as follows,

	Group/Company 2020/21 Rs. '000	Group/Company 2019/20 Rs. '000
Payable within one year		
Gross liability	**84,239**	82,018
Finance cost allocated to future periods	**(80,610)**	(78,919)
Net liability transferred to current liabilities	**3,629**	3,099
Payable within two to five years		
Gross liability	**336,957**	328,071
Finance cost allocated to future periods	**(316,597)**	(310,683)
Net liability	**20,360**	17,388
Payable after five years		
Gross liability	**1,600,544**	1,640,354
Finance cost allocated to future periods	**(1,048,747)**	(1,097,140)
Net liability	**551,797**	543,214
Net liability payable after one year	**572,154**	560,604

The base rental payable per year Rs. 84,239,241/-.

The lease liability as at 01 April 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use of Land" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2021 as follows:

	Group/Company	
	2020/21 Rs.'000	**2019/20 Rs.'000**
Gross liability	**2,021,742**	2,050,443
Finance charge	**(1,445,956)**	(1,486,741)
Net liability	**575,786**	563,702

Maturity analysis of gross lease liability are shown under Note 37.3.

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

	Group/Company	
	2020/21 Rs. '000	**2019/20 Rs. '000**
Balance at the beginning of the year	**33,335**	-
Initial Recognition of Lease Liability as per SLFRS 16	**-**	39,490
	33,335	39,490
Reassessment adjustment as at 01 December 2020	**12,969**	-
Accretion of Interest	**4,283**	4,936
Payments during the year	**(12,492)**	(11,091)
Balance as at 31 March 2021	**38,095**	33,335
Current Liability	**11,156**	6,924
Non Current Liability	**26,939**	26,411
Total Lease Liability as at 31 March 2021	**38,095**	33,335

The base rental payable per year Rs. 15,293,203/-.

The lease liability as at 01 December 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use of Building" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2021 as follows:

	Group/Company	
	2020/21 Rs.'000	**2019/20 Rs.'000**
Gross liability	**45,880**	44,363
Finance charge	**(7,784)**	(11,028)
Net liability	**38,096**	33,335

Maturity analysis of gross lease liability are shown under Note 37.3.

27.3 Lease Liability

	Group/Company	
	2020/21 Rs.'000	**2019/20 Rs.'000**
Current Liability	**14,785**	10,023
Non Current Liability	**599,096**	587,014
Total Lease Liability as at 31 March 2021	**613,881**	597,037

28. TRADE AND OTHER PAYABLES

As at 31 March,	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
Trade payables	162,841	54,458	23,167	13,061
Staff payables	250,652	166,967	250,652	166,967
Unclaimed dividends	16,274	12,489	16,274	12,489
Other payables and accruals	383,906	341,963	224,507	175,464
	813,673	575,877	514,600	367,981

29. INCOME TAX

29.1 Income Tax Receivable

	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
As at 01 April	622	670	-	-
Transferred from income tax payable	(200)	-	-	-
Payment made during the year	-	(48)	-	-
Transfer to income tax payable	-	-	-	-
As at 31 March	422	622	-	-

29.2 Income Tax Payable

	Group 2020/21 Rs. '000	Group 2019/20 Rs. '000	Company 2020/21 Rs. '000	Company 2019/20 Rs. '000
As at 01 April	41,114	44,203	-	-
Subsidiaries/Parent taxation on current year's profit	94,938	57,017	1,642	-
(Over)/under provision in respect of previous years	851	(1,480)	270	-
Cash Paid during the year	(72,473)	(31,323)	-	-
ESC,WHT,ACT set-off against income tax	(21,433)	(27,303)	(270)	-
As at 31 March	42,997	41,114	1,642	-

30. RELATED COMPANY BALANCES

30.1 Other related companies

As at 31 March,	Group 2020/21 Receivable Rs. '000	Group 2020/21 Payable Rs. '000	Group 2019/20 Receivable Rs. '000	Group 2019/20 Payable Rs. '000
Ultimate parent company				
Hayleys PLC	-	41,403	-	110,685
Intermedite parent				
Dipped Products PLC	3,311	1,947	4,150	2,095
Dipped Products PLC - loans	-	8,270	-	10,750
Parent Company				
DPL Plantations (Pvt) Ltd.	-	-	-	1,104
Other related companies				
DPL Premier Gloves (Pvt) Ltd.	40,420	-	2,668	-
Martin Bauer Hayleys (Pvt) Ltd	4,355	-	13,982	177
Hanwella Rubber Products Ltd.	-	4,717	5,831	1,521

As at 31 March,	Group			
	2020/21		2019/20	
	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
Hayleys Agriculture Holdings Ltd.	-	3	44	23
Hayleys Agro Fertilizers (Pvt) Ltd.	6	-	-	-
Talawakelle Tea Estates PLC	1,302	-	3,285	2,407
Horana Plantations PLC	-	-	2,876	-
Hayleys Consumer Products Ltd.	15,258	18	195	17
Amaya Leisure PLC	6,331	-	4,448	-
Culture Club Resorts (Pvt) Ltd.	124	-	241	-
Haycarb Ltd.	55	-	-	-
The Kingsbury PLC	336	-	708	-
Hayleys Advantis Limited.	-	-	15	-
Kandy Resorts (Pvt) Ltd.	54	-	52	-
Sun Tan Beach Resorts Ltd.	19	-	136	-
Logistics International Ltd.	29	-	65	-
Singer (Sri Lanka) PLC	98	115	406	77
Singer Finance (Lanka) PLC	-	-	159	-
Hayleys Business Solutions International (Pvt) Ltd.	-	48	-	123
Fentons Ltd.	210	27,462	393	-
Chas P Hayleys & Co Ltd.	-	-	92	-
Alufab PLC	-	-	22	-
Kandyan Resorts (Pvt) Ltd.	-	-	192	-
Alumex PLC	223	-	17	-
Hayleys Travels (Pvt) Ltd.	-	-	383	-
S & T Interiors (Pvt) Ltd.	29	-	60	-
Toyo Cushion Lanka (Pvt) Ltd.	-	-	710	-
Eco Power Co.(Pvt) Ltd.	-	-	1,023	999
Agility Logistics (Pvt) Ltd.	-	1,724	-	-
Aventura (Pvt) Ltd.	30	278	6	10
Advantis Project & Engineering (Pvt) Ltd.	29	1,110	-	519
HJS Condiments Ltd.	-	-	30	-
Advantis Freight (Pvt) Ltd.	-	-	-	5
Hayleys Fabric PLC	-	-	114	-
Ceva Logistics Lanka (Pvt) Ltd.	-	1,440	-	-
Expelogix (Pvt) Ltd.	-	1,664	-	-
Logiwiz Ltd.	436	-	-	-
CMA CGM Lanka (Pvt) Ltd.	-	-	24	-
Total	72,655	90,199	42,327	130,512

30. RELATED COMPANY BALANCES (CONTD.)

30.1 Other related companies (Contd.)

As at 31 March,	Company			
	2020/21		2019/20	
	Receivable Rs. '000	Payable Rs. '000	Receivable Rs. '000	Payable Rs. '000
Kalupahana Power Co. (Pvt) Ltd.	-	51	1,585	-
Kelani Valley Instant Tea (Pvt) Ltd.	-	12,170	-	12,339
Mabroc Teas (Pvt) Ltd.	-	248	-	2,529
Kelani Valley Resorts (Pvt) Ltd.	21,153	-	21,153	-
	21,153	12,469	22,738	14,868
Ultimate parent company				
Hayleys PLC	-	34,325	-	102,202
Intermediary ultimate parent				
Dipped Products PLC	3,308	1,947	4,150	2,095
Dipped Products PLC - loans	-	8,270	-	10,750
Parent company				
DPL Plantations (Pvt) Ltd.	-	-	-	1,104
Other related companies				
DPL Premier Gloves (Pvt) Ltd.	40,420	-	2,668	-
Martin Bauer Hayleys (Pvt) Ltd	4,355	-	13,982	-
Hanwella Rubber Products Ltd.	-	4,717	5,831	1,521
Advantis Freight (Pvt) Ltd.	-	-	-	2
Talawakelle Tea Estates PLC	1,126	-	3,269	2,391
Toyo Cushion Lanka (Pvt) Ltd.	-	-	710	-
Eco Power Co.(Pvt) Ltd.	-	-	1,023	-
Advantis Project & Engineeering (Pvt) Ltd.	-	43	-	-
Horana Plantations PLC	-	-	2,876	-
Total	49,209	49,302	34,509	120,065

30.2 Other related companies - Loan payable

Dipped Products PLC	Group/Company	
	2020/21 Rs. '000	2019/20 Rs. '000
As at 1 April	23,836	38,619
Obtained during the year	-	-
Repayments during the year	(15,566)	(14,783)
As at 31 March	8,270	23,836
Payable within one year	(8,270)	(10,750)
(Transferred to current liabilities)		
Payable after one year	-	13,086

Dipped Products PLC granted a loan at the rate of eight percent (8%) per annum which shall be repayable in five (5) years.

31. ASSETS PLEDGED AS SECURITY

Following assets have been pledged as security for liabilities:

Company

	2020/21		
Nature of liability	**Facility (Rs. m)**	**Outstanding (Rs. m)**	**Security**
Overdraft			
Bank of Ceylon	100.0	Nil	Concurrent mortgage over stock in trade and debtors.
Hatton National Bank PLC	74.5	Nil	Promissory Note.
Sampath Bank PLC	30.0	Nil	Concurrent mortgage over stock in trade and debtors.
Term-Loan			
National Development Bank PLC	88.9	64.1	Primary mortgage over the leasehold rights, Buildings, Plant & Machinery of Pedro, Mahagastota & Panawatte estates.

Subsidiary
Mabroc Teas (Pvt) Ltd.

	2020/21		
Nature of liability	**Facility (Rs. m)**	**Outstanding (Rs. m)**	**Security**
Overdraft			
Sampath Bank PLC	10.0	Nil	Hypothecation bond over stock and book debts.

	2020/21		
Short-term borrowings (Foreign currency loans)	**Facility (USD m)**	**Outstanding (Rs. m)**	**Security**
Hatton National Bank PLC	2.02	76.5	Confirmed order and irrevocable export LC
Sampath Bank PLC	1.97	Nil	Hypothecation bond totaling Rs.200 m over stocks and book debts.

	2020/21		
Term-Loan	**Facility (Rs. m)**	**Outstanding (Rs. m)**	**Security**
Sampath Bank PLC	300.0	244.0	Negative pledge over fixed assets held at No.427, 427/A & 431, New Hunupitiya Road,Eriyawetiya, Kiribathgoda.

32. RELATED PARTY DISCLOSURES

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

Recurrent Transactions

Company For the year ended 31 March,	Relationship	Nature of Transaction	Amount (paid)/received 2020/21 Rs. '000	 2019/20 Rs. '000
(A) Parent and Ultimate Parent Company				
The Company has controlling related party relationship with its parent company DPL Plantations (Pvt) Ltd.				
(i) Hayleys PLC	Ultimate parent	Office space together with other related facilities, finance and secretarial services	(163,088)	(38,580)

The managing agent DPL Plantations (Pvt) Ltd. has waived the management fees in its entirely effective from 2007.

(B) Transactions with key management personnel

Key management personnel includes, members of the Board of Directors of the Company and key employees holding directorships in the subsidiaries and other related companies.

(i) Loans to Directors

No loans have been given to the Directors of the Company.

(ii) Key Management Personnel Compensation

For the year ended 31 March,	2020/21 Rs. '000	2019/20 Rs. '000
Directors' emoluments	69,921	62,051

(C) Transactions with Subsidiaries

Company For the year ended 31 March,	Relationship	Nature of Transaction	Amount (paid)/received 2020/21 Rs. '000	 2019/20 Rs. '000
(i) Kalupahana Power Co. (Pvt) Ltd.	Subsidiary	Share of revenue	3,756	697
		Reimbursement of expenses	-	(1)
(ii) Kelani Valley Instant Tea (Pvt) Ltd.	Subsidiary	Sale of BMF	118	-
		Manufacturing charges	51	0.4
(iii) Mabroc Teas (Pvt) Ltd.	Subsidiary	Sales of tea	256,889	191,158
		Purchase of tea	(2,565)	(13,211)
(iv) Kelani Valley Resorts (Pvt) Ltd.	Subsidiary	Reimbursement of expenses	-	(2,302)

The Company has sub leased an extent of 8 acres, 2 roods and 6.1 perches in Kalupahana estate to Kalupahana Power Co. (Pvt) Ltd.

(D) Transactions with other related Companies

Company For the year ended 31 March,	Relationship	Nature of transaction	Amount (paid)/received 2020/21 Rs. '000	 2019/20 Rs. '000
(i) Dipped Products PLC.	Intermediary parent	Sale of latex	**136,278**	53,320
		Purchase of skim crepe	**(5,330)**	(414)
		Cost of facilities and related services rendered	**(11)**	(901)
		Loan installment & interest	**(19,713)**	(17,949)
(ii) Hanwella Rubber Products Ltd.	Affiliates	Purchase of skim crepe	**(3,792)**	(8,792)
		Sale of latex	**35,345**	-
(iii) DPL Premier Gloves (Pvt) Ltd.	Affiliates	Sale of latex	**78,469**	22,536
(iv) Hayleys Agro Fertilisers (Pvt) Ltd.	Affiliates	Purchase of fertilizers	**(42,392)**	(23,224)
(v) Hayleys Agriculture Holdings Ltd.	Affiliates	Purchase of chemicals	**(6,072)**	(1,536)
(vi) Hayleys Lifesciences (Pvt) Ltd.	Affiliates	Purchase of consumer products	**(372)**	-
(vii) Hayleys Tours (Pvt) Ltd.	Affiliates	Travelling expenses	**-**	(40)
(viii) MIT Cargo (Pvt) Ltd.	Affiliates	Handling, clearing and courier charges	**-**	(993)
(ix) Puritas (Pvt) Ltd.	Affiliates	Maintenance & construction of effluent	**-**	(1,557)
		treatment plants		
(x) Rileys (Pvt) Ltd.	Affiliates	Sale of rubber products	**6,093**	1,852
(xi) Hayleys Consumer Products Ltd.	Affiliates	Purchase of consumer products	**(128)**	(11)
(xii) Talawakelle Tea Estates PLC	Affiliates	Share of office maintenance cost		
		Receipt	**843**	145
		Payment	**(2,857)**	(2,876)
		Purchase of Vehicle	**(6,300)**	-
		Payment of Expenses	**-**	(58)
(xiii) Hayleys Business Solutions International (Pvt) Ltd.	Affiliates	Payment of executive payroll processing	**(1,120)**	(503)
(xiv) Hayleys Travels (Pvt) Ltd.	Affiliates	Cost of air tickets and related charges	**-**	(1,256)
(xv) Haycolour (Pvt) Ltd.	Affiliates	Purchase of Colours	**-**	(1)
(xvi) The Kingsbury PLC.	Affiliates	Services rendered for AGM	**(78)**	(145)
(xvii) Logiwiz Ltd.	Affiliates	Storage & handling charges	**(524)**	(611)
(xviii) Hayleys Aventura (Pvt) Ltd.	Affiliates	Cost of Chemicals	**(386)**	(12)
		Purchase of Machinery	**-**	(1,383)
(xix) Horana Plantations PLC	Affiliates	Reimbursement of expenses	**1,288**	(80)
(xx) Uni Dil Packaging Solution Ltd.	Affiliates	Purchase of packing materials	**(9,912)**	(14,682)
(xxi) Uni Dil Packaging (Pvt) Ltd.	Affiliates	Purchase of packing materials	**(699)**	(1,083)
(xxii) Energy Net (Pvt) Ltd.	Affiliates	Purchase of Central UPS	**-**	(59)
(xxiii) Singer Digital Media (Pvt) Ltd.	Affiliates	Purchase of Computer and Mobile Accessories	**(554)**	(325)
(xxiv) Toyo Cusion Lanka (Pvt) Ltd.	Affiliates	Sale of Latex	**17,843**	14,057
(xxv) Singer Sri Lanka PLC	Affiliates	Purchase of Electronic Items	**(11)**	(278)
(xxvi) Advantis Pro and Eng. Pvt Ltd.	Affiliates	Purchase of Plastic Seals	**(251)**	(133)
(xxvii) Haymat Ltd.	Affiliates	Purchase of items for bunglow maintainence	**-**	(146)
(xxviii) Royal Ceramic Lanka PLC	Affiliates	Purchase of Equipments	**-**	(792)
(xxix) Advantis Frieght (Pvt) Ltd.	Affiliates	Storage & handling charges	**(1,276)**	-

32. RELATED PARTY DISCLOSURES (CONTD.)

Non - Recurrent Transactions
(E) Transactions with FVTOCI

Company For the year ended 31 March,	Relationship	Nature of Transaction	Amount (paid)/received 2020/21 Rs. '000	 2019/20 Rs. '000
(i) Marting Bauer Hayleys (Pvt) Ltd.	Financial assets	Reimbursement of expenses	38,723	31,387

The Company has sub leased an extent of 1.0127 hectares in Ingestre estate and 2.2247 hectares in Blinkbonnie Estate to Martine Bauer Hayleys (Pvt) Ltd .

There are no non-recurrent related party transactions where aggregate value exceeds 10% of the equity or 5% of total assets and recurrent related party transactions where aggregate value exceeds 10% of gross revenue/income.

There are no related party transactions and balances other than those disclosed above and in Notes 30 to the Financial Statements.

33. CONTINGENT LIABILITIES

Following contingent liabilities exist as of the date of financial position.

Court of Appeal Case No CA WRIT 143/2021

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

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

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavorable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be Rs. 378 m and of which Rs. 25 m need to be charged to Profit or Loss and Rs. 353 m to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

34. CAPITAL EXPENDITURE COMMITMENTS

There were no material capital commitments as at the reporting date. However, the budgeted capital expenditure approved but, not committed by the Company for the financial year 2021/22 amounts to Rs.345,246,638/-(2020/21 Rs. 299,973,935/-).

35. EVENTS OCCURRING AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

At the Board Meeting held on 11 May 2021, the Directors have recommended the Final Dividend of Rs. 1.50 per share subject to the approval by the shareholders at the Annual General Meeting to be held on 25 June 2021 to be paid to the shareholders on 13 July 2021.

36. SEGMENTAL ANALYSIS

Group	Tea		Rubber		Others		Unallocated		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Segmental assets										
Non-current assets	2,641,697	2,691,712	3,166,934	3,177,781	358,691	335,066	973,255	981,447	7,140,577	7,186,006
Current assets	3,046,162	1,702,366	149,863	122,694	63,761	62,860	352,033	297,734	3,611,819	2,185,654
Total assets	5,687,859	4,394,078	3,316,797	3,300,475	422,453	397,926	1,325,288	1,279,181	10,752,396	9,371,660
Segmental liabilities										
Non-current liabilities	1,630,017	1,508,247	708,924	720,168	15,319	10,293	712,038	1,016,625	3,066,298	3,255,333
Current liabilities	2,274,971	1,147,411	142,156	147,533	18,578	14,631	960,156	1,327,677	3,395,861	2,637,252
Total liabilities	3,904,988	2,655,658	851,080	867,701	33,897	24,924	1,672,194	2,344,302	6,462,259	5,892,585
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	462,162	415,360	462,162	415,361
Retirement benefit obligation	762,902	915,221	309,370	236,297	763	496	-	-	1,073,035	1,152,014
Trade & other payables	488,728	374,620	206,316	147,533	13,834	12,625	104,795	41,093	813,673	575,877
Total depreciation	166,831	140,589	117,987	107,679	13,209	11,752	-	-	298,027	260,019
Amortisation of Right-of-use-Assets	19,518	18,255	15,577	15,387	-	-	10,906	8,455	46,001	42,098
Capital expenditure	55,704	821,020	104,138	140,820	69,078	94,331	12,365	38,360	241,285	1,094,531
Company										
Segmental assets										
Non-current assets	1,920,797	1,990,816	3,166,934	3,177,781	230,517	198,332	973,255	981,447	6,291,503	6,348,376
Current assets	771,047	429,617	149,863	122,694	-	1,255	352,331	407,077	1,273,241	960,643
Total assets	2,691,844	2,420,433	3,316,797	3,300,475	230,517	199,587	1,325,586	1,388,524	7,564,744	7,309,019
Segmental liabilities										
Non-current liabilities	1,347,575	1,027,389	708,924	720,168	-	-	712,038	1,016,625	2,768,537	2,764,182
Current liabilities	287,865	179,355	142,156	147,533	-	-	960,156	1,327,677	1,390,177	1,654,565
Total liabilities	1,635,440	1,206,744	851,080	867,701	-	-	1,672,194	2,344,302	4,158,714	4,418,747
Non-interest bearing liabilities										
Deferred taxation	-	-	-	-	-	-	432,211	387,376	432,211	387,376
Retirement benefit obligations	721,864	878,634	309,370	236,297	-	-	-	-	1,031,234	1,114,932
Trade & other payables	203,489	179,355	206,316	147,533	-	-	104,795	41,093	514,600	367,981
Total depreciation	108,249	100,198	117,987	107,679	2,424	1,533	-	-	228,660	209,408
Amortisation of Right-of-use-Assets	19,518	18,255	15,577	15,387	-	-	9,195	7,898	44,290	41,541
Capital expenditure	2,162	12,462	104,138	140,820	66,850	82,645	12,365	38,360	185,516	274,287

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

This note presents information about the Groups exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

37.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's Financial Risk Management Framework which includes developing and monitoring the Group's Financial Risk Management Policies.

The Group Financial Risk Management Policies are established to identify, quantify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial Risk Management Policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The KVPL Audit Committee oversees how management monitors compliance with the Group's Financial Risk Management Policies and procedures and reviews the adequacy of the Financial Risk Management Framework in relation to the risks faced by the Group.

37.2 Credit Risk

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

37.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the management is considered when revisions are made to terms and conditions.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs.1,804 m (2019/20 – Rs.786 m).

KVPL has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

MTPL has the largest exposure to credit risk as a major portion of the trade receivables are from foreign currencies. All open account debtors are covered with export credit Insurance. Settlement of other debtors are carried through banks.

37.2.2 Investments

Credit risk from invested balances with the financial institutions are managed by the Hayleys Group Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore, mitigate financial loss through potential counterparty's failure.

The Group held short-term investments of Rs. 46 m as at 31 March 2021 (2019/20 – Rs. 42 m) which represents the maximum credit exposure on these assets.

37.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 332 m as at 31 March 2021 (2019/20 – Rs. 253 m) which represents its maximum credit exposure on these assets.

- Sampath Bank PLC – AA- (lka)
- Hatton National Bank PLC –AA- (lka)
- Bank of Ceylon – AA+ (lka)
- Citi Bank N.A. – AAA (lka)
- Hong Kong and Shanghai Banking Corporation Ltd. – AAA (lka)
- DFCC Bank PLC – AA- (lka)
- National Development Bank PLC – AA (lka)

37.3. Liquidy Risk

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

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

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

As at 31 March 2021	**On Demand Rs.'000**	**Less than 3 Months Rs.'000**	**3 to 12 Months Rs.'000**	**2 to 5 Years Rs.'000**	**>5 Years Rs.'000**	**Total Rs.'000**
Group						
Interest bearing loans & borrowings	141,477	655,273	1,487,457	193,108	-	2,477,315
Lease liability on Right-of-Use asset- Land	7,020	14,040	63,179	336,957	1,600,546	2,021,742
Lease liability on Right-of-Use asset- Building	1,274	2,549	11,470	30,586	-	45,879
Trade & other payables	383,906	429,766	-	-	-	813,672
	533,677	1,101,628	1,562,106	560,651	1,600,546	5,358,608
Company						
Interest bearing loans & borrowings	132,667	166,178	498,534	39,200	-	836,579
Lease liability on Right-of-Use asset- Land	7,020	14,040	63,179	336,957	1,600,546	2,021,742
Lease liability on Right-of-Use asset- Building	1,274	2,549	11,470	30,586	-	45,879
Trade & other payables	224,507	290,093	-	-	-	514,600
	365,468	472,860	573,183	406,743	1,600,546	3,418,800

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

As at 31 March 2020	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 Years Rs.'000	>5 Years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowings	634,929	413,374	681,423	270,817	-	2,000,543
Lease liability on Right-of-Use asset- Land	6,835	13,670	61,513	328,070	1,640,356	2,050,444
Lease liability on Right-of-Use asset- Building	924	1,848	8,318	33,273	-	44,363
Trade & other payables	341,963	233,914	-	-	-	575,877
	984,651	662,806	751,254	632,160	1,640,356	4,671,227
Company						
Interest bearing loans & borrowings	616,601	131,257	393,770	45,817	-	1,187,445
Lease liability on Right-of-Use asset- Land	6,835	13,670	61,513	328,070	1,640,356	2,050,444
Lease liability on Right-of-Use asset- Building	924	1,848	8,318	33,273	-	44,363
Trade & other payables	175,464	192,516	-	-	-	367,980
	799,824	339,291	463,601	407,160	1,640,356	3,650,232

37.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits, available for sale investment & derivative financial instruments.

37.4.1 Interest Rate Risk

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

The Group held long-term borrowings with floating interest rates of Rs. 353 m (2019/20 – Rs.457 m) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity

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

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.'000
Group		
2020/21	+1%	3,526
	-1%	(3,526)
2019/20	+1%	4,571
	-1%	(4,571)
Company		
2020/21	+1%	1,039
	-1%	(1,039)
2019/20	+1%	1,571
	-1%	(1,571)

37.4.2 Foreign Currency Risk
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group is exposed to currency risk on sales, purchases and borrowings. These currencies primarily are USD and CNY.

The Group hedges its exposure to fluctuation on the transaction of its foreign operations mainly by forward contracts.

Foreign currency Sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in the USD, AUD,JPY,CHF and CNY exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in Interest rate	Effect on profit before tax Rs.'000
Group		
2020/21		
USD	5%	8,471
CNY	5%	3,059
EURO	5%	137
CHF	5%	(163)
USD	-5%	(8,471)
CNY	-5%	(3,059)
EURO	-5%	(137)
CHF	-5%	163
2019/20		
USD	5%	(5,104)
CNY	5%	4,821
EURO	5%	15
USD	-5%	5,104
CNY	-5%	(4,821)
EURO	-5%	(15)

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.

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

The gearing ratio at the reporting date is as follows,

	Group		Company	
	2020/21 Rs.'000	2019/20 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000
i Interest bearing borrowings				
Current portion of long-term interest bearing borrowings	159,454	186,233	64,712	111,233
Payable within 2 and 5 years	193,108	270,817	39,200	45,817
ii Lease liability				
Current portion of liability to make lease payment	14,785	10,023	14,785	10,023
Payable within 2 and 5 years	47,299	43,800	47,299	43,800
Payable later than 5 years from year-end	551,797	543,214	551,797	543,214
iii Short-term Interest bearing borrowings	1,983,276	908,564	600,000	413,794
iv Bank overdraft	141,477	634,929	132,667	616,601
Total debts	3,091,196	2,597,580	1,450,460	1,784,482
Equity	4,249,055	3,437,193	3,406,030	2,890,272
Equity & debts	7,340,252	6,034,773	4,856,490	4,674,754
Gearing ratio	42%	43%	30%	38%

Annexures

TEN YEAR SUMMARY

Period Ended	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013	2012	2011
	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Dec	31-Dec	31-Dec
	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(12 Months)	(15 Months)	(12 Months)	(12 Months)	(12 Months)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trading Results										
Revenue	11,760,469	8,909,174	9,166,118	8,642,220	6,852,262	6,068,746	8,647,349	6,790,012	6,518,253	6,033,498
Gross profit	1,756,634	844,957	967,084	1,091,683	617,739	464,702	739,302	885,720	1,156,106	905,883
Profit/(loss) before tax	947,521	(22,772)	447,767	202,487	12,474	(30,520)	102,407	465,485	680,956	545,947
Profit/(loss) after tax	802,185	(87,019)	387,913	160,422	(15,349)	(42,191)	52,495	391,693	560,732	461,363
Balance Sheet										
Funds Employed										
Stated capital	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000
Revenue reserves	3,909,055	3,097,193	2,982,544	2,677,740	2,580,914	2,292,660	2,358,424	2,435,888	2,228,473	1,813,716
Total equity attributable to equity holders of the company	4,249,055	3,437,193	3,322,544	3,017,740	2,920,914	2,632,660	2,698,424	2,775,888	2,568,473	2,153,716
Non Controlling interest	41,182	41,882	33,380	31,470	33,475	33,087	158,739	22,322	16,667	17,162
Lease liability	599,096	587,014	437,712	439,902	441,841	443,557	445,075	395,060	427,914	428,976
Amounts due to other related companies	-	13,086	28,392	43,041	36,286	22,500				
Interest Bearing Borrowings	193,108	270,817	162,924	299,131	368,375	323,916	432,145	98,327	97,588	136,825
Other financial liabilities	71,454	200,411	-	-	-	-	-	-	-	-
Bank Overdraft	141,477	634,929	675,083	219,827	274,302	95,081	51,190	16,297	1,865	4,772
	5,295,372	5,185,332	4,660,035	4,051,113	4,075,193	3,550,801	3,785,573	3,307,894	3,112,507	2,741,451
Assets Employed										
Non current assets	7,140,577	7,186,006	6,034,828	5,456,908	5,443,706	5,219,898	5,203,870	4,408,806	4,019,663	3,738,736
Current assets	3,611,819	2,185,654	2,651,826	2,329,463	1,813,705	1,306,824	1,793,293	1,938,316	2,054,898	1,758,879
Current liabilities	(3,254,384)	(2,002,323)	(1,914,931)	(1,812,969)	(1,372,311)	(909,299)	(1,217,120)	(1,153,489)	(1,146,763)	(1,088,079)
Retirement benefit obligations	(1,073,035)	(1,152,014)	(1,109,974)	(916,919)	(816,560)	(1,153,244)	(1,122,870)	(1,046,403)	(1,025,142)	(980,001)
Deferred tax liability	(462,162)	(415,361)	(405,363)	(427,497)	(457,659)	(390,615)	(393,243)	(363,132)	(301,387)	(211,247)
Deferred income	(667,443)	(616,630)	(596,351)	(577,874)	(535,688)	(522,763)	(478,357)	(476,204)	(488,762)	(476,837)
Capital employed	5,295,372	5,185,332	4,660,035	4,051,113	4,075,193	3,550,801	3,785,573	3,307,894	3,112,507	2,741,451
Key Indicators										
Gross profit margin %	14.94	9.48	10.6	12.6	9.0	7.7	8.5	13.0	17.7	15.0
Current ratio (times)	1.06	0.83	1.02	1.15	1.10	1.30	1.41	1.66	1.79	1.61
Turnover to capital employed (times)	2.22	1.72	2.0	2.1	1.7	1.7	2.3	2.1	2.1	2.2
Return on shareholders' fund %	18.71	(2.78)	11.4	5.1	(0.6)	(1.1)	2.2	13.8	21.8	21.3
Earning per share (Rs.) *	11.69	(1.40)	5.57	2.28	(0.28)	(0.41)	0.89	5.65	8.25	6.75
Net assets per share (Rs.) *	62.49	50.55	48.86	44.38	42.95	38.72	39.68	40.82	37.77	31.67
Dividend per share (Rs.)	3.00	-	-	1.00	-	-	1.00	3.5	6.0	5.0
Dividend payout ratio % *	25.66	-	-	43.82	-	-	112.88	61.96	72.70	74.10
Price earnings (Times) *	3.21	-	8.35	17.53	-	-	40.58	6.93	4.85	6.7
Market value (Rs.) *	37.50	80.00	93.00	80.00	82.00	65.00	71.90	78.30	80.00	90.00

* Due to company's shares were subdivided by splitting each issued ordinary share into two ordinary shares, comparative key indicators (share trelated) also amended accordingly.

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The ordinary shares of Kelani Valley Plantations PLC are listed with the Colombo Exchange. The audited Company and Consolidated Statements of Profit or Loss for the year ended 31 March 2021 and the audited Statement of Financial Position of the Company and of the Group as at the date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

2. ORDINARY SHAREHOLDERS AS AT 31 MARCH 2021

Number of shareholders 14,760

	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1000	14,201	3,457,422	5.08	8	3,004	-	14,209	3,460,426	5.09
1001 - 10,000	433	1,652,411	2.43	4	16,000	0.02	437	1,668,411	2.45
10,001 - 100,000	94	2,581,100	3.80	3	123,886	0.18	97	2,704,986	3.98
100,001 -1,000,000	10	2,932,397	4.31	4	1,655,186	2.43	14	4,587,583	6.75
Over 1,000,000	3	55,578,594	81.73	-	-	-	3	55,578,594	81.73
	14,741	66,201,924	97.36	19	1,798,076	2.64	14,760	68,000,000	100.00

No. of Shares held	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	14,622	7,455,771	10.96	16	1,010,508	1.49	14,638	8,466,279	12.45
Institutions	119	58,746,153	86.39	3	787,568	1.16	122	59,533,721	87.55
	14,741	66,201,924	97.36	19	1,798,076	2.64	14,760	68,000,000	100.00

3. MARKET VALUE

The market value of Kelani Valley Plantations PLC ordinary shares :

	2020/21		2019/20	
Highest - Rs	105.00	(21 January 2021)	94.00	(01 April 2019)
Lowest - Rs	34.00	(04 March 2021)	63.10	(02 March 2020)
Period end - Rs	37.50		80.00	

4. DIVIDEND PAYMENT

First interim dividend prior to split Rs. 1/- per share and second interim dividend after split Rs. 1/- per share (2019/20- Rs. Nill per share) Proposed dividend Rs. 1.50 per share (2019/20-Rs. Nill per share).

5. SHARE TRADING

	2020/21	2019/20
Number of transactions	10,728	421
Number of shares traded	7,481,760	89,716
Value of shares traded (Rs.)	584,595,147.60	4,211,349.80

6. FIRST TWENTY SHAREHOLDERS AS AT 31 MARCH, 2021

	Name of Shareholder	No. of Shares as at 31.03.2021	%	No. of Shares as at 31.03.2020	%
1	DPL Plantations (Private) Limited	**49,253,800**	72.43	24,626,900	72.43
2	People's Leasing & Finance PLC /Mr.L.P.Hapangama	**5,118,886**	7.53	2,836,234	8.34
	Mr.L.P.Hapangama	**2,400**	0.00	400	0.00
3	Bank Of Ceylon A/C Ceybank Unit Trust	**1,205,908**	1.77	2,219,852	6.53
4	Bank Of Ceylon A/C Ceybank Century Growth Fund	**966,600**	1.42	532,550	1.57
5	Mr. Talib Tawfiq Talib Al-Nakib	**605,504**	0.89	290,655	0.85
6	Hallsville Trading Group Inc.	**600,000**	0.88	-	-
7	Hatton National Bank PLC-Senfin Growth Fund	**600,000**	0.88	-	-
8	Hatton National Bank PLC/Karuna Ranaraja Ekanayaka Mudiyanselage Dharshan Maduranga Bandara Jayasundara	**340,000**	0.50	-	-
9	Mr. Hashim Ahmed Alsayid Hashim Algharabally	**300,000**	0.44	150,000	0.44
10	Dr. Dilesh Jayanntha	**226,000**	0.33	113,000	0.33
11	Harnam Holdings SDN BHD	**149,682**	0.22	46,219	0.14
12	Mr. Zoebaly Gulamabass Carimjee	**147,734**	0.22	73,867	0.22
13	Mr. Mohamed Imtizam Abdul Hameed	**141,200**	0.21	70,600	0.21
14	Secretary To The Treasury	**140,962**	0.21	-	-
15	People's Merchant Finance PLC/P.T.S. De Silva	**135,237**	0.20	-	-
16	Gampaha District Co-Operative Rural Bank Union Ltd	**132,600**	0.20	66,300	0.20
17	Mr. Harin Moraji Udeshi	**102,064**	0.15	51,032	0.15
18	Mrs. Roshni Seetha Liyani De Mel	**100,000**	0.15	50,000	0.15
19	Mr. Nawalage Joseph Hiran Mahinda Cooray	**90,000**	0.13	-	-
20	Mr. Mohamed Heebathulla Muhammath Fawsan	**80,000**	0.12	-	-
	TOTAL	**60,438,577**	88.88	31,127,609	91.55

7. THE PERCENTAGE OF ORDINARY SHARES HELD BY THE PUBLIC WAS 27.56% (2019/20 - 27.57%) OF THE ISSUED SHARE CAPITAL AS AT 31 MARCH 2021.

- There were no non-voting shares as at 31 March 2021
- Total number of Shareholders representing the Public Holding is 14,758.
- Float Adjusted market capitalisation 702,780,000
- The company complies with option 5 of the listing rules 7.13.1 (a) - Less than Rs.2 Bn.
- Float Adjusted market capitalisation which requires 20 % minimum public holding.

FINANCIAL TERMS

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

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

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

Agricultural Practices
Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion in to agricultural produce or in to additional biological assets.

Agricultural produce
Is the harvested product of the entity's biological assets.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

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

AWDR
Abbreviation for Average Weighted Deposit Rate.

AWPLR
Abbreviation for Average Weighted Prime Lending Rate.

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

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

B
Billion

Biological Assets
A living animal or plant.

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

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

CAPEX
Abbreviation for Capital Expenditure

Capital Employed
Total equity, non-controlling interest and interest bearing borrowings.

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

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

CASL
Abbreviation for the Institute of Chartered Accountants of Sri Lanka

CBSL
Abbreviation for Central Bank of Sri Lanka

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

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

CSE
Abbreviation for Colombo Stock Exchange

Current Ratio
Current assets divided by current liabilities. A measure of liquidity.

Current Service Cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

DCF Method
A method of valuing project, Company or asset using the concepts of the time value of money. All future cash flows are estimated and discounted by using cost of capital to give their present value(PVs).

Debt to Equity Ratio
Borrowing divided by Equity.

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

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

Dividends
Distribution of profits to holders of equity investments.

Dividend Cover
Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout
Dividend per share as a percentage of the earnings per share.

Dividend yield
Dividend per share as a percentage of the market price. A measure of return on investment.

GLOSSARY

EBIT
Abbreviation for Earnings Before Interest and Tax.

EBITDA
Abbreviation for Earnings before Interest, Tax, Depreciation and Amortisation.

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

EIR
Abbreviation for Effective Interest Rate

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

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

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

Equity
Shareholders' fund.

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

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

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

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

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

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

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

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

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

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

Gearing
Proportion of total interest-bearing borrowings to capital employed.

Gearing Ratio
Interest bearing capital divided by total capital invested (interest bearing and non-interest
bearing).

GSA
Abbreviation for the Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage etc.

IBR
Abbreviation for Incremental Borrowing Rate

Interest Cover
Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

IAS
Abbreviation for International Accounting Standards.

IFRIC
Abbreviation for International Financial Reporting Interpretations Committee

IFRS
Abbreviation for International Financial Reporting Standards.

LIBOR
Abbreviation for London Inter- Bank Offered Rate.

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

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

m
Million.

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

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

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

Price Earnings Ratio
Market price of a share divided by earnings per share as reported at that date.

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

Retirement benefits
Present Value of a Defined Benefit Obligation
The present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Current Service Cost
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest Cost
The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

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

Return on Equity
Attributable profits to the shareholders divided by shareholders funds.

Return on Capital Employed
Profit before tax plus net interest cost divided by capital employed.

Return on Assets
Profit before tax plus net interest cost divided by total assets.

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

RPT
Abbreviation for Related Party Transactions

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

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

SLIBOR
Abbreviation of Sri Lanka inter Bank offered Rate.

SoRP
Statement of Recommended practice.

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

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

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

Turnover per Employee
Consolidated turnover of the company for the year divided by the number of employees

Value Addition
The quantum of wealth generated by the activities of the group measured as the difference between turnover and the cost of materials and services bought in.

Working Capital
Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities

NON-FINANCIAL TERMS

AGM
Abbreviation for Annual General Meeting

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

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

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

JEDB
Abbreviation for Janatha Estate Development Board

KVAL.N0000
CSE stock code for the company.

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

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

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY NINTH ANNUAL GENERAL MEETING OF KELANI VALLEY PLANTATIONS PLC, WILL BE HELD ON FRIDAY 25TH JUNE 2021 AT 1.30 P.M. VIA ONLINE MEETING PLATFORM.

AGENDA

1) To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2021, with the Report of the Auditors thereon.
2) To declare the final dividend as recommended by the Directors
3) To re-elect Mr. C.V. Cabraal who retires by rotation at the Annual General Meeting , a Director
4) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy years.

Ordinary Resolution

''That Mr. Abeyakumar Mohan Pandithage, who has attained the age of Seventy years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director'.

5) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. F. Mohideen, in terms of Section 211 of the Companies Act No.07 of 2007,who retires having attained the age of seventy Four years.

Ordinary Resolution

''That Mr. Faiz Mohideen, who has attained the age of Seventy Four years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director'.

6) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. L. N. De S. Wijeyeratne, in terms of Section 211 of the Companies Act No.07 of 2007,who retires having attained the age of seventy one years.

Ordinary Resolution

''That Mr. Lalit Nihal De Silva Wijeyeratne, who has attained the age of Seventy One years be and is hereby re-appointed a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director'.

7) To authorise the Directors to determine contributions to Charities for the financial year 2021/2022
8) To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2021/2022
9) To consider any other business of which due notice has been given.

Note:

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to kvplagm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting.
2. Please refer the Circular to shareholders dated 21st May 2021 and follow the instructions to join the meeting virtually.
3. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend on 28th June 2021 with regard to the Final Dividend.

By Order of the Board

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

Colombo
21st May 2021

FORM OF PROXY

KELANI VALLEY PLANTATIONS PLC
Company Number: PQ 58

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

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

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

(1)..(full name of proxyholder**)

NIC No. of Proxy holder (**) ....of ....or,

failing him/them

(2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo , or failing him, One of the Directors of the Company as my/our* proxy to attend, speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Ninth Annual General Meeting of the Company to be held on 25th June 2021 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof:

		For	**Against**
1.	To adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2021 together with the Report of the Auditors thereon.		
2.	To declare the final dividend as recommended by the Directors		
3.	To re-elect Mr. C.V. Cabraal who retires by rotation at the Annual General Meeting, a Director		
4.	To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. A.M. Pandithage as a Director, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy years.		
5.	To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. F. Mohideen as a Director, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy Four years.		
6.	To propose the Ordinary Resolution as set out in the Notice for the re-appointment of Mr. L. N. De Silva Wijeyeratne as a Director, in terms of Section 211 of the Companies Act No.07 of 2007, who retires having attained the age of seventy One years.		
7.	To authorise the Directors to determine contributions to Charities for the financial year 2021/2022.		
8.	To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007 for the financial year 2021/2022		

(***) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given As witness my/our* hands this .... day of 2021

Witnesses: Signature: ....

Name: ....

Address:..

NIC No.:..

....
Signature of Shareholder

Notes:

(a) * Please delete the inappropriate words.

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

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

(d) Instructions are noted on the reverse hereof.

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

(f) Please refer the 'Circular to Shareholders' dated 21st May 2021 and follow the instructions to join the meeting physically or virtually

Instructions as to Completion

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

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

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

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

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

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

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

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

CORPORATE INFORMATION

GRI 102-01, 03, 05, 06

NAME OF COMPANY
Kelani Valley Plantations PLC

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

REGISTRATION NUMBER
PQ 58

ACCOUNTING YEAR END
31 March

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

STOCK CODE
KVAL.N0000

PRINCIPLE LINE OF BUSINESS
Producing and processing of Tea and Rubber

DIRECTORS
A M Pandithage - Chairman
Dr. Roshan Rajadurai - Managing Director
A Weerakoon - Chief Executive Officer
F Mohideen
S C Ganegoda
C V Cabraal
L N De S Wijeyeratne

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

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

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

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

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

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

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

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

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

KELANI VALLEY PLANTATIONS PLC
400, Deans Road, Colombo 10, Sri Lanka.
www.kvpl.com