Kegalle Plantations PLC

Annual Report 2019 / 2020

VISION

- To seek excellence in all our pursuits.

MISSION

- To achieve excellence in the management of plantations by optimum utilization of resources.
- To enhance the quality of life of our employees and the neighboring villagers.
- To assure our shareholders optimum returns and to be an exemplary corporate citizen.

OBJECTIVES

- We will endeavour to be the most technologically advanced producer of agricultural products and their value-added forms, by means of innovations and inventions through Research and Development.
- We seek to be acknowledged in Sri Lanka and Overseas as a Producer and Supplier of quality agricultural products and their derivatives through superior customer services.
- We will be a model employer in the plantation sector committed to achieve Leadership in every sphere of business activity.
- We will provide our employee with the necessary training to enhance their skills and enable them to be a part of a highly motivated and dedicated workforce.
- We seek to provide our shareholders with the maximum return on investment.
- We intend to ensure continued liquidity and growth of the Company.

COMPANY PROFILE

The Government of Sri Lanka, as part of its restructuring plan for the Plantation Industry, decided to privatize this sector and in June 1992, incorporated 22 Regional Plantation Companies. The Government then assigned these Companies, Estates that had been previously vested with the Government and managed by JEDB/SLSPC on a 53 years lease. Separate Management Agents were also selected to manage each of these Companies.

Kegalle Plantations PLC (KPPLC) was one of such Company and it was allotted 21 Estates which in total have a land base around 10,000 ha in Kegalle, Kurunegala and Badulla Districts. Of this land base, around 5,200 ha are in Rubber, 1,400 ha under Tea and another 500 ha are in Coconut. The Company produces around 04 million kilos of Rubber and 02 million kilos of Tea inclusive of bought crop. It has employee strength of 5,016.

RPK Management Services (Pvt) Limited (RPK) was the Management Agent appointed by the Government and that was a 50:50 joint venture Company between Richard Pieris & Company PLC and John Keells Holdings PLC. During the latter part of 1995 the ownership of the Company faced some changes when the Government sold 20% of shares it held to the public and the majority stake of 50% to RPK Management Services (Pvt) Limited. At the same time period, Government gifted 10% of shares to over 8,000 eligible employees. In May 1997, the Government exited from the ownership of Kegalle Plantations PLC by selling the rest 19% of shares through the Colombo Stock Exchange (CSE).

However, the Government holds through the Secretary to the Treasury one share which is called Golden Share and it gives the Government the title “Golden Share Holder” of the Company.

The Golden Shareholder has some special rights than what is enjoyed by a normal Shareholder and these rights are incorporated in the Articles of Association of the Company. The prospectus offered to the public also contained these clauses. Some of the important clauses are given in this Annual report under “Shareholder & Investor Information”.

At the time RPK acquired 51% stake, it also invested Rs. 50 million in convertible debentures of KPPLC. In February 1998, these debentures were converted to 5 million Ordinary Shares of Rs. 10/- each, increasing the Share Capital of the Company to Rs. 250 million. In March 2004, RPK Management Services (Pvt) Limited became a fully owned subsidiary of Richard Pieris & Company PLC when Richard Pieris & Company PLC purchased the 50% stake in RPK from John Keells Holdings PLC. Consequent to the change in ownership, RPK was named as RPC Management Services (Pvt) Limited. During 2008 the ownership of the Company transferred to RPC Plantation Management Services (Pvt) Limited from RPC Management Services (Pvt) Limited. Currently RPC Plantation Management Services (Pvt) Limited holds 79.08% stake in KPPLC.

Kegalle Plantations PLC is the largest Rubber producer among Regional Plantation Companies accounting for 04 million kilos of average production per annum.

CONTENTS

ABOUT US

About the Report 2
Financial & Non-Financial Highlights 3
Chairman's Message 6
Statement of Value Added 9
Our Plantations 10
Board of Directors 12
Corporate Management Profile 14
Management Discussion & Analysis 15

GOVERNANCE REVIEW

Corporate Governance 25
Report of the Audit Committee 32
Report of the Remuneration Committee 33
Report of the Related Party Transactions Review Committee 34
Risk Management 35

FINANCIAL REPORTS

Financial Calendar 39
Annual Report of the Board of Directors 40
Statement of the Directors' Responsibility 44
Independent Auditors' Report 45
Statement of Profit or Loss 48
Statement of Comprehensive Income 48
Statement of Financial Position 49
Statement of Changes in Equity 50
Statement of Cash Flow 51
Notes to the Cash Flow Statement 52
Notes to the Financial Statements 52

SUPPLEMENTARY REPORTS

Shareholder & Investor Information 105
Ten Year Summary 108
Glossary 110
Corporate Information *Inner Back Cover...*

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https:/www.arpico.com/contents/kpl_financial_reports.php

ABOUT THE REPORT

This is the 27th annual report of Kegalle Plantations PLC which is presented for the year ended 31 March 2020. The report has mainly been prepared with the aim of providing the relevant financial and non-financial information related to the ended year so as to facilitate the understanding and decision making of stakeholders of the Company. Due to the inherent nature of the plantation industry, the Company has to experience a wide range of economic, environmental, social and other challenges and the operations of the Company were carried out in spite of these challenges. Accordingly, this report is intended to reflect how the Company managed its operations in spite of these challenges and what the Company achieved during the year and what consequences emerged on the society due to the operations of the Company.

The Financial Statements contained in the report have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) to comply with the Companies Act No. 07 of 2007, the continuing listing requirements of the Colombo Stock Exchange and other applicable regulatory requirements. The fairness of the Financial Statements of the Company for the year ended 31 March 2020 has been assured through external independent assurance of the auditor, Messrs. Ernst & Young, Chartered Accountants.

We hope that you will find this report as a basis for the informed decision making and other useful purposes. Please direct all your compliments or criticisms on our annual report.

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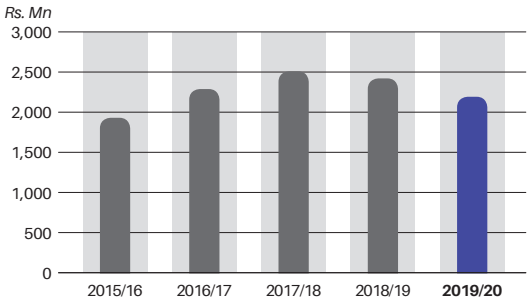
Nawinna,
Maharagama, Sri Lanka.
kpl.rpk@arpico.com
Tel: (94) 11 4310500

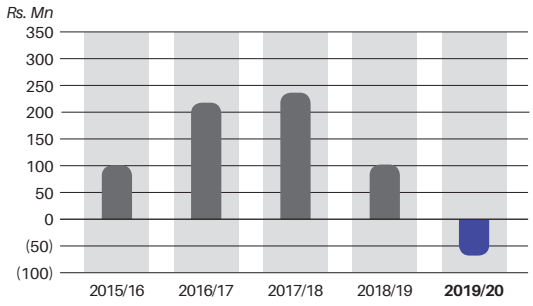
FINANCIAL & NON-FINANCIAL HIGHLIGHTS

Key Facts and Figures as at 31 March 2020

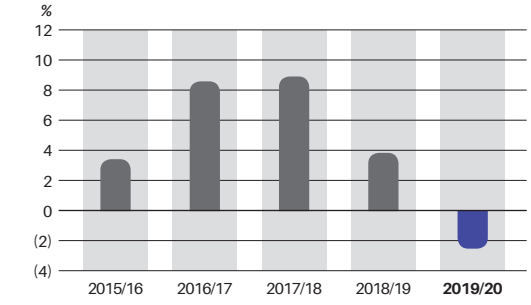
Turnover (Rs. Mn)



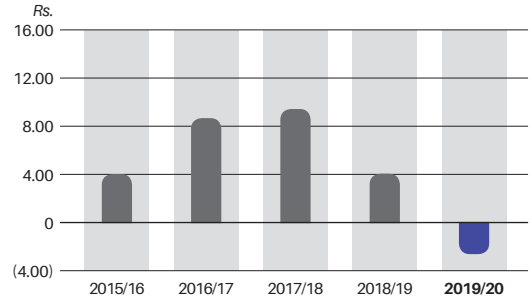
Profit After Tax (Rs. Mn)



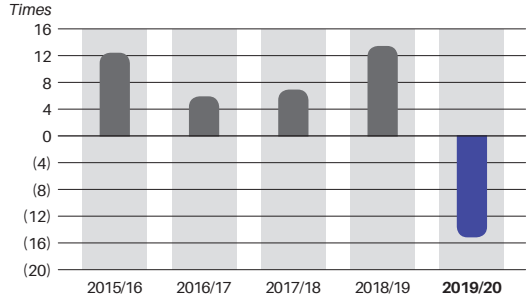
Return on Average Equity (%)



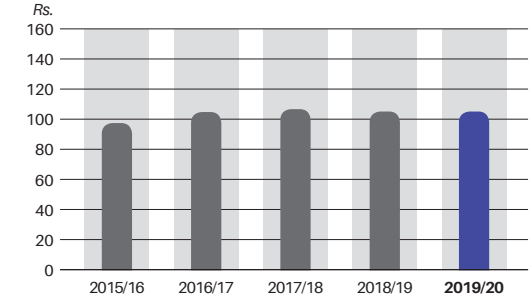
Earnings/(Loss) per Share (Rs.)



Price Earnings Ratio (Times)

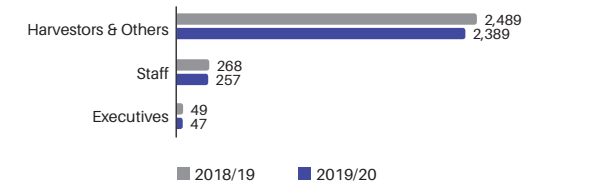


Net Assets per Share (Rs.)

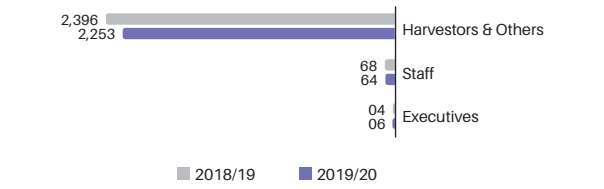


Employee Strength

Male Workforce



Female Workforce



FINANCIAL & NON-FINANCIAL HIGHLIGHTS

	Rubber	Tea	Coconut
No of Estates 17	Kegalle - 09 Kurunegala - 02 11	Uva High - 04 Western Medium - 01 Low Grown - 01 06	Rubber cum Coconut 07 Rubber, Tea cum Coconut 01
Land Extent 9,757 ha	7,042 ha 72%	2,279 ha 23%	436 ha 04%
Productivity			
Land (Yield)	913 kg/ha	766 kg/ha	1,318 nuts/ha
Labour (Intake)	6.64 kg	23 kg	
Production Volume	3,666 kg '000	1,784 kg '000	1,318 nuts '000

Exports
Direct - 176 kg '000
Indirect - 1,885 kg '000

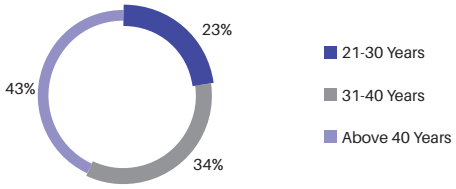
Accreditation FSC

5.5 Bn	3.9 Bn	2.2 Bn	1.0 Bn
Total Assets	Capital Employed	Turnover	Market Capitalization

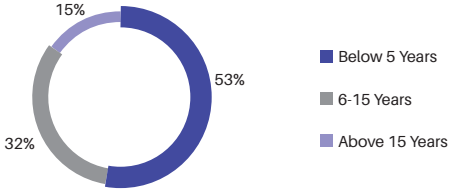
Year Ended 31 March		2019/20	2018/19	Variance
		Rs.'000	Rs.'000	%
Operating Results				
Turnover		2,185,536	2,421,797	-10%
Operating profit		46,484	196,773	-76%
Profit before interest and tax		107,552	385,673	-72%
Profit after tax		(67,003)	102,038	-166%
Gross dividend paid		-	125,000	-100%
Capital expenditure		266,859	282,753	-6%
Financial Position - as at 31 March				
Fixed assets		4,157,933	3,754,398	11%
Current assets		1,387,012	3,449,045	-60%
Total assets		5,544,945	7,203,443	-23%
Current liabilities		1,464,213	2,965,962	-51%
Shareholders' funds		2,626,892	2,619,084	0.3%
Stated capital		250,000	250,000	0%
Capital employed		3,889,369	5,750,173	-32%
Shareholder Information				
Earnings/(Loss) per share	Rs.	(2.68)	4.08	-166%
Net assets per share	Rs.	105.08	104.76	0.3%
Dividend per share	Rs.	-	5.00	-100%
Market price per share	Rs.	40.80	55.00	-26%
Return on capital employed	%	2.77%	6.71%	-59%
Market capitalization	Rs.'000	1,020,000	1,375,000	-26%
Return on average equity	%	-2.55%	3.86%	-166%

Workforce Analysis

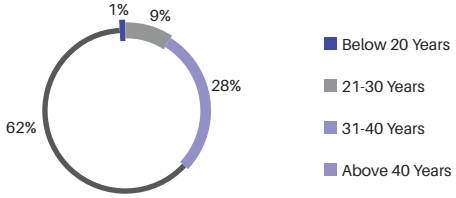
Age Analysis - Executives



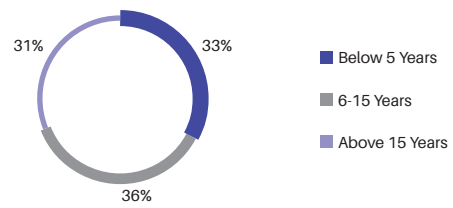
Service Analysis - Executives



Age Analysis - Staff & Workers



Service Analysis - Staff & Workers



CHAIRMAN'S MESSAGE

Dear Shareholders,

As the Chairman of Kegalle Plantations PLC (KPPLC), it is indeed my great privilege to present the 27th consecutive Annual Report, as well as the Audited Financial Statements of Kegalle Plantations PLC for the financial year ended 31st March 2020.

The year under review was one of the most challenging ones for your Company, with many macro and micro-economic factors affecting the Company's performance and bottom line. The financial year was flanked by two unprecedented and disruptive events; the national lockdown imposed in mitigating the spread of COVID-19 and the Easter Sunday attacks in April of 2019 impacted livelihoods, societal engagements whilst severely disrupting economic and commercial activities.

Macroeconomic and Social Context

Although it is rather dismal, the reality must be grasped in better preparing ourselves for the immediate future. Nationally, our economy recorded a growth of 2.3 percent, a decrease from the 3.3 percent reported in 2018.

Contributing 57.4 percent to the nation's GDP, the Services sector maintained its position as the leading economic contributor; this was despite a decline to 2.3 percent from 4.6 percent in the growth of the sector in 2019.

Growth in the Industry sector increased in 2019, surpassing the 1.2 percent growth recorded in 2018 to 2.7 percent.

In comparison to the 6.5 percent growth recorded in 2018, in the Agricultural sector, 2019's growth was marked by a marginal increase of 0.6 percent. This mirrored the industry's performance due to the extreme weather conditions across the year and the substantial drop in subsectors including fishing, forestry, and growing of major crops such as rubber and tea.

Industry Review

Tea Sector

The tea industry continued on the same subdued momentum since 2017. The overall performance of the sector was impacted by several factors pertaining to supply and demand.

The industry was further struck by dry weather during the first half of 2019, followed by heavy rainfall from October-December.

Tea production in 2019 dropped 1.3 percent to 300.1 million kilograms. The reduction was a result of the drop in production of high grown tea by 3 percent to 63.1 million kilograms, followed by an increase in medium grown tea by a marginal 0.1 percent to 47.2 million kilograms whilst low grown tea also dropped by 1 percent to 189.9 million kilograms. Despite the said reductions, the quantity of tea traded at the Colombo Tea Auction (CTA) and the volume exported increased during 2019.

The average export price (FOB) of tea declined to USD 4.6 per kilogram, dropping by 9.1 percent from USD 5.1 per kilogram reported in 2018. In addition, a 6 percent decline was witnessed in the annual average price of the CTA, which plunged the price to Rs. 546.67 per kilogram from Rs. 581.58 per kilogram in 2018.

Rubber Sector

Production of rubber declined in 2019 by 9.5 percent to 74.8 million kilograms, adding to the downward trend witnessed in recent years. The reduced output is also the lowest yield to be reported from the rubber industry. Furthermore, the reduction also impacted the decline in the total volume of exported rubber to 13 million kilograms, indicating a drop of 7 percent during 2019.

All categories of natural rubber dropped in their respective outputs with sheet rubber production dropping by 9.5 percent to 37.4 million kilograms. However, production of crepe rubber declined only by a marginal 0.5 percent to 14.4 million kilograms. Other categories of rubber declined by 14.3 percent to 22.9 million kilograms and represented a 30 per cent share of the total production of rubber.

In terms of average prices at the Colombo Rubber Auction (CRA), the price for Ribbed Smoked Sheet No. 1 (RSS1) was noted as Rs. 288.51 per kilogram, alongside Rs. 302.32 per kilogram for latex crepe. This low price led to a shrink in profit margins and hampered tapping operations, as well as investments by producers.

Coconut Sector

Denoting a positive and optimistic outlook for the industry, the total harvest of coconuts was estimated at 3,086 million nuts in 2019. This is an increase of 17.6 per cent in comparison to the previous year and was believed to be a result of the even distribution of favourable rain across the year, especially within the regions most populated by coconut cultivation, such as the coconut triangle.

This increase in harvested nuts had a clear impact in expanding the market for value added coconut-based products. Considered as major value-added products, diversifications such as coconut cream, coconut milk powder and coconut milk recorded an increase of 5.8 per cent in their collective export volume in 2019.

Nevertheless, the increase in supply resulted in relatively lower prices at the Colombo Coconut Auctions (CCA) when compared with the previous year. The average auction price of Rs. 45.55 per nut 2018, decreased to Rs. 27.55 per nut in 2019.

Financial Performance of Operational Segments

Production volumes of the Company's operational segments declined in line with the drop in industry outputs. Tea production declined by around 100,000 kilograms and resulted in a volume of 1.8 million kilograms during the period under review; this is a 7 percent reduction over the previous year. In a similar manner, production of rubber contracted by 10 percent to 3.67 million kilograms from 4.08 million kilograms achieved in the past financial period. However, KPPLC's production of coconuts increased by 2 percent to 1.32 million in 2019/20.

Reflecting the drop-in production and a less than desired average price at the CTA, revenue from KPPLC's tea-based operations decreased to Rs. 878 million from Rs. 960 million gained in 2018/19; this is measured as a 9 percent reduction that occurred over the 12 months period.

Rising cost of production and a decreased NSA influenced the contraction of the profit margin. The reduction in prices at the CTA (Colombo Tea Auction) impacted the NSA of tea, which declined by 7 percent from Rs. 510.49 to Rs. 475.79 per kilogram in the year under review.

Revenue from Rubber contracted by 7 percent to Rs. 1.13 billion from Rs. 1.21 billion reported in the previous financial year. The drop-in revenue is despite a rise in the NSA to Rs. 320.98 from Rs. 293.36 per kilogram. Consequently, there was a 7 percent reversal of the gross loss reported in 2018/19 – showing some positive momentum towards improved financial performance.

Despite an increased production in coconuts, the revenue from the segment declined by 19 percent from Rs. 52 million to Rs. 42 million in the year under review. This is also a direct result of the decrease in the NSA by 28 per cent to Rs. 31.03 from Rs. 43 per nut in 2018/19. In line with the revenue decline, gross profit from the coconut plantation dropped to Rs. 14 million from Rs. 26 million marking a 46 percent reduction.

Overall Financial Performance of KPPLC

The combined revenue of the Company reflected the decrease in revenue of each segment for the year ended 31st March 2020. KPPLC achieved total revenue of Rs. 2.19 billion in 2019/20, dropping 10 per cent below Rs. 2.42 billion achieved in the previous financial year.

Reflecting the drop in segmental revenue, KPPLC registered an after tax loss of Rs. 67 million, reduced by 166 percent when compared to the previous year's profit after tax of Rs. 102 million.

CHAIRMAN'S MESSAGE

During the year under review, KPPLC's investments included a capital expenditure of Rs. 267 million. From the total investment Rs. 263 million was allocated for field development whilst Rs. 175 and Rs. 03 million was incurred on out-of-field development for Rubber and Tea, respectively.

KPPLC's total assets stood at Rs. 5.54 billion in 2019/20 with Rs. 2.63 billion in Shareholders' Funds.

Outlook for the Future

With the increasing focus by the Sri Lankan Government in uplifting the agricultural sector, there is significant potential and prospects for developing value added products as well as in broadening market demand for agricultural commodities. Attention must also be directed towards enhancing farmers' entrepreneurial skills in order to ensure higher income levels for those whose livelihood depends on agriculture and related activities.

The present archaic attendance based wage structure is highly influenced by the Plantation Labour Unions. As a result, over the past 3 decades, wages of the workers increased without having a direct relationship to the productivity of the workers.. Today the impact of such increases have severely affected the viability of plantation industry and the plantation companies are now contemplating to revise the structure to a productivity based structure.

Increasing Productivity

KPPLC has set its sights in increasing the yield of tea, which will be procured in the ensuing year. This comes alongside the expectation of enhancing the output of rubber, as well as the production of coconuts in 2020/21.

We are also adding value to our existing crop portfolio by investing in oil palm and minor crops such as cocoa, vanilla, pine-apple and pepper – as sources of value addition to the Company's total offering.

Appreciation

As the Chairman of KPPLC, my gratitude is conveyed to the Board of Directors and the entire management team. We are yet to surpass a challenging period and I expect your complete support in improving our performance within the next financial year.

I am also thankful to all of KPPLC's employees, suppliers, customers and business partners. Your hard work and assistance, as well as continued relationship with KPPLC continue to be our strength in remaining stable within the market.

I also extend my appreciation to our Shareholders, for your sustained confidence in the KPPLC brand and in our capabilities as one of the leading Regional Plantation Companies in the Country.

Dr. Sena Yaddehige
Chairman

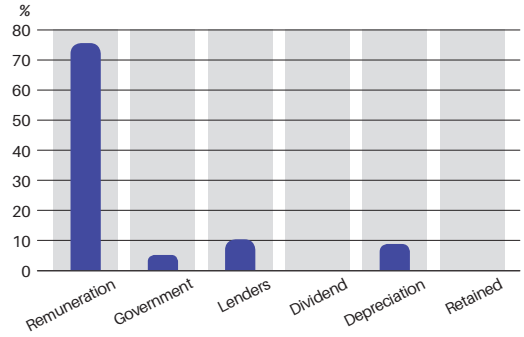
28 September 2020
Colombo

STATEMENT OF VALUE ADDED

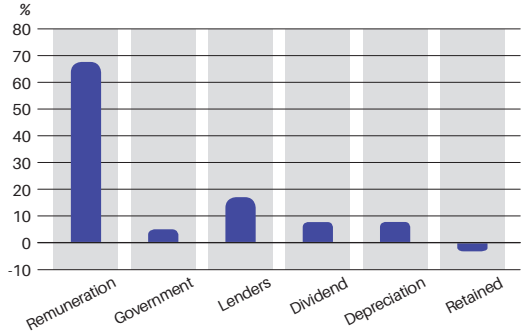
Rupees in millions			
Value Added	*2019/20*		*2018/19*
Turnover	2,186		2,422
Other income	197		353
	2,382		2,774
Cost of material & services	(807)		(1,082)
Value added	1,575		1,692

Distribution of Value Added	*2019/20*	*%*	*2018/19*	*%*
To employees as remuneration	1,193	76%	1,132	67%
To government as taxes and lease rent	75	5%	76	4%
To lenders of capital as interest	163	10%	281	17%
To shareholders as dividend	-	0%	125	7%
Retained in the business as;				
Provision for depreciation	138	9%	128	8%
Profit retained / (utilized)	6	0.4%	(50)	-3%
	1,575	100%	1,692	100%

Distribution of Value 2019/20

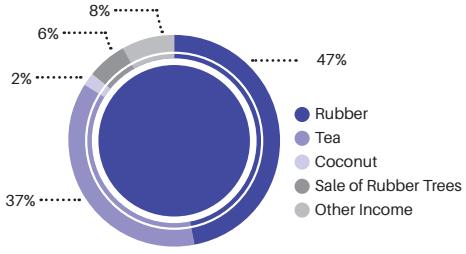


Distribution of Value 2018/19



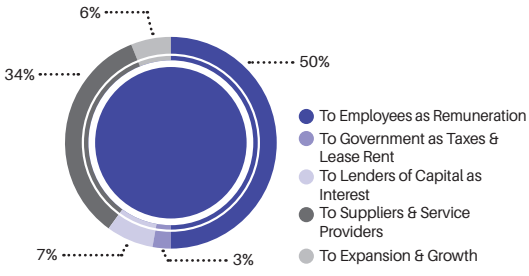
Sources and Utilisation of Income (Rupees in millions)				
Sources of Income	*2019/20*	*%*	*2018/19*	*%*
Rubber	1,128	47%	1,206	43%
Tea	878	37%	960	35%
Coconut	42	2%	52	2%
Other crops	1	0%	1	0%
Sale of rubber trees	137	6%	203	7%
Other income	197	8%	353	13%
	2,382	100%	2,774	100%

Sources of Income 2019/20



Utilization of Income	*2019/20*	*%*	*2018/19*	*%*
To employees as remuneration	1,193	50%	1,132	41%
To government as taxes & lease rent	75	3%	76	3%
To lenders of capital as interest	163	7%	281	10%
To suppliers & service providers	807	34%	1,082	39%
To shareholders as dividend	-	0%	125	5%
To expansion & growth	144	6%	78	3%
	2,382	100%	2,774	100%

Utilization of Income 2019/20



OUR PLANTATIONS

Our Estates

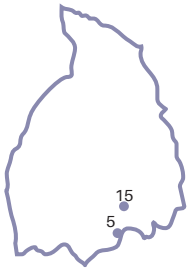
Estate Name	Planting District	Location	Cultivated Area (Hectares)					Total Area (Hectares)	Elevation (Metres)	Production - kg/nut '000			No of Buildings		
			Rubber	Tea	Coconut	Others	Total			Rubber	Tea	Coconut	Factory	Other Buildings	Total
1. Allagolla	Badulla	Udapussellawa	-	180.18	-	34.21	214.39	243.75	1311	-	137	-	1	370	371
2. Ambadeniya	Kegalle	Aranayake	359.57	-	14.39	80.97	454.93	583.25	244-355	234	-	46	-	390	390
3. Atale	Kegalle	Atale	888.50	-	28.66	37.97	955.13	1,150.36	119-154	347	-	108	1	401	402
4. Doteloya	Kegalle	Dolosbage	-	183.78	-	249.97	433.75	572.64	825-955	-	340	-	1	245	246
5. Eadella	Kurunegala	Polgahawela	285.21	-	325.01	63.89	674.11	801.79	91-122	192	-	926	-	178	178
6. Etana	Kegalle	Warakapola	361.50	-	1.82	10.11	373.43	483.26	76-244	249	-	3	1	180	181
7. Gampaha	Badulla	Udapussellawa	-	215.52	-	60.13	275.65	348.99	1538	-	203	-	1	468	469
8. Hathbawa	Kegalle	Rambukkana	226.69	-	-	28.62	255.31	477.79	122-244	166	-	-	-	167	167
9. Higgoda	Kegalle	Undugoda	217.36	-	-	5.09	222.45	302.23	146-411	165	-	-	-	58	58
10. Kirklees	Badulla	Udapussellawa	-	245.66	-	99.96	345.62	480.70	1446	-	339	-	1	561	562
11. Luckyland	Badulla	Udapussellawa	-	382.67	-	61.18	443.85	488.75	1500	-	346	-	1	613	614
12. Madeniya	Kegalle	Warakapola	245.07	-	-	193.35	438.42	551.92	80-229	149	-	-	-	220	220
13. Pallegama	Kegalle	Niyadurupola	532.13	-	1.88	144.16	678.17	863.91	90-200	232	-	6	1	293	294
14. Parambe	Kegalle	Undugoda	491.62	27.58	-	38.56	557.76	795.41	122-274	317	21	-	1	393	394
15. Udapola	Kurunegala	Polgahawela	309.80	-	24.97	57.57	392.34	577.78	107-195	166	-	121	-	234	234
16. Weniwella	Kegalle	Alawwa	381.03	-	13.19	138.01	532.23	709.90	152-183	170	-	16	-	324	324
17. Yataderiya	Kegalle	Undugoda	131.10	116.26	25.90	2.35	275.61	324.30	244-290	90	399	93	1	338	339
18. Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-	1,189	-	-	2	24	26
			4,429.58	**1,351.65**	**435.82**	**1,306.10**	**7,523.15**	**9,756.73**		**3,666**	**1,784**	**1,318**	**12**	**5,457**	**5,469**

Estate Name	Factory Details			Certifications *						Workforce			
	Crop Manufactured	Factory Type	Rated Kg '000/p.a.	1	2	3	4	5	6	No. of Executives	No. of Staff	No. of Harvestors & Others	Total
Allagolla	-	-	-	-	-	-	-	√	-	1	14	198	213
Ambadeniya	-	-	-	-	√	-	-	-	-	2	18	253	273
Atale	Rubber	Sole Crepe	950	√	-	-	-	-	√	3	26	370	399
Doteloya	Tea	Leafy/Orthodox	1,394	-	-	√	-	√	-	3	14	301	318
Eadella	-	-	-	-	√	-	-	-	-	2	18	270	290
Etana	Rubber	Scrap	228	-	√	-	-	-	-	1	15	253	269
Gampaha	Tea	Leafy/Orthodox	929	-	-	√	-	√	-	2	19	284	305
Hathbawa	-	-	-	-	-	-	-	-	-	1	13	144	158
Higgoda	-	-	-	-	-	-	-	-	-	1	9	161	171
Kirklees	Tea	Rotorvane	1,239	-	-	√	√	√	-	2	20	301	323
Luckyland	Tea	Rotorvane	1,355	-	-	√	√	√	-	3	30	445	478
Madeniya	-	-	-	-	√	-	-	-	-	1	10	187	198
Pallegama	Rubber	Sole Crepe	800	√	-	-	-	-	√	3	24	343	370
Parambe	Rubber	Crepe	636	√	-	-	-	-	-	2	21	340	363
Udapola	-	-	-	-	√	-	-	-	-	2	14	190	206
Weniwella	-	-	-	-	√	-	-	-	-	2	14	201	217
Yataderiya	Tea	Leafy/Orthodox	1,239	-	-	√	-	√	-	2	21	350	373
Udapola CLP	Rubber	Centrifuged Latex	5,000	√	√	-	-	-	-	6	12	51	69
										39	**312**	**4,642**	**4,993**

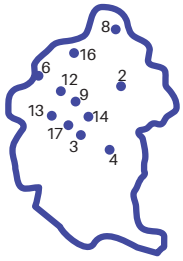
*** Certifications**

1. ISO 9001 : 2015 System Certification - Rubber
2. EU & USDA-NOP Certification - Organic Rubber
3. ISO 22000 : 2005 System Certification - Tea
4. Ethical Tea Partnership Certification
5. Rainforest Alliance Certification - Tea
6. Forest Stewardship Council Certification

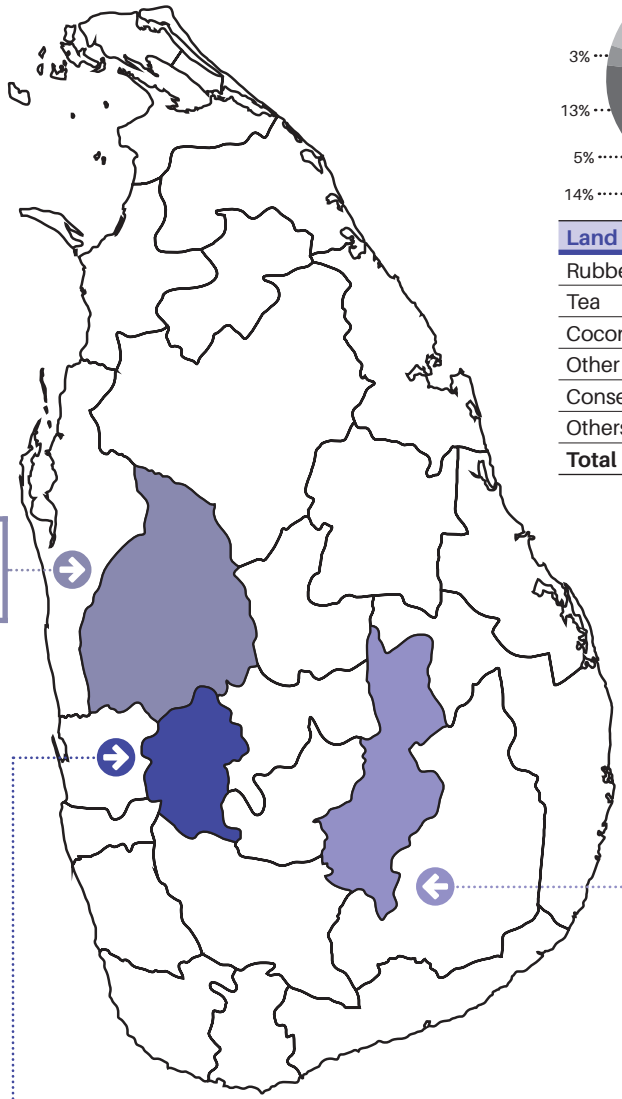
OUR ESTATES - LOCATIONS

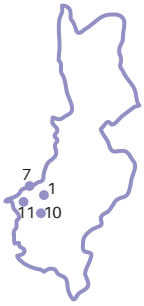


Kurunegala District
1,379.57 ha



Kegalle District
6,814.97 ha

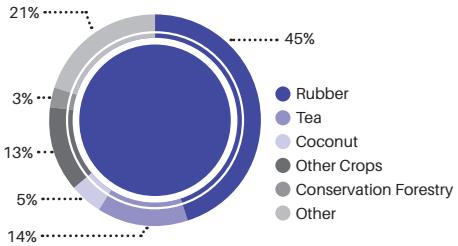




Badulla District
1,562.19 ha

Total
9,756.73 ha

Our Estates - Land Base / Utilisation 2019/20



Land Base	2019/20	2018/19
Rubber	4,430	4,110
Tea	1,352	1,334
Coconut	436	436
Other Crops	1,306	1,278
Conservation Forestry	306	170
Others	1,927	2,429
Total	**9,757**	**9,757**

BOARD OF DIRECTORS

1 Dr. Sena Yaddehige
Chairman

Dr. Sena Yaddehige is a Sri Lankan born British Scientist / Engineer and a Swiss based industrialist. Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, and over 50 Companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

Dr. Yaddehige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, drive by wire systems and made numerous inventions in radiation processing for which he holds worldwide patents. In addition, he also holds the patent for slow release fertilizer in Sri Lanka.

He is a Founder, Chairman and Director of numerous Companies in Sri Lanka, USA, Japan, UK, Germany, Switzerland, Singapore, India and Bangladesh. He is also the founding Managing Director of a European Company, which manufactures and exports automotive components and systems, developed based on his own innovations, to Europe, Japan, China and the United States. Dr. Yaddehige was instrumental in developing the Iwata Dream brand in Japan and the Lithium Battery development unit in Sri Lanka.

Dr Yaddehige has been conferred three Doctorates. He's conferred with Doctor of Science (D.Sc.) in consideration of his original research work in the fields of Radiation, Radiation processing, Electromechanical Sensor technology, non contact Sensor technology and automotive pedal systems along with numerous patents in the above fields.

2 Prof. R C W M R A Nugawela
Director

Prof. Nugawela joined the Rubber Research Institute in the capacity of an Assistant Botanist in 1980. He was awarded a Colombo Plan Scholarship in 1981 to read for his Master's Degree and in 1982 he successfully completed it in the field of Applied Plant Sciences at the University of London. He has extensive experience over 30 years in the capacities of a Botanist, Head of Plant Science Department, Deputy Director Research (Biology) and as a Director in Rubber Research Institute. In January 2011, Prof. Nugawela resigned from the post of Director of Rubber Research Institute to assume duties as Chair Professor, Department of Plantation Management, Wayamba University of Sri Lanka.

In 1985 he was offered a scholarship by the Food and Agricultural Organization of the United Nations to obtain his professional qualifications. For his research work on Plant Physiology and Bio Productivity in Hevea brasiliensis (the natural rubber plant) he was awarded a PhD from the University of Essex, UK in 1989.

His thrust areas of research and development were on nursery and planting practices, exploitation, use of yield stimulants and rain guards. He has more than 130 publications in both local and foreign research journals and has addressed many local and international conferences on natural rubber.

He has won a National Science and Technology Award in 2009 for his Research and Development work. Further in 2012 he has won a Presidential Award for inventions in the category of environment and in 2016 a Presidential Award for inventions in the category of applied sciences and technology. He has also been awarded with Presidential Awards for his research publications in reputed international journals.

Prof. Nugawela was appointed to the Board of Kegalle Plantations PLC with effect from 26 May 2008.

3 Dr. S S B D G Jayawardena
Director

Dr. S S B D G Jayawardena obtained his B.Sc. Degree on Agriculture with Honours from University of Ceylon. His M.Sc. is on Agronomy was obtained in Kyoto, and his Ph.D. on Agronomy & Physiology from University of Kyoto.

Dr. Jayawardena has served the Department of Agriculture over 03 decades and retired as the Director General of the Department of Agriculture. After retirement he has served the plantation sector as Director of Tea Research Institute, Chairman of Tea Research Board, Chairman of Coconut Research Board and advisor to the Minister of Plantation Industries. He has represented the Tea Research Institute at the Governing Boards of Tea Board and Tea Small Holder Authority. He has also served as a member of many task forces appointed by the government of Sri Lanka and served as member of the National Salaries & Cadre Commission from 2006 to 2019 April.

In addition to the above, Dr. Jayawardena was the FAO Consultant to the Consultative Group in International Agriculture Research and has served as a FAO Consultant in Bio-diversity and JICA Consultant to the Government of Ghana on Horticulture Sector Development. Dr. Jayawardena served as the Chairman of the Council for Agricultural Research Policy from 2015 to 2019 April, he continues to function as a member of the Steering Committee on the Agriculture Sector Modernization Project under the World Bank and member of the Pesticide Technical Committee under the Ministry of Agriculture.

He has over 50 years professional experience covering agricultural research and development activities, human resource development, development of foreign funded projects, direct involvement in food security and poverty, alleviation programs of the Country. He has represented the Ministry of Agriculture at the Annual Meetings of FAO on Food Security and the Global Economic Forum on Agriculture.

In 2010, Dr. Jayawardena was appointed as a Director to the Board of Directors of Kegalle Plantations PLC.

4 Mr. Shaminda Yaddehige
Director

Mr. Shaminda Yaddehige is a Non-Executive Director of the Company.

Mr. Yaddehige was educated at Charter House, United Kingdom and graduated in Chemical Engineering from University College London. In addition, he also possesses a Masters Degree in Business Administration from IE Business School which is ranked amongst the top 10 business schools in the World.

Mr. Yaddehige worked as a Management Consultant at Price Waterhouse Coopers, United Kingdom and also at world renowned international ultra high net worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in international marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige is in the Directorate of Richard Pieris & Company PLC as an Executive Director/Chief Operating Officer of the Company and also in the Directorates of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.

5 Mr. Sunil Liyanage
Director

Mr. Sunil Liyanage is a Fellow of the Plastics and Rubber Institute of Sri Lanka (FPRI) and holds a Diploma in Polymer Technology (Singapore), the Diploma of the Plastics Institute (LOND.) and a Licentiate of the Institute of Rubber Industry (LOND.).

He has over 40 years of management experience in the field of Rubber and Plastics. He is a past Chairman of the Ceylon National Chamber of Industries (CNCI) and a past President of the Plastics and Rubber Institute of Sri Lanka (PRISL). Mr. Liyanage is also a visionary business leader, who has been instrumental in launching many innovative products in Polymer category and has the honour of being the first person to commercialize flexible Polyurethane Foam in this Country in the form of Mattresses, Cushions and Sheets.

He is a Director of Richard Pieris Distributors Limited, Richard Pieris Exports PLC, Arpico Interiors [Pvt] Limited and numerous other Companies in the Group.

Mr. Liyanage has been appointed to the board of Kegalle Plantations with effect from 15 August 2018.

CORPORATE MANAGEMENT PROFILE

HEAD OFFICE

Board of Directors

Dr. Sena Yaddehige, Chairman
Prof. R C W M R A Nugawela, Director
Dr. S S B D G Jayawardena, Director
Mr. Shaminda Yaddehige, Director
Mr. S S G Liyanage, Director

Corporate Management

Sriyan Eriyagama, Chief Executive Officer - *(Resigned w.e.f 30 June 2020)*
Kamal Punchihewa, Chief Financial Officer
I S Doranegama, Director Operations
R R Wijekoon, Deputy General Manager

Head Office Management

T I Kodithuwakku, Senior Accountant
S C Bandaranayake, Engineer
L P Tennakoon, Manager - Plantations
R M S S Herath, Manager - Information Systems
J A S Fernando, Assistant Manager
L G Madhusankha, Assistant Accountant
W A C S Pushpakumara, Management Trainee
N H S K Munasinghe (Mrs.), Accounts Executive
Harshani Madhumadhavi (Miss.), Accounts Executive
Chandima Niroshani (Mrs.), Executive - Operations
R M S S B Ratnayake, Executive
Roy Elan, Executive
Hansika Premachandra (Miss.), Executive

ESTATES

Estate Name	Name of the Superintendent	Name of the Assistant Superintendent/s & Other Executives
Allagolla Estate, Udapussellawa	H M L C Warakaulle	-
Ambadeniya Estate, Aranayake	B P S M Cooray	DSP Wimaladasa
Atale Estate, Atale	B M J A Moonamale	N R B Senaratne / J A D K I Jayasinghe
Doteloya Estate, Dolosbage	V S Athauda	A D Amarasinghe / T K G K Sarath Kumara
Eadella Estate, Polgahawela	S D Munasinghe	S A S Gunasekera
Etana Estate, Warakapola	N A M O M Navaratne	-
Gampaha Estate, Udapussellawa	B P D Mahesh	W C N De Silva
Hathbawe Estate, Rambukkana	H S B Aluvihare	-
Higgoda Estate, Undugoda	M R Vaidyakularatne	-
Kirklees Estate, Udapussellawa	C A Jayaratne	D M A B Dewagiri
Luckyland Estate, Udapussellawa	S R Aluwihare	H M I T Gunarathne / J S B Etipola
Madeniya Estate, Warakapola	J R Amunupura	-
Pallegama Estate, Niyadurupola	S A A P Jayatilake	Y L R S Leelawansa / T M N D B Thennakoon
Parambe Estate, Undugoda	M W Liyanasekera	D S R Jayasinghe
Udapola Estate, Polgahawela	A C S Munaweera	A A M D V Mediwake
Weniwella Estate, Alawwa	D V M de Runn	S K A Hasaranga
Yataderiya Estate, Undugoda	Vinoda de Silva	D W K K Seneviratne
Centrifuged Latex Project, Udapola Estate, Polgahawela	A C S Munaweera	P M Mudannayaka - Assistant Superintendent S A J Bandara – Quality Control Officer M T S Krishantha – Senior Technical Assistant K R S D Wijethilake – Technical Assistant I M P D Illankoon – Technical Assistant C S Rathnayake – Junior Factory Executive

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL & FINANCIAL REVIEW

Economy & Agricultural Sector

In 2019, the world economy expanded at its slowest pace since the global financial crisis. The downturn Wages more inline with the downward trend in virtually all the major economies. The impact of COVID -19 pandemic has had an additional negative impact on the activities in the first half of 2020 than anticipated, and the recovery is projected to be slower than previous forecast. The COVID-19 pandemic is inflicting high and rising human costs worldwide. As a result of the pandemic, the global economy is projected to contract sharply by -3 percent in 2020, much worse than during the 2008/09 financial crisis.

With sluggish GDP growth of around 03 per cent and high outflows on foreign debt settlement, the overall positioning of the economy in 2019 was weaker than expected. The growth of the Sri Lankan economy further moderated to 2.3 per cent in 2019, compared with the growth of 3.3 per cent in 2018, amidst the challenging domestic environment, particularly following the Easter Sunday attack, which slowed down the growth reverberating adversely across most of the key economic activities.

Country's per capita GDP in US dollar terms was US dollars 3,852 in 2019, in comparison to US dollars 4,079 in 2018, registering a decrease of 5.5 per cent, compared to the marginal increase of 0.05 per cent shown in 2018, due to the slower growth of GDP at current prices 2019, as well as the depreciation of the domestic currency against the US dollar, on YOY basis.

Measures to promote the rubber industry continued with the aim of increasing national rubber production to 200,000 metric tons by the year 2040. Productivity improvements and expansion of rubber cultivation to non-traditional areas were the main strategies implemented in 2019. The Rubber Research Institute (RRI) continued its activities by addressing the requirements of the growers and rubber related product manufacturing industries.

The strategies that were inticted by the government for the development of the tea sector continued in 2019 aiming at improving sectorial productivity as well as the value addition and competitiveness of tea produced in Sri Lanka. Meanwhile, the Sri Lanka Tea Board (SLTB) continued its global tea promotion and marketing activities in 2019. In addition, the government took measures to amend tea regulations in 2019. Accordingly, the Tea Research Board Act was amended in June 2019, and actions are being taken to amend the regulations including the Sri Lanka Tea Board Act, Tea Control Act and Tea Small Holding Development Act. A new system was initiated to register coconut lands through a mobile application. Meanwhile, the Coconut Research Institute (CRI) continued its research and development activities towards the development of the coconut sector. Accordingly, productivity improvements through adaptation to climate change was given a high priority.

Employment and Wages

In early 2019, workers in the plantation sector initiated a strike demanding a minimum daily wage of Rs. 1,000 and consequently the basic daily wage was increased to Rs. 700 from Rs. 500. However, due to removal of the Attendance and Productivity incentives from the wage formula, based on productivity and attendance the corresponding increase in gross daily wage was only Rs. 20. Nominal wages in all three sub-sectors, namely, agriculture, industry and services increased by 9.0 per cent, 5.4 per cent and 5.7 per cent, respectively, during the period under review.

Weather Conditions

According to the Global Climate Risk Index - 2020, Sri Lanka was ranked 6th most affected country by weather-related hazards such as floods, heat waves, storms and landslides occurred in 2018. In addition, the recent experiences of erratic weather patterns and resultant natural disasters, such as droughts and floods, imposed of additional restrictions on agricultural activities. These trends emphasize the importance of improving productivity and efficient resource usage in the agriculture sector through innovative technologies.

SECTOR REVIEW

The Agriculture Sector recorded a modest growth of 0.6 per cent in 2019, compared to the growth of 6.5 per cent in 2018, owing to the considerable decline in key activities including fishing, forestry and growing of major crops such as rubber and tea. The industry sector performance somewhat improved in 2019, recording a growth of 2.7 per cent during the year, compared to the growth of 1.2 per cent in 2018. Growth of the services sector halved to 2.3 per cent in 2019 compared to 2018, as the impact of the Easter Sunday attacks slowed activities in most of the sub-sectors. Reflecting the spillover effects of the Easter Sunday attacks and the general slowdown in economic activity, a deceleration was observed in growth of activities in several sub-sectors.

The financial year 2019/20 is another challenging year which severely affected by external environmental factors for the Kegalle Plantations PLC. Political uncertainty, Easter Sunday attacks, COVID-19 pandemic and unfavorable weather conditions prevailed during the year under review, exerted downward pressure on the operations of the Company as well as the national economy, therein resulted in wearker financial performances of KPPLC than anticipated. Accordingly, adverse impact of the external economic factors mostly affected the achievement of the objectives of the Company, during the year under review.

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY REVIEW

RUBBER

National Rubber production, which has shown a declining trend in recent years, further reduced by 9.5 per cent to 74.8 million kilos in 2019, reporting the lowest annual output in history. This decline was mainly driven by disruptions to tapping operations due to rainy weather conditions in the latter part of the year and abandonment of tapping operations by the small holders due to low remunerative prices.

Inline with the declining trend in the rubber industry, the Company's production of rubber also declined to Rs. 3.67 million kilos from Rs. 4.08 million kilos in 2018/19. Though the Company's operations in the rubber experienced a decline of 10 Per cent in production of rubber in 2019/20, financial performance of the rubber segment showed a recovering trend compared to the last year.

The national production of rubber keeps declining, mainly due to the poor prices which have continued over the past several years.

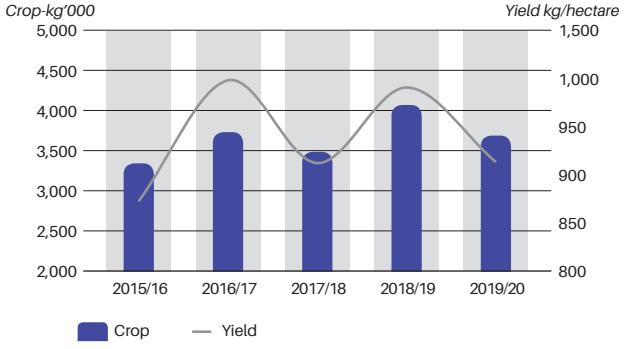
The cost of production of rubber increased by 2.4 per cent to Rs. 210.00 per kilo in 2019.

Average prices of Ribbed Smoked Sheet No. 1 (RSS1) and latex crepe were Rs. 288.51 per kilo and Rs. 302.32 per kilo, respectively, at the Colombo Rubber Auctions, resulting in lower profit margins, which discouraged tapping operations and further investments in rubber plantations by the producers.

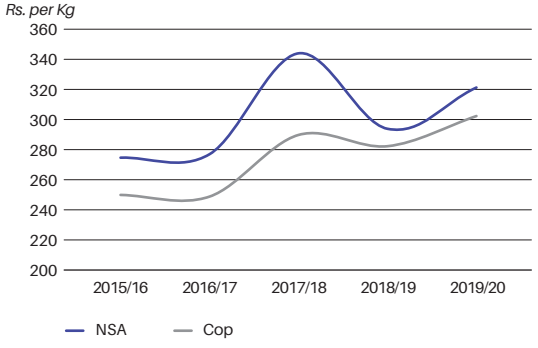
During the period under review, the Company revenue from rubber segment has decreased to Rs. 1.13 billion from Rs. 1.21 billion and it showed a 7 per cent reduction compared to the last year. Such a contraction was mainly driven by the 15 per cent decrease of sales quantity of the Company in 2019/20. On the other hand, cost of production (COP) showed an increase from Rs. 281.90 per kilo in 2018/19 to Rs. 302.12 per kilo in 2019/20 by 07 per cent.

Accordingly, the Company was recorded a gross loss of Rs. 37.9 million from rubber segment in 2019/20 compared with the gross loss of Rs. 40.6 million in 2018/19. Recovery from gross loss in the rubber segment was mainly driven by the increase in NSA at a faster rate than the COP which has resulted in a 65 per cent increase in profit margin from Rs.11.46 to Rs.18.86 between two financial years.

Crop Vs. Yield - Rubber



NSA Vs. COP - Rubber



TEA

The downward trend in national tea production observed since 2017, continued in 2019 as well, primarily due to domestic factors. The tea production in 2019 declined, owing to labour issues that emerged during wage negotiations in the sector, dry weather conditions that prevailed in the first half of the year as well as heavy rains. Thereafter despite the reduction of output, the quantity of tea traded at the Colombo auction as well as the value of exports increased in 2019. National tea production in 2019 declined by 1.3 per cent to 300.1 million kilos.

During the year under review, the Company's production of tea dropped by 7 per cent to 1.8 million kilos compared to 1.9 million in 2018/19. In-line with the decline in production of tea, the Company experienced a gross loss from the tea segment, same as the last year.

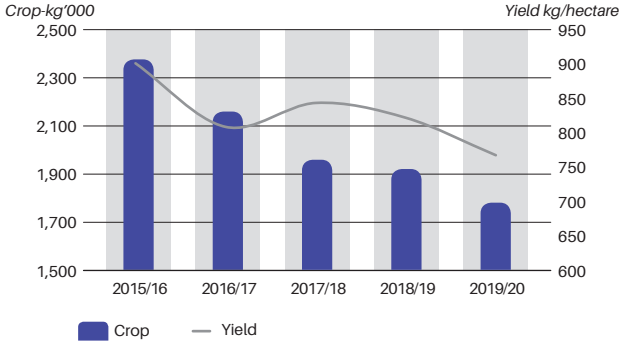
The average export price (FOB) of tea decreased by 9.1 per cent to US dollars 4.6 per kilo in 2019, compared to US dollars 5.1 per kilo recorded in 2018. The annual average price at the Colombo Tea Auction (CTA) declined by 6.0 per cent to Rs. 546.67 per kilo from Rs. 581.58 per kilo reported in 2018. The highest year on year decrease for tea prices at the CTA was observed for high grown tea (10.9 per cent), followed by medium grown tea (10.0 per cent) and low grown tea (3.6 per cent).

During the period under review, the Company revenue from tea segment has decreased to Rs. 878 million from Rs. 960 million in last year. It is a 09 per cent decrease and can be considered as a main reason behind the Company tea segmental loss.

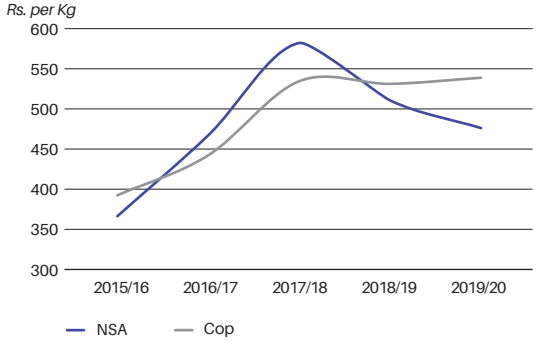
The escalation of gross loss was driven by the significant reduction of profit margin by 200 per cent, to Rs. -63.58 from Rs. -21.18 last year. Accordingly, the company recorded a gross loss of Rs. 150 million in 2019/20 against a gross loss of Rs. 76 million in the last year.

During the year under review, the Company NSA of tea segment has decline to Rs. 475.79 by 07 per cent compared to Rs. 510.49 in the last year. The decrease in NSA was mainly driven by the reduction of CTA prices during the period.

Crop Vs. Yield - Tea



NSA Vs. COP - Tea



MANAGEMENT DISCUSSION & ANALYSIS

COCONUT

The national Coconut production in 2019, at 3,085.6 million nuts, was an improvement of 17.6 per cent over the output in 2018. The increase in output is attributed to the lagged effect of favorable rainfall in 2018 reported in the areas coconut triangle and other coconut growing areas. In line with increased nut production, the production of major coconut based products also showed an improvement.

Financial results of the coconut Segment also experienced a downturn in the year under the review. The Company's production of coconuts has increased to 1.32 million nuts in comparison to 1.3 million nuts in 2018/19 which is a YOY increase of 2 per cent. Even-though Production of Coconut increased, the NSA of coconuts declined to Rs. 31.03 per nut from Rs. 43.00 in 2019/20 which is a reduction of 28 per cent.

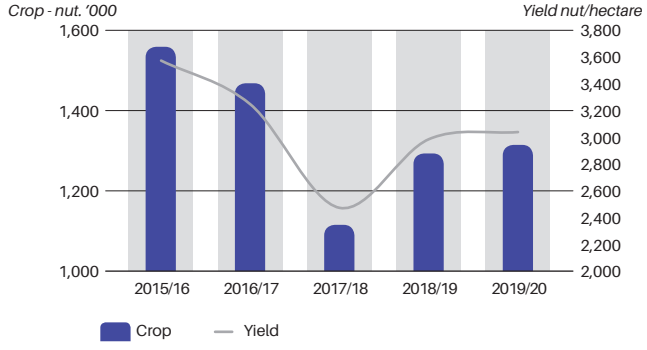
Coconut prices at the Colombo Coconut Auctions (CCA) remained low during 2019 compared with the previous year, due to increased supply. The average auction price of coconut at the CCA declined to Rs. 27.55 per nut in 2019 from Rs. 45.55 per nut in 2018. Meanwhile the average retail price of coconut in 2019 declined to Rs. 50.64 per nut by 27.4 per cent compared to the preceding year.

The average price of coconut oil decreased by 8.0 per cent to Rs. 260.16 per 750 ml bottle while the average local market price of desiccated coconut decreased to Rs. 251.03 per kilo in 2019 from Rs. 378.22 per kilo in 2018.

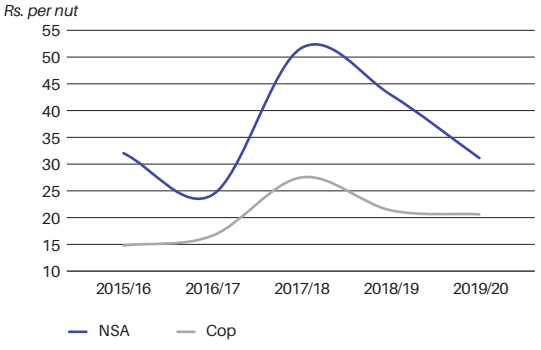
The KPPLC revenue from the coconut operation declined to Rs. 42 million in 2019/20 from Rs. 52 million last year and it is 19 per cent decrease between these two periods. Inline with the behavior of revenue, the gross profits of the coconut operation also declined to Rs. 14 million from Rs. 26 million which is 46 per cent reduction.

In addition to the reduction of revenue compared to the last year, the gross profit margin has also declined significantly during the current financial year. The Gross Profit margin which prevailed at Rs. 21.56 last year has decreased to Rs.10.38 during the current financial year. Then significant reduction of 52 Per cent has severly affected the declined financial performance of Coconut segment during the current financial period.

Crop Vs. Yield - Coconut



NSA Vs. COP - Coconut



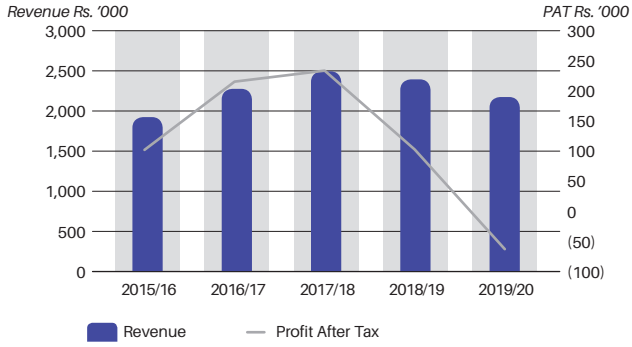
Operating Highlights

Despite of various global and local challenges, the Company was able to achieve combined revenue of Rs. 2.19 billion in 2019/20 a 10 Per cent decrease compared with the revenue of Rs. 2.42 billion in 2018/19. This is mainly driven by the decrease in the revenue from all the revenue sources including Rubber by 7 per cent, Tea by 9 percent, Coconut by 19 per cent and Sale of Rubber trees by 32 per cent compared with the last year.

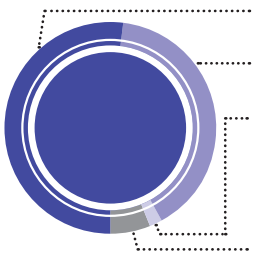
Rubber and tea continued to be the major sources of revenue of the Company, similar to the previous year. In addition, the revenue base was supplemented by sale of coconut and the sale of rubber trees. The analysis of the revenue structure reveals no significant variation between the two time periods.

During the year under review, the Company has recorded a gross loss of Rs. 36 million compared with the gross profit of Rs. 112 million in 2018/19 which indicates a significant decrease of 133 per cent between two periods. This decrease of gross profit was mainly driven by the decline in revenue by Rs. 236 million while the decrease in cost of sales by 88 million during the year under review partly compensated the decrease in gross profit. Accordingly, this significant decline of revenue with compared to cost of sales has exerted downward pressure on the gross profit of the Company.

Revenue Vs. Profit After Tax



Revenue Composition



Rubber	1,128 million	52%
Tea	878 million	40%
Coconut	41 million	2%
Other Crops	01 million	0%
Sale of Rubber Trees	137 million	6%

Asset Base

During the year under review, the assets of the Company have decreased by 23 per cent to Rs. 5.5 billion in comparison to Rs. 7.2 billion in 2018/19. Even though the Non-current assets have been increase by 11 Per cent, a significant decreases in current assets have affected the narrowing of the total asset base. In the case of non-current assets, the asset base has increased from Rs. 3.75 billion in 2018/19 to Rs. 4.16 billion in 2019/20 which indicates an increase of 11 per cent over the previous year.

It can be highlight that decline of short term investments by Rs. 1.1 billion and realizing Short term financial Assets, Quoted Debentures of Richard Pieris and Company PLC which valued Rs. 1 billion resulted in 60 per cent reduction in the current assets base. The Short term investment still to be the foremost item within the current assets base followed by inventories and trade and other receivables.

Net Assets Per Share

During the year under review, the net assets per share increased to Rs. 105.08 per share from Rs. 104.76 per share which indicates a marginal rise of 0.5 per cent over the previous year. The total asset base of the Company experienced an reduction of Rs. 1.66 billion while the total liability base reduced by Rs. 1.67 billion. The net effect of the asset and liability decrease has resulted in a marginal increase in the net asset per share by Rs. 0.31 during the year under review.

Debt Position

Total debt (Gross Borrowings) of the Company comedown by 60 per cent to Rs. 1,262 million from Rs. 3,131 million reported in the prior year. Such borrowings were made mainly to support the capital investments in plantations, which is essential for the economic sustainability of the Company.

Liquidity Position

As at the reporting year end, the Company's working capital recorded a negative balance of Rs. 77 million in comparison to Rs. 483 million positive balance recorded at the end of the previous financial year, which recorded a reduction of 116 per cent. Significant decrease in the current asset base by 60 Per cent has partly compensated by the 51 Per cent decrease in the current liabilities. However it has resulted in a significant decline of working capital by 115 per cent as at the current financial year against previous year.

Cash Flows

Net Operating Cash Flows

The Company has experienced a negative operating cash flow of Rs. 46 million during the year under review compared to the negative operating cash flow of Rs. 79 million in 2018/19. Even-though operating profit before working capital changes and cash generated from operations recorded a positive cash-flow of Rs. 171 million and Rs. 161 million respectively, the net operating cash flows droped to a negative balance of Rs. 46 million mainly due to the finance charges paid and defined benefit plan costs paid during the financial year. The cash flow generated from operations have decreased by 27 per cent compared to last year.

Capital Expenditure

The Company has incurred a sum of Rs. 263 million during the year under review in respect of the field development of the plantations. Continuous investments in Field Development have been done for the enhancement of operational results, since KPPLC deals with Plantations which requires heavy investment in field developments to sustain same income levels. Out of the field development expenses, Rs. 175 million and Rs. 02 million were incurred in respect of rubber and tea respectively.

Debt and Finance Cost

For the financing of capital investments, the Company has utilized both borrowings and operational cash inflows. Since operating cash flows shown a positive contribution the borrowings have decreased during the current financial year with the consequent decrease in the finance cost.

MANAGEMENT DISCUSSION & ANALYSIS

Key Performance Indicators

Aspect	Measure		2018/19	2019/20
Revenue Growth	Turnover	Rs. Mn	2,422	2,186
Profitability	Gross profit ratio	%	4.63%	-1.67%
	Net profit ratio	%	4.21%	-3.07%
Working Capital Management	Current ratio	Times	1.16	0.95
Liquidity	Cashflow from operations	Rs. Mn	(78.70)	(46.14)
Asset Utilization	Fixed assets turnover	Times	0.65	0.53
Investment	Capital expenditure	As a % of Total Assets	7.53%	6.42%
Capital Structure	Debt to equity ratio	%	54%	32%
	Interest cover	Times	1.36	0.57

Market Capitalization

The market price of the Company share as at year end stood at Rs. 40.80 per share against that of Rs. 55 per share as at the previous year end. Accordingly, the market capitalization has decreased to Rs. 1.02 billion, by 26 per cent in comparison to the market capitalization of Rs. 1.4 billion at the last year end.

Earnings Per Share

The earning per share which stood at Rs. 4.08 per share in 2018/19 has declined to negative earnings per share of Rs. 2.68 as a result of the impaired financial performance in 2019/20.

Environmental & Social Responsibility

KPPLC have a greater understanding on both the value and responsibility of the Company towards environmental and social sustainability. Since we primarily and closely deal with the environment, as a Plantation Company, KPPLC positively contributes towards environmental well-being both present and future endeavors. We are well aware of our sound and deep interaction with the environment, therefore we continuously strengthening our environmental policies and practices.

We continue our operations and business activities in a way that ensures minimum impact on the environment by adopting many environmental friendly initiatives. Sustainable energy management, water consumption, waste management guide us to minimize the adverse impact on the environment. Kegalle Plantations PLC manages total land-bank of 9,756.73 ha comprising 17 Estates, including rubber 4,429.58 ha, Tea 1,351.65 ha and Coconut 435.82 ha. Out of the total planted area rubber, tea and coconut have matured extent of 2,713.94 ha, 1,306.14 ha and 434.82 ha respectively.

Environmental Stewardship

We make a continuous effort to manage any negative impact on the environment beyond our agricultural areas. This is to minimize our footprint and contribute to ensure environmental sustainability and preserve the well-being of our Stakeholders.

In line with this, we ensure that all our new developments do not encroach into areas which are environmentally sensitive or under protection, such as primary forests, wildlife reserves, Peat lands, or lands containing any high conservation value elements. As such, we proactively engage in awareness and education programmes to disseminate our policies on the protection of natural habitats. The conservation habits and awareness creation among the local community on the importance of wildlife of KPPLC are in line with the our commitment to being a sustainably integrated Company.

Waste and Water Management

Proper waste disposal has wide ranging implications on the environment and the surrounding communities' health. All waste products, including domestic waste, agricultural waste, biomass or by-products generated by our Plantations, are, if not recycled, then required to be safely disposed of in accordance with the prevailing regulations and best practices.

In line with this, we conduct stringent monitoring and treatment of water discharged from our factories before it is released to the environment. KPPLC strives to ensure water resources are utilized in optimum way, with minimal impact to the environment. We, as a socially responsible company are always keen on taking each and every possible action with the view of preserving the water sources to the future generations.

In the production process of rubber, the factories of our Company have effluent treatment plants, and every drop of water used in the production process is treated and adequately purified to reduce the effluent at an acceptable level as per the environment policy.

Energy Efficiency

Seriously considering and recognizing that energy has implications on the environment, KPPLC commits to sound energy management which addresses energy conservation, green energy usage and energy efficiency. We are mindful that while usage of nonrenewable energy sources cannot be avoided altogether for now, earnest efforts are made to ensure these resources are used optimally and efficiently towards achieving organizational goals and objectives.

Soil Conservation

Soil degradation has numerous negative impacts, including decline of soil fertility, development of acidity, deterioration of soil structure, accelerated wind and water erosion, loss of organic matter and biodiversity. KPPLC believes that efforts to restore the productivity of the degraded soil must be coupled with other measures that affect the land use practices in particular conservation agriculture, good agricultural practices and irrigation management and integrated plant nutrient management. Soil conservation methods, such as proliferation of leguminous cover crops, terracing including "live terraces" and draining have been undertaken in all replanted areas and in the mature lands on an annual basis.

Bio Latex/Organic Rubber

In an environmentally conscious world, it always seems to be a good idea to buy everything natural. If we care about the environment, organic is the right choice, which enables plantations to keep an eye on sustainability and eco-friendliness. We all have a duty to look after the world we live in and, buying organic helps to fulfill our responsibility. It also encourages people to be thoughtful about using precious resources in a sustainable way. As the organic process prevents the use of chemicals in the plantations, the natural latex is pure, with nothing added. Furthermore, organic means there are no toxic chemicals used in the production process in the factory, and can sure that the finished products are not contaminated in any way.

Biodiversity Conservation

KPPLC recognized integrated environmental, social and ethical compliance and Consistent performance and results achieved through the implementation of best environmental and biodiversity conservation and management practices. Since we operate in or near areas of rich and varied biodiversity and we are commited to preserve and protect this biodiversity. We continually educate our employees, local communities and related stakeholders on the importance of protecting rare and endangered species.

With the guidance of our Corporate Management many estates have already subscribed to global standards such as Rainforest Alliance (RA) & Forest Stewardship Council (FSC), demonstrating their commitment to the environment and biodiversity conservation.

Timber and Forestry Management

Since the forests are organized assemblages of trees, other plants and animals, in complex association with each other and their physical environment, reduction of forest cover has directly and indirectly influenced on other sub-sectors such as agriculture, wood industry, wildlife etc. As a responsible and ethical corporate citizen KPPLC contribute their full capacity on timber and forestry management initiatives as much as possible. Conservative forests preserved by KPPLC amplify our commitment to environmental sustainability. Even though we are a Plantation Company which gives primary attention on commercial cultivation, identifying its corporate responsibility of sustainable environmental practices. KPPLC continuously allocate its resources on sustainable timber and forestry management.

Our Alignment with Quality Standards

Standardize environment affect in a favorable manner for an organization by saving energy, money and the environment. As a significant business ethic, implementing quality standards can be used to demonstrate our credentials to stakeholders including Shareholders, customers, employees, community since it is showing our commitment towards sustainable development. To ensure KPPLC commitment towards the sustainable environmental practices, we have obtained certain globally recognized quality standard certifications.

Sustainable Procurement Practices

KPPLC who identify and adopt market and industry trends first and foremost, we always attempt to carry on our business activities in a sustainable manner. Accordingly, our focus is not only on the internal operations of the Company but also on the activities related to the inward and outward logistics operations. Hence the Company is highly keen on maintaining close and mutually beneficial relationships with our suppliers. Maintaining such relationships with suppliers will enable the Company to effectively manage the economic, social and environmental impacts of procurement operations.

Product Responsibility & Stewardship

Even though product stewardship can be implemented either through voluntary basis or legal requirements, we, KPPLC clearly identify our social responsibility of product stewardship. KPPLC as a well-diversified Plantation Company mainly tea, rubber, coconuts and also a number of minor crops including Pine Apple, Pepper, Cocoa, Vanilla, Mandarin, Agar-wood is always dedicated to premier quality. Each and every activity within the Company context is carried out with the focus of high quality and value additions. On the other hand, KPPLC has successfully initiated bio-latex project with the intention of reducing the use of chemicals, stimulators and inorganic fertilizers in order to ensure that the Company is complying with the quality standards.

Membership Organizations

In addition to above moves, we are closely interacting with the following organizations and have obtained the membership of those organizations long ago with the view of improving quality.

- The Colombo Tea Traders Association (CTTA)
- The Planters Association of Ceylon (PA)
- The Employer's Federation of Ceylon (EFC)
- The Colombo Rubber Traders Association (CRTA)
- Plantation Human Development Trust (PHDT)
- The Rubber Research Institute of Sri Lanka (RRISL)
- Rubber Development Department (RDD)
- Sri Lanka Tea Board (SLTB)
- Spices & Allied Products Producers' & Traders' Association (SAPPTA)
- The Sri Lanka Society of Rubber Industry
- National Agribusiness Council (NAC)
- Palm Oil Industry Association of Sri Lanka (POIASL)

MANAGEMENT DISCUSSION & ANALYSIS

Product Labeling

We are bound by the social principles and regulation guidelines of product labeling and Packaging of our products. Since KPPLC is responsible for its actions and resulting consequences, product labeling and packaging activities of our products are made in accordance with the standards and guidelines imposed by Colombo Tea Auctions and Ceylon Tea Traders Association. Accordingly, estate name, garden mark, grade, invoice number, gross and net weight are clearly mentioned to comply with these requirements.

Ethical Behavior

Understanding of Company's corporate social responsibilities is the first and foremost important reason for ethical behavior. The values embedded in the culture of the KPPLC always emphasize the necessity of considering the appropriateness of each activity we undertake in terms of moral principles of good and bad behavior. Accordingly, KPPLC has developed a culture which always seeks to comply with moral principles beyond the general laws and regulation imposed on the Company by Identifying the responsibility and undergoing self-compliance to its corporate ethics.

Certifications

EU & USDA - NOP Certification

Under EU & USDA NOP Certification, Organic products certified to the USDA organic or European Union (EU) organic standards may be sold and labeled as organic in both the U.S. and the EU. Accordingly, by obtaining this global recognized standard certification KPPLC could access to both the economies with one certification and gained lots of benefits including Receive premium prices for products, access fast-growing local, regional, and international markets, access additional funding and technical assistance etc.

ISO 9001:2015 Certification

ISO 9001 aims to provide a practical and workable Quality Management System for improving and monitoring all areas of business. With the right support and the knowledge of employees, KPPLC will end up with a system that will improve all areas of the organization. It's great honor and proud to highlight that the Kegalle Plantations PLC was the first Regional Plantations Company to obtain ISO 9001: 2015 Certification dated back in 2017.

Ethical Tea Partnership (ETP)

Becoming a member of the ETP, KPPLC have made fullest corporation towards sustainability of employees within plantation industry. As an ethical producer KPPLC meets international social and environmental standards, such as health and safety, agrochemical and environmental management, and fair and equal treatment of workers. To keep up with the world's growing affair with tea in a socially just and environmentally sustainable way, the Ethical Tea Partnership was formed by KPPLC. Ultimately, we improve tea sustainability, the lives and livelihoods of our workers and farmers, and the environment in which tea is produced.

Certifications

Rainforest Alliance Certification (RA)

Rainforest Alliance certification helps farmers produce better crops, adapt to climate change, increase productivity, and reduce costs. At the core of Rainforest Alliance certification, the mission is to create a better future for people and nature by making responsible business the new normal.

This demonstrates compliance with strict global standards, taking into account the well-being of its employees, families and the environment. Accordingly, Rainforest Alliance certificate confirms that KPPLC meets the requirements of the Sustainable Agriculture Network (SAN), a global standard for organizations that meet stringent environmental conditions (ecosystems, wildlife, soil and water) and relationships with communities and economic aspects including integrated plant and waste management.

Forest Stewardship Council (FSC)

It is pleasure to highlight that FSC Certification is the newest certification KPPLC has obtained during the reviewed financial year. FSC Certification brings serious about economic benefits by opening up new markets; social benefits to workers and local people; and environmental benefits for biodiversity and ecosystems. FSC certifies forests all over the world to ensure they meet the highest environmental and social standards.

FSC certification vastly reduces the risk of being confronted with illegal timber, and thus reduces the risk of reputation damage that would follow. In addition, national, regional and local governments increasingly reference FSC as one way to comply with public procurement policies as seek products that support sustainable forest management.

Future Sustainability Expectations

As a strategically driven Company we always have overall attention on past, present and also future since the business environment we operate highly affected, deviated by both Internal and External factors including economic, environmental, political, social and technological. Even though the business environment changes day by day, more and more businesses have to increase response and concern over issues like biodiversity loss, deforestation and other global threats.

As the largest rubber producer in Sri Lanka, KPPLC further enhance and strict our environmental and social criteria ensuring we are cognizant of our responsibility towards environment protection to ensure the sustainability of not only our business but also the larger community around us. Accordingly, we are taking our fullest contribution towards obtaining local and international standardize recognition for our plantations and production processes.

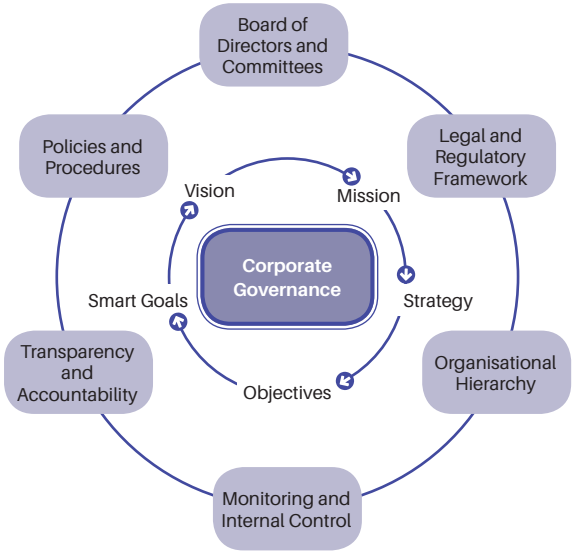
Comparative Economic Indicators

For the Year Ended 31 December		2018	2019	Change %
Gross Domestic Product				
GDP at Current Market Price	Rs. bn	14,366	15,016	4.5
Real GDP Growth	%	3.3	2.3	(30.3)
GDP Deflator	%	4.3	2.2	(48.8)
Gross National Income by Industrial Origin at Current Market Prices				
Agriculture Crops				
Rubber	Rs.mn	21,643	15,046	(30.5)
Tea (Green Leaves)	Rs.mn	108,290	98,868	(8.7)
Growing of Oleaginous Fruits (Coconut/King Coconut/Oil Palm)	Rs.mn	110,736	81,478	(26.4)
Agriculture Production Index (2007-2010 = 100)				
Agriculture Crops				
Rubber		61.5	55.7	(9.4)
Tea		97.5	96.3	(1.2)
Coconut		92.6	108.9	17.6
Agriculture Crops				
Rubber				
Production	kg mn	82.6	74.8	(9.4)
Total Extent	ha'000	137	138	0.7
Extent under Tapping	ha'000	107	112	4.7
Cost of Production	Rs./kg	205.00	210.00	2.4
Average Price				
Colombo Auction - RSS1	Rs./kg	281.36	288.51	2.5
Export - FOB	Rs./kg	363.93	332.29	(8.7)
Replanting	hectares	870	1,006	15.6
New Planting	hectares	980	1,099	12.1
Value added as % of GDP		0.2	0.2	-
Tea				
Production	kg mn	303.9	300.1	(1.3)
Total Extent	ha'000	200	200	-
Extent Bearing	ha'000	193	193	-
Cost of Production	Rs./kg	475.29	483.79	1.8
Average Price				
Colombo Auction	Rs./kg	581.58	546.67	(6.0)
Export - FOB	Rs./kg	820.75	822.25	0.2
Replanting	hectares	1,027	638	(37.9)
New Planting	hectares	435	296	(32.0)
Value added as % of GDP		0.7	0.7	-
Coconut				
Production	nuts mn	2,623	3,086	17.7
Total Extent	ha'000	499	503	0.8
Cost of Production	Rs./nut	18.84	18.33	(2.7)
Average Price				
Producer Price	Rs./nut	60.68	47.04	(22.5)
Export - FOB	Rs./nut	68.29	41.60	(39.1)
Replanting / Under Planting	hectares	7,548	5,931	(21.4)
New Planting	hectares	10,183	6,842	(32.8)
Value added as % of GDP		0.6	0.7	16.7

Source: Annual Report 2019 - Central Bank of Sri Lanka

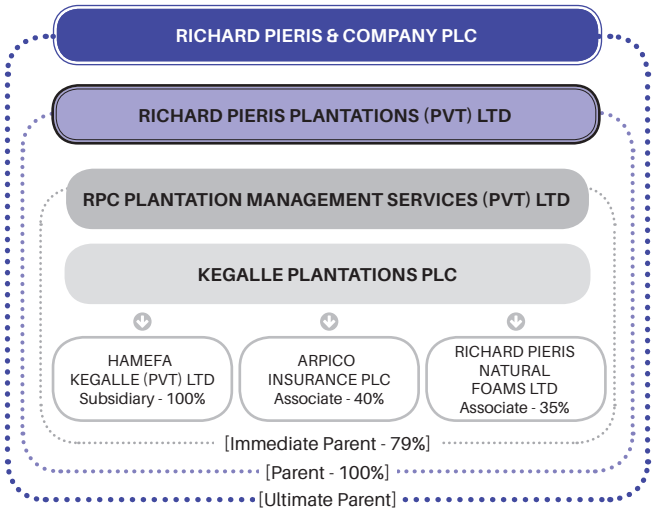
CORPORATE GOVERNANCE

KPPLC's Corporate Governance Policies & Practices committed and takes responsibility to maintain the highest standards of Corporate Governance. This Report describes the KPPLC's ongoing effort to observe the corporate governance framework and the practices implemented throughout the financial year ended 31 March 2020.



Group Structure

The Company's Group Structure is depicted as follows;



Reporting KPPLC Corporate Governance is intended to share our progress, development and improvements relating to Governance Sustainability. More specifically, in addition to managing sustainability governance, how Organizational Governance Structure advances our people and partner with the community for balanced development. Accordingly, Corporate Governance at KPPLC always strives to build a resilient business propelled, which enables us to stay at the forefront of our industry and pave the way for greater growth.

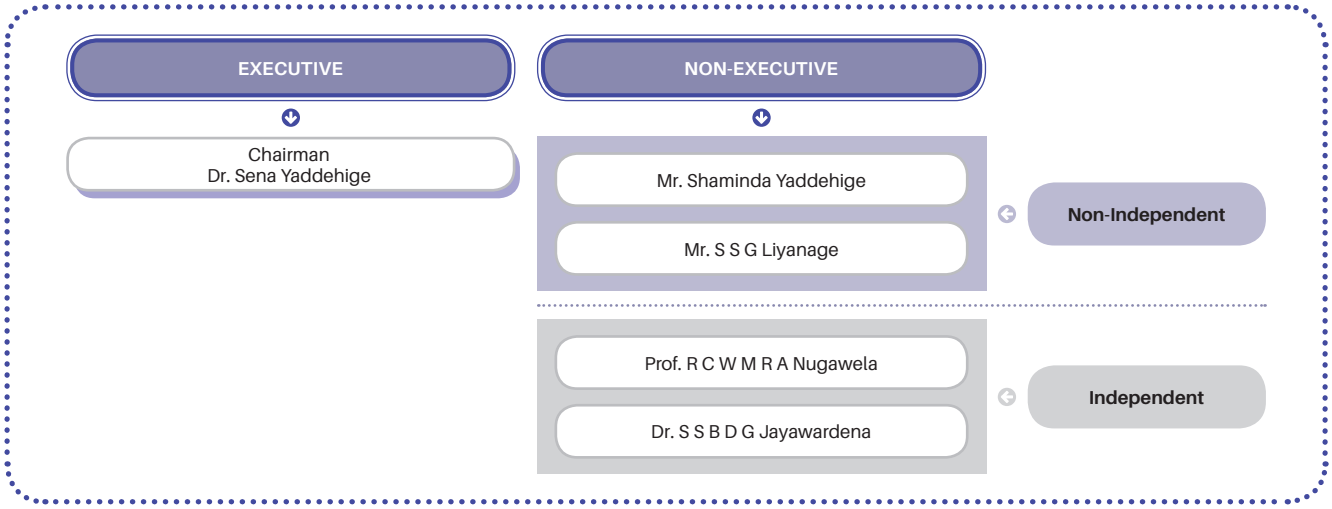
The plantation industry is both complex and unique in that it employs a large community of people who live on the plantations, within a closely woven social structure. Therefore, we are committed to upholding the highest standards of corporate governance to create long-term shareholder value. Under the Boards Leadership, organizational Resources are allocated efficiently and productively in the best interest of our shareholders and other stakeholders. KPPLC adhere to all material principles and guidelines of the Code of Best Practice on Corporate Governance 2017, the disclosure guide developed by Securities & Exchange Commission of Sri Lanka and all other applicable laws, rules and regulations. We also engage proactively with regulators, government, industry leaders and industry associations to understand the local legal requirements across the jurisdictions where we operate.

The Board of Directors

The Kegalle Plantations Sustainability model is centered on value creation for its stakeholders while achieving higher productivity and a favorable bottom line. As a leading plantation company, KPPLC believe in creating sustainable value for all our stakeholders as the best way to achieve long-term success. Therefore, the Company's Board is effective, comprises professional with a broad range of experience and industry expertise, which discharge their duties and responsibilities at all the times as fiduciaries in the interest of the Company. The Board comprises five Directors, of which one is Executive Director whilst four are Non-Executive Directors. Out of four Non-Executive Directors, two are Independent, ensuring an independent outlook to temper the expediency of the experts.

The Board is pleased to report that the Company has adhered to all material principles and guidelines of the code of corporate Governance. The KPPLC disclosures of corporate governance framework and practices in this report have been approved by the Board.

CORPORATE GOVERNANCE



Board Member	Position	Executive	Non-Executive	Independent	Appointment to the Board
Dr. Sena Yaddehige	Chairman	✔	-	-	January - 2003
Prof. R C W M R A Nugawela	Independent Non-Executive Director	-	✔	✔	May - 2008
Dr. S S B D G Jayawardena	Independent Non-Executive Director	-	✔	✔	August - 2010
Mr. Shaminda Yaddehige	Non-Executive Director	-	✔	-	March - 2016
Mr. S S G Liyanage	Non-Executive Director	-	✔	-	August - 2018

There is a strong and independent element on the Board, with the independent Directors, constructively challenge and assist in developing proposals on strategies. The Board continued to function effectively during the year and was able to exercise objective judgment on corporate affairs independently.

Brief profiles of the Directors are set out on pages 12 and 13. The Board makes an assessment annually on the independence or non-independence of each Non-Executive Director in compliance with listing rules.

The Board always committed acts with Integrity, Fairness and Transparency and do don tolerate corruption in any form. The Organizational Principles underpin how KPPLC corporate culture delivers growth and positive contributions to the host communities where we operate.

During the year under review the Board met twice. To ensure that meetings are held with the full participation of the Director, all Board meetings are scheduled and scheduled in advance after consultation with the Directors. Everything is done for the decision of the Board as a whole. Accordingly, prior to each meeting, Directors are provided with all relevant administrative information and relevant items on the agenda to enable informed decisions. Board documents are submitted in advance to the Company's operations, new investments, major projects and other matters requiring approval of the Board. A separate information memorandum is provided for official fees at each Board Meeting.

The Chairman and Chief Executive Officer of the Company are two separate personnel where power and authority are clearly separated. The separation of executive officers of the Company ensures a balance of power and authority. This allows KPPLC to achieve the organization's goals and objectives in a sustainable manner by ensuring transparency and accountability to key stakeholder groups. The board embraces the principle of empowerment, that governance and management are more effective and efficient when they are separated. The day to day management, operations and administration of the group are led by the executive directors and the senior Management of the Company. The Management collaborates closely with the Non-executive Directors and provides insight on the Group's operations. They are accountable to the board for their performance in pursuing the long-term success of the group.

The Chairman is responsible for matters relating to policy, maintaining regular contact with the other Directors, Shareholders and external Stakeholders of the Company. As the chairman of the

Board, Mr. Sena Yaddehige leads and ensures the effectiveness of all general meetings and Board meetings. The Chairman takes a leading role in the company's drive to achieve and maintain a high standard of corporate governance with the support of the Board, management and the Company Secretary. Accordingly, the Chairman is responsible for overall commercial, operational and strategic development and assisted by an Executive Management Committee comprising the Executive Directors and Heads of Companies of the Strategic Business Units (SBU) of the Ultimate Parent Company. The Finance function devolves on the Group Chief Financial Officer and the Financial Controller, who is present by invitation at board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

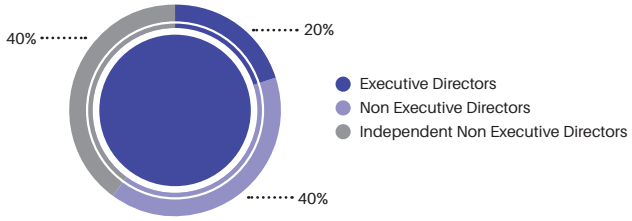
The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems in place.
- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final Financial Statements of the Company.
- Determine and recommend interim and final dividends for the approval of Shareholders.
- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

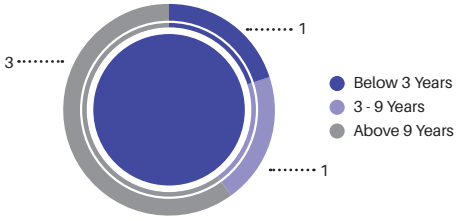
All independent directors have no direct or indirect relationship with the Company and duly submit an annual announcement as per the Listing Rules of the Colombo Stock Exchange. Their wide range of experience and valuable business, corporate and financial experience brings an independent perspective and judgment to the Board. The Board believes that meetings between independent directors who do not hold management positions in the Company will encourage greater openness in reviewing management performance. Any recommendations or suggestions from private directors' discussions will be communicated to the management.

Prof. R C W M R A Nugawela and Dr. S S B D G Jayawardena were in the Directorate of the Company as Independent Directors since 2008 and 2010 respectively. Prof. R C W M R A Nugawela and Dr. S S B D G Jayawardena declared that they have no significant shareholdings or material business relationships with the Company. Therefore, the Board of Directors are of the opinion, Prof. R C W M R A Nugawela and Dr. S S B D G Jayawardena could be continued in the Directorate of the Company as Independent Directors.

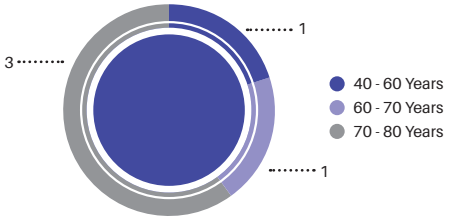
Directors Composition



Directors Tenure on the Board



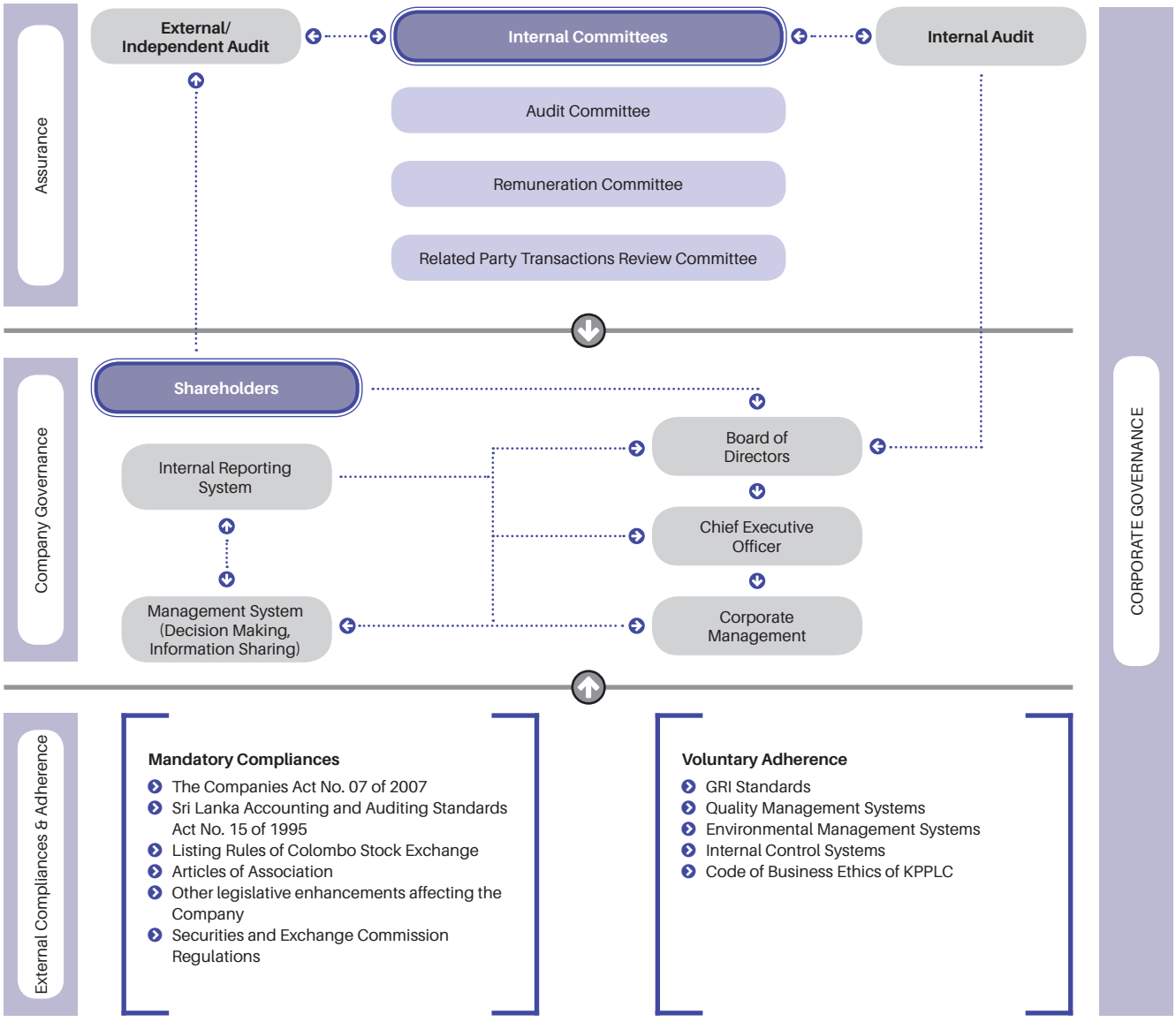
Directors Age Group



CORPORATE GOVERNANCE

Corporate Governance Structure

The Company's Governance Framework is depicted in the following diagram.



Sub Committees of the Board

To enable the powers that be considered and focus more on Company matters, the board refers certain matters to the board committees. Committees review matters in detail before being presented to the Board for consideration. These committees prepare the basis for decision-making and report to the next board meeting.

Accordingly, KPPLC Board is responsible for the establishment and functioning of all Board Committees, the appointment of members of these committees and their compensation. The Board has delegated responsibilities to the Sub-Committees of the Board which operate in accordance with the prescribed terms of reference. The Board uses the expertise of Independent Directors and Benefits to delegate certain

Committee Member	Audit Committee	Remuneration Committee	Related Party Trasactions Review Committee
Mr. J F Fernandopulle	✔✔	✔	✔
Dr. Jayatissa De Costa P.C.	✔	✔✔	✔✔
Mr. Prasanna Fernando	✔	✔	✔

✔✔ Chairman to the committee
✔ Member to the committee

functions and powers of the Board to subcommittees of the Board. Each Board Committee operates in accordance with the prescribed rules specified by the Board.

Audit Committee

Since the Audit Committee plays a key role in corporate governance in terms of organizational governance, control, and accountability. As a representative of the board of directors and a major part of the corporate governance system, the audit committee is involved in organizing internal and external audits, internal control, accounting and financial reporting, compliance, and disaster risk management.

Kegalle Plantations PLC is one of the Group Companies of the Richard Pieris & Company PLC. Richard Pieris & Company is also the majority shareholder and as such the Group Audit Committee acts as the Audit Committee of the Company. Audit Committee Report on Page 32 describes the activities carried out during the Financial Year.

Remuneration Committee

The difficulty of striking a balance between high-rewarding talent and aligning pay and performance requires that boards be informed before making decisions. KPPLC Remuneration committees have the time and expertise to assist in informing the board. Therefore, their recommendations are highly appreciated by their boards. The Report of the Remuneration Committee is on Page 33 and highlights its main activities.

Related Party Transactions Review Committee

Openness is an important topic in areas such as governance, finance and public relations, and it is important for building stakeholder trust in the Company. Which means the disclosure of information is critical to minimizing asymmetry details, meeting the knowledge needs of external stakeholders and building trust. The Report of the Related Party Transactions Review Committee is on Page 34 and highlights its main activities.

Chief Executive Officer

Mr. Sriyan Eriyagama acted as the Chief Executive Officer of the Company during the year under review until his resignation on 30 June 2020. Mr. Eriyagama did not hold any shares in the Company to that date.

He possesses in-depth industry knowledge, understands the current market and has the foresight to support the formulation of the Company's strategic direction. Assisted by the management team, the CEO makes decisions in all matters affecting the operations, performance and strategy of the Company's business, with the exception of those matters reserved for the Board or specifically delegated by the Board to the Board Committees.

Company Secretary

The Company's Secretariat is Richard Pieris Group Services (Pvt) Ltd who serves as the Secretary of the Board and is present at all board meetings. The Company Secretaries advise the board on all legal matters pertaining to the Securities & Exchange Commission, Colombo Stock Exchange. The secretaries also record the minutes of the next meeting to follow up on the decisions taken. Directors have independent access to the Company Secretary. The Secretary shall be appointed by the Directors of the present, on such remuneration and under such circumstances as they deem fit.

The Company Secretary advises the Board on corporate and management matters, facilitates directing of the Director and professional development, and ensures the smooth flow of information within the Board and Board committees, as well as between directors and independent directors.

Relationship with Shareholders

KPPLC recognize that continued improvement of its financial reporting practices and standards can only be done with the involvement of regular engagement with our Stakeholders, especially shareholders, both individual and institutional throughout the year. This represents not only an important component of building Stakeholders' trust, but also in enhancing the effectiveness of our strategy and implementing timely & relevant adjustments as required when new developments arise in our operating environment.

The Board maintains healthy relationships with its key shareholders (individual and institutional) while maintaining a dialogue with potential shareholders as well. The Annual General Meetings are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the Corporate Website, the Annual

CORPORATE GOVERNANCE

Report, Quarterly Financial Statements and press releases. Further telephone lines of the Company Secretaries is published in both Quarterly Financial Statements Accounts as well as in the Annual Report & the Shareholders are able to contact the Senior Management at any given time.

Internal Controls

Internal controls are more than a review of how things are recorded in the Company's financial records; they also include comparisons with financial records and actual performance of the Company.

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls, including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 35 - 38.

At the same time the Board as a whole is responsible for the governance of risk and determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objection and value creation. It provides oversight in the design, Implementation and monitoring of the risk management framework and the system of Internal Controls. The internal control practice of each of the Company's departments or functions is reviewed annually or when circumstances warrant the review process.

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by the Company are, approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out in the evaluation of capital projects and new investments.

The Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. Accordingly, the internal Audit division of the Company granted access to all the Company's documents, records, properties and personnel. It reviews, then evaluates and tests the effectiveness of the internal control of material business process, including financial, operational, compliance and information technology controls that are in place in each of the Company's key operating units. The Board reviewed the internal control procedures in existence and is satisfied with its effectiveness.

Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company inculcates this practice. After identifying and prioritizing our key issues, KPPLC made commitments with stakeholders on issues identified as important to them. This provided us with ideas on how KPPLC can best meet their needs in relation to the Company's ability to create value. This serves as part of the Company's active and open engagement process with stakeholders as KPPLC evaluate the relationships Company have had with them over the course of operations. It also ensures that Company effectively addresses the opportunities and risks that can affect organizational sustainability. Internal communication is mainly conducted through e-mails, memos and circulars.

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization.

Compliance

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, is satisfied that all statutory payments have been made to date.

Financial Reporting
Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs)
Sri Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL)
Companies Act No. 07 of 2007
Corporate Governance Reporting
Listing Rules of Colombo Stock Exchange (CSE)
Code of Best Practices on Corporate Governance issued jointly by ICASL and SEC
Assurance
Sri Lanka Auditing Standards (SLAUSs)
Ernst & Young - External Auditors
Group Internal Audit Division

Going Concern

The Directors have continued to use the 'Going Concern' basis in the preparation of the Financial Statements, after careful review of the financial position and cash flow status of the Company. The Board of Directors believes that the Company has adequate resources to continue its operation for the foreseeable future.

Disclosures required by the Companies Act No. 07 of 2007;

Section Reference	Requirement	Annual Report Reference (Page/s)
168 (1) (a)	The nature of the business together with any change thereof during the accounting period	52
168 (1) (b)	Signed Financial Statements for the accounting period completed	48-52
168 (1) (c)	Auditors' Report on Financial Statements	45-47
168 (1) (d)	Accounting Policies and any changes therein	52-69
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	42
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	72
168 (1) (g)	Corporate donations made by the Company during the accounting period	41
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	84
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	43, 72
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	43
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	40-43

Corporate Governance Requirements listed under Section 7 & 9 of the Listing Rules issued by the Colombo Stock Exchange (CSE);

CSE Section Reference	Requirement	Status of Kegalle Plantations PLC
7.6 (vii)	Details of material issues pertaining to employees & industrial relations of the entity.	In Compliance
7.10.1 (a) to (c)	Non-Executive Directors	In Compliance
7.10.2 (a) to (b)	Independent Directors	In Compliance
7.10.3	Disclosures relating to Directors	In Compliance
7.10.4	Criteria for defining "Independence"	In Compliance
7.10.5	Remuneration Committee	In Compliance
7.10.6	Audit Committee	In Compliance
7.13	Rules on Minimum Public Holding	In Compliance
9	Related Party Transactions	In Compliance

REPORT OF THE AUDIT COMMITTEE

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

Purpose

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
2. Review the system of internal controls and risk management.
3. Monitor and evaluate the effectiveness of the internal audit function.
4. Review the Company's process for monitoring compliance with laws and regulations.
5. Review the independence and performance of the external auditors.
6. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

Members

The Audit Committee consisted of two Independent Non-Executive Directors of the Richard Pieris & Company PLC, the Ultimate Parent Company, namely Dr. Jayatissa De Costa and Mr. Prasanna Fernando and a Non-Executive Director, the Chairman of the Committee, Mr. J. F. Fernandopulle. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below;

Meetings

The Audit Committee held seven meetings during the year under review.

- 15 May 2019
- 28 May 2019
- 01 July 2019
- 04 Jul 2019
- 09 Aug 2019
- 06 Nov 2019
- 10 Feb 2020

The Group Chief Financial Officer, Chief Executive Officer, Chief Financial Officer, Accountant and Group Internal Audit Manager were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major operational aspects of the Company.

The Group Internal Audit Manager was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and investigations carried out by his department for the period. The responses from the Chief Executive Officer of the Company to the internal audit findings were reviewed and where necessary corrective action was recommended and implementation monitored.

The Committee also had the responsibility to review the loss-making Estates of the Company and strategies for turning round these Estates and recommending suitable corrective action.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements. A comprehensive Management Report and Accounts are produced at every month end highlighting all key performance criteria pertaining to the Kegalle Plantations PLC and its Subsidiary which is reviewed by the Senior Management on a monthly basis.

Board of Directors review performance on a quarterly basis or more often, if required.

Financial Statements

The Committee reviewed the Company's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Financial Reporting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. It also reviewed the adequacy of disclosure in the published Financial Statements.

External Auditors

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

The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The external auditors kept the Audit Committee informed on an on-going basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31 March, 2020 subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been complied with.

J. F. Fernandopulle
Chairman of the Audit Committee

28 September 2020

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Ultimate Parent Company acted as the Remuneration Committee of Kegalle Plantations PLC.

Members

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two independent Non-Executive Directors of the Richard Pieris & Company PLC, Dr. Jayatissa De Costa P.C. and Mr. Prasanna Fernando and a Non-Executive Director, Mr. J. F. Fernandopulle. The Committee is chaired by Dr. Jayatissa De Costa.

Meetings

The Committee met on several occasions during the financial year.

Purpose

The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

1. Policy on remuneration of the Executive Staff.
2. Specific remuneration package for the Executive Directors.

In a highly competitive environment attracting and retaining high calibre executives is a key challenge faced by the Company. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Company.

Remuneration Policy

The remuneration policy of the Company is formulated to attract and retain key talent and motivate them to develop and implement the business strategy in order to optimize stakeholder value. The scope of the Committee covers the determination of the compensation of the senior management and to lay down guidelines for the compensation structure of the management staff of the Company. In its decision-making process necessary information and recommendations are obtained from the Senior Management, where necessary.

Dr. Jayatissa De Costa P. C.
Chairman - Remuneration Committee

28 September 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Ultimate Parent Company acted as the Related Party Transactions Review Committee of Kegalle Plantations PLC.

Members

The Committee consists of two Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and a Non-Executive Director, Mr. J. F. Fernandopulle of the Ultimate Parent Company.

The Group Chief Financial Officer, Chief Executive Officer, and Chief Financial Officer attended meetings by invitation. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.

Purpose

The Objectives of the Committee,

- To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Kegalle Plantations PLC is carried out and disclosed in a manner consistent with the CSE listing rules.
- To advise and update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- To ensure compliance with the CSE listing rules on the Related Party Transactions.
- To review policies and procedures of Related Party Transactions of Richard Pieris Group.
- To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee articulated and recommended a policy framework for adoption on Related Party Transactions for the Company. In such process the committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

Further, processes were introduced across the Richard Pieris Group to obtain annual disclosures from all KMPs.

Meetings

The Committee held three meetings during the period under review on following days,

- 27 Jun 2019
- 31 Jul 2019
- 31 Dec 2019
- Scheduled to be held on 30 Mar 2020, but not held due to COVID19 Pandemic

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings, and by tabling the minutes of the Committee meetings.

Related Party Transactions during the year 2019/20

Details of the related party transactions entered into by the Company/Group are disclosed on page 99.

Declaration

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 40 to 43 for the declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2019/20, except what was disclosed in the note no. 37.

Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non-Recurrent related party transactions which are required to be disclosed under section 9.3.2 of the Listing Rules of the Colombo Stock Exchange has been made in note no. 37 to the Financial Statements given in Pages 99 to 100 to this report.

Dr. Jayatissa De Costa P. C.
Chairman - Related Party Transactions Review Committee

28 September 2020

RISK MANAGEMENT

The KPPLC recognizes that a sound framework of risk management and internal control is fundamental to good corporate governance and an effective risk management process which helps KPPLC to achieve its performance and profitability targets by providing risk information to enable better formulation of KPPLC's strategies and decision making.

It is important to mention that Businesses in the Sri Lanka, as well as around the world are facing a whole new range of potential risks, both in the short and long-term. As we currently navigate our way through the challenges that the COVID-19 outbreak has brought, we're exposed to increasing numbers of new and evolving risks. Understanding them and knowing how to juggle risk versus reward won't just protect businesses, it will also open doors to prospective new customers, new products and services, and new ways of working.

Board Responsibilities

The board acknowledges its responsibility for the KPPLC's risk management and system of internal controls covering not only financial controls, but also operational, environmental and compliance controls as well as risk management, including the review of the effectiveness and efficiency of the risk management process and internal control system. The risk management process and system of internal control is designed to meet the KPPLC's needs and to manage the risks to which it is exposed. The audit committee assists the board in the reviewing process, however, the board as a whole remains responsible for all the actions of the audit committee with regards to the execution of the delegated role.

Risk Management Framework

A standard approach to risk management allows risks to be correctly prioritized across all of the Organization's operations, which in turns means that effective controls can be put in place to ensure the Company is able to manage its operations effectively now and into the future. Accordingly, Risk management Framework should address risks across a variety of levels in the organization, including strategy and tactics, and covering both opportunity and threat.

KPPLC's framework of Risk Management includes obtaining top management's commitment, integrating risk management into organizational activities, designing the framework for managing risk, implementing the risk management process, evaluating the effectiveness of the risk management function, and continually improving the framework. The integration of Effective Risk Management with the business practices will result in better information that supports improved decision-making and leads to enhanced performance.

Risk Exposure

Risk management has been transferred from a slide function to one that is fully integrated with the organization's strategic management, strategy cannot be successfully executed without full attention being paid to risk. When it's come to KPPLC policies and procedures that our organization implements depend on many factors, including industry fluctuations and government regulations. But there are basic risk exposures that most of the times KPPLC need to address. Our sustainability and financial strength are underpinned by effective risk management, which allows us to prepare for future challenges, move speedily and facilitate better decisions.

Key Risks	Sub Risk	Purpose of Managing Risk	How We Manage
Strategic Risks	Global Economic Risk	To minimize the uncertainty of Global economic Risks that involves risks associated with global in their nature and impact, such as unexpected changes due to Global Recession, sanctions on Countries or change in international Markets.	• Adopt to diversify the risk by exploring and engaging to market the products in different global markets and finding reliable new markets. • Identifying and investigating product mix to match the global trends and demand. • Analyzing global financial trends and entering into negotiations with foreign buyers. For example, entering in to Forward contracts.
	Environmental Risk	To minimize the impact of occurrence of adverse consequences to the economy arising from the organizational Operations.	• Adopting sustainable agricultural practices. • Closely interacting with environmental authority to align our operations with their requirements. • Taking steps for soil conservation. • Allocate land for forestry.
	Fiscal Policy Changing Risk	To minimize risks associated with changing government policies on international trade and plantation sector.	• Company has employed tax & legal consultants to advise on these issues. • Government lobbying through the minister by maintaining a good formal relationship. • Willing to deal with financial risk arising with government policy changes.

RISK MANAGEMENT

Key Risks	Sub Risk	Purpose of Managing Risk	How We Manage
Strategic Risks	Technological Risk	To minimize the impact of technological advancement for company product obsolescence.	• Focus on technological changes arising in the industry and adapt them where it is necessitated. • Upgrade the production facilities through allocation of company funds.
	Reputation Risk	To minimize the impact of risk associated with breaches of company reputation.	• Active and regular communication with stakeholders to enhance the image of the Company. • Regular review of the Company's interactions with outside environment. • Adopting stringent quality assurance standards with regard to ensure the quality of our products, including raw and packing materials.
Financial Risk	Currency Risk	To minimize impact of foreign currency rate fluctuations associated with the fluctuation in relation to export proceeds, import payments and foreign currency debt transactions.	• Regular analysis of major foreign currency trends which company usually deal with. • Match the export proceeds with foreign currency payments to ensure foreign currency surplus. • Export proceeds exceeding the import payments and foreign currency debt payments through various hedging techniques.
	Interest Rate Risk & Gearing Risk	To minimize the impact of unfavorable impact of interest rate volatility and currency denominated borrowings.	• Structuring the loan portfolio to combine foreign currency and local. • Minimize interest rate risk through internal hedging techniques such as matching by having a balance between variable & fixed portions of interest income & expense. • Maximum utilization of the concessionary funding available to Plantation Companies. To ensure the cost of borrowing is at the optimum level, appropriate gearing ratio will be maintained with the assistance of Group Treasury.
	Liquidity & Cash Management Risk	To Capitalize the benefit of opportunities to raise funds at the lowest possible cost while ensuring a strong liquidity position.	• Funding of long term assets through Equity and Long Term Loans. • Ensure availability and effective utilization of short term facilities where necessary. • Ensuring proper management of working capital via maintaining an adequate level of funds. • Maximum utilization of the concessionary funding available to Plantation Companies.
	Capital Investments Risk	To maximize the shareholder wealth maximization via investing in most suitable investment opportunity.	• Adopting a stringent approval procedure for Capital expenditure. • In depth analysis of investment in both long term and short term capital employments. • Use various approaches for systematically analyze the feasibility of capital budgeting, including NPV, Payback, Profitability ratio etc.

Key Risks	Sub Risk	Purpose of Managing Risk	How We Manage
Financial Risk	Credit Risk	To minimize impact of risks associated with defaults in debtors.	• Insure the export debtors to secure the payment of receivables of foreign transactions. • Sales are made through auction and brokers assure the settlement. • Work towards obtaining collaterals from major local customers with high outstanding. • Follow stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.
Operational Risk	Inventory & Asset Risk	To obtain the maximum outcome by reducing stock obsolescence, the risks of fire, theft and manage stock holding costs and to minimize machinery & equipment breakdown.	• Frequent physical check and adapting to a monthly declaration policy. • Identify slow moving stocks and effectively laying out a channel for these to be sold off. • Obtaining comprehensive insurance covers for all tangible assets. • Carrying out mandatory preventive maintenance programs. • Carrying out frequent employee training programs in areas such as fire prevention.
	Human Capital & Labor Risk	To ensure a smooth flow of operations without any undue disruptions while maximizing the productivity of human capital.	• Maintaining healthy relationships with trade unions through regular dialogues. • Entering in to collective agreements with trade unions. • Ensure compliance with all regulatory requirements with regard to the benefits applicable to workers at estates. • To protect our self as a human employer being successful in motivating, developing, retaining and attracting the best of human capital. • Improving employee benefits by way of financial incentives and welfare activities. • Arrange in-house and external training in order to develop the human resources.
	Product Risk & Risk of Competition	To maximize our market share and ensure the ability to meet the competition in the respective industries by maintaining leadership.	• Ensure high standards of quality of the Products through obtaining local and global Certificates and recognition such as ISO certificates. • Increasing productivity and efficiency in order to ensure an adequate margin despite increasing wages, energy and transportation cost. • Carrying out Research & Development activities to meet the competition. • Regular attention towards competitor behavior to secure and improve the market.
	Procurement Risk	To minimize risk associated with price and availability of materials.	• Continuous replanting activities of all crops to meet the increasing demand. • Ensure the availability of all required materials through regular investigation of Procurement. • Establishing relationships with many suppliers for latex and bought leaf in order to reduce over-dependency on a single supplier. • Entering into forward contracts for purchases of certain raw material items.

RISK MANAGEMENT

Key Risks	Sub Risk	Purpose of Managing Risk	How We Manage
Operational Risk	Information Systems Risk	To minimize impact of risk associated with information system failures for improving data Security, Hardware, Communication and Software.	• Maintaining of spare servers. • Mirroring of hard disks with critical data. • Data back-ups stored in offsite locations. • Vendor agreements for support service and maintenance. • Regular updating of Virus scanners, Firewalls etc. • Compliance with statutory requirements for environmental preservation. Carrying out Application Control Audits.
Hazard Risk	Industrial Accident Risk	To eliminate the probability of the occurrence of industrial accident to ensure the internal security.	• Implementing safety measures in the factories and estates. • Improving the awareness of the employees on the possible accidents. • Facilitating the employee education on first aid treatment. • Aligning the production processes with relevant safety standards.
	Natural Disaster Risk	To minimize the negative impact of occurrence of natural disasters.	• Analyzing the seasonal trends of usual disasters such as floods and getting prepared to minimize avoidable losses. • Obtaining insurance covers for the risky areas. • Preparation of the staff to face unexpected disasters by improving their knowledge of such events.

FINANCIAL CALENDAR 2019/20

YEAR ENDED 31 MARCH 2020

Interim Financial Statements

	2019/20	2018/19
1st Quarter (three months ended 30th June)	12 August 2019	13 August 2018
2nd Quarter (six months ended 30th September)	08 November 2019	12 November 2018
3rd Quarter (nine months ended 31st December)	11 February 2020	13 February 2019
4th Quarter (twelve months ended 31st March)	13 August 2020	30 May 2019

Dividend Announcements

	2019/20	2018/19
Date of Announcement	-	14 March 2019
Interim Dividend	-	Rs. 5.00 Per Share
Date of Payment	-	29 March 2019

Annual General Meetings

Annual Report	Published	Meetings	Date
2010/11	27 May 2011	18th Annual General Meeting	30 June 2011
2011/12	29 May 2012	19th Annual General Meeting	29 June 2012
2012/13	30 May 2013	20th Annual General Meeting	28 June 2013
2013/14	30 May 2014	21st Annual General Meeting	30 June 2014
2014/15	28 May 2015	22nd Annual General Meeting	30 June 2015
2015/16	31 May 2016	23rd Annual General Meeting	30 June 2016
2016/17	31 May 2017	24th Annual General Meeting	30 June 2017
2017/18	30 May 2018	25th Annual General Meeting	29 June 2018
2018/19	12-Jun-2019	26th Annual General Meeting	26 July 2019
2019/20	28-Sep-2020	27th Annual General Meeting	*

* The date for the Annual General Meeting will be notified later.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Kegalle Plantations PLC have pleasure in presenting to the Members, their report together with the Audited Financial Statements of the Company and its subsidiary for the year ended 31 March 2020 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 28 September 2020.

The details set out herein provide pertinent information required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission and are guided by recommended best Accounting Practices. The Company's new registration number is PQ 135.

Principal Activities and Operational Review

The principal activity of Kegalle Plantations PLC is cultivation and processing of Rubber, Tea, Coconut and other crops and remains unchanged from the previous year. The number of estates manage remained the same as last year - 17 estates with a total extent cultivated being 7,523 hectares (7,328 hectares in 2018/19).

The Company continues to be managed by RPC Plantation Management Services (Pvt) Ltd. The basis of computation of Management Fees was same as that of the previous year and was in accordance with the Agreement signed between both parties.

Future Development

Profound changes take place in the global commodity market. In order to stay ahead of its competitors, the strategic direction of the Company is regularly monitored by the Board of Directors in the key areas of operations and financial management, in pursuit of improving yields, value addition, diversification and product differentiation to reduce price sensitivity, to improve quality and get the best return on investment.

Review of the Company Performance

The Chairman's Review, Management Discussion & Analysis and other reports attached, briefly describe the performance of the Company and the Group in the current financial year. These Reports together with the Financial Statements reflect results and the state of affairs of the Company and its subsidiary.

Turnover

The Turnover of the Company was Rs. 2,185,537,214/- (2018/19 - Rs. 2,421,796,755/-) which is a 10% decrease over last year, Composition of the Revenue is given in Note 6 to the Accounts.

Financial Results

Details of the Company's profits are given in page 48.

Year Ended 31 March	2019/20	2018/19
	RS. '000	RS. '000
Profit/ (Loss) from Operations after deducting all expenses, depreciation and all known liabilities	(82,403)	101,097
(-) Taxation	15400	941
Profit after Tax	(67,003)	102,038
(+) Other Comprehensive Income/ (Loss)	(49,291)	(25,337)
Total Comprehensive Income/ (Loss)	(116,294)	76,701
(+) Un-appropriate profit brought forward	2,063,963	2,113,775
(+) Transition adjustment due to initial application od SLFRS 16	124,102	-
Profit available for Distribution	2,071,771	2,190,476
Appropriation		
Dividends paid	-	(125,000)
Timber Reserve	(1,500)	(1,513)
Fair Value Through other Comprehensive Income Reserve	-	-
Un-appropriated profit carried forward	2,070,271	2,063,963

Investments
Information relating to the movement of investments is given in Notes 17 and 18 to the Accounts.

Property, Plant and Equipment
The total capital expenditure incurred on the acquisition of fixed assets during the year amounted to Rs. 266,860,784/- (2018/19 - Rs. 282,751,989/-), out of which expenditure on Biological Assets amounts to Rs. 262,614,981/- (2018/19 - Rs. 260,837,408/-). Further information relating to the movement of Fixed Assets is given in Notes 14 to 16 of the Accounts. Capital expenditure has been financed by either long or short-term borrowings depending on the pay- back period and or internally generated funds.

Loans & Borrowings
A breakdown of the total loans outstanding as at the Statement of Financial Position date is given in Note 25 to the Accounts.

Stated Capital
The Stated Capital of the Company as at 31 March 2020 was Rs. 250,000,010/-. A detail of the Stated Capital is given in Note 24 to the Financial Statements.

Reserves
The Reserves of the Company as at 31 March 2020 was Rs. 2,376,892,794/- (2018/19 - Rs. 2,369,083,142/-). The details are given in the Statement of Changes in Equity on Page 50 to the Financial Statements.

Donations
No Donations were made during the year under review by the Company (2018/19 - Nil).

Taxation
According to the New Inland Revenue Act No. 24 of 2017 (i.e. effective from 1 April 2018), the Company is liable to pay income tax at the rate of 14% on its agricultural business for the year of assessment 2019/20 (2018/2019 – 14%). Further details of Taxation are given in Note 12 to the Financial Statements.

Share Information
Information on Earnings, Dividend, Net Assets and Market Value per share is given on Pages 105 to 107 of this report.

Major Shareholders
The twenty largest shareholders of the Company as at 31 March 2020 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 107.

Directors
The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 12 to 13.

NAME	
Dr. Sena Yaddehige	Chairman
Prof. R C W M R A Nugawela	Director
Dr. S S B D G Jayawardena	Director
Shaminda Yaddehige	Director
S S G Liyanage	Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

1. "That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 74 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige "

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

2. "That Dr. Gerry Jayawardena of No. 134, Batagama (North) Ja -Ela, who is 77 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Gerry Jayawardena "

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from RPC Plantation Management Services (Private) Limited, 310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

3. "That " Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Mr. Sunil Liyanage"

In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Prof. Asoka Nugawela, who retires by rotation at the Annual General Meeting will offer himself for re-election.

Directors' Interest in Contracts

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 37 (Related Party Disclosures) to the Financial Statements.

Interest Register

The Company maintains an interest register as required by the Companies' Act No. 07 of 2007. Information pertaining to directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

Directors' Interest in Shares

Shareholding of Directors/CEO who held office during the financial year is as follows: -

Name of Director/CEO	2020 No. of shares
Dr. Sena Yaddehige, Chairman	Nil
Prof. R C W M R A Nugawela, Director	Nil
Dr. S S B D G Jayawardena, Director	Nil
Shaminda Yaddehige, Director	Nil
S S G Liyanage, Director	Nil
Sriyan Eriyagama, Chief Executive Officer (Resigned w.e.f. 30 June 2020)	Nil

Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2020 is given in Note 8 of the Financial Statements.

Vision, Mission & Objectives

The Company's Vision, Mission and Long-Term Objectives are given Front Inner Page of this report.

Environmental Protection

The Companies activities can have both direct and indirect effects on the environment. It is the policy of the Company to minimize any adverse effects by recycling resources as much as possible and creating awareness among staff on current global environmental threats.

Employment Policy

The Company's recruitment and employment policy is non discriminatory. Appraisals of individual employees are carried out by the respective departmental heads in order to evaluate their performances and realise their potential and through this process to benefit the Company and themselves.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date.

Events after the Reporting Date

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment or disclosure in the Accounts, except what was disclosed in Note 36.

The Company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees in Tea Centers, Factories and fields to control the outbreak of Corona Virus. The Company will continue its policy of Human 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 important and we have facilitated work from home for Head Office employees, sanitization 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.

Board Committees

The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in Pages 32 to 34 of this report.

Related Party Transactions

There are no non recurrent related party transactions which exceed 10 percent of the Equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements

of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which are adopted in the presentation of the Financial Statements and accordingly given in note 37 on Pages 99 to 100.

Corporate Governance and Internal Control

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on Pages 25 to 31.

The Board has overall responsibility for the Group's system of Internal Financial Control. Although no system of Internal Control can provide absolute assurance against material misstatement or loss the Group's internal control system has been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions authorized and properly recorded and material errors and irregularities either prevented or detected within a reasonable period of time.

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for financial reporting of the Company and the Group is set out in Page 44 of this report.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene the Laws and the regulations applicable in Sri Lanka. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange.

The Company is in compliance with the CSE rules on related party transactions which was made mandatory with effect from 1st of January 2016.

Auditors

The Financial Statements for the year ended 31 March 2020 have been audited by Messrs. Ernst & Young, Chartered Accountants. The Auditors Report is given on Pages 45 to 47.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing their re-appointment as Auditors to the Company and authorizing the Directors of the Company to fix their remuneration will be proposed at the Annual General Meeting.

The Audit Fee of Messrs. Ernst & Young for the current year was Rs. 4,567,299/- (2018/19 Rs. 4,567,299/-). In addition Rs. 985,818/- (2018/19 Rs. 556,180/-) was paid by the Company for non-audit related work which consists mainly of certifications issued to the Department of Inland Revenue and Tax related work. As far as the Directors were aware the Auditors do not have any relationship other than that of an Auditor with the Company.

Annual General Meeting

The Date of the Annual General Meeting will be notified later.

On behalf of the Board,

S S G Liyanage
Director

Dr. S S B D G Jayawardena
Director

Mrs. R J Siriweera
Company Secretary

Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna
Maharagama.

28 September 2020

STATEMENT OF THE DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No.7 of 2007, the Directors of Kegalle Plantations PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, Messrs. Ernst & Young, which are set out in their report, appearing on pages 45 to 47 of this report.

The Financial Statements of the Company and its subsidiary for the year ended 31 March 2020 included in this report have been prepared and presented in accordance with the Sri Lanka Financial Reporting Standards. They provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements given on pages from 52 to 69 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that all Companies within the Group maintain adequate accounting records, which are sufficient enough to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company and its subsidiary. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company and its subsidiary as at 31 March 2020 and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them which comprise internal checks, internal audit, financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors are of the view that the Company and its subsidiary have adequate resources to continue operations in the foreseeable future, as a going concern. Accordingly, the Directors have continued to use the going-concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors Messrs. Ernst & Young, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Company's Auditors, Messrs. Ernst & Young, Chartered Accountants have examined the Financial Statements together with all financial records and related data and express their opinion which appears as reported by them on pages 45 to 47 of this report. In arriving at their opinion, they have carried out reviews and sample checks on the system of internal controls.

On behalf of the Board,

Mrs. R J Siriweera
Company Secretary

Richard Pieris Group Services (Pvt) Ltd
Secretaries
310, High Level Road
Nawinna
Maharagama.

28 September 2020

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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Sri Lanka

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEGALLE PLANTATIONS PLC

Report on the Financial Statements

Opinion

We have audited the financial statements of Kegalle Plantations PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2020, statement of profit or loss and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Retirement Benefit Obligation	
The Group has a Retirement Benefit Obligation liability amounting to Rs. 469Mn as at the reporting date. The Valuation of retirement benefit obligation requires technical expertise, including the use of actuarial experts and selecting appropriate assumptions. Small changes in a number of the key assumptions used to value the company's retirement benefit obligation, (including salary increases, discount rates and mortality) could have a material impact on the calculation of the liability.	We evaluated the assumptions made in relation to the actuarial valuation of the retirement benefit obligation. In particular: • We assessed the assumption for salary increases against the group's historic trend. • We agreed the discount rate used, to our internally developed benchmarks. • We validated the key data used by the actuary to the underlying data held by the Group. We evaluated the adequacy of the related disclosures given in Note 26 in the financial statements.

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

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INDEPENDENT AUDITORS' REPORT

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Bearer Biological Assets - Immature	
As at 31 March 2020, 40% of the total assets of the Group consisted of bearer biological assets amounting to Rs. 2,601 Mn which comprised with Rs. 1,177 Mn Immature and Rs. 1,424 Mn Mature plantations. During the financial year Group capitalised an amount of Rs. 253 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 232 Mn. Management's identification of capitalizable portion of the cost incurred relating to immature plantations, identification of the point at which transfer out to mature plantation to be made and the assessment of if the indicators of impairment are present, are significant in arriving at the value of such plantations. Due to the above factors and the magnitude of the amounts involved, we considered this area as a key audit matter.	Our audit procedures to address this area of focus included (amongst others) the following: • We assessed the processes and controls in place to ensure; proper capitalisation of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis. • We validated the significant amounts capitalised (including capitalized labor and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. • We inspected the ageing profile of the immature biological assets as of the reporting date as well as at the points of transfers out to ensure appropriate and timely transfers are made to respective matured plantations. We evaluated the adequacy of the related disclosures given in Notes 3.7.8.1 and 16.1 in the financial statements.

Other information included in 2019/20 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.

Building a better working world

- 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.

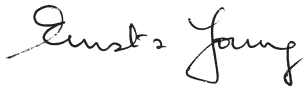
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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-1420.



Ernst & Young
Chartered Accountants

16 October 2020
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Revenue	6	2,185,536	2,421,797	2,185,536	2,421,797
Cost of Sale		(2,221,996)	(2,309,743)	(2,221,996)	(2,309,743)
Gross Profit/(Loss)		(36,460)	112,054	(36,460)	112,054
Gain/(Loss) on fair value of Biological Assets	16.4	2,232	(543)	2,232	(543)
Other Income	7	46,926	41,380	135,614	163,680
Administrative Expenses		(57,476)	(57,526)	(50,503)	(52,907)
Management Fee		(4,399)	(25,510)	(4,399)	(25,510)
Profit/(Loss) from Operations	8	(49,177)	69,855	46,484	196,774
Finance Income	9	61,068	188,899	61,068	188,899
Finance Cost	10	(189,955)	(284,576)	(189,955)	(284,576)
Share of Result of Equity Accounted Investees	11	412,679	358,851	-	-
Profit/(Loss) Before Taxation		234,615	333,029	(82,403)	101,097
Tax Expenses	12.1	(75,328)	65,052	15,400	941
Profit/(Loss) After Taxation		159,287	398,081	(67,003)	102,038
Basic Earnings/(Loss) Per Share - Rs.	13	6.37	15.92	(2.68)	4.08
Dividend Per Share - Rs.	13.3	-	-	-	5.00

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Profit/(Loss) for the year		159,287	398,081	(67,003)	102,038
Other Comprehensive Income					
Other Comprehensive income/(Loss) that will not be reclassified to profit or loss in subsequent periods (net of tax)					
Actuarial Gains/(Losses) on Defined Benefit Plans	26	37,122	(26,699)	37,122	(26,699)
Income tax effect	12.2	(5,197)	3,738	(5,197)	3,738
Other Comprehensive income/(Loss) that will not be reclassified to profit or loss in subsequent periods		31,925	(22,961)	31,925	(22,961)
Share of Other Comprehensive Income of Equity Accounted Investees					
Other Comprehensive income/(Loss) that will not be reclassified to profit or loss in subsequent periods (net of tax)					
Actuarial Gains/(Losses) on Defined Benefit Plans	11.2	413	(3)	-	-
Income tax effect	11.2	(9)	(3)	-	-
		404	(6)	-	-
Net Gain/(Loss) on Fair Value Through Other Comprehensive Income Financial Assets	17.2	(90,240)	(2,640)	(90,240)	(2,640)
Income tax effect	12.2	9,024	264	9,024	264
		(81,216)	(2,376)	(81,216)	(2,376)
Net Other Comprehensive income/(Loss) that will not be reclassified to profit or loss in subsequent periods		(80,812)	(2,382)	(81,216)	(2,376)
Other Comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		-	-	-	-
Other Comprehensive Income/(Loss) for the year, net of tax		(48,887)	(25,343)	(49,291)	(25,337)
Total Comprehensive Income/(Loss) for the year, net of tax		110,400	372,738	(116,294)	76,701

The accounting policies and notes on Pages 52 through 104 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
ASSETS					
Non Current Assets					
Right of Use Assets	14	516,907	180,798	516,907	180,798
Free hold Property, Plant and Equipment	15	272,295	298,989	247,266	270,466
Bearer Biological Assets	16.1	2,601,028	2,431,447	2,601,028	2,431,447
Consumable Biological Assets	16.2	147,162	135,877	147,162	135,877
Financial Assets	17	153,720	243,960	153,720	243,960
Long Term Investments	18.3	1,477,604	1,245,807	491,850	491,850
Total Non Current Assets		5,168,716	4,536,878	4,157,933	3,754,398
Current Assets					
Produce on Bearer Biological Asset	16.3	4,491	3,759	4,491	3,759
Inventories	19	371,534	350,652	371,420	350,538
Trade and Other Receivables	20	359,555	356,581	357,933	348,286
VAT Recoverable		23,066	24,301	23,066	24,294
ESC Recoverable		33,809	34,408	33,809	34,408
Income Tax Recoverable		16,131	16,131	16,131	16,131
Amounts due from Related Companies	21	11,214	10,879	42,201	43,569
Short Term Investments	22	527,513	1,611,090	527,513	1,611,090
Financial Assets	22.1	-	1,000,000	-	1,000,000
Cash and Bank Balances	23	10,448	16,970	10,448	16,970
Total Current Assets		1,357,761	3,424,771	1,387,012	3,449,045
TOTAL ASSETS		6,526,477	7,961,649	5,544,945	7,203,443
EQUITY AND LIABILITIES					
Equity					
Stated Capital	24	250,000	250,000	250,000	250,000
General Reserve	24.1	225,000	225,000	225,000	225,000
Timber Reserve	24.2	33,021	31,521	33,021	31,521
Fair Value Through Other Comprehensive Income Reserve	24.3	48,588	48,588	48,600	48,600
Retained Earnings		3,041,899	2,808,898	2,070,271	2,063,963
Total Equity		3,598,508	3,364,007	2,626,892	2,619,084
Non Current Liabilities					
Interest-bearing Loans & Borrowings	25	179,060	524,660	179,060	524,660
Retiring Benefit Obligations	26	469,070	488,519	469,070	488,424
Deferred Income	27	204,206	212,752	204,206	212,752
Deferred Tax Liability	28	116,648	145,319	116,648	145,319
Lease Creditor	29.3	484,857	247,242	484,857	247,242
Total Non Current Liabilities		1,453,841	1,618,492	1,453,841	1,618,397
Current Liabilities					
Trade and Other Payables	30	255,335	251,692	250,540	243,624
Interest-bearing Loans & Borrowings	25	1,083,417	2,606,429	1,083,417	2,606,429
Lease Creditor	29.3	4,833	5,630	4,833	5,630
Dividend Payable	31	33,320	29,484	33,320	29,484
Amounts due to Related Companies	32	97,222	85,915	92,103	80,795
Total Current Liabilities		1,474,127	2,979,150	1,464,213	2,965,962
TOTAL EQUITY AND LIABILITIES		6,526,477	7,961,649	5,544,945	7,203,443

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

Kamal Punchihewa
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Kegalle Plantations PLC.

S S G Liyanage
Director

Dr. S S B D G Jayawardena
Director

The accounting policies and notes on Pages 52 through 104 form an integral part of the Financial Statements.

28 September 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March

Group	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	FVTOCI Reserve Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 01 April 2018	250,000	225,000	2,562,673	48,588	30,008	3,116,269
Profit for the year	-	-	398,081	-	-	398,081
Other Comprehensive Income						
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	(22,961)	-	-	(22,961)
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain/(Loss) on FVTOCI Financial Assets	-	-	(2,376)	-	-	(2,376)
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	(6)	-	-	(6)
Timber Reserve	-	-	(1,513)	-	1,513	-
Dividend Paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2019	250,000	225,000	2,808,898	48,588	31,521	3,364,007
Transition adjustment due to initial application of SLFRS 16	-	-	124,102	-	-	124,102
Balance as at 01 April 2019	250,000	225,000	2,933,000	48,588	31,521	3,488,109
Profit for the year	-	-	159,287	-	-	159,287
Other Comprehensive Income						
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	31,925	-	-	31,925
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain/(Loss) on Fair Value Through Other Comprehensive Income Financial Assets	-	-	(81,216)	-	-	(81,216)
Actuarial Gains/(Losses) on Defined Benefit Plans	-	-	404		-	404
Timber Reserve	-	-	(1,500)	-	1,500	-
Dividend Paid	-	-	-	-	-	-
Balance as at 31 March 2020	250,000	225,000	3,041,899	48,588	33,021	3,598,508

Company	Stated Capital Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	FVTOCI Reserve Rs.'000	Timber Reserve Rs.'000	Total Rs.'000
As at 01 April 2018	250,000	225,000	2,113,775	48,600	30,008	2,667,383
Profit for the year	-	-	102,038	-	-	102,038
Other Comprehensive Income	-	-	(25,337)	-	-	(25,337)
Timber Reserve	-	-	(1,513)	-	1,513	-
Dividend Paid	-	-	(125,000)	-	-	(125,000)
Balance as at 31 March 2019	250,000	225,000	2,063,963	48,600	31,521	2,619,084
Transition adjustment due to initial application of SLFRS 16	-	-	124,102	-	-	124,102
Balance as at 01 April 2019	250,000	225,000	2,188,065	48,600	31,521	2,743,186
Profit/(Loss) for the year	-	-	(67,003)	-	-	(67,003)
Other Comprehensive Income/(Loss)	-	-	(49,291)	-	-	(49,291)
Timber Reserve	-	-	(1,500)	-	1,500	-
Dividend Paid	-	-	-	-	-	-
Balance as at 31 March 2020	250,000	225,000	2,070,271	48,600	33,021	2,626,892

The accounting policies and notes on Pages 52 through 104 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Year Ended 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit/(Loss) before Taxation		234,615	333,029	(82,403)	101,097
ADJUSTMENTS FOR					
Interest Income	9	(61,068)	(188,899)	(61,068)	(188,899)
Depreciation/Amortisation	8	138,183	127,536	138,183	127,536
Provision For Defined Benefit Plan Costs	26	89,906	83,385	90,001	83,385
Amortisation of Grants	27	(11,176)	(11,089)	(11,176)	(11,089)
Finance Costs	10	189,955	284,576	189,955	284,576
Dividend Received from Associates/FVTOCI Financial Assets	7	-	(3,996)	(90,558)	(128,030)
Impairment of Property, Plant & Equipment		3,494	4,177	-	-
Lease liabilities on Right of Use Assets		98	-	98	-
(Profit)/Loss on disposal of Assets		-	3,850	-	3,850
(Gains)/Losses on Fair Value of Biological Assets	16.4	(2,232)	543	(2,232)	543
Share of result of Associates	11	(412,679)	(358,851)	-	-
Operating Profit before Working Capital Changes		169,096	274,261	170,800	272,969
(Increase)/Decrease in Inventories		(20,882)	(20,189)	(20,882)	(20,446)
(Increase)/Decrease in Trade and Other Receivables		(1,739)	(110,097)	(8,419)	(110,251)
Increase/(Decrease) in Trade and Other Payables		3,643	12,504	6,916	12,483
(Increase)/Decrease in amounts due from Related Companies		(335)	2,731	1,368	4,455
Increase/(Decrease) in amounts due to Related Companies		11,307	62,285	11,308	62,285
Cash Generated from / (used in) Operations		161,090	221,495	161,091	221,495
Finance Costs Paid		(126,155)	(226,158)	(126,155)	(226,158)
Defined Benefit Plan Costs Paid	26	(72,233)	(61,734)	(72,233)	(61,734)
ESC/Income Tax Paid		(8,846)	(12,307)	(8,846)	(12,307)
Net Cash from / (used in) Operating Activities		(46,144)	(78,704)	(46,143)	(78,704)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Redemption of Debenture	22.1	1,000,000	-	1,000,000	-
Interest Income	9	61,068	188,899	61,068	188,899
Dividend Received from Associates		90,558	128,030	90,558	128,030
Grant/Subsidies Received	27	2,630	12,010	2,630	12,010
Proceeds from Disposal of Property, Plant & Equipment		-	1,000	-	1,000
Field Development Expenditure	Note A	(262,614)	(260,838)	(262,614)	(260,838)
Purchase of Property, Plant & Equipment	Note B	(4,245)	(21,915)	(4,245)	(21,915)
Net Cash from / (used in) Investing Activities		887,397	47,186	887,397	47,186
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		3,836	(119,479)	3,836	(119,479)
Payment of Government Lease Rentals - Interest	29	(63,800)	(58,417)	(63,800)	(58,417)
Payment of Government Lease Rentals - Capital	29	(2,775)	(5,413)	(2,775)	(5,413)
Proceed from Loans		-	50,000	-	50,000
Repayment of Loans		(603,686)	(668,332)	(603,686)	(668,332)
Net Cash from / (used in) Financing Activities		(666,425)	(801,641)	(666,425)	(801,641)
Net Increase / (Decrease) in Cash & Cash Equivalents		174,828	(833,159)	174,829	(833,159)
Cash & Cash Equivalents at the beginning of the year	23	(328,656)	504,503	(328,656)	504,503
Cash & Cash Equivalents at the end of the year	23	(153,828)	(328,656)	(153,827)	(328,656)

The accounting policies and notes on Pages 52 through 104 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

Year Ended 31 March

NOTE A	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Investment in field development expenditure				
Investment in Immature Plantations				
Rubber	175,057	152,496	175,057	152,496
Tea	2,823	12,206	2,823	12,206
Coconut	2,086	778	2,086	778
Unallocated	82,648	95,358	82,648	95,358
	262,614	260,838	262,614	260,838

NOTE B	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Investment in Property, Plant & Equipment				
Rubber	747	7,441	747	7,441
Tea	3,431	13,884	3,431	13,884
Unallocated	67	590	67	590
	4,245	21,915	4,245	21,915

The accounting policies and notes on Pages 52 through 104 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Kegalle Plantations PLC was incorporated on 22nd 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 310, High Level Road, Nawinna, Maharagama and Plantations are situated in the planting districts of Kegalle, Kurunegala and Badulla.

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 Kegalle Plantations PLC., as at and for the year ended 31 March 2020 comprise the Company, its Subsidiary and Associates namely, Hamefa Kegalle (Pvt.) Ltd, Richard Pieris Natural Foams Ltd, and Arpico Insurance PLC.

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

1.1 Principal Activities and Nature of the Operations

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

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

COMPANY	RELATIONSHIP	NATURE OF THE BUSINESS/ PRINCIPAL PLACE OF BUSINESS
Hamefa Kegalle (Pvt) Ltd	Subsidiary	Currently no business operation other than Rent Income.
Richard Pieris Natural Foams Ltd	Associate	Manufacture of latex foam products.
Arpico Insurance PLC	Associate	Providing life insurance services.

1.2 Holding Company

The Company is a subsidiary of RPC Plantation Management Services (Pvt) Ltd., which is a wholly owned subsidiary of Richard Peiris Plantations (Pvt) Ltd whose ultimate parent enterprise is Richard Peiris & Co. PLC.

1.3 Date of Authorization for issue

The Financial Statements of Kegalle Plantations PLC for the period ended 31 March 2020, were authorized for issue in accordance with a resolution of the Board of Directors on 28 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

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 (ICASL), 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.
- Equity Financial Assets at fair value through other comprehensive income.
- Defined Benefit obligation is measured using projected unit credit method.

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 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.

2.4 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

Impact on COVID-19 and Going Concern Assessment

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

Financing and Liquidity

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

Impact on Assets & Impairments

The Company resumed normal operations when the Plantation sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. The Company adopted successful measures to mitigate the impact of COVID 19 on crop intake, revenue and expenditure and after careful assessment decided that there was no requirement to impair of Biological Assets, Debtors and Other Assets of the Company.

Impact on Internal Operations & Business Continuity

Since plantations are mainly based in districts which were severely affected by the COVID 19 and also due to the Government policies on agricultural industry as an essential service, it allowed the Company to resume normal operation while implementing strict health care & safety measures. However, the operations at Head Office level were disrupted due to the strict enforcement of curfew in Colombo but operational work continued under the concept of work from home.

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

The Company has determined that there will be continuing

demand for black tea at reasonable prices, since this product is regarded as a health beverage. We assume Sri Lanka will be able to reach the market in a better way due to the disruption of production facilities in other Countries affected by COVID19. Further Company is confident in carrying the business and its operations as normal under the health and safety measures recommended by the Government authorities.

3.2 Basis of Consolidation

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

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

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

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

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Company level investments in subsidiaries are recognized 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 recognized in profit or loss or other comprehensive income, as appropriate.

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

3.2.2 Equity Accounted Investees (Investment in Associates)
Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Equity accounted investees are accounted for using the equity method.

Under the equity method, the investment in the equity accounted investee is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the equity accounted investee. Goodwill relating to the equity accounted investee is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the equity accounted investee. Any change in OCI of those investees is presented as part of the Group's OCI. When there has been a change recognized directly in the equity of the equity accounted investee, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealized gains and losses resulting from transactions between the Group and the equity accounted investee are eliminated to the extent of the interest in the equity accounted investee.

The consolidated Financial Statements include the Group's share of profit net of tax and equity movements of equity accounted investees from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

The Financial Statements of the equity accounted investees are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amounts of the equity accounted investee and its carrying value and recognizes the amount in the share of profit of an equity accounted investee, in the Statement of Profit or Loss.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In the Company level, investments in subsidiaries and associates are recognized at cost.

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 be sold or consumed in the 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 the 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:

NOTES TO THE FINANCIAL STATEMENTS

- Managed Consumable biological assets Note 16.2.
- Produce Growing on Bearer Biological Assets Note 16.3.
- Equity Investment at fair value through OCI, which are financial instruments.

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 Cost of 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 capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.7.5 Leases

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

Group as a Lessee

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

3.7.5.1 Right of Use Assets

The Group recognises right to use of 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 to use of assets includes the amount of lease liabilities recognized, initial

NOTES TO THE FINANCIAL STATEMENTS

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, as follows:

	No. of Years
Building	2 years

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.

The weighted average incremental borrowing rate use for discounting purpose as at 31st March 2020 is 13%.

The Company's lease liabilities are included in Note 29 to the financial statements.

3.7.6 Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit or loss when the asset is derecognized.

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 recognizes 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 DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 16.2.

The main variables in DCF model concerns

VARIABLE	COMMENT
Timber content	Estimate 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.
Economic useful life	Estimated based on the normal life span of each species by factoring the 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.
Planting cost	Estimated costs for the further development of immature areas are deducted.
Discount Rate	Future cash flows are discounted at following discount rates: Timber trees 14%

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

	No. of Years	Rate (%)
Buildings & Roads	40	2.50
Plant & Machinery	12	8.00
Colour Separator	20	5.00
Furniture & Fittings	10	10.00
Vehicle	05	20.00
Equipment	08	12.50
Sanitation, Water & Electricity Supply	20	5.00
Computer Accessories	08	12.50
Lines & Latrines	40	2.50
Right of Use Building	02	50.00

Mature Plantations (Replanting and New Planting)

	No. of Years	Rate (%)
Mature Plantations - Tea	33	3.33
- Rubber	20	5.00
- Coconut	50	2.00

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 derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is 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:

	No. of Years	Rate (%)
Right of Use Land	26	3.8 (Over the remaining lease period)
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Machinery	15	6.67

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 live 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 derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.7.10.1 Research and Development
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, investments, 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 amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial Assets at Amortized Cost (Debt Instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

b) Financial Assets at Fair Value through OCI (Debt Instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group does not have any debt instruments at fair value through OCI.

c) Financial Assets at Fair Value through OCI
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under 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 Richard Pieris Finance 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3.8.2.2 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 recognized in the statement of profit or loss.

(b) Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, 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 39.

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 recognized in profit or loss at the end of each reporting period.

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

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

- Tea – Bought leaf rate less cost of harvesting & transport.
- Rubber – Latex price (95% of current RSS1 Price) less cost of tapping & transport.

3.10 Inventories

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.

Input Material, Spares and Consumables

At actual cost on weighted average basis.

Agricultural Produce Harvested from Biological Assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form 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.

	No. of Years
Buildings	40 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. 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 recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

3.19.1.1 Revenue from contracts with customers

- **Sale of Plantation Produce**

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo Tea/Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

3.19.1.2 Other Source of Income

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

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

- **Interest Income**

Interest income is recognized based on effective interest method.

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

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

3.19.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit/(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.

NOTES TO THE FINANCIAL STATEMENTS

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. 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. The Company is primarily engaged in the production of tea, rubber and coconuts which are multiple business segment.

The Company evaluates the performance of its geographical segments. Therefore, geographical segments have been presented.

The activities of the segments are described in Note 06 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.

3.22 New Accounting Standards, Interpretations and Amendments Adopted by the Group

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

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

3.22.1 SLFRS 16 Leases

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

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

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

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

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

The effect of adoption SLFRS 16 as at 1 April 2019 is disclosed in Note 29.1.1 to the Financial Statements

3.22.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

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

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

Current Tax

According to the Notice to the Tax payers issued by the Department of Inland Revenue under the Implementation of Proposed Changes to the Inland Revenue Act No 24 of 2017, the gains or profits derived by any person from the sale of produce of an undertaking for Agro farming of such person without subjecting

such produce to any process of production or manufacture, is exempt with effect from 01 April 2019.

Based on the expert opinion obtained, the management is of the view that the Company is predominantly engaged in agricultural business.

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

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

The details of deferred tax computation is given in Note 28 to the Financial Statements.

4.2 Measurement of Retirement Benefit Obligation

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

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

Further details about Retirement benefit obligations are provided in Note 26.

4.3 Fair Valuation of 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 16.2.1.

4.4 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.

4.5 Leases - Estimating the incremental borrowing rate

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

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

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

5.1 Amendments to SLFRS 3: Definition of a Business

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

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

5.2 Amendments to LKAS1 and LKAS 8: Definition of Material

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

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

6. REVENUE

6.1 Summary

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sale of Goods				
Rubber	1,127,630	1,206,202	1,127,630	1,206,202
Tea	878,108	960,089	878,108	960,089
Coconut	41,817	51,845	41,817	51,845
Other Crops	783	544	783	544
Sale of Rubber Trees	137,198	203,117	137,198	203,117
Total Revenue	2,185,536	2,421,797	2,185,536	2,421,797

6.2 Operating Segments

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Geographical Segments - Revenue				
Local Revenue	2,086,845	2,295,694	2,086,845	2,295,694
Export Revenue	98,691	126,103	98,691	126,103
Total Revenue	2,185,536	2,421,797	2,185,536	2,421,797

NOTES TO THE FINANCIAL STATEMENTS

6.3 Business Segments

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Rubber				
Revenue	1,127,630	1,206,202	1,127,630	1,206,202
Revenue Expenditure	(1,014,567)	(1,111,867)	(1,014,567)	(1,111,867)
Depreciation & Amortisation	(104,114)	(87,688)	(104,114)	(87,688)
Other Non Cash Expenditure - Gratuity	(46,806)	(47,203)	(46,806)	(47,203)
Segment Result - Gross Profit / (Loss)	(37,857)	(40,556)	(37,857)	(40,556)
Tea				
Revenue	878,108	960,089	878,108	960,089
Revenue Expenditure	(952,249)	(963,750)	(952,249)	(963,750)
Depreciation & Amortisation	(32,352)	(36,414)	(32,352)	(36,414)
Other Non Cash Expenditure - Gratuity	(43,195)	(36,181)	(43,195)	(36,181)
Segment Result - Gross Profit / (Loss)	(149,688)	(76,256)	(149,688)	(76,256)
Coconut				
Revenue	41,817	51,845	41,817	51,845
Revenue Expenditure	(27,827)	(25,848)	(27,827)	(25,848)
Segment Result - Gross Profit	13,990	25,997	13,990	25,997
Other Crop				
Revenue	783	544	783	544
Revenue Expenditure	(550)	(151)	(550)	(151)
Segment Result - Gross Profit	233	393	233	393
Sale of Rubber Trees				
Revenue	137,198	203,117	137,198	203,117
Revenue Expenditure	(336)	(640)	(336)	(640)
Segment Result - Gross Profit	136,862	202,477	136,862	202,477
Total Segments				
Revenue	2,185,536	2,421,797	2,185,536	2,421,797
Revenue Expenditure	(1,995,529)	(2,102,256)	(1,995,529)	(2,102,256)
Depreciation & Amortisation	(136,466)	(124,102)	(136,466)	(124,102)
Other Non Cash Expenditure - Gratuity	(90,001)	(83,384)	(90,001)	(83,384)
Total Segment Results - Gross Profit / (Loss)	(36,460)	112,055	(36,460)	112,055
Total Segment Results - Gross Profit / (Loss)	(36,460)	112,055	(36,460)	112,055
Gain/(Loss) on fair value of biological assets	2,232	(543)	2,232	(543)
Other Income	46,926	41,379	135,614	163,680
Administrative Expenses	(57,476)	(57,526)	(50,503)	(52,907)
Management Fee	(4,399)	(25,510)	(4,399)	(25,510)
Finance Income	61,068	188,899	61,068	188,899
Finance Cost	(189,955)	(284,575)	(189,955)	(284,575)
Share of Result of Associates	412,679	358,851	-	-
Profit / (Loss) Before Tax	234,615	333,030	(82,403)	101,099

6.4 Business Segments - Assets

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Non Current Assets				
Rubber	1,699,260	1,856,600	1,699,260	1,856,600
Tea	770,821	772,639	770,821	772,639
Other Crops	608,177	285,706	608,177	285,706
Unallocated	2,090,458	1,621,936	1,079,675	839,456
Total Non Current Assets	5,168,716	4,536,881	4,157,933	3,754,401
Current Assets				
Rubber	509,317	348,049	509,317	348,049
Tea	191,342	235,287	191,342	235,287
Other Crops	38,733	44,246	38,733	44,246
Unallocated	618,369	2,797,188	647,620	2,821,463
Total Current Assets	1,357,761	3,424,770	1,387,012	3,449,045

6.5 Business Segments - Liabilities

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Non Current Liabilities				
Rubber	130,357	225,961	130,357	225,961
Tea	300,169	303,048	300,169	303,048
Other Crops	148,897	77,624	148,897	77,624
Unallocated	874,418	1,011,860	874,418	1,011,766
Total Non Current Liabilities	1,453,841	1,618,493	1,453,841	1,618,399
Current Liabilities				
Rubber	105,950	114,217	105,950	114,217
Tea	101,136	104,622	101,136	104,622
Other Crops	19,726	19,284	19,726	19,284
Unallocated	1,247,315	2,741,026	1,237,401	2,727,840
Total Current Liabilities	1,474,127	2,979,149	1,464,213	2,965,963

NOTES TO THE FINANCIAL STATEMENTS

6.6 Segment Capital Expenditure

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Rubber	175,804	159,937	175,804	159,937
Tea	6,254	26,089	6,254	26,089
Coconut	2,086	778	2,086	778
Unallocated	82,715	95,948	82,715	95,948
Total Capital Expenditure	266,859	282,752	266,859	282,752

7. OTHER INCOME

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Amortisation of Capital Grants/Subsidy	11,176	11,089	11,176	11,089
Dividend Income	-	3,996	90,558	128,030
Sundry Income	35,750	26,295	33,880	24,562
Total Other Income	46,926	41,380	135,614	163,680

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

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Auditors' Remuneration	4,567	4,567	4,567	4,567
Depreciation & Amortization	138,183	127,536	138,183	127,536
Directors' Remuneration	800	800	800	800
Defined Benefit Plan Cost	90,001	83,385	90,001	83,385
Defined Contribution Plans - EPF & ETF	140,826	121,500	140,826	121,500
Others - Staff Cost	961,253	926,399	961,253	926,399

9. FINANCE INCOME

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Debenture Interest	13,176	106,875	13,176	106,875
Exchange Gain	4,682	12,379	4,682	12,379
Other Interest Income	43,210	69,645	43,210	69,645
Total Finance Income	61,068	188,899	61,068	188,899

10. FINANCE COST

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Overdraft Interest	99,555	167,229	99,555	167,229
Lease Rental	63,800	58,417	63,800	58,417
Interest on Lease Liabilities (right-of-use assets) - SLFRS 16	310	-	310	-
Term Loan Interest	62,711	114,126	62,711	114,126
	226,376	339,772	226,376	339,772
Less: Interest Capitalised	(36,421)	(55,196)	(36,421)	(55,196)
Total Finance Cost	189,955	284,576	189,955	284,576

11. SHARE OF RESULT OF ASSOCIATES

The Group can influence upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd and upto 40.29% of the voting rights of the Arpico Insurance PLC.

The Group's share of the income of the entities for the years ending 31 March 2020 and 2019, which are accounted under the equity method are as follows.

11.1 Statement of Profit or Loss

	Group	
	2020 Rs.'000	2019 Rs.'000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit Before Tax	284,441	276,299
Tax on associate results	(40,188)	(37,751)
Group Share of Profit After Tax	244,253	238,548
Arpico Insurance PLC		
Group's Share of Profit Before Tax	128,238	82,552
Tax on associate results	(35,798)	121,011
Group Share of Profit After Tax	92,440	203,563
Total Group Share of Result		
Group's Share of Profit Before Tax	412,679	358,851
Tax on associate results	(75,986)	83,260
Group Share of Profit After Tax	336,693	442,111

NOTES TO THE FINANCIAL STATEMENTS

11.2 Statement of Other Comprehensive Income (OCI)

	Group	
	2020 Rs.'000	2019 Rs.'000
Richard Pieris Natural Foams Ltd		
Gain/(Loss) on Acturial Valuation	61	23
Income Tax Effect	(9)	(3)
Group Share of Other Comprehensive Income	52	20
Arpico Insurance PLC		
Gain(/Loss) on Acturial Valuation	352	(26)
Group Share of Other Comprehensive Income/(Loss)	352	(26)
Total Group Share of Result		
Gain/(Loss) on Acturial Valuation	413	(3)
Income Tax Effect	(9)	(3)
Total	404	(6)

12. CURRENT TAX EXPENSES

12.1 Statement of Profit or Loss

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
(I) Current Income Tax:				
Current income tax charge/(reversal)	85,430	(84,303)	9,444	-
Tax on dividend paid by Group Companies	14,742	20,192	-	-
(II) Deferred Tax (Note 28.1):				
Relating to origination and (reversal) of temporary differences	(24,844)	(941)	(24,844)	(941)
Amount originated due to the Income Tax rate change	-	-	-	-
Income Tax charge/(reversal) reported in Statement of Profit or Loss	75,328	(65,052)	(15,400)	(941)

12.2 Statement of Other Comprehensive Income (OCI)

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deferred tax relating to items (charges)/credited directly to OCI during the year:				
Net gain/(loss) on actuarial gains and losses on Defined Benefit Plans (Note 28.1)	(5,197)	3,738	(5,197)	3,738
Net gain/(loss) on FVTOCI Financial Assets (Note 28.1)	9,024	264	9,024	264
Income Tax charge directly to Other Comprehensive Income	3,827	4,002	3,827	4,002

12.3 Reconciliation between Current Tax Expense and Accounting Profit

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Accounting Profit/(Loss) Before Tax	234,615	333,029	(82,403)	101,097
Aggregate Disallowed Items	296,090	239,955	296,090	241,666
Aggregate Allowable Items	(571,281)	(678,516)	(571,281)	(674,170)
Tax Exempt Income	-	-	-	-
Total Statutory Income/(Loss)	(40,576)	(105,532)	(357,594)	(331,407)
Liable Interest Income	-	194,524	-	-
	(40,576)	88,992	(357,594)	(331,407)
Tax Losses Utilized During the Year	-	(194,524)	-	-
Total Assessable Income / Taxable Income/(Loss)	(40,576)	(105,532)	(357,594)	(331,407)
Assessable Income / Taxable Income from Agriculture	(357,594)	(331,407)	(357,594)	(331,407)
Assessable Income / Taxable Income from Manufacture	-	-	-	-
Total Assessable Income / Taxable Income/(Loss)	(357,594)	(331,407)	(357,594)	(331,407)
Income Tax @ 14%	-	-	-	-
Income Tax @ 28%	-	-	-	-
Income Tax on Current Year Profits	-	-	-	-
ESC Write Off	9,444	-	9,444	-
	9,444	-	9,444	-
Share of Equity Accounted Investees' Income Tax Expenses/(Reversal)	75,986	(84,303)	-	-
Current Income Tax Expenses/(Reversal)	85,430	(84,303)	9,444	-
Details of Business Losses Carried Forward				
Loss Brought Forward	1,255,662	924,255	1,255,662	924,255
Loss incurred during the year	357,594	331,407	357,594	331,407
Loss Appropriate during the year	-	-	-	-
Loss Carried Forward	1,613,256	1,255,662	1,613,256	1,255,662

13. EARNINGS PER SHARE

13.1 The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of Ordinary Shares outstanding during the period.

13.2 The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Amounts used as the Numerator :				
Net profit/(loss) applicable to Ordinary Shareholders for basic earnings per share	159,287	398,081	(67,003)	102,038
	159,287	398,081	(67,003)	102,038
Amounts used as the Denominator :				
Weighted average number of Ordinary Shares in issue applicable to basic earnings per share	25,000	25,000	25,000	25,000
	25,000	25,000	25,000	25,000
Earnings/(Loss) Per Share (EPS) - Rs.	6.37	15.92	(2.68)	4.08

13.3 Dividend per Share

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Interim Dividend - Nil for the year (2018/19 Rs. 5.00 per share)	-	-	-	125,000
Dividend Per Share (DPS) - Rs.	-	-	-	5.00

Last interim dividend of Rs. 5.00 per share for the financial year ended 31 March 2019 was declared on 14 March 2019 and was paid on 29 March 2019.

14. RIGHT-OF-USE ASSETS

As at 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Right-to-use of land	14.1	471,892	128,770	471,892	128,770
Right-of-use asset-building	14.2	1,600	-	1,600	-
Right-of-use Immovable leased bearer biological assets	14.3	43,396	51,929	43,396	51,929
Right-of-use Immovable leased assets (other than right-to-use land and bearer biological assets)	14.4	19	99	19	99
		516,907	180,798	516,907	180,798

14.1 Right-To-Use of Land (Revalued)

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

This right-to-use of land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-To-Use of Land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right to Use of Land" and "Lease Liability" has been enhanced.

The Company adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 01 April 2019. The effect of adoption of SLFRS 16 to the Retained Earning as of 01 April 2019 is given in note no 29.1.1 to the Financial Statements.

14.1 Right-To-Use of Land (Revalued) contd.

The effect to the Statement of Financial Position and amortization of the right to use of land up to 31 March 2020 are as follows:

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Capitalised Value				
As at 01 April 2019	260,142	260,142	260,142	260,142
Transferred in due to initial application of SLFRS 16	(131,372)	-	(131,372)	-
Transition adjustment due to initial application of SLFRS 16	361,998	-	361,998	-
As at 31 March 2020	490,768	260,142	490,768	260,142
Amortisation				
As at 01 April 2019	131,372	126,464	131,372	126,464
Transferred out due to initial application of SLFRS 16	(131,372)	-	(131,372)	-
Amortization charge for the year	18,876	4,908	18,876	4,908
As at 31 March 2020	18,876	131,372	18,876	131,372
Carrying amount	471,892	128,770	471,892	128,770

14.2. Right-of-use asset- Building

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

	Group	Company
	2020 Rs.'000	2020 Rs.'000
As at 01 April 2019	-	-
Effect of adoption SLFRS 16, as at 01 April 2019	3,200	3,200
Additions	-	-
As at 31 March 2020	3,200	3,200
Depreciation		
As at 01 April 2019	-	-
Depreciation charge for the year	1,600	1,600
As at 31 March 2020	1,600	1,600
Carrying amount	1,600	1,600

NOTES TO THE FINANCIAL STATEMENTS

14.3. Right-of-use Immovable Leased Bearer Biological Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka which prevailed at the time of privatisation of Plantation Estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22 June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the Sri Lanka State Plantation Corporation (SLSPC), on the day immediately preceding the date of formation of the Company. These assets are taken into the 22 June 1992 Statements of Financial Position and the amortisation of immovable estate assets to 31 March 2020 are as follows.

	Group Mature Plantations		Company Mature Plantations	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Capitalised Value as at 22nd June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
As at 01 April 2019	210,751	202,154	210,751	202,154
Amortisation for the year	8,533	8,597	8,533	8,597
As at 31 March	219,284	210,751	219,284	210,751
Carrying amount	43,396	51,929	43,396	51,929

Investment in Immature Plantations at the time of handing over to the Company as at 22 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. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture. 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 in Note 16.1

14.4. Right-of-use Immovable Leased Assets (other than right-to-use of land and bearer biological assets)

	Group				Company			
	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000	Improvement to Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Total Rs.'000
Capitalised Value as at 22.06.1992	192	53,935	24,289	78,416	192	53,935	24,289	78,416
Amortisation								
Accumulated Amortisation as at 01.04.2019	167	53,861	24,289	78,317	167	53,861	24,289	78,317
Amortisation for the year	6	74	-	80	6	74	-	80
Accumulated Amortisation as at 31.03.2020	173	53,935	24,289	78,397	173	53,935	24,289	78,397
Written down value as at 31.03.2020	19	-	-	19	19	-	-	19
Written down value as at 31.03.2019	25	74	-	99	25	74	-	99

Note:

The useful lives as follows;

Mature plantations/improvement to land	30 years
Buildings	25 years
Machinery	15 years

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	Balance as at 01.04.2019	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2020	Balance as at 01.04.2019	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Valuation								
Buildings	112,250	-	-	112,250	71,701	-	-	71,701
Motor Vehicles	155,101	-	-	155,101	155,101	-	-	155,101
Furniture & Fittings	5,658	29	-	5,687	5,581	29	-	5,610
Equipment	60,536	44	-	60,580	59,863	44	-	59,907
Water Sanitation	2,442	31	-	2,473	2,442	31	-	2,473
Computers & Computer Software	18,901	806	-	19,707	18,523	806	-	19,329
Plant & Machinery	419,102	3,336	-	422,438	350,071	3,336	-	353,407
Other Assets on Grants	214,647	-	-	214,647	214,647	-	-	214,647
	988,637	4,246	-	992,883	877,929	4,246	-	882,175

	Group				Company			
	Balance as at 01.04.2019	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2020	Balance as at 01.04.2019	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	53,212	1,910	1,661	56,783	25,332	1,910	-	27,242
Motor Vehicles	126,474	8,009	-	134,483	126,474	8,009	-	134,483
Furniture & Fittings	3,988	16	-	4,004	3,936	16	-	3,952
Equipment	56,740	440	-	57,180	56,447	440	-	56,887
Water Sanitation	1,921	321	-	2,242	1,921	321	-	2,242
Computers & Computer Software	15,857	564	-	16,421	15,350	564	-	15,914
Plant & Machinery	327,447	9,393	1,833	338,673	273,994	9,393	-	283,387
Other Assets on Grants	105,322	6,793	-	112,115	105,322	6,793	-	112,115
	690,961	27,446	3,494	721,901	608,776	27,446	-	636,222
Written Down Value	297,676			270,982	269,153			245,953
Assets acquired on Finance Leases								
Cost								
Plant & Machinery	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Depreciation								
Plant & Machinery	8,417	-	-	8,417	8,417	-	-	8,417
	8,417	-	-	8,417	8,417	-	-	8,417
Written Down Value	-			-	-			-

NOTES TO THE FINANCIAL STATEMENTS

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT CONTD.

	Group				Company			
	Balance as at 01.04.2019	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2020	Balance as at 01.04.2019	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work-in-Progress								
Capital Work-in-Progress	1,313	-	-	1,313	1,313	-	-	1,313
Total Written Down Value	298,989			272,295	270,466			247,266

The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of he Company (22 June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 14.

Further, the valuation of immovable JEDB estate assets on finance lease (other than Right-of-Use Asset-Land) and tangible assets other than immature/mature plantations taken over as at June 22, 1992 is based on net book value as at such date. These values were not available to Company by individual asset.

No borrowing costs have been capitalised into Capital Work-in-Progress.

Depreciation expense amounts to Rs. 25,728,933/- (2018/19 - Rs. 31,576,219/-) has been charged in cost of sales and Rs. 1,716,707/- (2018/19 - Rs. 3,434,575/-) in administrative expenses.

16. BIOLOGICAL ASSETS - GROUP/COMPANY

16.1 Bearer Biological Assets- Group/Company

16.1.1 Immature Plantations	Tea	Rubber	Coconut	Oil Palm & Others	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost					
At the beginning of the year 01/04/2019	74,778	904,400	1,943	175,002	1,156,123
Additions	2,823	175,057	2,086	72,863	252,829
Transfers	(3,823)	(225,943)	(1,196)	(856)	(231,818)
At the end of the year 31/03/2020	73,778	853,514	2,833	247,009	1,177,134
Cost as at 31.03.2020	73,778	853,514	2,833	247,009	1,177,134
Cost as at 31.03.2019	74,778	904,400	1,943	175,002	1,156,123

16.1.2 Mature Plantations	Tea Rs.'000	Rubber Rs.'000	Coconut Rs.'000	Others Rs.'000	Total Rs.'000
Cost					
At the beginning of the year 01/04/2019	351,029	1,421,375	46,811	73,539	1,892,754
Additions	-	-	-	-	-
Transfers	3,823	225,943	1,196	856	231,818
At the end of the year 31/03/2020	354,852	1,647,318	48,007	74,395	2,124,572
Depreciation					
At the beginning of the year 01/04/2019	82,570	522,694	3,814	8,352	617,430
Charge for the year	14,506	66,421	1,125	1,196	83,248
At the end of the year 31/03/2020	97,076	589,115	4,939	9,548	700,678
Written Down Value - as at 31.03.2020	257,776	1,058,203	43,068	64,847	1,423,894
Written Down Value - as at 31.03.2019	268,459	898,681	42,997	65,187	1,275,324
Bearer Biological Assets as at 31.03.2020	331,554	1,911,717	45,901	311,856	2,601,028
Bearer Biological Assets as at 31.03.2019	343,237	1,803,081	44,940	240,189	2,431,447

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 14. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs Rs. 36,420,696/- (2018/19 - Rs. 55,196,324/-) were capitalized during the year under Immature Plantations, at an average borrowing rate of 6.60% (2018/19 - 7.40%).

16.2. Consumable Biological Assets - Timber Plantations

	Group/Company 2020 Rs.'000	2019 Rs.'000
As at 01 April	135,877	125,818
Increase due to development	9,785	8,546
Decrease due to harvest	-	-
Gain/(loss) fair value of Biological Assets	1,500	1,513
As at 31 March	147,162	135,877

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the grounds that little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Mr. W. M. Chandrasena , Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried covering all the estates.

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Following associated factors are taken into consideration in determining the present value of timber prices.

NOTES TO THE FINANCIAL STATEMENTS

16.2. Consumable Biological Assets - Timber Plantations Contd.

16.2.1 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relationship of Unobservable Inputs to Fair Value
			2019/20	2018/19	
Consumable Managed Biological Assets	DCF Method	Discounting Rate	14.0%	14.0%	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
		Price per Cu.Ft.	Rs. 150/- to Rs. 700/- per Cu.Ft	Rs. 150/- to Rs. 700/- per Cu.Ft	The higher the price, the higher the fair value

Other key assumptions used in valuation;

1. The harvesting is approved by the Plantation Management Monitoring Division (PMMD) and Forest Department based on the forestry development plan.
2. The prices adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken into consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the 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 variables, their carrying value may differ from their realisable value. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against their own assumptions.

Sensitivity Analysis

Sensitivity variation on 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 an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

Company	Rs.'000	Rs.'000
Managed Timber	-10%	+10%
As at 31 March 2020	(14,716)	14,716
As at 31 March 2019	(13,588)	13,588

Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that an increase or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

Company	Rs.'000	Rs.'000
Managed Timber	-1.5%	+1.5%
As at 31 March 2020	13,624	(11,428)
As at 31 March 2019	13,185	(10,941)

16.3 Produce on Bearer Biological Assets

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
As at 01April - as previously reported	3,759	5,815	3,759	5,815
Change in fair value less cost to sell	732	(2,056)	732	(2,056)
At the end of the year	4,491	3,759	4,491	3,759

16.4 Gain/(Loss) on fair value of Biological Assets

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Consumable Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.2)	1,500	1,513	1,500	1,513
Produce on Bearer Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.3)	732	(2,056)	732	(2,056)
Total change in fair value of Biologcal Assets	2,232	(543)	2,232	(543)

17. FINANCIAL ASSETS

17.1 Unquoted Investment

Fair Value Through Other Comprehensive Income Financial Assets

		Group		Company	
		2020	2019	2020	2019
Non-Quoted Equity Shares held by the Company					
Non-Quoted Ordinary Shares of Richard Pieris Finance Ltd					
No of Shares	No '000	12,000	12,000	12,000	12,000
% Holding	%	10.21	10.21	10.21	10.21
Face Value Per Share	Rs.	10.00	10.00	10.00	10.00
Carrying Value as at 1 April	Rs.'000	243,960	246,600	243,960	246,600
Equity Value Per Share as at 31 March	Rs.	12.81	20.33	12.81	20.33
Gain/(Loss) on FVTOCI Financial Asset	Rs.'000	(90,240)	(2,640)	(90,240)	(2,640)
Carrying Value as at 31 March	Rs.'000	153,720	243,960	153,720	243,960

The review of equity valuation of Richard Pieris Finance Ltd was carried out by Messrs. Ernst & Young Transaction Advisory Services (Pvt) Ltd, using market approach (trading multiples).

NOTES TO THE FINANCIAL STATEMENTS

17.2 Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

Financial Asset	Valuation methodology	Unobservable inputs	Range of unobservable inputs 2020
Investment in non-quoted Ordinary Shares of Richard Pieris Finance Ltd	Market Approach (trading multiples) - Primary methodology	Price to Book Value multiple	Price to Book multiple range of 0.62 - 0.68

Key assumptions used in valuation;

1. Screening was conducted on similar companies listed on the Colombo Stock Exchange based on similiarities in Net Asset Value and total Revenue.
2. Results of screening based on publicly available information as at the latest practicable date.
3. Valuation exercise was concluded on Price to Book Value multiples of identified similar Companies.

The fair value of the retained interest of the Richard Pieris Finance Ltd on initial recognition identified in profit or loss statement and Gain or Loss on subsequent fair valuation recognised in Other Comprehensive income.

17.3 Fair Value Hierarchy

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.

Non Financial Assets - Consumable Biological Assets

As at 31 March	Date of Valuation	Level 1		Level 2		Level 3	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Assets measured at fair value							
Fair Value Through OCI Financial Assets	31 March	-	-	153,720	243,960	-	-
Consumable Biological Assets - Timber	31 March	-	-	-	-	147,162	135,877
Produce on Bearer Biological Assets	31 March	-	-	4,491	3,759	-	-

18. LONG TERM INVESTMENTS

18.1 Investments in Subsidiaries

Company
Unquoted Investment
Hamefa Kegalle (Pvt) Ltd
Initial Investment in Hamefa Kegalle (Pvt) Ltd stated at cost of Rs. 14.0 Mn. Since it was provided for diminishing in value of Rs. 14.0 Mn upto 2008, the carrying amount of investment shows no balance at the end of the year.

Directors of the Subsidiary,

Subsidiary incorporated in 2003.
- Dr. Sena Yaddehige, Chairman
- Mr. Lalith Wijesinghe, Director
- Mr. Sriyan Eriyagama, Director (Resigned w.e.f. 30/06/2020)

18.2 Investments in Associates

Quoted Investment - Arpico Insurance PLC	Group 2020 %	Group 2019 %	Company 2020 %	Company 2019 %
% Holding	40.29	40.29	40.29	40.29
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	26,685	26,685	26,685	26,685
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Carrying Value - Rs.	677,032	584,240	266,850	266,850

	Group 2020 Rs.'000	Group 2019 Rs.'000
Movement of the Investment - Arpico Insurance PLC		
At the beginning of the year	584,240	380,703
Share of Profit, net of tax	92,440	203,563
Share of Other Comprehensive Income/(loss), net of tax	352	(26)
Dividends Received, gross	-	-
At the end of the year	677,032	584,240

Unquoted Investment - Richard Pieris Natural Foams Ltd	Group 2020 %	Group 2019 %	Company 2020 %	Company 2019 %
% Holding	35.11	35.11	35.11	35.11
	Nos '000	Nos '000	Nos '000	Nos '000
No of Shares	22,500	22,500	22,500	22,500
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Carrying Value - Rs.	800,572	661,567	225,000	225,000

NOTES TO THE FINANCIAL STATEMENTS

18.2 Investments in Associates contd.

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Movement of the Investment - Richard Pieris Natural Foams Ltd				
At the beginning of the year	661,567	567,224		
Share of Profit, net of tax	244,253	238,548		
Share of Other Comprehensive Income/(loss), net of tax	52	20		
Dividends Received, gross	(105,300)	(144,225)		
At the end of the year	800,572	661,567		
Total investments in associates	1,477,604	1,245,807	491,850	491,850

18.3 Other Long Term Investments

	Group		Company	
No of Shares	2020 Nos	2019 Nos	2020 Nos	2019 Nos
Maskeliya Tea Garden Ceylon Ltd	1	1	1	1
Exotic Horticulture (Pvt) Ltd	1	1	1	1
Total Investment	2	2	2	2
Value	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Maskeliya Tea Garden Ceylon Ltd	0.01	0.01	0.01	0.01
Exotic Horticulture (Pvt) Ltd	0.01	0.01	0.01	0.01
Total long Term Investments - Others	0.02	0.02	0.02	0.02
Long Term Investments - Total	1,477,604	1,245,807	491,850	491,850

18.4 Summarised Financial Information of Associates

Richard Pieris Natural Foams Ltd	Group 2020 Rs.'000	Group 2019 Rs.'000
Revenue	3,862,394	3,875,659
Profit Before Tax	810,142	786,952
Profit After Tax	695,677	679,430
Other Comprehentive Income/(Loss)	149	56
Total Comprehentive Income	695,826	679,486
Group's Share of Profit Before Tax	284,441	276,299
Group's Share of Other Comprehensive Income/(Loss)	52	20
Group's Share of Total Comprehentive Income	284,493	276,319
Dividends Received, net of tax	90,558	124,034
Current Assets	1,769,527	1,393,484
Non Current Assets	1,236,573	1,005,265
Total Assets	3,006,100	2,398,749
Current Liabilities	1,050,188	865,824
Non Current Liabilities	167,223	140,159
Total Liabilities	1,217,411	1,005,983

The Group can influence upto 35.11% of the voting rights of the Richard Pieris Natural Foams Ltd with effective date from 31 March 2010.

Arpico Insurance PLC	Group 2020 Rs.'000	Group 2019 Rs.'000
Revenue	1,641,416	1,374,171
Profit Before Tax	318,287	204,894
Profit After Tax	229,438	505,244
Other Comprehentive Income/(Loss)	873	(64)
Total Comprehentive Income	230,311	505,180
Group's Share of Profit Before Tax	128,238	82,552
Group's Share of Other Comprehensive Income/(Loss)	352	(26)
Group's Share of Total Comprehentive Income	128,590	82,526
Current Assets	1,679,264	1,130,653
Non Current Assets	1,970,345	1,972,377
Total Assets	3,649,609	3,103,030
Current Liabilities	198,720	247,442
Non Current Liabilities	1,767,763	1,401,898
Total Liabilities	1,966,483	1,649,340
Market Price Per Share - Close (Rs.)	16.70	17.90

The Group can influence upto 40.29% of the voting rights of the Arpico Insurance PLC with effective date from 01 April 2015.

NOTES TO THE FINANCIAL STATEMENTS

19. INVENTORIES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Input Materials	31,014	40,548	23,143	32,677
Growing Crop - Nurseries	32,646	39,490	32,646	39,490
Produce Stock	299,117	267,082	299,117	267,082
Spares and Consumables	16,514	11,289	16,514	11,289
	379,291	358,409	371,420	350,538
(-) Provision for slow moving stocks	(7,757)	(7,757)	-	-
	371,534	350,652	371,420	350,538

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Produce Debtors (Related Companies, Note. 20.1)	243,181	188,174	243,181	188,174
Produce Debtors (Others)	32,248	67,948	32,248	67,948
Total Produce Debtors	275,429	256,122	275,429	256,122
Advances & Prepayments	27,325	20,187	27,325	20,187
Other Debtors	56,801	80,272	55,179	71,977
	359,555	356,581	357,933	348,286

The age analysis of produce debtors is as follows;

	Neither past due nor impaired					
Balance as at 31 March 2020	0-60 days Rs.'000	61-120 days Rs.'000	121-180 days Rs.'000	181-365 days Rs.'000	> 365 days Rs.'000	Total Rs.'000
Group	275,429	-	-	-	-	275,429
Company	275,429	-	-	-	-	275,429

20.1 Trade Receivables From Related Companies

		Group		Company	
	Relationship	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Richard Pieris Natural Foams Ltd	Associate Company	202,632	156,105	202,632	156,105
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	30,652	24,913	30,652	24,913
Richard Pieris Rubber Products Ltd	Related Company	-	1,119	-	1,119
Richard Pieris Distributors Ltd	Related Company	4,592	3,214	4,592	3,214
Arpitech (Pvt) Ltd	Related Company	5,305	2,822	5,305	2,822
		275,236	220,228	275,236	220,228
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		243,181	188,174	243,181	188,174

21. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2020	2019	2020	2019
	Relationship	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Maskeliya Plantations PLC	Related Company	10,660	10,879	10,660	10,879
Hamefa Kegalle (Pvt) Ltd	Subsidiary Company	-	-	85,878	87,581
Arpitech (Pvt) Ltd	Related Company	509	-	509	-
RPC Management Services (Pvt) Ltd	Related Company	10	-	10	-
Exotic Horticulture (Pvt) Ltd	Related Company	35	-	35	-
		11,214	10,879	97,092	98,460
(-) Provision for doubtful receivables		-	-	(54,891)	(54,891)
		11,214	10,879	42,201	43,569

22. SHORT TERM INVESTMENT

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in Treasury Bills, REPO, USD Deposits & Others	527,513	1,611,090	527,513	1,611,090
	527,513	1,611,090	527,513	1,611,090

22.1 Financial Assets

Quoted Investment
Financial Assets at Amortised Cost

		Group		Company	
		2020	2019	2020	2019
Quoted Debt Securities Held by the Company					
Quoted Debentures - Richard Pieris and Company PLC					
Year of Maturity		-	2019	-	2019
No of Debentures		-	10,000	-	10,000
Face Value per Debenture	Rs.	-	100	-	100
Carrying Value	Rs.'000	-	1,000,000	-	1,000,000
Fair Value	Rs.'000	-	1,000,000	-	1,000,000

Kegalle Plantations PLC, a subsidiary of Richard Pieris and Company PLC has received Rs. 1.0 Bn on 15 May 2019 from Richard Pieris and Company PLC, the redemption of 10.0 Mn, Rs. 100/- each five year fixed rated, unsecured, redeemable, listed debentures (11.25% p.a.) issued on 16 May 2014 as per the prospectus for debenture issue 2014.

Subsequent profit or loss on fair value recognised in Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

23. CASH & CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	16,970	18,649	16,970	18,649
Bank Overdrafts (Note 25)	(1,956,715)	(1,108,954)	(1,956,715)	(1,108,954)
Short term Investments (Note 22)	1,611,090	1,594,809	1,611,090	1,594,809
Total cash & cash equivalants for the purpose of cash flows	(328,656)	504,503	(328,656)	504,503
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	10,448	16,970	10,448	16,970
Bank Overdrafts (Note 25)	(691,789)	(1,956,715)	(691,789)	(1,956,715)
Short term Investments (Note 22)	527,513	1,611,090	527,513	1,611,090
Total cash & cash equivalants for the purpose of cash flows	(153,828)	(328,656)	(153,828)	(328,656)

24. STATED CAPITAL

		Group		Company	
		2020	2019	2020	2019
Issued and Fully Paid Ordinary Shares					
Number of Ordinary Shares including one golden share held by the Treasury which has special rights	Nos '000	25,000	25,000	25,000	25,000
Number of Ordinary Shares including one golden share held by the Treasury which has special rights	Rs.'000	250,000	250,000	250,000	250,000

The holders of Ordinary Shares 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 under the caption "Shareholder & Invester Information" in the page 106.

24.1 General Reserve

General Reserve represents amounts set-aside from time to time by the Directors of the Company for purpose of general application. These have been appropriated by the Board in compliance with the Articles, which provides for such amounts being set-aside for future and utilized after appropriate Board Approvals.

24.2 Timber Reserve

Timber reserve represents the fair value changes in the carrying value of managed timber plantations of the Company since 1st April 2011.

24.3 Fair Value Through Other Comprehensive Income Reserve

Fair Value Through Other Comprehensive Income Reserve represents the change in fair value of financial assets with Richard Pieris Finance Limited from the Financial Year 2015/16.

25. LOANS AND BORROWINGS

Group/Company	2020 Repayable within 1 year	2020 Repayable after one year less than five years	2020 Total as at 31.03.2020	2019 Total as at 31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long Term Loans (Note: 25.1)	391,628	179,060	570,688	1,174,374
Short Term Loans	-	-	-	-
Bank Over Draft	691,789	-	691,789	1,956,715
	1,083,417	179,060	1,262,477	3,131,089

25.1 Long Term Loans (Secured)

Group/Company	2020 Repayable within 1 year	2020 Repayable after one year less than five years	2020 Total as at 31.03.2020	2019 Total as at 31.03.2019	Rate of interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
Indian Oversease Bank/ State Bank of India/ Indian Bank	-	-	-	60,850	AWPLR+0.9%	1 Month Installment @ Rs. 7,650,000 and 59 Installments @ Rs. 6,650,000 commencing from 31.01.2015
Indian Oversease Bank Term Loan - USD	149,362	-	149,362	399,789	3 Months LIBOR+4%	1 Month Installment @ Rs. 17,256,610 and 71 installments @ Rs. 14,487,090 commencing from 31.10.2014
Commercial Bank of Ceylon PLC Term Loan 1 - USD	-	-	-	88,066	1 Month LIBOR+5.0%	1 Month Installment @ Rs.11,265,571 and 59 Installments @ Rs.11,001,431 commencing from 31.10.2014
Commercial Bank of Ceylon PLC Term Loan 2 - USD	238,751	179,060	417,811	603,280	1 Month LIBOR+4.0%	1 Month Installment @ Rs. 16,020,865 and 48 Installments @ Rs.16,018,423 commencing from 31.01.2018
Sri Lanka Tea Board Term Loan 1	2,556	-	2,556	10,222	Monthly Reviewed	36 Monthly Installments @ Rs. 638,888.89 commencing from 31.08.2017
Sri Lanka Tea Board Term Loan 2	959	-	959	12,167	Monthly Reviewed	36 Monthly Installments @ Rs.892,930.94 commencing from 31.05.2017
	391,628	179,060	570,688	1,174,374		

NOTES TO THE FINANCIAL STATEMENTS

26. RETIRING BENEFIT OBLIGATIONS

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Provision for retiring gratuity				
At the beginning of the year	488,519	440,169	488,424	440,074
Interest Cost	56,169	48,408	56,169	48,408
Current Service Cost	33,737	34,977	33,832	34,977
Gratuity Payments for the year	(72,233)	(61,734)	(72,233)	(61,734)
Actuarial (Gain) / Loss arising from changes in financial assumptions	18,714	(15,882)	18,714	(15,882)
Actuarial (Gain) / Loss arising from experience adjustments	(55,836)	42,581	(55,836)	42,581
At the end of the year	469,070	488,519	469,070	488,424

According to the actuarial valuation report issued by the Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31 March 2020, the actuarial present value of promised retirement benefits amounted to Rs.469,069,563 /-. If the Company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 618,055,530 /-.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The Present Value of Retirement Benefit Obligation is carried on annual basis.

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

Future Working Life Time	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Within the next 12 months	93,832	109,587	93,832	109,587
Between 2 and 5 years	107,223	112,997	107,223	112,997
Beyond 5 years	268,015	265,935	268,015	265,840
Total RBO	469,070	488,519	469,070	488,424

The weigted average duration of the Defind Benefit plan obligation at the end of the reporting period is as follows.

Weigted Average Duration	2020	2019
Workers	8.43 years	7.93 years
Staff	5.73 years	5.67 years

The key assumptions used by Messrs. Actuarial & Management Consultants (Pvt) Ltd when determining the retirement benefit obligations are as follows.

26. RETIRING BENEFIT OBLIGATIONS CONTD.

Key Assumptions	2020	2019
i) Rate of discount	10.75% (per annum)	11.50% (per annum)
ii) Rate of salary increase		
Workers	16% (every two years)	16% (every two years)
Staff	7% (per annum)	8% (per annum)
iii) Retirement age		
Workers	60 years	60 years
Staff	58 years	58 years
Executives & Head Office Staff	55 years	55 years
iv) Daily wage rate for Workers	Rs. 700/-	Rs. 700/-
v) The Company will continue as a going concern.		

Sensitivity Analysis - Salary/ Wage Escalation Rate

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:

Company	Workers		Staff	
A one percentage point change in the discount rate	+1% Rs.'000	-1% Rs.'000	+1% Rs.'000	-1% Rs.'000
As at 31 March 2020	(28,567)	32,805	(3,476)	3,935
As at 31 March 2019	(27,856)	31,894	(3,549)	4,014
A one percentage point change in the salary / wage increment rate	**+1% Rs.'000**	**-1% Rs.'000**	**+1% Rs.'000**	**-1% Rs.'000**
As at 31 March 2020	15,046	(14,257)	4,352	(3,902)
As at 31 March 2019	14,441	(13,697)	4,430	(3,978)

27. DEFERRED INCOME

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deferred Grants and Subsidies				
Balance at the beginning of the year	212,752	211,831	212,752	211,831
Add : Grants/Subsidy received during the year	2,630	12,010	2,630	12,010
Less : Amortisation for the year	(11,176)	(11,089)	(11,176)	(11,089)
Balance at the end of the year	204,206	212,752	204,206	212,752

The Company has received funding from the Plantation Human Development Trust and Asian Development Bank for the development of worker facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Grants and Subsidies.

NOTES TO THE FINANCIAL STATEMENTS

28. DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Temporary Differences,				
At the beginning of the year	1,037,241	1,092,763	1,037,241	1,092,763
Amount originating / (Reversal) during the year	(229,825)	(55,522)	(229,825)	(55,522)
At the end of the year	807,416	1,037,241	807,416	1,037,241
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,865,173	2,775,005	2,865,173	2,775,005
Retirement Benefit Obligations	(469,070)	(488,424)	(469,070)	(488,424)
Leased Asset	516,889	-	516,889	-
Lease Creditor	(489,691)	-	(489,691)	-
Deferred Income	(2,630)	-	(2,630)	-
Carried forward Tax Losses	(1,613,255)	(1,249,340)	(1,613,255)	(1,249,340)
At the end of the year	807,416	1,037,241	807,416	1,037,241
Tax Effect,				
At the beginning of the year	145,319	150,262	145,319	150,262
Transfer from/ (to) Income Statement	(28,671)	(4,943)	(28,671)	(4,943)
At the end of the year	116,648	145,319	116,648	145,319
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	404,734	388,606	404,734	388,606
Leased Asset	72,365	-	72,365	-
	477,099	388,606	477,099	388,606
Deferred Tax Assets				
Retirement Benefit Obligations	(65,670)	(68,379)	(65,670)	(68,379)
Carried forward Tax Losses	(225,856)	(174,908)	(225,856)	(174,908)
Lease Creditor	(68,557)	-	(68,557)	-
Deferred Income	(368)	-	(368)	-
	(360,451)	(243,287)	(360,451)	(243,287)
Deferred Tax (Asset)/ Liability	116,648	145,319	116,648	145,319

28.1 Reconciliation of deferred tax charge / (reversal)

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	145,319	150,262	145,319	150,262
Tax charge/(reversal) during the year recognised Statement of profit or loss.				
- Amount originated/(reversed) during the year	(24,844)	(941)	(24,844)	(941)
- Amount originated due to the Income Tax rate change	-	-	-	-
Tax charge/(reversal) during the year recognised in other Comprehensive Income.	(3,827)	(4,002)	(3,827)	(4,002)
At the end of the year	116,648	145,319	116,648	145,319

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

29. LEASE LIABILITY

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lease liability on right to use land	487,992	252,871	487,992	252,871
Lease liability on Right-of-Use asset - building	1,697	-	1,697	-
	489,689	252,871	489,689	252,871

29.1 Lease liability on right of use asset land

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
As at 1 April 2019	252,871	258,284	252,871	258,284
Transition adjustment due to initial application of SLFRS 16	237,896	-	237,896	-
Accretion of interest	63,800	58,417	63,800	58,417
Payment	(66,575)	(63,830)	(66,575)	(63,830)
As at 31 March 2020	487,992	252,871	487,992	252,871
Current	3,136	5,630	3,136	5,630
Non Current	484,857	247,242	484,857	247,242
	487,992	252,871	487,992	252,871

29.1.1 The effect of adoption of SLFRS 16

Lease as at 01 April 2020	Lease Liability Rs.'000	Right of use assets Land Rs.'000	Retained Earnings Rs.'000
As at 01 April 2019 (Before application of SLFRS 16)	252,872	128,770	2,063,963
Transition adjustment due to initial application of SLFRS 16	237,896	361,998	124,102
As at 01 April 2019 (After application of SLFRS 16)	490,768	490,768	2,188,065

29.1.2 Maturity analysis of lease liabilities are as follows

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Payable within one year				
Gross liability	66,575	15,744	66,575	15,744
Finance cost allocated to future periods	(63,439)	(10,114)	(63,439)	(10,114)
Net liability transferred to current liabilities	3,136	5,630	3,136	5,630
Payable within two to five years				
Gross liability	332,874	62,976	332,874	62,976
Finance cost allocated to future periods	(309,912)	(38,114)	(309,912)	(38,114)
Net liability	22,962	24,862	22,962	24,862
Payable after five years				
Gross liability	1,264,923	334,022	1,264,923	334,022
Finance cost allocated to future periods	(803,028)	(111,642)	(803,028)	(111,642)
Net liability	461,895	222,380	461,895	222,380
Net liability payable after one year	484,857	247,242	484,857	247,242

The base rental payable per year Rs. 66,574,880/-.

The lease rental during the current year charged to the Income Statement is based on GDP deflator of 4.3% (2019 - 8.2%).

NOTES TO THE FINANCIAL STATEMENTS

29. LEASE LIABILITY CONTD.

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lease Interest for the Year	63,800	58,417	63,800	58,417
Capital for the Year	2,775	5,413	2,775	5,413
Lease Rental Paid for the year	66,575	63,830	66,575	63,830

29.2 Lease liability on Right-of-Use asset - building

	Group	Company
	2020	2020
	Rs.'000	Rs.'000
As at 31 March 2019	-	-
Initial Recognition of Lease Liability as per SLFRS 16	3,200	3,200
As at 01 April 2019	3,200	3,200
Additions		-
Accretion of Interest	310	310
Payments during the year	(1,813)	(1,813)
Balance as at 31 March 2020	1,697	1,697
Current Liability	1,697	1,697
Non Current Liability	-	-
Total Lease Liability as at 31 March 2020	1,697	1,697

29.3 Current & Non-Current Classification of Lease Liability

	Group	Company
	Rs.'000	Rs.'000
Current Liability	4,833	4,833
Non Current Liability	484,857	484,857
Total Lease Liability as at 31 March 2020	489,690	489,690

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Creditors	220,241	215,521	218,443	210,472
Other Creditors	35,094	36,171	32,097	33,152
	255,335	251,692	250,540	243,624

31. DIVIDEND PAYABLE

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Dividend Payable	33,320	29,484	33,320	29,484
	33,320	29,484	33,320	29,484

32. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Namunukula Plantations PLC	Related Company	63,294	38,190	63,294	38,190
RPC Logistics (Pvt) Ltd	Related Company	178	295	178	295
Richard Pieris & Company PLC	Ultimate Parent Company	9,248	27,651	4,129	22,531
Richard Pieris Group Services (Pvt) Ltd	Related Company	200	200	200	200
RPC Plantation Management Services (Pvt) Ltd	Parent Company	24,102	19,498	24,102	19,498
Richard Pieris Distributors Ltd	Related Company	142	29	142	29
Maskeliya Tea Garden Ceylon Ltd	Related Company	58	52	58	52
		97,222	85,915	92,103	80,795

33. ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities for liabilities.

Name of Bank	Loan Facility Rs./USD (Mn)	Security
Bank of Ceylon	Rs. 35.0 Mn	Primary mortgage over leasehold rights of Gampaha Estate.
Hatton National Bank PLC	Rs. 50.0 Mn	Primary mortgage over leasehold rights of Luckyland Estate.
Indian Oversease Bank (IOB)	Rs. 400.0 Mn	Primary mortgage over leasehold rights of Madeniya and Higgoda Estates.
State Bank of India (SBI)		
Indian Bank (IB)		
Indian Overseas Bank (IOB)	USD 8.0 Mn	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola Estates.
Commercial Bank of Ceylon PLC	USD 10.0 Mn	Primary and secondary mortgage over leasehold rights of Etana and Kirklees Estates and a negative pledge over leasehold rights of Allagolla, Eadella and Doteloya Estates.
Nations Trust Bank PLC	Rs. 150.0 Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).

NOTES TO THE FINANCIAL STATEMENTS

33. ASSETS PLEDGED AS SECURITIES CONTD.

Carring values of the assets pledged are as follows.

Name of Bank	Nature of Liability	Outstanding Rs./USD (Mn)	Carring Amount Pledged 2020 Rs.'000	2019 Rs.'000
Bank of Ceylon	Overdraft	-	130,152	130,360
Hatton National Bank PLC	Overdraft	Rs. 50 Mn	190,184	189,043
Asian Development Bank / National Development Bank PLC	Term Loan	-	-	1,205,636
Indian Oversease Bank (IOB) State Bank of India (SBI) Indian Bank (IB)	Term Loan	-	296,546	268,116
Indian Overseas Bank (IOB)	Term Loan	USD 0.782 Mn	545,150	519,133
Commercial Bank of Ceylon PLC	Term Loan	USD 2.187 Mn	614,641	602,078

Notes:

1. Corporate Guarantee by the Company for Rs. 25.0 Mn given to Maskeliya Tea Garden Ceylon Ltd.
2. Corporate Guarantee to HSBC by the Company for USD 450,000 on behalf of Richard Peiris Natural Forms Ltd.

34. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date;

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Approved by the Board & Contracted for	Nil	Nil	Nil	Nil
Approved by the Board & not Contracted for	295,395	306,479	295,395	306,479
	295,395	306,479	295,395	306,479

35. COMMITMENTS AND CONTINGENCIES

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

Two assessments for Value Added Tax (VAT) under the Value Added Tax Act No. 14 of 2002 and its amendments thereto in relation to the taxable period from 1st April 2006 to 31st March 2011 were issued by the Commissioner General of Inland Revenue. The Tax Appeals Commission hearing the appeal made by us, has determined the VAT assessment in favour of the Department of Inland Revenue. The Company has also appealed against the determination to the Court of Appeal to the Supreme Court and the case is currently pending before the Supreme Court.

The estimated contingent liability to the Company is Rs. 21.2 mn. exclusive of any penalties that may arise for said period. Based on the Expert advice, the Directors are of the opinion that the ultimate determination of the case will not have a material impact on the financial position of the Company.

36. EVENTS AFTER REPORTING PERIOD

No circumstances have arisen since the Statement of Financial Position date, which would require adjustment or disclosure in the Financial Statements other than to following;

With the declaration of COVID 19 outbreak as pandemic by the World Health Organization, the Company took various precautionary measures and complied with the Guidelines issued by the Health Authorities strictly to prevent the spreading of this disease to the

Plantations. As a result, the families of all employees engaged on the Plantations were well protected and the business operations on the Plantations conducted in line with the Government's declaration of the Planation Sector as essential services.

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

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

37. RELATED PARTY DISCLOSURES

37.1 Transaction with related entities

Nature of Transaction	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
37.1.1 Parent Company				
Amount Payable/Recoverable as at 31 March	(24,101)	(19,498)	(24,101)	(19,498)
Managing Agent's Fee	(4,500)	(25,770)	(4,500)	(25,770)
Settlement of Management Fee	-	14,111	-	14,111
Recovery of expenses	(103)	5	(103)	5
37.1.2 Subsidiaries				
Amount Receivable as at 31 March	-	-	30,987	32,690
Administration Expenses	-	-	(1,703)	(1,724)
37.1.3 Associates				
Amount Receivable as at 31 March	1,680,235	1,401,912	694,481	647,955
Amount Payable as at 31 March	-	-	-	-
Sale of Latex	625,200	723,335	625,200	723,335
Settlement Amount	(578,673)	(659,938)	(578,673)	(659,938)
Share of Result of Equity Accounted Investees	337,097	442,105	-	-
Insurance Premium	(1,765)	(2,057)	(1,765)	(2,057)
Insurance Premium Settlements	1,765	2,057	1,765	2,057
Dividend Receivable	-	-	90,558	124,034
Dividend Settlement	(105,300)	(144,225)	(90,558)	(124,034)
37.1.4 Related Companies				
Amount Receivable as at 31 March	205,483	1,286,908	205,483	1,286,908
Amount Payable as at 31 March	(73,120)	(66,417)	(68,001)	(61,298)
Salaries, Rent, Vehicle repairs & other Expenses	(8,872)	(19,917)	(8,872)	(19,917)
Purchase of Goods	(67,310)	(68,636)	(67,310)	(68,636)
Settlement of Dues	156,309	185,838	156,309	185,838
Sale of Goods	188,437	169,101	188,437	169,101
Sales cash receipts	(169,864)	(150,146)	(169,864)	(150,146)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	(1,075)	(3,773)	(1,075)	(3,773)
Dividend/Repo/Debenture Interest Receivable	13,587	111,743	13,587	111,743
Dividend/Repo/Debenture Interest settlement	(108,901)	(277,847)	(108,901)	(277,847)
Redemption of Debenture	(1,000,000)	-	(1,000,000)	-
Deemed Disposal Gain/(Loss) - Sudsequent Recognition	(90,240)	(2,640)	(90,240)	(2,640)

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES CONTD.

37.1.5 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an arm's length basis. Outstanding balances at the year end are unsecured and net settlement occurs in cash.

Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2019 audited Financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited Financial Statements, which required additional disclosures in 2019/20 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act, except following related party transactions exceeds 10% of the gross revenue/income as required.

37.3 Recurrent related party transactions

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Disclosures				
a. Name of the related party, Richard Pieris Natural Foams Ltd				
b. Relationship, Associate Company				
c. Nature of transaction, Sale of Centrifuged Latex				
d. Aggregate value of related party transactions entered into during the financial year	625,200	723,335	625,200	723,335
Consolidated revenue as per latest audited financial statements	2,185,536	2,421,797	2,185,536	2,421,797
e. Aggregate value of related party transactions as a % of net revenue/income	28.6%	29.9%	28.6%	29.9%
f. Terms and conditions of the related party transactions				
Transactions with related parties are carried out in the ordinary course of business on an arm's length basis.				

37.4 Management Fees

As per the agreememt is made and entered into at Colombo as of 10 September 2018, the Managing Agent shall be paid for each fiscal year fifteen percent (15%) of the earnings of the Company before interest received/paid, corporate tax, depreciation and amortization of land and managment fees (EBITDA) applicable in that fiscal year.

37.5 Transactions with key management personnel of the Company

There were no transactions with the key management personnel of the Company and its parent for the year ended 31 March 2020. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

37.6 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 11, 17.1, 18, 20.1, 21, 22.1, 32, 33 & 37 to the Financial Statements.

37.7 Details of material issues pertaining to employees and Industrial relations of the Company.

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2020 are disclosed below.

The funds borrowed by the Company are given in Note 25.

	Group Interest-Bearing Borrowings Rs.'000	Company Interest-Bearing Borrowings Rs.'000
Balance as at 01 April 2019	1,174,374	1,174,374
Net Cash flows from/(used in) Financing Activities	(603,686)	(603,686)
Non Cash Changes	-	-
Balance as at 31 March 2020	570,688	570,688

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. 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. The Group also holds available-for-sale investments and held to maturity investment.

Accordingly, the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

39.1 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.

39.2 Credit Risk

"Credit Risk is the risk of financial loss to the Group's 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.

39.2.1 Trade and other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and the country in which the customers operate, as these factors may have an influence on credit risk.

The Group reviews external ratings and bank references of the customer when available. Purchase limits are established for each customer, which are reviewed quarterly. In monitoring credit risk, customers are categorised according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, geographical location, industry, aging profile, maturity and existence of previous financial difficulties. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 360 Mn (2018/19 – Rs. 357 Mn).

Kegalle Plantations PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber Auction Systems.

39.2.2 Investments
Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group held short term investments of Rs. 528 Mn as at 31 March 20 (2018/19 – Rs.1,611 Mn) which represents the maximum credit exposure on these assets.

39.2.3 Cash And Cash Equivalents
The Group held cash at bank and in hand of Rs. 10 Mn as at 31 March 2020 (2018/19 – Rs. 17 Mn) which represents its maximum credit exposure on these assets.

39.3. Liquidity Risk

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

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

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

As at 31 March 2020	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	697,179	100,196	314,318	246,028	-	1,357,721
Trade & other payables	255,335	-	-	-	-	255,335
	952,514	100,196	314,318	246,028	-	1,613,056
Company						
Interest bearing loans & borrowing	697,179	100,196	314,318	246,028	-	1,357,721
Trade & other payables	250,540	-	-	-	-	250,540
	947,719	100,196	314,318	246,028	-	1,608,261

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

39.3. Liquidity Risk Contd.

As at 31 March 2019	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest bearing loans & borrowing	1,976,657	167,395	531,981	781,325	-	3,457,358
Trade & other payables	251,692	-	-	-	-	251,692
	2,228,349	167,395	531,981	781,325	-	3,709,050
Company						
Interest bearing loans & borrowing	1,976,657	167,395	531,981	781,325	-	3,457,358
Trade & other payables	243,624	-	-	-	-	243,624
	2,220,281	167,395	531,981	781,325	-	3,700,982

39.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

39.4.1 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'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. 571 Mn (2018/19 - Rs.1,174 Mn) which represents its maximum credit exposure on these liabilities.

Interest rate sensitivity

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

	Increase/ decrease in Interest rate	Effect on Profit Before Tax Rs.'000
Group		
2019/20	1%	(8,316)
	-1%	8,316
2018/19	1%	(15,619)
	-1%	15,619
Company		
2019/20	1%	(8,316)
	-1%	8,316
2018/19	1%	(15,619)
	-1%	15,619

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

39.4 Market Risk Contd.

39.4.2 Foreign currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rates, with all other variables held constant. The impact on the Group's Profit Before Tax is due to changes in fair value of monetary assets and liabilities.

	Increase/ decrease in Interest rate	Effect on Profit Before Tax Rs.'000
Group/Company		
2019/20		
USD	5%	(2,885)
USD	-5%	2,885
Group/Company		
2018/19		
USD	5%	(4,621)
USD	-5%	4,621

39.4.3 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 decisions are approved by the Board. Equity price risk is not material to the Financial Statements.

39.4.4 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 and retained earnings . The Board of Directors monitors the return on capital, interest cover, dividend to Ordinary Shareholders.

The gearing ratio at the reporting date is as follows.

	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000
Interest Bearing Borrowings		
Current portion of long term interest bearing borrowings	1,083,417	2,606,429
Payable after one year	179,060	524,660
Total Debts	1,262,477	3,131,089
Equity	2,626,892	2,619,084
Total Equity & Debts	3,889,369	5,750,173
Gearing Ratio	32%	54%

SHAREHOLDER & INVESTOR INFORMATION

1. Stock Exchange Listing

The issued Ordinary Share of Kegalle Plantations PLC, are listed with Colombo Stock Exchange (CSE) of Sri Lanka (Quoted 1996.01.08).

2. Distribution of Shareholders

As at 31 March No of Shares Held	2019/20 No of Share Holders	2019/20 No of Shares	2019/20 % Holdings	2018/19 % Holdings
1 - 1,000	8,581	1,819,616	7.28%	7.28%
1,001 - 10,000	298	1,031,457	4.13%	3.99%
10,001 - 100,000	44	1,193,069	4.77%	4.61%
100,001 - 1,000,000	7	1,185,382	4.74%	5.04%
1,000,001 - & above	1	19,770,477	79.08%	79.08%
Total	8,931	25,000,001	100.00%	100.00%
Resident Investors	8,910	24,557,680	98.23%	98.10%
Non-Resident Investors	21	442,321	1.77%	1.90%
Total	8,931	25,000,001	100.00%	100.00%
Individual Investors	8,827	3,603,265	14.41%	14.49%
Institutional Investors	104	21,396,736	85.59%	85.51%
Total	8,931	25,000,001	100.00%	100.00%
Related Company	3	19,783,877	79.14%	79.14%
Company Directors Holding	-	-	-	-
General Public including Employees	8,928	5,216,124	20.86%	20.86%
Total	8,931	25,000,001	100.00%	100.00%

Public Holding: The percentage of shares held by the public is 20.86% of the issued Share Capital of the Company as at 31 March 2020 (31 March 2019 – 20.86%).

The Company complies with Option 5 of the Listing Rules 7.13.1 (a) - Less than Rs. 2.5 Bn, Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

		Year Ended 31 March 2020	Year Ended 31 March 2019
Market Capitalization	Rs.'000	1,020,000	1,375,000
Price Earning Ratio	Times	-	13.48
Public Holding Percentage	%	20.86%	20.86%
Total number of Shareholders representing the Public Holding	Nos	8,928	8,908
Float Adjusted Market Capitalization	Rs.'000	212,818	286,887

SHAREHOLDER & INVESTOR INFORMATION

3. The Golden Shareholder

The Golden Share of Rs. 10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned Public Company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights;

1) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantations.
2) The concurrence of the Golden Shareholder will be required to amend any clause in the article of association of the Company which grants special rights to the Golden Shareholder.
3) The Golden Shareholder or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks of written notice.
4) The Company will be required to be submitted a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each financial year.
5) The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once in every quarter to discuss issues related to the Company's operation of interest to the Government.

4. Share Information

Market Value		2019/20		2018/19	
Highest Price	Rs.	65.00	(11 October 2019)	70.00	(11 April 2018)
Lowest Price	Rs.	40.00	(20 March 2020)	50.00	(17 October 2018)
Closing Price	Rs.	40.80	(20 March 2020)	55.00	(28 March 2019)

Share Trading		2019/20	2018/19
No. of Shares Traded		344,263	444,192
No. of Trades		1,172	1,413
Value of Shares Traded	Rs.	20,114,130	26,578,737

Key Ratios		2019/20	2018/19
Earnings/(Loss) per Share	Rs.	(2.68)	4.08
Net Assets per Share	Rs.	105.08	104.76
Dividends per Share	Rs.	-	5.00

5. Twenty Largest Shareholders of the Company

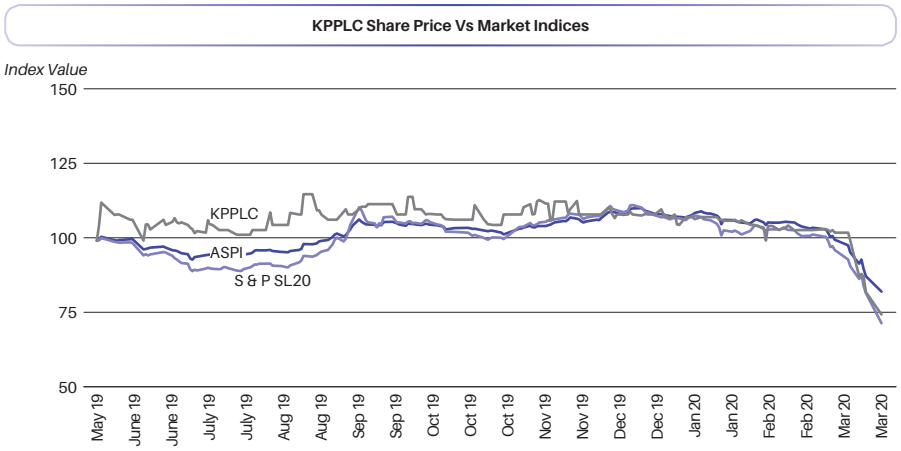
As at	31 March 2020		31 March 2019	
Name of the Shareholder	Number of Shares	% of the Holding	Number of Shares	% of the Holding
1. RPC Plantation Management Services (Pvt) Ltd	19,770,477	79.08%	19,770,477	79.08%
2. Dhanasiri Recreation (Pvt) Ltd	319,305	1.28%	319,305	1.28%
3. SSBT - Deustche Bank AG Singapore A/c 01	200,000	0.80%	200,000	0.80%
4. Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
5. Mr. D. F. G. Dalpethado	139,407	0.56%	193,050	0.77%
6. Employees Provident Fund	122,300	0.49%	122,300	0.49%
7. Pershing LLC S/A Averbach Grauson & Co.	112,000	0.45%	132,000	0.53%
8. Mubasher Financial Services BSC	107,370	0.43%	107,370	0.43%
9. Asha Financial Services Ltd/Ms. H. C. Kalansooriya	100,000	0.40%	74,555	0.30%
10. Mr. D. M. Kodikara	95,000	0.38%	95,000	0.38%
11. Mrs. M. S. E. V. E. A. U. Von Stumm	59,349	0.24%	59,349	0.24%
12. Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
13. Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
14. Mr. P. F. Nandasiri	42,500	0.17%	42,500	0.17%
15. Mr. I. S. P. Perera	40,105	0.16%	40,105	0.16%
16. Mr. J. G. De Mel	40,000	0.16%	40,000	0.16%
17. Alliance Finance Company PLC	37,100	0.15%	37,100	0.15%
18. Mr. R. Gautam	35,899	0.14%	35,000	0.14%
19. Mrs. C. A. D. S. Woodward	35,706	0.14%	35,706	0.14%
20. Mr. G. Hettige	32,011	0.13%	-	-
Sub Total	**21,574,729**	**86.30%**	-	-
Balance held by 8,911 Shareholders (31 March 2019 - 8,891 Shareholders)	3,425,272	13.70%	3,369,984	13.48%
Total Shares	**25,000,001**	**100.00%**	**25,000,001**	**100.00%**

6. Exchange Rates - US $ (Selling)

	2020	2019	2018	2017	2016
As at 31 March (Rs.)	192.45	178.02	157.49	153.91	146.78

7. Other Share Information

The performance of Kegalle Plantations PLC's share is as follows compared to the performances of All Share Price Index (ASPI), and Standard & Poor's Sri Lanka 20 Index (S&P SL20) in the Share Market during the year 2019/20.



Kegalle Plantations PLC's share information from Colombo Stock Exchange (CSE) website:

- Log on to Colombo Stock Exchange - *website: www.cse.lk*
- Enter Company Code (KGAL.N000) in the search box at the top right hand corner of CSE home page and go to the Company description.

TEN YEAR SUMMARY

Year Ended 31 March		2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Operating Results											
Turnover	Rs.'000	2,185,536	2,421,797	2,508,167	2,287,161	1,933,063	2,023,911	2,414,220	2,587,558	2,940,027	2,991,762
Gross Profit/(Loss)	Rs.'000	(36,460)	112,054	366,198	227,194	8,287	66,116	429,836	704,132	960,248	1,173,770
Operating Profit before Mgt Fee	Rs.'000	50,883	222,284	511,708	302,804	85,345	62,710	409,416	670,346	930,179	1,150,845
Profit before Interest and Tax	Rs.'000	107,554	385,673	625,499	457,275	262,086	274,227	564,605	710,927	990,709	1,031,593
Profit/(Loss) After Tax	Rs.'000	(67,003)	102,038	235,859	217,263	101,330	127,034	345,993	473,186	769,842	883,127
Other Comprehensive Income/(Loss)	Rs.'000	(49,291)	(25,337)	(2,671)	93,124	122,147	(7,161)	(2,929)	21,855	-	-
Total Comprehensive Income/(Loss)	Rs.'000	(116,294)	76,701	233,187	310,387	223,476	119,873	343,064	495,041	769,842	883,127
Dividends Distributed	Rs.'000	-	125,000	187,500	125,000	1,125,000	50,000	337,500	-	187,500	75,000
Financial Position											
Fixed Assets	Rs.'000	3,512,363	3,018,590	2,866,712	2,622,327	2,553,641	2,437,195	2,232,039	2,024,766	1,872,057	1,707,820
Investments	Rs.'000	645,570	735,810	1,738,450	1,692,730	1,636,150	1,611,850	611,850	597,000	450,000	225,000
Current Assets	Rs.'000	1,387,012	3,449,045	2,297,949	2,089,323	2,168,563	3,078,052	4,102,606	3,028,955	2,421,056	1,847,793
Current Liabilities	Rs.'000	1,464,213	2,965,963	2,129,542	1,879,266	1,476,509	771,499	560,053	373,638	347,441	366,372
Shareholders' Funds	Rs.'000	2,626,892	2,619,083	2,667,383	2,621,697	2,436,309	3,412,393	3,342,520	3,336,956	2,841,915	2,272,074
Share Capital	Rs.'000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Reserves	Rs.'000	2,376,890	2,369,083	2,417,383	2,371,697	2,186,309	3,162,393	3,092,520	3,086,956	2,591,915	2,022,074
Key Financial Indicators											
Current Ratio	Times	0.95	1.16	1.08	1.11	1.47	3.99	7.33	8.11	6.97	5.04
Quick Asset Ratio	Times	0.69	1.04	0.92	0.97	1.31	3.64	6.76	7.46	6.39	4.39
Debt Equity Ratio	Times	0.32	0.54	0.52	0.50	0.53	0.41	0.41	0.25	0.20	0.14
Interest Cover	Times	0.57	1.36	2.23	1.77	1.32	1.55	3.15	5.02	9.21	9.01
Equity /Asset Ratio	Times	0.47	0.36	0.39	0.41	0.38	0.48	0.48	0.59	0.60	0.60
Earnings per Share	Rs.	(2.68)	4.08	9.43	8.69	4.05	5.08	13.84	18.93	30.79	35.33
Dividend Per Share	Rs.	-	5.00	7.50	5.00	45.00	2.00	13.50	-	7.50	3.00
Net Assets Per Share	Rs.	105.08	104.76	106.70	104.87	97.45	136.50	133.70	133.48	113.68	90.88
Market Price of a Share	Rs.	40.80	55.00	65.90	52.00	50.70	85.80	105.00	112.00	103.00	207.50
Market Capitalization	Rs.'000	1,020,000	1,375,000	1,647,500	1,300,000	1,267,500	2,145,000	2,625,000	2,800,000	2,575,000	5,187,500
Return on Capital Employed	%	2.77	6.71	11.23	8.80	5.08	4.72	9.95	15.99	27.88	39.02
Price Earning Ratio	Times	(15.22)	13.48	6.99	5.98	12.51	16.89	7.59	5.92	3.34	5.87
Dividend Cover	Times	-	0.82	1.26	1.74	0.09	2.54	1.03	-	4.11	11.78
Dividend Pay Out Ratio	%	-	122.50	79.50	57.54	1,110.28	39.36	97.55	-	24.36	8.49
Annual Production											
Rubber	kg '000	3,666	4,080	3,495	3,742	3,353	3,534	4,016	4,076	4,155	4,082
Tea	kg '000	1,784	1,923	1,962	2,165	2,375	2,094	2,243	2,162	2,630	2,773
Coconuts	nuts '000	1,318	1,295	1,117	1,471	1,559	1,549	1,596	1,713	1,731	1,413
Capital Expenditure											
Field Development	Rs. '000	262,615	260,837	300,895	172,757	219,068	263,195	290,313	223,167	198,597	144,915
Purchase of PPE	Rs. '000	4,246	21,915	33,844	3,168	1,580	42,656	4,155	30,554	51,058	55,329
Total Capex	Rs. '000	266,861	282,752	334,739	175,925	220,648	305,851	294,468	253,721	249,656	200,244

RUBBER SEGMENT

		2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Production	kg'000	3,666	4,080	3,495	3,742	3,353	3,534	4,016	4,076	4,155	4,082
NSA	Rs./kg	320.98	293.36	343.86	276.34	274.04	291.26	353.16	415.14	459.76	481.15
COP	Rs./kg	302.12	281.90	289.45	248.13	249.26	261.23	254.21	257.27	247.47	207.24
Yield	kg/ha	913	990	911	998	872	883	1,011	977	1,016	936
Revenue Extent	ha	2,714	2,771	3,008	3,224	3,489	3,535	3,591	3,653	3,764	3,798

TEA SEGMENT

			2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Production												
Uva	Elevation	kg'000	1,025	1,151	1,117	1,191	1,286	1,074	1,143	1,065	1,364	1,428
Medium	Elevation	kg'000	340	434	463	542	583	523	600	549	652	630
Low	Elevation	kg'000	420	339	382	431	505	496	500	548	614	715
NSA												
Uva	Elevation	Rs./kg	486.56	520.32	582.30	460.53	365.93	381.53	380.19	361.39	282.39	307.23
Medium	Elevation	Rs./kg	422.83	469.35	586.58	467.95	356.95	413.35	436.38	383.36	311.66	341.69
Low	Elevation	Rs./kg	495.38	529.41	578.84	482.48	373.23	416.60	427.58	375.62	323.62	356.75
COP												
Uva	Elevation	Rs./kg	552.51	542.11	545.17	457.05	409.88	449.37	415.00	405.49	353.47	289.30
Medium	Elevation	Rs./kg	537.95	499.04	508.33	408.53	360.25	368.09	374.81	329.34	291.77	285.17
Low	Elevation	Rs./kg	509.42	537.79	536.65	440.56	381.36	401.52	400.23	371.36	299.73	303.27
Yield												
Uva	Elevation	kg/ha	686	726	730	677	806	858	1,021	840	1,023	1,126
Medium	Elevation	kg/ha	1,054	1,225	1,311	1,356	1,265	1,582	1,652	1,690	1,746	1,573
Low	Elevation	kg/ha	953	967	1,020	1,001	1,068	1,178	1,204	1,337	1,445	1,396
Revenue Extent												
Uva	Elevation	ha	984	974	967	967	952	952	952	951	946	956
Medium	Elevation	ha	179	178	179	178	177	173	173	173	174	184
Low	Elevation	ha	142	143	143	148	150	149	149	148	148	149

COCONUT SEGMENT

		2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Production	nut'000	1,318	1,295	1,117	1,471	1,559	1,549	1,596	1,713	1,731	1,413
NSA	Rs./nut	31.03	43.00	51.79	24.11	31.95	31.71	32.62	23.31	26.78	26.45
COP	Rs./nut	20.65	21.44	27.74	16.57	14.69	15.15	13.16	13.23	15.17	13.37
Yield	nut/ha	3,032	2,978	2,463	3,241	3,569	3,379	3,652	4,205	4,268	3,582
Revenue Extent	ha	435	435	453	454	437	437	437	408	406	394

GLOSSARY

Financial Terms

A

ACCOUNTING POLICIES
The specific principles, bases, conventions, rules, and practices adopted by an enterprise in preparing and presenting Financial Statement.

AGRICULTURAL ACTIVITY
Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural biological assets.

AGRICULTURAL PRODUCE
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.

ASSOCIATE
An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.
AWPLR Average Weighted Prime Lending Rate.

B

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.

BIOLOGICAL ASSETS
Is a living animal or plant.

BIOLOGICAL TRANSFORMATION
Biological transformation comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in a biological asset.

BORROWING COSTS
Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

C

CAPITAL EMPLOYED
The sum of Shareholders' Funds, Long Term & Short-Term Interest-bearing Borrowings.

CASH EQUIVALENTS
Abbreviation for liquid investments with original maturity periods of three months or less.

CONSUMABLE BIOLOGICAL ASSETS
The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

CONTINGENT LIABILITIES
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.

CURRENT RATIO
Current Assets divided by Current liabilities.

CURRENT SERVICE COST
Current Service Cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

D

DEBT TO EQUITY RATIO
Borrowings 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.

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.

DIVIDENDS
Distribution of profits to holders of equity investments.

E

EARNINGS PER SHARE
Profit after Tax divided by weighted average number of Ordinary Shares outstanding during the period.

EBIT
Earnings Before Interest and Tax.

EBITDA
Abbreviation for Earnings before Interest, Tax, Depreciation, and Amortization.

ENTERPRISE VALUE
Market Capitalization plus net debt.

EQUITY
Shareholders' fund.

EQUITY INSTRUMENTS
Equity Instruments is any contract that evidences a residual interest in the assets of a 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.

EQUITY/ASSETS RATIO
Shareholders' Funds divided by Long Term Assets plus Current Assets.

EU
European Union.

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

F

FAIR VALUE
Fair value is the amount for which an asset could be exchanged between a

knowledgeable, willing buying and a knowledgeable willing seller in 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.

FVTOCI
Abbreviation for Fair Value Through Other Comprehensive Income.

G

GEARING (D/E RATIO)
Long-Term Interest-bearing Borrowings/ Liabilities as a percentage of Shareholders' Funds plus Long-Term Interest-bearing Borrowings/Liabilities.

GENERAL RESERVE
Reserve available for distribution and investment.

H

HARVEST
Detachment of produce from a biological asset or the cessation of biological assets life processes.

I

IFRS
International Financial Reporting Standards

INTEREST COVER
Profit before Tax plus Interest Charges divided by Interest Charges, including Interest Capitalized.

J

JEDB
Janatha Estates Development Board.

K

KMP (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.

L

LIBOR
London Inter- Bank Offered Rate.

LIQUIDITY
The availability of liquid assets to a market or Company.

M

MARKET CAPITALIZATION
Number of shares in issue, multiplied by the market value of each shares at the year end.

MVA
The difference of market capitalisation and book value of share capital.

N

NET ASSETS
Sum of Fixed Assets and Current Assets less Total Liabilities.

NET ASSETS PER SHARE
Shareholders' funds divided by the number of Ordinary Shares.

NET PRICE PER SHARE
Net Assets at the end of period divided by the number of Ordinary Shares issued.

O

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

P

PRICE EARNINGS RATIO
Market price of a share divided by Earnings per Share.

R

RELATED PARTIES
Parties who could control or significantly influence the financial and operating policies of the Company.

RETURN ON AVERAGE EQUITY
Net income expressed as a percentage of Average Shareholders' Funds.

RETURN ON CAPITAL EMPLOYED (ROCE)
Profit before Tax plus Interest on Loans divided by the Equity Funds, Long Term Loans and Short-Term Loans.

REVENUE RESERVES
Reserves considered as being available for distributions and investments.

RSS-1
Ribbed Smoked Sheet - Grade 1.

S

SHAREHOLDERS' FUNDS
Funds attributable to Shareholders which consist of Share Capital, Reserves and Retained Profit.

SLA
Sri Lanka Accounting Standards.

SLFRS/LKAS
Sri Lanka Financial Reporting Standards.

SoAT
Statement of Alternative Treatment issued by the Institute of Chartered Accountants of Sri Lanka.

SoRP
Statement of Recommended Practices issued by the Institute of Chartered Accountants of Sri Lanka.

SUBSIDIARY
A subsidiary is an entity, including in unincorporated entity such as a partnership, that is controlled by another entity.

GLOSSARY

T

TURNOVER PER EMPLOYEE
Consolidated turnover of the Company for the year divided by the number of employees at the year end.

U

UITF
Urgent Issues Task Force of the Institute of The Chartered Accountants of Sri Lanka.

V

VALUE ADDITION
The quantum of wealth generated by the activities of the Company and its application.

W

WORKING CAPITAL
Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

Non - Financial Terms

A

AGM
Annual General Meeting.

B

BIODIVERSITY
The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

BOI
Board of Investments of Sri Lanka.

C

CDA
Coconut Development Authority.

COP
Cost of Production. Generally, refers to the cost of producing one kilo of produce (Tea/ Rubber).

CROP
The total produce harvested during a financial year.

E

EMDEs
Abbreviation for emerging market and developing economies.

ETP
Ethical Tea Partnership is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.

EXTENT IN BEARING
The extent of a land from which crop is being harvested. Also see "Immature Plantation".

F

FIELD
A unit extent of land. Estates are divided into fields in order to facilitate management.

G

GDP
Gross Domestic Product.

GSA
Gross Sale Average. Average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage, etc.

GRI
Global Reporting Initiatives.

H

HACCP
Hazard Analysis and Critical Control Point System, Internationally accepted food safety standard.

I

IMMATURE PLANTATION
The extent of plantation that is under development and is not being harvested.

INFILLING
A method of field development whereby planting of individual plants is done in order to fill the vacancies of existing revenue fields.

ISO
International Standards Organization.

ISO 22000
International standard for food safety management system (FSMS) released by ISO in September 2005.

L

LFPR
Abbreviation for Labour Force Participation Rate.

M

MATURE PLANTATION
The extent of plantation from which crop is being harvested.

N

NSA
Net Sales Average per kilo.

P

PHDT
Plantation Human Development Trust.

R

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.

RAINFOREST ALLIANCE (RA)
The Rainforest Alliance certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.

S

SEEDLING TEA
Tea grown from a seed.

T

TRI
Tea Research Institution.

V

VP TEA
Vegetatively propagated tea. i.e. tea grown from a cutting of a branch of tea plant.

Y

YIELD (YPH)
Average yearly output of produce from a hectare of plantation.

YOY
Year on Year.

CORPORATE INFORMATION

NAME OF THE COMPANY
Kegalle Plantations PLC

LEGAL FORM
A Quoted Public Company with limited liability,
Incorporated in Sri Lanka under the Companies Act No. 07 of 2007.

DATE OF INCORPORATION
22 June 1992

COMPANY REGISTRATION NUMBER
P Q 135

REGISTERED OFFICE/HEAD OFFICE
No. 310, High Level Road, Nawinna, Maharagama,
Sri Lanka.
Telephone:+ (94) 11 4310500
Fax: + (94) 11 4310799
E-mail: kpl.rpk@arpico.com
Website: www.arpico.com

ACCOUNTING YEAR END
31 March

PRINCIPAL BUSINESS ACTIVITIES
Cultivation, Manufacture and Sale of Rubber, Tea,
Coconut & other agricultural Produce.

MANAGING AGENT
RPC Plantation Management Services (Pvt) Ltd
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

ULTIMATE PARENT ENTERPRISE
Richard Pieris & Company PLC
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.

BOARD OF DIRECTORS
Dr. Sena Yaddehige, Chairman
Prof. R C W M R A Nugawela
Dr. S S B D G Jayawardena
Mr. Shaminda Yaddehige
Mr. S S G Liyanage

STOCK EXCHANGE LISTING
The Ordinary Shares of the Company are listed with the
Colombo Stock Exchange of Sri Lanka.

MANAGEMENT
Mr. Sriyan Eriyagama, Chief Executive Officer
(Resigned w.e.f 30 June 2020)
Mr. Kamal Punchihewa, Chief Financial Officer
Mr. I S Doranegama, Director Operations
Mr. S C Bandaranayake, Engineer
Mr. T I Kodithuwakku, Senior Accountant
Mr. R M S S Herath, Manager - Information Systems
Mr. L P Tennakoon, Manager - Plantations

SECRETARIES
Richard Pieris Group Services (Pvt) Limited
No. 310, High Level Road,
Nawinna, Maharagama, Sri Lanka.
Telephone: + (94) 11 4310500

AUDITORS
Messrs. Ernst & Young,
Chartered Accountants,
201, De Saram Place,
Colombo 10, Sri Lanka

BANKERS
National Development Bank PLC
Bank of Ceylon - Corporate Branch & Regional Branches
Hatton National Bank PLC
Peoples Bank
Seylan Bank PLC
Commercial Bank of Ceylon PLC
Indian Overseas Bank/Indian Bank/State Bank of India
Nations Trust Bank PLC
DFCC Bank PLC

TAX ADVISORS
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201, De Saram Place,
Colombo 10, Sri Lanka

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