KEGALLE
PLANTATIONS PLC
ANNUAL REPORT 2020/2021

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 Companies 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 5,200ha are Rubber, 1,400ha under Tea and another 500ha are Coconut. The Company produces around 04 Million kg of Rubber and 02 Million kg of Tea inclusive of bought crop. It has employee strength of 4,907.

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 Keels 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% steak, it also invested Rs. 50 Millions 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 Millions. 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 Keels 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 Plantations Management Services (Pvt) Limited holds 79.08% stake in KPPLC.

Kegalle Plantations PLC is the largest Rubber producer among regional Plantation Companies accounting for 5 million kg of average production per annum.

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

ABOUT THE REPORT

This is the 28th annual report of Kegalle Plantations PLC which is presented for the year ended 31 March 2021. 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 Colombo Stock Exchange and other applicable regulatory requirements. The fairness of the financial statements of the Company for the year ended 31 March 2021 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.

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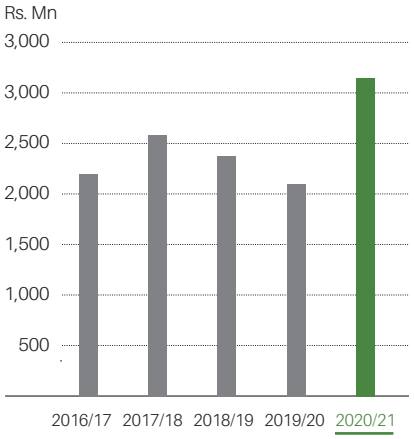
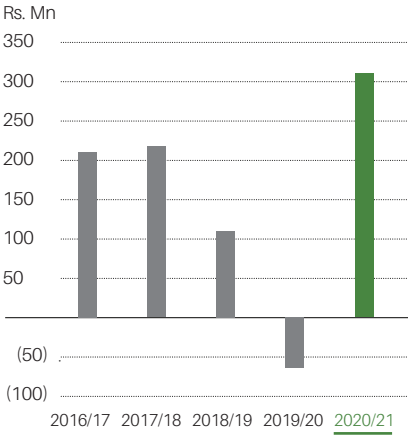
Nawinna,
Maharagama, Sri Lanka.
kpl.rpk@arpico.com
Tel: (94) 11 4310500

FINANCIAL & NON-FINANCIAL HIGHLIGHTS

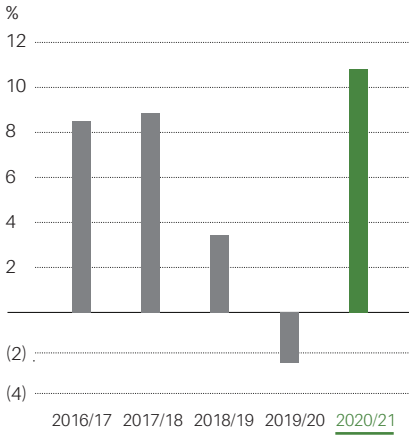
Revenue (Rs. Mn)



Profit After Tax (Rs. Mn)



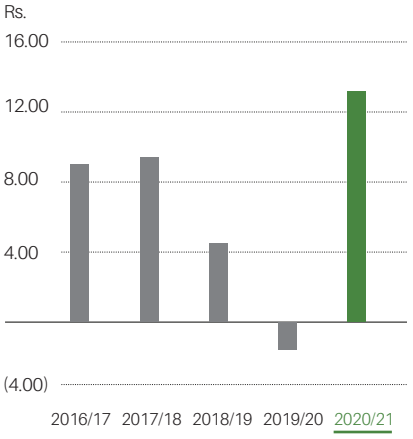
Return on Average Equity (%)



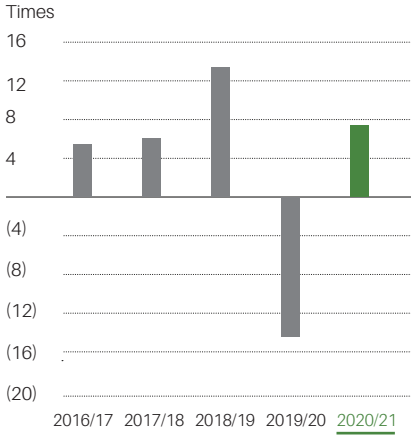
Rs. 315 Mn

PROFIT AFTER TAX

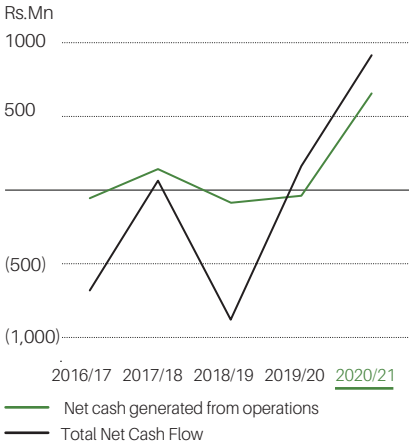
Earnings / (Loss) Per Share (Rs.)



Price Earnings Ratio (Times)

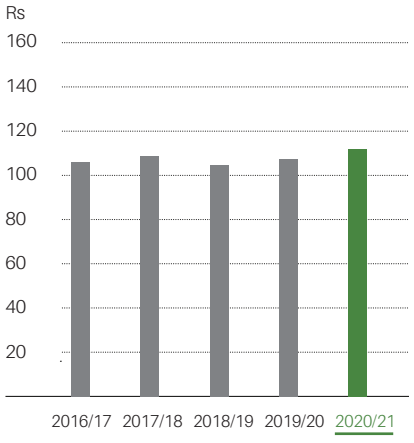


Net Operating Cashflow (Rs. Mn)



Share Price (Rs.)

Net Assets Per Share (Rs.)



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) Labour (Intake)	986 kg/ha 7.36 Kg Intake	851 kg/ha 25 Kg Intake	2,123 nuts/ha
Production Volume	4,589 Kg '000	1,869 Kg '000	918 Nuts '000

Exports

Direct	Indirect
244 Kg '000	3,112 Kg '000

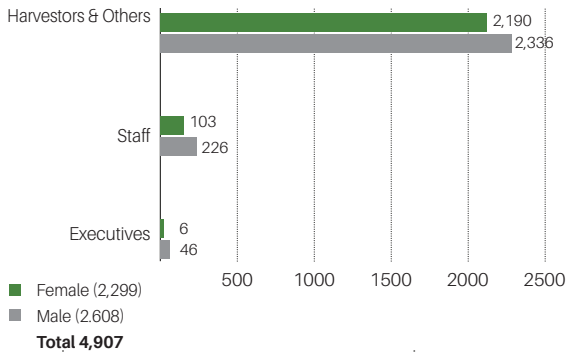
Rs. 04
DIVIDEND PER SHARE

Total Assets	Capital Employed	Turnover	Market Capitalization
Rs. 6 Bn	Rs. 4 Bn	Rs. 3.1 Bn	Rs. 2.4 Bn
(2019/20 : Rs. 5.5 Bn)	(2019/20 : Rs. 3.9 Bn)	(2019/20 : Rs. . 2.2 Bn)	(2019/20 : Rs. 1 Bn)

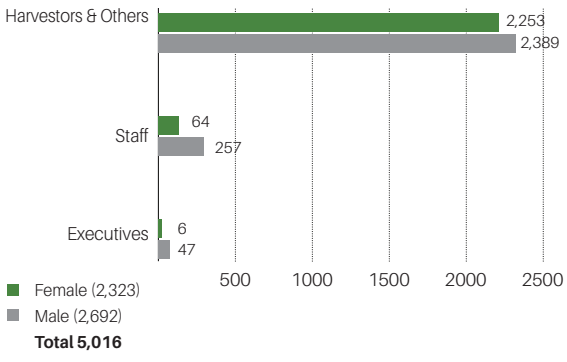
Performance - Year ended 31st March		2020/21	2019/20	Variance
		Rs.'000	Rs.'000	%
Turnover		3,148,122	2,185,536	44%
Profit before Interest and Tax		495,290	107,554	361%
Profit after Tax		315,126	(67,003)	670%
Gross Dividends		100,000	-	100%
Capital Expenditure		274,846	266,861	3%
Financial Position - As at 31 March				
Fixed Assets		4,314,074	4,157,933	4%
Current Assets		1,683,129	1,387,012	21%
Total Assets		5,997,202	5,544,945	8%
Current Liabilities		1,107,263	1,464,213	-24%
Shareholder's Funds		2,898,226	2,626,893	10%
Stated Capital		250,000	250,000	0%
Capital Employed		4,061,003	3,889,369	4%
Key Indicators				
Earnings/ (Loss) per share	Rs.	12.61	(2.68)	670%
Net Assets per share	Rs.	115.93	105.08	10%
Dividend per share	Rs.	4.00	-	100%
Market price per share	Rs.	97.20	40.80	138%
Return on capital employed	%	12.20%	2.77%	341%
Market capitalization	Rs.'000	2,430,000	1,020,000	138%
Return on average equity	%	11.41%	-2.55%	647%

Employment Strength

Workforce 2020/21



Workforce 2019/20



CHAIRMAN'S MESSAGE

It is my pleasure and privilege to present the Annual Report and Audited Financial Statements for the 28th Annual General Meeting of Kegalle Plantations PLC (KPPLC) in the uncertain milieu due to pandemic situation. We remain determined in facing the challenges, while strengthening our investments in the sustainable development of our plantations. Our primary focus remains in the growth of our Shareholders wealth and in adding sustainable value to all stakeholders of Kegalle Plantations PLC

Sri Lankan Economy

Alongside the global economic downturn induced by the pandemic, the Sri Lankan economy contracted by 3.6 per cent in real terms in 2020, recording the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and internationally, with a view to preventing the spread of COVID-19, hampered real economic activity across all sectors.

All sectors of the economy contracted during 2020 (agriculture, forestry and fishing by 2.4 per cent, industry by 6.9 per cent, and services by 1.5 per cent), compared to the previous year.

During the year under review, agricultural, industrial and service sectors have affected for contraction of the economy in the relative proportions of 7.0 per cent, 25.5 per cent and 58.7 per cent respectively.

Rubber Industry

Rubber production recorded an increase of 4.6 per cent in 2020 largely due to attractive market prices and favourable weather conditions that prevailed in the second half of the year. Rubber production, which has been on a declining trend in recent past years, has recorded a growth of 4.6 per cent to 78.2 million kgs in 2020, which was 74.8 million kgs in 2019. Among the major categories of rubber produced, sheet rubber production, which accounts for nearly 50 per cent of the total production, grew by 4.6 per cent to 39.1 million kgs. However, the production of crepe rubber, which contributes 17 per cent of the total rubber production, declined by 10.2 per cent to 13.0 million kgs in 2020. Meanwhile, the production of unspecified categories of rubber, which represents approximately 33 per cent of the total production, recorded a significant increase of 14.0 per cent to 26.1 million kgs during the year. Rubber prices increased at the Colombo Rubber Auction, particularly towards the end of the year, supported by the surge in natural rubber prices in global markets. Average price of latex crepe increased by 18.8 per cent to Rs. 359.04 per kg during 2020. Meanwhile, average auction prices of RSS1 and latex crepe stood at Rs. 440.00 per kg and Rs. 462.17 per kg, respectively, in December 2020. Average FOB price of rubber also registered an increase of 2.6 per cent to US dollars 1.91 per kg in 2020, in comparison to US dollars 1.86 per kg in 2019.

Tea Industry

The production of tea registered a notable decline of 7.1 per cent in 2020 due to

adverse weather conditions and labour supply disruptions due to COVID-19 containment measures. Tea prices at the Colombo Tea Auction (CTA) remained elevated throughout the year in comparison to the corresponding prices in 2019. The average price of tea increased by 15.9 per cent to Rs. 633.85 per kg during 2020, from Rs. 546.67 per kg recorded in the previous year.

Coconuts

The supply of coconut and coconut products experienced a contraction in 2020. Coconut production showed a notable decline of 9.5 per cent to 2792 Million Nuts in 2020, as a result of the lag effect of insufficient rainfall received by major coconut growing areas in 2019. Average retail price of coconut increased significantly by 45.8 per cent to Rs. 73.82 per nut compared to the preceding year.

Company Performance

The company recorded revenue of Rs. 3.15 billion during the year 2020/21, in comparison to Rs. 2.19 billion reported last year and it is a 44% per cent Increase compared to the last year drop of 10 %. This significant increase is observed as a result of revenue increase from all the Operational segments of the company.

Profit after tax of Kegalle Plantations PLC substantially increased by 570%, recording a Profit after tax of Rs. 315 mn compared to Loss after tax of Rs. 67 mn recorded in previous year. Total assets of the company were almost Rs. 06 bn in 2020/21 while the Shareholders fund was Rs.2.90 bn. The company incurred a capital expenditure of Rs. 275 mn during the year, out of which Rs. 237 mn was allocated for field development. Out of the field development expenses, Rs.182 mn, 32mn and Rs.03 mn were incurred in respect of rubber, oil palm and tea respectively.

Rubber Segment

The company's operations in the rubber Segment experienced higher performance within both the operational & financial aspects. Accordingly, KPPLC have showed a 25 per cent Increase in production of rubber, as a result of increasing company production from 3.7 Mn to 4.6 Mn kilograms in 2020/21. The NSA of rubber has risen to Rs. 387.74 by 21 per cent from Rs.320.98 in 2020/21. During the period under review,

"The company recorded revenue of Rs. 3.15 billion during the year 2020/21, in comparison to Rs. 2.19 billion reported last year and it is a 44% per cent Increase compared to the last year drop of 10 %. This significant increase is observed as a result of revenue increase from all the Operational segments of the company."

the revenue from rubber segment has climbed to Rs. 1.90 billion from Rs. 1.13 billion last years and it is a significant 68 per cent increase compared to the last year. At the end of the period, the company recorded a Rs. 182 million gross profit which was a 581 per cent recovery from the last year gross loss of Rs. 38 million. It is a significant enhancement of Profit margin within the year by 214 per cent.

Tea Segment

During the year under review, the company's production of tea showed a marginal increase by 5 per cent to 1.87 million kilogram compared to 1.78 million in 2019/20. The Profit Margin of KPPLC recorded as Rs. 6.82 in 2020/21 which is 111 Per cent increase from Rs. -63.58 last year. The revenue from tea segment has increased to Rs. 1,054 million from Rs. 878 million in last year. In line with the revenue increase, the gross loss from the tea operations has also lessen. Accordingly, the company has been recorded a gross Loss of Rs. 23 million in 2020/21 which was a gross loss of Rs. 149 million in the last year.

Coconut Segment

Financial results of the coconut Segment also experienced an upward movement in the year under the review mainly due to boost of favorable market conditions. Under such conditions, the revenue from the coconut plantation increased to Rs. 52 million in 2020/21 from Rs. 42 million last year and it is a 23 per cent increase between these two time periods.

Sustainability

Sustainability is a core business imperative that underpins our strategy to build higher value company. As a progressive and dynamic company, we are constantly evolving and reinventing our strategy to stay one step ahead of the others. In the year 2021/22, the company intends to allocate about Rs. 302 million for the field development. The company intends to allocate Rs. 200 million in respect of the field development in the rubber sector. As a whole, these resources are expected to be allocated to the field development of 1,297 Ha including the preliminary work, replanting and upkeep of these areas. In the year 2021/22, the company is planning to allocate about Rs. 19 million for the field development of the tea sector. Accordingly, these resources are expected to be utilized for the field development of 25 Ha including the preliminary work, replanting and upkeep of these estates.

Future Outlook

Productivity improvements in the traditional agriculture sector remain a priority in ensuring equitable growth and development. We strive to promote systematic change across our own businesses and wider industries in order to be able to continue our business in a sustainable way for future generations.

Appreciation

As the Chairman of KPPLC, I would like to express sincere gratitude to the Board of Directors and the whole management team. I also want to thank all of KPPLC's employees, suppliers, customers, and business partners. We strongly believe that our mutually beneficial relationships with the each other may undeniably important in our ability to remain secured within the highly volatile economic and social environment.

Dr. Sena Yaddehige
Chairman
25 August 2021
Colombo

BOARD OF DIRECTORS

01

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.

02

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.

03

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.

04

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.

05

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.

06

Mr. J L A Fernando

Director

Mr. Ananda Fernando is a Fellow Member of the National Institute of Plantation Management and holds Diplomas in Plantation Management, Human Rights, Diplomacy & International Relations, Conflict Resolutions and Negotiation Skills. He also serves as a Member of the Sri Lanka Tea Board Panel for monitoring Tea Auction Direct Sales and Imported Tea.

Mr. Fernando counts over 44 years' experience in the Management of Plantations having begun his planting career in 1976. He served as Superintendent of Mahagastote, Holyrood, Welimada and Somerset estates before his appointment as General Manager of Horana Plantations in 1993. He joined the Plantations of RPK Management Services (Pvt) Ltd. in 2000 where he functioned as Director-Operations for Kegalle Plantations and Maskeliya Plantations. In 2007 he joined Watawala Plantations as its Director-Operations. He was the Director/ Chief Executive Officer of New Vithanakande Tea Factory Ltd for 5 years from 2008 and thereafter served Eastern Brokers Limited as its Executive Director. Presently he is a Director of Maskeliya Tea Gardens Ceylon Ltd and Maskeliya Plantations PLC.

He is an accredited auditor of Japanese 5S & Kaizen and an Ex-committee member of Japan Sri Lanka Technical and Cultural Association (JASTECA). Mr. Fernando possesses international exposure in Plantation Management and Tea Manufacture, having participated and contributed in Training & Development programmes and International conferences in Japan, China, USA and Germany. He also has exposure into International Tea Markets, having participated at Trade Fairs and Exhibitions in Germany, USA and the UAE.

Mr. J.L.A. Fernando has been appointed to the board of Kegalle Plantations with effect from 15 February 2021.

OUR PLANTATIONS

	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	-	179.18	-	36.21	215.39	243.75	1311	-	158	-	1	370	371
2	Ambadeniya	Kegalle	Aranayake	376.48	-	14.39	54.58	445.45	583.25	244-355	231	-	20	-	390	390
3	Atale	Kegalle	Atale	866.76	-	28.66	61.61	957.03	1,150.36	119-154	396	-	71	1	401	402
4	Doteloya	Kegalle	Dolosbage	-	183.28	-	250.47	433.75	572.64	825-955	-	316	-	1	245	246
5	Eadella	Kurunegala	Polgahawela	323.89	-	322.44	25.21	671.54	801.79	91-122	186	-	652	-	178	178
6	Etana	Kegalle	Warakapola	349.36	-	1.82	20.86	372.04	483.26	76-244	292	-	2	1	180	181
7	Gampaha	Badulla	Udapussellawa	-	215.52	-	60.13	275.65	348.99	1538	-	279	-	1	468	469
8	Hathbawa	Kegalle	Rambukkana	225.82	-	-	29.08	254.90	477.79	122-244	165	-	-	-	167	167
9	Higgoda	Kegalle	Undugoda	217.36	-	-	5.09	222.45	302.23	146-411	174	-	-	-	58	58
10	Kirklees	Badulla	Udapussellawa	-	245.66	-	99.96	345.62	480.70	1446	-	350	-	1	561	562
11	Luckyland	Badulla	Udapussellawa	-	371.97	-	58.18	430.15	488.75	1500	-	400	-	1	613	614
12	Madeniya	Kegalle	Warakapola	262.42	-	-	166.83	429.25	551.92	80-229	157	-	-	-	220	220
13	Pallegama	Kegalle	Niyadurupola	562.64	-	1.88	78.82	643.34	863.91	90-200	268	-	5	1	293	294
14	Parambe	Kegalle	Undugoda	475.52	27.96	-	58.47	561.95	795.41	122-274	360	24	-	1	393	394
15	Udapola	Kurunegala	Polgahawela	346.55	-	24.97	20.82	392.34	577.78	107-195	155	-	96	-	234	234
16	Weniwella	Kegalle	Alawwa	410.18	-	13.19	104.34	527.71	709.90	152-183	197	-	7	-	324	324
17	Yataderiya	Kegalle	Undugoda	131.70	115.66	25.90	2.35	275.61	324.30	244-290	95	342	66	1	338	339
18	Udapola CLP	Kurunegala	Polgahawela	-	-	-	-	-	-	-	1,912	-	-	2	24	26
				4,548.68	1,339.23	433.25	1,133.01	7,454.17	9,756.73		4,589	1,869	918	12	5,457	5,469

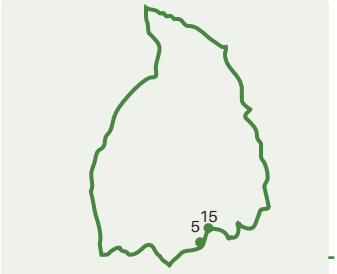
	Estate Name	Factory Details			Certifications*						Workforce			
		Crop Manufactured	Factory Type	Rated Kg '000/p.a.	1	2	3	4	5	6	No. of Executives	No. of Staff	No. of Harvestors & Others	Total
1	Allagolla	-	-	-	-	-	-	-	√	-	1	15	188	204
2	Ambadeniya	-	-	-	-	√	-	-	-	-	2	18	247	267
3	Atale	Rubber	Sole Crepe	950	√	-	-	-	-	√	3	24	356	383
4	Doteloya	Tea	Leafy/Orthodox	1,394	-	-	√	-	√	-	3	21	296	320
5	Eadella	-	-	-	-	√	-	-	-	-	3	18	264	285
6	Etana	Rubber	Scrap	228	-	√	-	-	-	-	2	17	239	258
7	Gampaha	Tea	Leafy/Orthodox	929	-	-	√	-	√	-	2	20	277	299
8	Hathbawa	-	-	-	-	-	-	-	-	-	1	12	134	147
9	Higgoda	-	-	-	-	-	-	-	-	-	1	9	145	155
10	Kirklees	Tea	Rotorvane	1,239	-	-	√	√	√	-	1	20	285	306
11	Luckyland	Tea	Rotorvane	1,355	-	-	√	√	√	-	3	30	427	460
12	Madeniya	-	-	-	-	√	-	-	-	-	1	11	173	185
13	Pallegama	Rubber	Sole Crepe	800	√	-	-	-	-	√	3	23	315	341
14	Parambe	Rubber	Crepe	636	√	-	-	-	-	-	2	19	372	393
15	Udapola	-	-	-	-	√	-	-	-	-	2	14	160	176
16	Weniwella	-	-	-	-	√	-	-	-	-	1	14	202	217
17	Yataderiya	Tea	Leafy/Orthodox	1,239	-	-	√	-	√	-	2	24	379	405
18	Udapola CLP	Rubber	Centrifuged Latex	5,000	√	√	-	-	-	-	4	11	67	82
											37	320	4,526	4,883

Note: Other buildings include bungalows, offices, factories, staff & worker quarters, dispensaries, maternity wards...etc, total usage of Company buildings is 3,507,810 sq.ft.

* Certifications

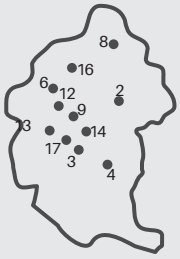
1. ISO 9001 : 2015 System Certification - Rubber
2. EU & USDA-NOP Certification - Organic Rubber
3. ISO 22000 : 2005 System Certification - Tea
4. Ethical Tea Partnership Certification
5. Rain forest Alliance Certification - Tea
6. Forest Stewardship Council Certification

OUR ESTATES - LOCATIONS



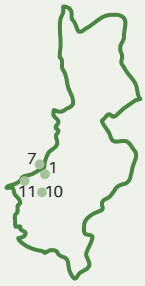
Kurunegala District

1,379.57 ha



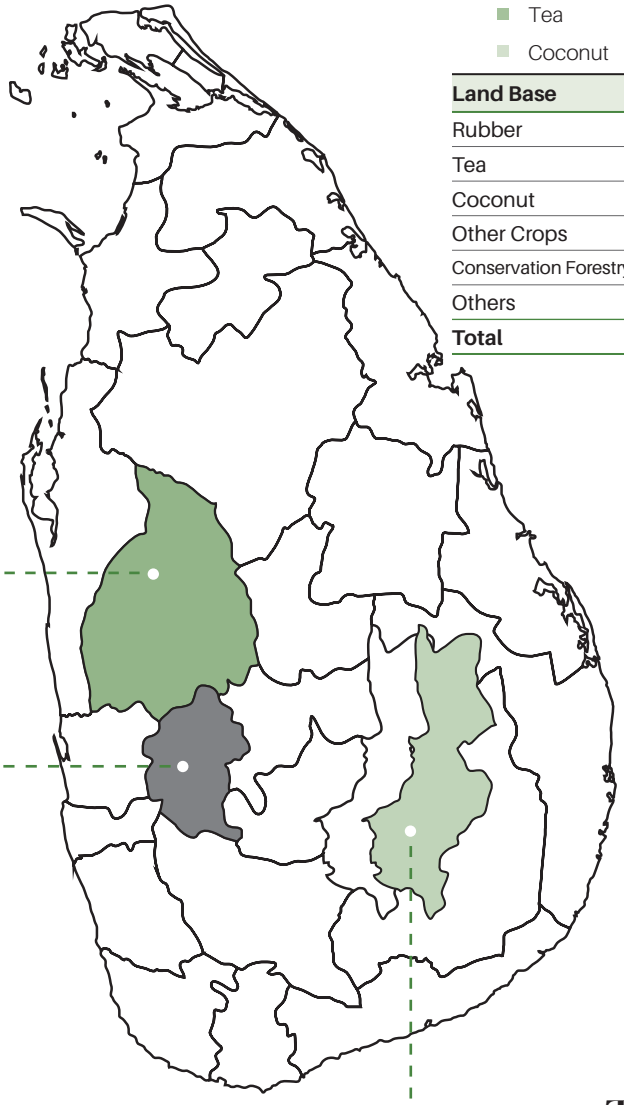
Kegalle District

6,814.97 ha

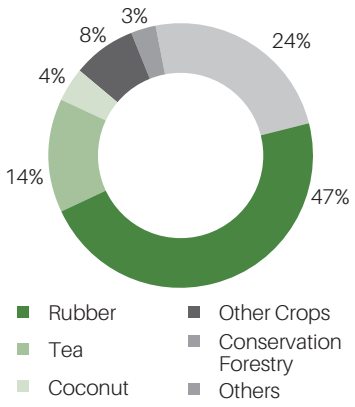


Badulla District

1,562.19 ha



Our Estates - Land Base / Utilisation 2020/21



Land Base	2020/21	2019/20
Rubber	4,549	4,430
Tea	1,339	1,352
Coconut	433	436
Other Crops	812	1,306
Conservation Forestry	321	306
Others	2,303	1,927
Total	**9,757**	**9757**

Total

9,756.73 ha

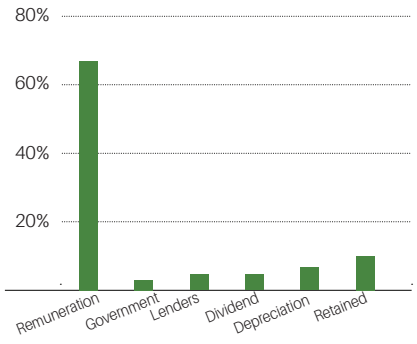
STATEMENT OF VALUE ADDED

Rupees in millions

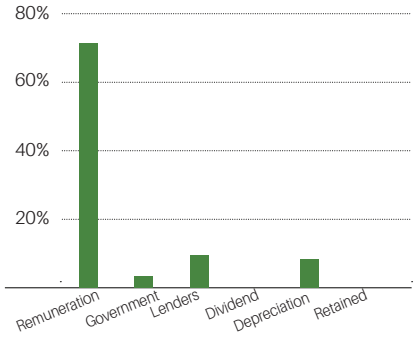
Value Added	2020/21	2019/20
Turnover	3,148	2,186
Other income	278	197
	3,426	2,382
Cost of material & services	(1,528)	(807)
Value added	1,898	1,575

Distribution of Value Added	2020/21	%	2019/20	%
To employees as remuneration	1,226	65%	1,193	76%
To government as taxes and lease rent	68	4%	75	5%
To lenders of capital as interest	91	5%	163	10%
To shareholders as dividend	100	5%	-	0%
Retained in the business as;				
Provision for depreciation	144	8%	138	9%
Profit retained / (utilized)	269	14%	6	0%
	1,898	100%	1,575	100%

Distribution of Value 2020/21



Distribution of Value 2019/20

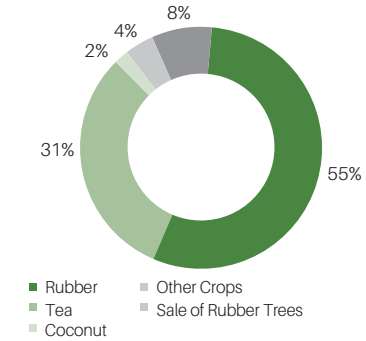


Sources and Utilisation of Income (Rupees in millions)

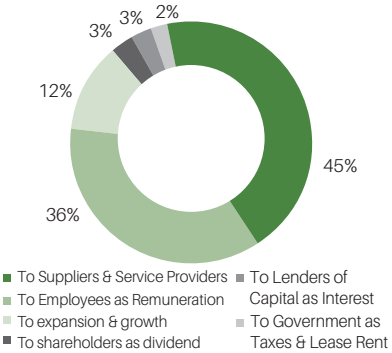
Sources of Income	2020/21	%	2019/20	%
Rubber	1,900	55%	1,128	47%
Tea	1,054	31%	878	37%
Coconut	52	2%	42	2%
Other crops	2	0%	1	0%
Sale of rubber trees	141	4%	137	6%
Other income	278	8%	197	8%
	3,426	100%	2,382	100%

Utilization of Income	2020/21	%	2019/20	%
To employees as remuneration	1,226	36%	1,193	50%
To government as taxes & lease rent	68	2%	75	3%
To lenders of capital as interest	91	3%	163	7%
To suppliers & service providers	1,528	45%	807	34%
To shareholders as dividend	100	3%	-	0%
To expansion & growth	413	12%	144	6%
	3,426	100%	2,382	100%

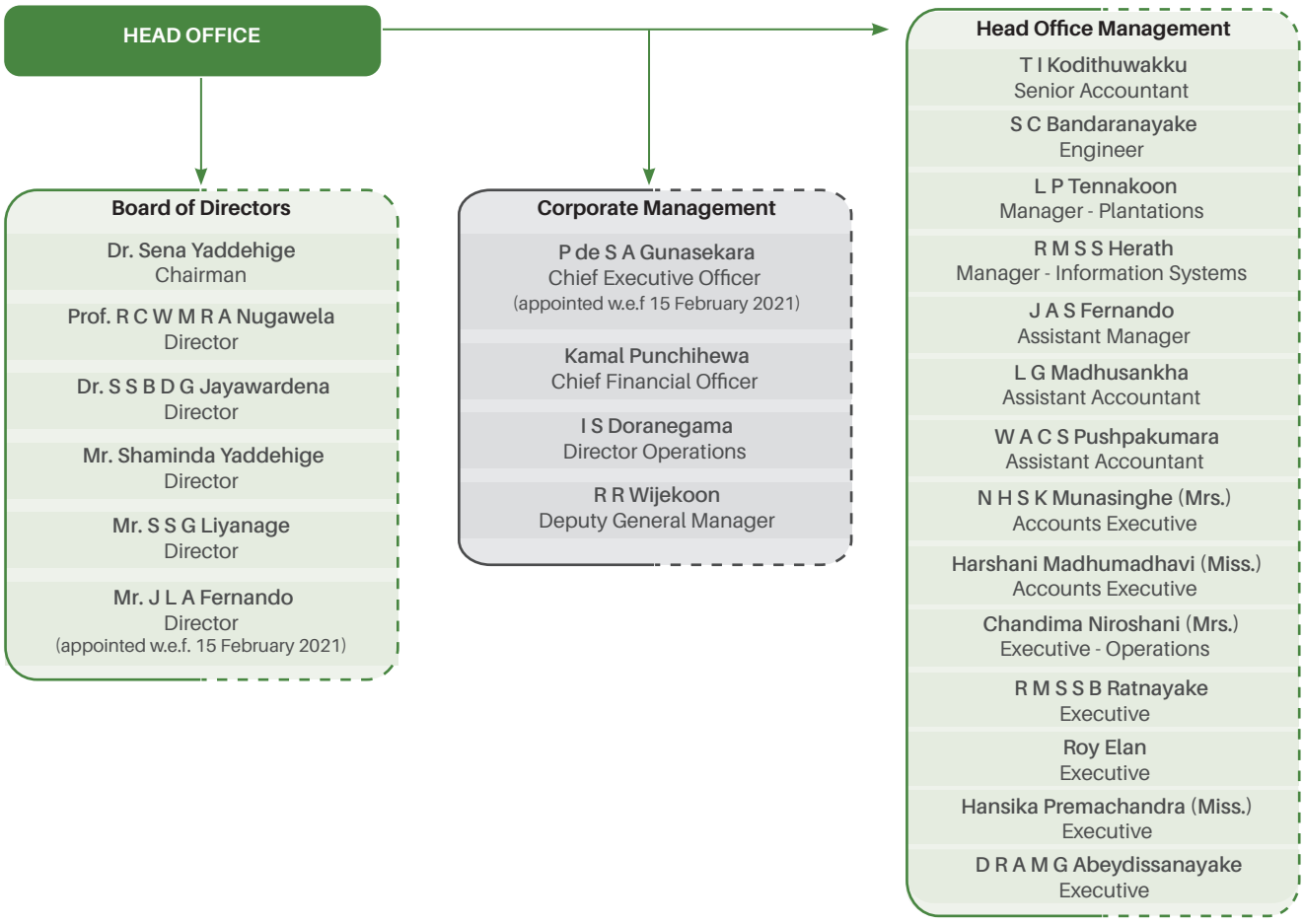
Sources of Income 2020/21



Utilization of Income 2020/21



CORPORATE MANAGEMENT PROFILE



Estate Name	Name of the Deputy General Manager/ 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 / D A H A Gunarathna
Etana Estate, Warakapola	N A M O M Navaratne	G I B Herath
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	-
Luckyland Estate, Udapussellawa	S R Aluwihare, Deputy General Manager	H M I T Gunarathne / K S Kalpage
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	-
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 M T S Krishantha – Senior Technical Assistant K R S D Wijethilake – Technical Assistant I M P D Illankoon – Technical Assistant

OPERATIONAL & FINANCIAL REVIEW

Any Plantation company performances extremely sensitive to the weather conditions prevailed throughout the period in which performance is being evaluated. At the same time various other internal and external factors affect the company performances in various manner. Economic, Political, Social, Technological, Environmental and Legal factors can be considered as such factors affecting Company performance though out the year. Accordingly identifying and analyzing the Company's operating environment behavior during the year under review also prominently important. External environment plays a critical role in shaping the future of entire industries and the Company. Therefore, to keep KPPLC ahead of the competition, Company must continually adjust strategies to reflect the environment in which businesses operate.

Business organizations all over the world are frequently confronted with several obstacles and issues as a result of the advent of globalization and its influence. As a result, we understand that the company decision-makers must commit more time to studying their organization on a regular basis than ever before in order to survive in their respective industries. As a result of errors in decision-making, profitability, company growth, and competitiveness of organizations may be harmed to a greater extent, and companies may be forced to close their doors. Therefore, it is significantly important to understand and analyze the Operating environment in which the Organization operate.

Economy & Agriculture Sector

Global Economic Performance

Following the devastating health and economic crisis caused by COVID-19, the global economy appears to be emerging from one of its deepest recessions and beginning a subdued recovery. Although the global economy is emerging from the collapse triggered by the pandemic, the recovery is projected to be subdued. Global economic output is expected to expand 4 percent in 2021 but still remain more than 5 percent below its pre-pandemic trend. Global growth is projected to moderate to 3.8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth. COVID-19 caused a global recession whose depth was surpassed only by the two World Wars and the Great Depression over the past century and a half. Although global economic activity is growing again, it is not likely to return to business as usual for the foreseeable future.

Sri Lankan Economic Performance

Alongside the global economic downturn induced by the pandemic, the Sri Lankan economy contracted by 3.6 per cent in real terms in 2020, recording the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and internationally, with a view to preventing the spread of COVID-19, hampered real economic activity across all sectors including agriculture activities. The economy rebounded during the second half of the year, registering a real growth of 1.3 per cent, year-on-year, in spite of the disruptions caused during October-November with the second wave of the pandemic. All sectors of the economy contracted during 2020 (agriculture, forestry and fishing by 2.4 per cent, industry by 6.9 per cent, and services by 1.5 per cent), compared to the previous year.

GDP per capita was estimated at Rs. 683,106 (US dollars 3,682) in 2020, compared to Rs. 688,573 (US dollars 3,852) in 2019. The decline in GDP per capita in rupee terms was mainly on account of the contraction in GDP at current prices, while the decline in GDP per capita in US dollar terms was a combined outcome of the contraction in GDP at current prices and the weakening of domestic currency against the US dollar on an annual average basis. Interest, Inflation and Exchange Rate Headline inflation remained broadly within the desired range of 4-6 per cent during 2020, while core inflation remained low throughout the year. However, with the moderation of food and non-food inflation, year-on-year headline inflation decelerated and was recorded at 4.2 per cent by end 2020, compared to 4.8 per cent recorded in December 2019. Annual Average inflation based on CCPI (2013=100) has recorded 4.6 per cent in 2020 which was 4.3 percent recoded previous year.

However, with the moderation of food and non-food inflation, year-on-year headline inflation decelerated and was recorded at 4.2 per cent by end 2020, compared to 4.8 per cent recorded in December 2019. Headline inflation, based on the National Consumer Price Index (NCPI, 2013=100), which attaches a relatively high weight to food items, broadly followed the trend in CCPI based headline inflation. year-on-year core inflation based on the CCPI and the NCPI decelerated to 3.5 per cent and 4.7 per cent, respectively, by end 2020, compared to 4.8 per cent and 5.2 per cent, recorded at the end of 2019, respectively. Further, CCPI based year-on-year core inflation was recorded at 3.1 per cent by March 2021, while NCPI based year-on-year core inflation was recorded at 4.3 per cent by March 2021.

The exchange rate remained relatively stable during 2020, despite intermittent volatilities at the beginning of the pandemic and again towards the end of the year. The re-emergence of exchange rate volatility since late 2020 was mainly driven by speculative market behavior due to sovereign rating downgrades and low levels of liquidity in the domestic foreign exchange market.

Gross official reserves declined to US dollars 5.7 billion by end 2020, in comparison to US dollars 07.6 billion recorded at end 2019, amidst foreign debt service payments and limited foreign exchange inflows. Overall, the Central Bank was able to absorb foreign exchange from the domestic foreign exchange market, on a net basis, during 2020. Along with the depreciation of the Sri Lankan rupee, caused the overall size of the economy to contract to US dollars 80.7 billion in 2020 from US dollars 84.0 billion in the previous year, and per capita GDP to decline to US dollars 3,682 in 2020 from US dollars 3,852 in 2019.

The Central Bank continued to relax the monetary policy stance during 2020 with a view to supporting the economy to recover from the effects of the COVID-19 pandemic and to regain the growth momentum, given the subdued inflation conditions. The key policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the

Standing Lending Facility Rate (SLFR), were reduced by a total of 250 basis points on five occasions to their historically lowest levels of 4.50 per cent and 5.50 per cent, respectively, during 2020.

Government Policies

Sluggish improvement in productivity remains a major challenge for sustained economic growth of Sri Lanka. The country demands more planned and determined efforts to remove bottlenecks in increasing productivity in order to achieve sustained high growth. Productivity improvements in the traditional agriculture sector remain a priority in ensuring equitable growth and development.

Earnings from exports are expected to strengthen in the period ahead with the envisaged recovery in global demand and the policy drive to improve the tradable sector. The Sri Lanka Tea Board (SLTB), Tea Small Holdings Development Authority (TSHDA) and the Tea Research Institute (TRI) continued their development activities aimed at productivity and technological enhancements. Several measures were implemented by the Rubber Development Department (RDD) and the Rubber Research Institute (RRI) to improve productivity and to expand the extent of rubber cultivation. Accordingly, 720 hectares of new rubber cultivations were established under the new planting programme in 2020.

Employment and Wages

In the midst of the adverse impact of the COVID-19 pandemic, real wages of the employees in the formal and informal private sectors showed an erosion whereas the real wages of the public sector employees showed an increase in 2020 compared to the previous year. Nevertheless, the demand pressure arising from wages on the general price level remained subdued during the year. Effects of the pandemic were observed in the unemployment rate as well as the labour force participation rate (LFPR). The unemployment rate increased to 5.5 per cent in 2020 from 4.8 per cent recorded in 2019 primarily due to the adverse impact of COVID-19 pandemic. Accordingly, the unemployed population increased to 0.468 million in 2020 from 0.411 million recorded in 2019. Aggravating the inequalities further, the unemployment rates amongst females, youth and educationally qualified persons increased considerably in 2020. Accordingly, the unemployment rate of females increased significantly to 8.4 per cent in 2020 from 7.4 per cent in 2019. Meanwhile, the unemployment rate of males also increased to 4.0 per cent in 2020 from 3.3 per cent in 2019.

Based on the Annual Labor Force Survey for 2019, it was estimated that over 57 per cent of those who were employed were engaged in the informal sector and of this, almost 61 per cent were engaged in then on agricultural sector. A more detailed analysis across occupational categories shows that the most vulnerable occupations of services and sales workers, workers in the agricultural sector, craft workers, plant and machine operators, and those engaged in elementary occupations comprise around 88 per cent of informal sector employment and 50 per cent of total employment.

Weather Conditions

Environmental issues that have repeatedly surfaced over the past several years, such as climate change, depletion of forest cover, land degradation, solid waste disposal including no degradable and e-waste, threats to wildlife, coastal erosion, air pollution, and pollution of water bodies, generally receive less attention, as environmental conservation and economic growth are often seen as conflicting objectives. The Global Climate Risk Index (GCRI) that estimates countries' vulnerability to extreme weather events in terms of direct consequences, i.e., deaths and economic losses, has ranked Sri Lanka among the top ten countries that are most affected by climate change in three consecutive years from 2016 to 2018. Vulnerability of Sri Lanka to climate change induced frequent and extreme natural disasters poses a major threat to the agricultural sector. Hence, these climates related risks have a direct effect on agricultural productivity and threaten food security and increase inequalities.

Outlook

The Global growth projections entail significant risks due to the uncertainties associated with the pandemic, despite being tilted to the upside over the medium term.

Improvements in the Sri Lankan economy over the medium term are expected to be driven by the implementation of the Government's novel economic policy framework based on Vistas of Prosperity and Splendor, which aims at addressing longstanding macroeconomic imbalances and ensuring equitable, shared and sustained economic growth. Substantially low levels of productivity have adverse effects on incomes of farmers and other workers in the agriculture sector. Increasing economies of scale, promoting modern technology based agriculture, adopting smart farming technologies for efficient usage of resources, such as Good Agricultural Practices (GAP) and Geographic Information Systems (GIS), and efficiently connecting farmers with supply chains are among the major aspects that could enhance the productivity of the agriculture sector. Institutional support needs to be provided to the farming community to upscale production, and enhance technology usage and productivity in agriculture activities. Further, the slow growth in the agriculture sector in recent years has dampened the overall economic growth, resulting in lower incomes for households who are engaged in agricultural activities. In addition, land market reforms are also needed to support the productive use of land and address the land fragmentation issue, thereby promoting technology and machinery usage in agricultural activities.

Agriculture Sector Review

Agriculture activities recorded a contraction of 2.4 per cent in 2020 in value added terms, compared to the growth of 1.0 per cent in 2019, due to the considerable decline in some of the major Agriculture activities, including fishing, growing of oleaginous fruits (including coconut),

tea, forestry and logging, and animal production. This setback in Agriculture activities was largely due to the COVID-19 pandemic related disturbances on certain plantations and fishing activities. Especially, tea production was severely affected, particularly during March at the beginning of the first wave of the pandemic.

The Agriculture Production Index, which measures only the output of the agriculture and fisheries sectors, recorded an increase of 2.3 per cent in 2020 supported by the growth in sub-indices of paddy, rubber and other crops (other field crops, vegetables and fruits). However, tea, coconut, livestock and fisheries sub-indices declined in comparison to the previous year.

INDUSTRY REVIEW

The year under review was another challenging year for Kegalle Plantations PLC. Even though COVID -19 Pandemic have severely affect the company operations during the year exerted downward pressure on the operations, our commitment to achieve higher financial performances have resulted in greater achievements during the year under review. Therefore, it is please to state that company have been accomplished strong financial results during recent financial year, 2020/21.

Key Performance at a glance

Aspect	Measure		2019/20	2020/21
Revenue	Turnover	Rs. Mn	2,186	3,148
Profitability	Gross Profit ratio	%	-1.67%	10.22%
	Net profit ratio	%	-3.07%	10.01%
Working capital management	Current Ratio	Times	0.95	1.52
Liquidity	Cash flow from Operations	Rs. Mn	(46.14)	558.04
Asset Utilization	Fixed Assets turnover	Times	0.53	0.73
Investment	Capital expenditure	As a % of Fixed Assets	6.42%	6.37%
Capital Structure	Debt to Equity ratio	%	32%	29%
	Interest cover	Times	0.57	3.96

RUBBER	
Industry:	Company:
National Rubber production, which has been on a declining trend in recent past years, has recorded a growth of 04.6 per cent to 78.2 million kilogrammes in 2020, which was 74.8 million kilogrammes in 2019 reported the lowest annual output in history.	When it comes to Company Operations in Rubber sector, the company's production of rubber has increased to 04.6 million kilograms from 3.7 million kilograms in 2019/20. Favorable market and weather conditions prevailed though out the year resulted in 25 Per cent escalation in production of rubber in 2020/21, accordingly financial performance of the rubber segment also showed a greater performances compared to the last year and National rubber Production.
Although rubber production declined by 10.1 per cent in the first half of 2020 due to less tapping days amidst mobility restrictions during the first wave of the COVID-19 pandemic and dry weather conditions in rubber growing areas, rubber production improved considerably by 23.2 per cent during the second half of the year, supported by relatively favourable weather conditions. Total rubber exports increased by 21.3 per cent, year-on-year, to 15.8 million kilogrammes.	

Meanwhile, the cost of production of rubber increased by 1.7 per cent to Rs. 213.50 per kilogramme in 2020.
Rubber prices increased at the Colombo Rubber Auction, particularly towards the end of the year, supported by the surge in natural rubber prices in global markets.

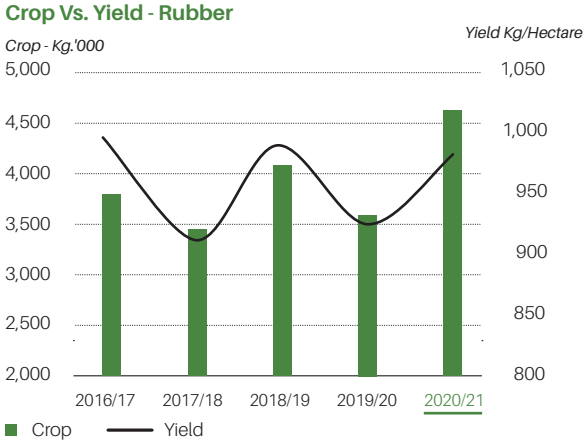
The average price of Ribbed Smoked Sheet 1 (RSS1) witnessed an increase of 21.8 per cent to Rs. 351.46 per kilogramme in 2020, though RSS1 was not traded at the Colombo Rubber Auction from April to August 2020 due to lower global demand caused by the COVID-19 pandemic.

Recovery in Chinese demand during the second half of 2020, lower production in Thailand due to mobility restrictions and spread of a fungal disease in rubber plantations in South East Asia were the key reasons for the escalation of natural rubber prices in global markets.

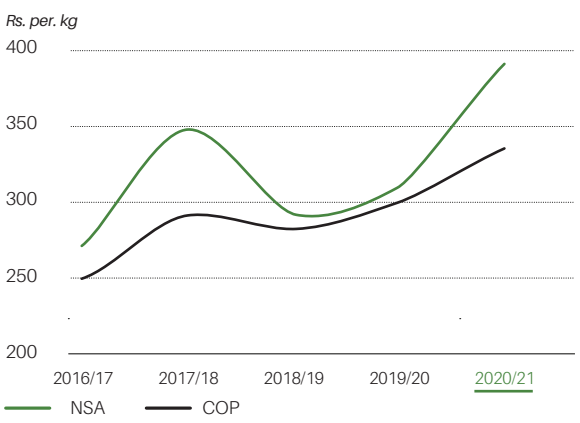
During the period under review, the revenue from rubber segment has amplified to Rs. 1.90 billion from Rs. 1.13 billion last year and it is a 68 per cent expansion compared to the last year. Such an improvement in Company revenue mainly driven by the 39 per cent rise of sales quantity and 21 per cent increase of NSA experienced by the company in 2020/21. On the other hand, cost of production (COP) showed an increase from Rs. 302.12 per kg in 2019/20 to Rs.328.50 per kg in 2020/21 by 09 per cent.

Accordingly, the company was recorded a gross profit of Rs. 182.3 million from rubber segment in 2020/21 with compared to the gross Loss of Rs. 37.9 million in 2019/20. Recovering from Gross Loss in the rubber sector was mainly driven by the increase in NSA at a faster rate than the COP which result in 214 per cent significant rise in profit margin Per Kilo from Rs.18.86 to Rs.59.24 between two financial years.

Crop Vs. Yield - Rubber



NSA Vs. COP - Rubber



TEA

INDUSTRY:

The national production of tea registered a notable decline of 7.1 per cent to 278.9 million kilogrammes in 2020 due to adverse weather conditions and labour supply disruptions due to COVID-19 containment measures. During the pandemic period, the tea auction was shifted from the conventional physical presence system to an e-auction platform where buyers were able to bid from remote locations. Accordingly, over 200 million kilogrammes of tea were sold through e-auctions during the period under review.

Production of high, medium and low grown tea, which contributes about 22 per cent, 17 per cent and 61 per cent of the total production, respectively, declined by 1.3 per cent, 0.9 per cent and 10.5 per cent, respectively, in 2020. In the meantime, the average yield in the smallholder sector declined from 1,765 kilogrammes per hectare, compared to 1,938 kilogrammes per hectare reported in 2019, mainly due to the drought conditions that prevailed in tea growing areas.

COMPANY:

Consequently, KPPLC operations in Tea segment displayed better performances with compared to recent last years. During the year under review, the company's production of tea showed a marginal increase by 5 per cent to 1.87 million kilogram compared to 1.79 million in 2019/20.

Tea prices at the Colombo Tea Auction (CTA) remained elevated throughout the year in comparison to the corresponding prices in 2019. The average price of tea increased by 15.9 per cent to Rs. 633.85 per kilogramme during 2020, from Rs. 546.67 per kilogramme recorded in the previous year. Average tea prices for high, medium and low grown tea reported year-on-year increases of 15.5 per cent, 18.7 per cent and 16.0 per cent, respectively, in 2020. The average price received by smallholders for green leaves increased to Rs. 94.36 per kilogramme in 2020 from Rs. 80.15 per kilogramme in 2019. The average export price (FOB) of tea increased by 1.6 per cent to US dollars 4.67 per kilogramme during 2020, compared to US dollars 4.60 per kilogramme recorded in the preceding year.

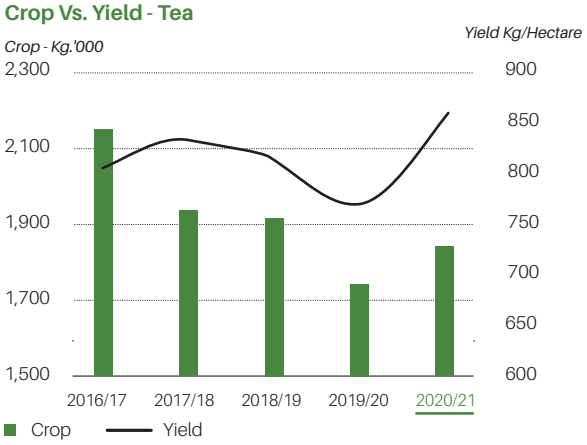
Although the increase in tea prices can be partly attributed to the decline in the quantity supplied to the CTA due to reduced local production, a significant drop in tea exports from global competitors due to setbacks caused by the COVID-19 pandemic enabled domestic exporters to attract a comparably higher price during 2020.

NSA of the Company Tea Segment reported a 20 Per cent increase from Rs. 475.79 to Rs. 570.13 in 2020/21. The increase in NSA was mainly driven by the improvement of auction prices during the period due to high demand. At the same time COP have increased from Rs. 539.37 to Rs. 563.32 by 04 Per cent in year under review. Finally, Profit Margin per kilo of KPPLC recorded as Rs. 6.82 in 2020/21 which is 111 Per cent increase from Rs. -63.58 last year.

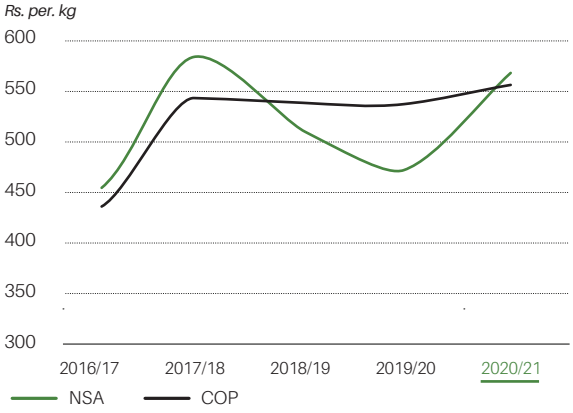
Since 04 per cent increase in COP have finely covered by 20 per cent increase in NSA have resulted in 84 percent recovery of company last year Gross Loss within Tea Segment.

During the period under review, the revenue from tea segment has increased to Rs. 1,054 million from Rs. 878 million last year. It is a 20 per cent increase and can be considered as a main reason behind the recovery of Tea Segmental Loss. In line with the revenue increase, the gross loss from the tea operations has also lessen. Accordingly, the company has been recorded a gross Loss of Rs. 23 million in 2020/21 which was a gross loss of Rs. 149 million in the last year.

Crop Vs. Yield - Tea



NSA Vs. COP - Tea



COCONUT

Industry:

The National supply of coconut and coconut products experienced a contraction in 2020. Coconut production showed a notable decline of 9.5 per cent to 2,792 Million nuts in 2020, as a result of the lag effect of insufficient rainfall received by major coconut growing areas in 2019. The contraction in nut production and supply side disturbances that emerged amidst the COVID-19 pandemic adversely impacted coconut related industries.

Meanwhile, the importation of coconut oil increased significantly to 79,060 metric tons in 2020 from 4,628 metric tons in 2019. The Government adjusted the Special Commodity Levy (SCL) on coconut oil, virgin coconut oil and palm oil imports several times during 2020 with the aim of supporting the domestic coconut oil industry.

Company:

Financial results of KPPLC coconut Segment also experienced an upward movement in the year under the review mainly due to boost of favorable market conditions. The company's production of coconuts has decreased to 0.90 million nuts in comparison to 1.3 million nuts in 2019/20 which is a decrease of 30 per cent.

Severe shortage of coconuts for consumption and industrial usage due to low domestic production resulted in prices of coconut and coconut based products escalating in 2020. The average auction price of coconut at the Colombo Coconut Auction (CCA) also increased to Rs. 48.89 per nut from Rs. 27.55 per nut in 2019. Average retail price of coconut increased significantly by 45.8 per cent to Rs. 73.82 per nut compared to the preceding year.

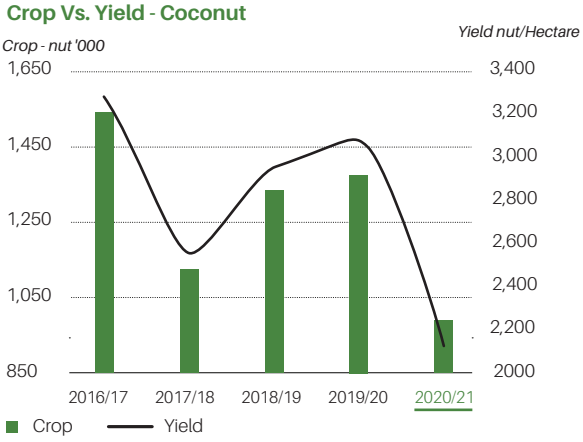
The increase in market price of fresh coconuts pushed up the cost of coconut based products. Accordingly, average price of coconut oil increased significantly by 31.9 per cent to Rs. 343.18 per 750 ml bottle in 2020, while the average local market price of desiccated coconut also increased to Rs. 447.56 per kilogramme in 2020 from Rs. 251.03 per kilogramme in 2019.

Even-though Production of Coconut decreased, the NSA of coconuts operations has significantly improved to Rs. 51.98 from Rs. 31.03 in 2019/20 which is a rise of 67 per cent. On the other hand, COP of coconuts operations has increased to Rs. 31.37 from Rs. 20.65 in 2020/21 which is a growth of 52 per cent.

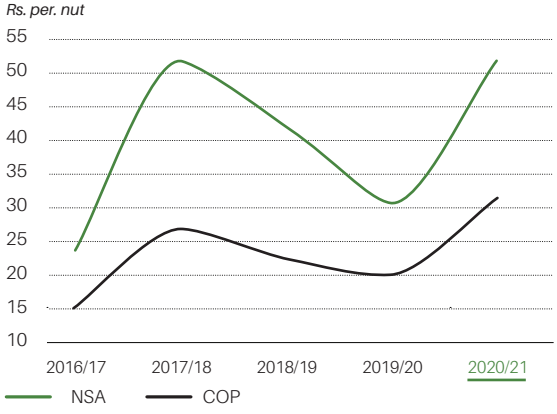
Under such conditions, the revenue from the coconut plantation increased to Rs. 52 million in 2020/21 from Rs. 42 million last year and it is 23 per cent increase between these two time periods. In conformity with the behavior of revenue, the gross profits of the coconut plantation have also improved to Rs. 20 million from Rs. 14 million which is 46 per cent growth.

In addition to the growth in the revenue compared to the last year, the gross profit margin has also enhanced significantly during the current financial year. The Gross Profit margin which prevailed at Rs. 10.38 last year has almost doubled to Rs. 20.60 during the current financial year. Such a significant advance of 98 Per cent has affected towards the better financial performance of Coconut segment during the year under review.

Crop Vs. Yield - Coconut



NSA Vs. COP - Coconut



Operating Highlights

Operating Profits	2020/21	2019/20	Variance (%)
	Rs '000	Rs '000	
Gross Profit	321,586	(36,458)	982%
Gain/(Loss) on fair value of Biological assets	4,466	2,231	100%
Other Income and gain	220,582	135,613	63%
Administrative Expenses	(48,748)	(50,503)	-3%
Management Fee	(58,941)	(4,399)	1240%
Profit From Operations	438,945	46,484	844%

During the year under review, the Company has recorded a gross Profit of Rs. 322 million in comparison to the gross loss of Rs. 36 million in 2019/20 which indicates a significant improvement of 982 per cent between the two time periods. This growth was mainly driven by combined effect of the substantial increase in revenue by Rs. 963 million and increase in cost of sales by 603 million in 2020/21.

In line with the trend in gross profit, the net profit of the Company has recorded as Rs. 315 million in 2020/21 which was a net loss of Rs. 67 Mn in 2019/20.

Revenue

Despite of various global and local challenges, the company was able to achieve combined revenue of Rs.3.15 billion in 2020/21 which indicates 44 Per cent increase in comparison to the revenue of Rs.2.19 billion in 2019/20. This considerable enhancement in Revenue is mainly driven through rise in revenue from all the revenue sources including Rubber by 68 per cent, Tea by 20 percent, Coconut by 23 per cent and Sale of Rubber trees by 03 per cent with compared to last year.

As depicted by Revenue composition graph, rubber and tea continued to be the major sources of revenue in the Company. In addition, the revenue base was further supplemented by Coconut and the sale of Rubber Trees. The analysis of the revenue structure in comparison to the previous year reveals no significant variation between two time periods.

Profitability

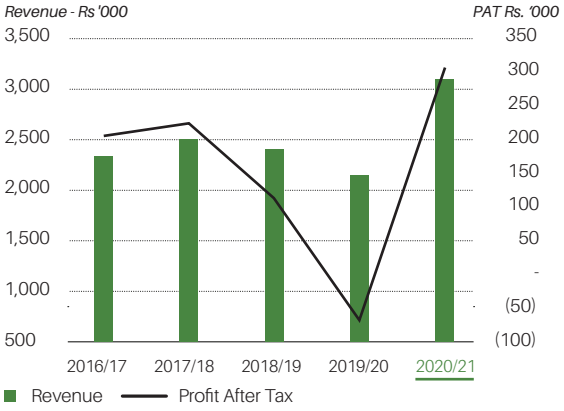
During the year under review, the Company has boosted its profitability compared to the previous year. Accordingly, KPPLC's Gross Profit from operations has improved by 982 per cent which indicates a significant improvement over the previous year. The Company recorded a gross profit of Rs. 322 million in 2020/21, which was Rs. 36 million gross loss recorded in 2019/20.

As depicted below, the analysis of segmental profit indicates that the Company has shown an upward trend in its profitability. All the main Crops of the company which included rubber, tea and coconut resulted in upturn of its revenue. Accordingly, the gross profit from rubber, tea and coconut segment has improved by Rs. 220 million, 126 million & Rs. 06 million respectively.

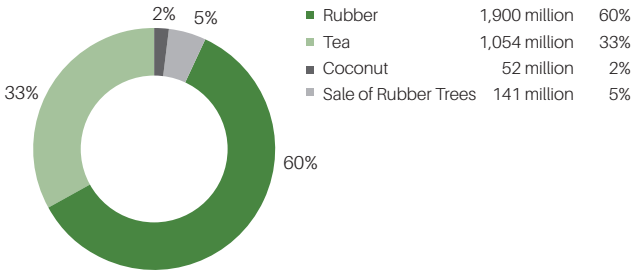
Positive impact of Gain on fair value of biological assets and other income generated Including Dividend income, Amortization of capital gains and Sundry income, favorably affected towards operating profit. Under these conditions, the Company has experienced an operating profit of Rs. 439 million in 2020/21 in comparison to the operating profit of Rs. 46 million recorded in 2019/20, which indicates a growth of 844 per cent.

The analysis of the finance cost indicates that it has reduced from Rs. 190 million in 2019/20, to Rs. 125 million in 2020/21 with 34

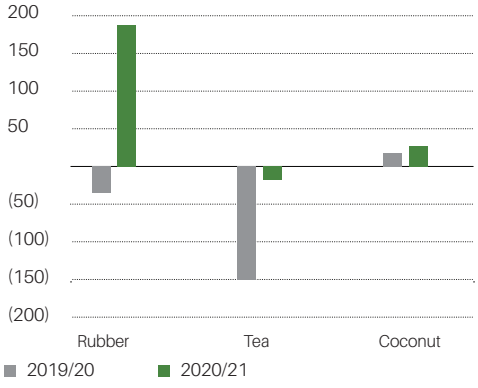
Revenue Vs. Profit After Tax



Revenue Composition



Segmental Profit (Rs. Mn)



Per cent decrease over the previous year. This is mainly due to considerable reduction of utilization of overdraft facility during the year. On the other hand, the finance income has contracted by Rs. 4.7 million in 2020/21 which is 08 per cent reduction. Accordingly, with the impact of the finance income and finance cost, the Company has recorded a profit before tax of Rs. 370 million for 2020/21 in comparison to the loss before tax of Rs. 67 million in 2019/20.

Asset Base

During the year under review, total assets of the Company has increased by 08 per cent to Rs. 06 billion in 2020/21 in comparison to Rs. 05.5 billion in 2019/20. Combined effect of Non-current assets has been increase by 04 Per cent and 21 per cent increases in current assets have affected towards the enhancement in total asset base. In case of non-current assets, the asset base has increased from Rs. 4.16 billion in 2019/20 to Rs. 4.31 billion in 2020/21, mainly backed by increase in financial Assets and Consumable Biological Assets.

Meanwhile, the current asset base of the Company has increased from Rs. 1.39 billion in 2019/20 to Rs. 1.68 billion in 2020/21 by 296 million which indicates an increase of 21 per cent over the previous year. The analysis of the composition of current assets indicates that the short term investments which consisted of treasury bills, repo and others investments was the dominant item within the current asset base for recent years. Accordingly, it can be highlight that increase of short term investments by Rs. 338 million resulted in 21 per cent rise of current assets base. Accordingly, Short term investment still to be the dominant item within the current assets base followed by inventories and trade & other receivables.

Net Assets per Share

During the year under review, the net assets per share have further increased to Rs. 115.93 per share from Rs. 105.08 per share which indicates a rise of 10.32 per cent over the previous year. The total asset base of the Company experienced an increase of Rs. 452 million while the total liability base improved by Rs.181 million. The net effect of the asset and liability increase has resulted in an increase in the net asset per share by Rs. 10.85 during the year under review.

Debt Position

Total debt (Gross borrowings) of the company has bring down by 08 per cent to Rs. 1,163 million from Rs. 1,262 million reported in the prior year. Such borrowings have been mainly obtained on the ground of investments in plantations which is essential for the long term success of the Company.

Liquidity Position

As at the reporting year end, the Company's working capital recorded as Rs. 576 million in comparison to Rs. 77 million negative balance exhibited previous year which implies a substantial growth of 846 per cent. Increase in the current asset base by 21 Per cent combined with the 24 Per cent decrease in the current liabilities, resulted in significant improvement in working capital as at the current financial year end.

CASH FLOWS

Net Operating Cash Flows
The Company has experienced an Operating cash flow of Rs.558 million during the year under review compared to a Negative operating cash flow of Rs.46 million in 2019/20. Operating Profit Before Working Capital Changes and Cash Generated from Operations recorded a positive cash-flow of Rs.494 million and Rs.673 million respectively, the net operating cash flows reported as Rs.558 million mainly due to improved operating results during the financial year. The cash flows generated from operations have increased by 318 per cent compared to last year.

Net Cash Flow Generated

The Company has recorded cash and cash equivalent balance of Rs.752 million at the end of the current financial year with a net cash in-flow of Rs. 905 million during the year under review. Net cash flow increases within the year favorably affected towards improvement of cash and cash equivalents balance at the end of the year to Rs.752 Mn which was Rs.154 Mn at the beginning of the year.

Capital Expenditure

The Company has incurred a sum of Rs. 237 Million during the year under review in respect of the field development of the plantation. Continuous investment in Field Development have been done for enhancing Operational Outcome, Since KPPLC deals with Plantation industry which incur heavy investment in field development. Out of the field development expenses, Rs.183 Mn, Rs. 62 Mn and Rs.04 Mn were incurred in respect of rubber, oil palm and tea respectively.

Debt and Finance Cost

In financing the 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.

Market Capitalization

The market price of the Company as at year end stood at Rs. 97.20 per share against that of Rs. 40.80 per share as at the previous year end. Accordingly, the market capitalization has increased up to Rs. 2,430 million by 138 per cent in comparison to the market capitalization of Rs. 1,020 million at the last year end.

Earnings Per Share

The earnings per share which stood at Rs. (-02.68) per share in 2019/20 has improved to Earnings Per share of Rs. 12.61 per share as a result of the upgraded financial performance in 2020/21. Accordingly, the Company shares were traded at Colombo Stock Exchange at a price multiple of 08 times as at the end of the current financial year.

ENVIRONMENTAL & SOCIAL RESPONSIBILITY REPORT

KPPLC has a better knowledge of the company's value and duty for environmental and social sustainability. As a plantation firm, we are primarily and intimately involved with the environment, therefore KPPLC positively contributes to environmental well-being in both current and future activities. We are well aware of our strong and profound contact with the environment, thus we are constantly strengthening our environmental policies and practices in all aspects. We continue our operations and business activities in such a way that we have the least possible impact on the environment by implementing numerous environmentally friendly measures.

Sustainable energy management, water use, and trash management all help us to reduce our environmental effect. Kegalle Plantations PLC manages total land-bank of 9,756.73Ha comprising 17 Estates including rubber 4,548.68 ha, Tea 1,139.23 Ha and Coconut 433.25 Ha. Out of the total planted area Rubber, tea and Coconut has matured area of 2,714Ha, 1,304.08 Ha and 432.25 Ha respectively.

Environmental Stewardship

We make ongoing efforts to reduce our environmental impact outside of our agricultural areas. This aim to reduce our carbon footprint and contribute to conservation in order to secure environmental sustainability and the well-being of our stakeholders.

In accordance with this, we ensure that none of our new developments encroach on environmentally sensitive or protected areas, such as primary forests, wildlife reserves, peat lands, or land holding any High Conservation Value features. As a result, we actively engage in awareness and education programs to propagate our policies on natural habitat protection. The conservation effort and raising awareness about the value of animals in the local community are in keeping with Our commitment to being a sustainable integrated.

Waste and Water Management

Proper waste disposal has far-reaching consequences for the environment and the health of the surrounding people. All waste products created by our Plantation, including residential garbage, agricultural waste, biomass, and by-products, must be safely disposed of if not recycled in compliance with current rules and best practices.

In accordance with this, we monitor and treat the water discharged from our factories before it is released into the environment. KPPLC works hard to ensure that water resources are used in the most efficient and environmentally friendly way possible. As a socially responsible organization, we are always eager to take any and all actions that may help to preserve water sources for future generations.

Our Company's factories have effluent treatment plants in the rubber production process, and every drop of water used in the production process is treated and appropriately purified to reduce the effluent to an acceptable level as per the environment legislations.

Energy Efficiency

KPPLC is committed to sound energy management that addresses energy conservation, green energy usage, and energy efficiency, having seriously considered and recognized the environmental impacts of energy. We are aware that, while the use of nonrenewable energy sources cannot be avoided entirely for the time being, we are making concerted efforts to guarantee that these resources are used optimally and efficiently in order to achieve organizational goals and objectives.

Soil Conservation

Soil degradation has a variety of negative consequences, including decreased soil fertility, acidity, deterioration of soil structure, accelerated wind and water erosion, loss of organic matter, and biodiversity. KPPLC believes that efforts to improve soil productivity must be combined with other strategies that alter land use practices, specifically conservation agriculture, sound agricultural practices, 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 extents replanted and in other areas on an annual basis.

Bio Latex/Organic Rubber

It always seems like a good idea to buy everything natural in an environmentally conscious world.

If we care about the environment, organic is the way to go, as it allows plantations to focus on sustainability and eco-friendliness. We all have a responsibility to care for the world we live in, and buying organic enables us to fulfill that responsibility. It also encourages individuals to think about how they may use precious resources in a more sustainable way.

Because the organic approach eliminates the use of chemicals in the plantation, the natural latex is pure and unadulterated. Furthermore, organic means that no dangerous chemicals are utilized in the manufacturing process, ensuring that the mattress is not contaminated in any manner.

Biodiversity Conservation

KPPLC acknowledged comprehensive environmental, social, and ethical compliance, as well as consistent performance and outcomes obtained by implementing best environmental and biodiversity conservation and management methods. We operate in or near places of rich and diverse biodiversity, and we wish to preserve and safeguard it.

We are constantly educating our staff, local communities, and other stakeholders about the importance of safeguarding rare and endangered species. Many estates have already subscribed to worldwide standards such as Rainforest Alliance (RA) and Forest Stewardship Council (FSC) under the leadership of our Corporate Management, demonstrating their dedication to the environment and biodiversity conservation.

Timber and Forestry management

Because forests are organized assemblages of trees, other plants, and animals in intricate interaction with one another and their physical surroundings, reductions in forest cover have had a direct and indirect impact on other sub-sectors such as agriculture, wood industry, wildlife, and so on. As an ethical and socially responsible corporate citizen, KPPLC contributes to timber and forestry management activities to the greatest extent possible. KPL's conservation of conservative forests demonstrates our dedication to environmental sustainability. Despite the fact that we are a plantation firm that focuses primarily on commercial cultivation, KPPLC recognizes its corporate responsibility for sustainable environmental practices and consistently allocates resources to sustainable timber and forestry management.

Our Alignment with Quality Standards
Standardize environmental effects in a way that benefits a company by conserving energy, money, and the environment. Implementing quality standards, as a significant business ethic, may be utilized to establish our credentials to stakeholders like as shareholders, customers, employees, and the community, as it demonstrates our dedication to sustainable development. To demonstrate KPPLC's dedication to environmentally sustainable methods, we have achieved a number of globally recognized certifications.

Sustainable Procurement Practices
KPPLC identifies and adopts market and industry trends first and foremost, and we always strive to conduct our business in a sustainable manner. As a result, our attention is not only on the Company's internal operations, but also on actions linked to inward and outward logistical 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
Despite the fact that product stewardship can be done on a voluntary or legal basis, we, KPPLC, explicitly recognize our social obligation of product stewardship. KPPLC, a well-diversified plantation company specializing in tea, rubber, coconuts, and a variety of minor crops such as Pine Apple, Pepper, Cocoa, Vanilla, Mandarin, and Agar-wood, is always committed to superior quality. Every action within the context of the Company is carried out with a focus on high quality and value addition for operations. KPPLC, on the other hand, has successfully launched a bio-latex project with the goal of decreasing the usage of chemicals, stimulants, and inorganic fertilizers in order to ensure that the Company meets quality standards.

Membership Organizations

In addition to the aforementioned actions, we are closely collaborating with the following organizations and have long been members of those organizations with the goal of enhancing 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)
- The Sri Lanka Institute of Directors

Product Labeling

We are governed by social standards and regulatory guidelines for product labeling and packaging.

Because KPPLC is always responsible for its actions and the repercussions of those actions, our product labeling and packaging activities are carried out in compliance with the rules and criteria enforced by Colombo Tea Auctions and the Ceylon Tea Trade Association. As a result, the Estate Name, Garden Mark, Grade, Invoice Number, Gross and Net Weight are all properly stated in order to meet these standards.

Ethical Behavior

The first and most significant reason for ethical action is an understanding of a company's corporate social responsibility. The values ingrained in the KPPLC's culture always emphasize the importance of assessing the appropriateness of any activity we perform in terms of moral standards of good and bad behavior. As a result, KPPLC has created a culture that always strives to comply with moral principles that go beyond the general laws and regulations placed on the company by identifying the duty and experiencing 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.

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. 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.

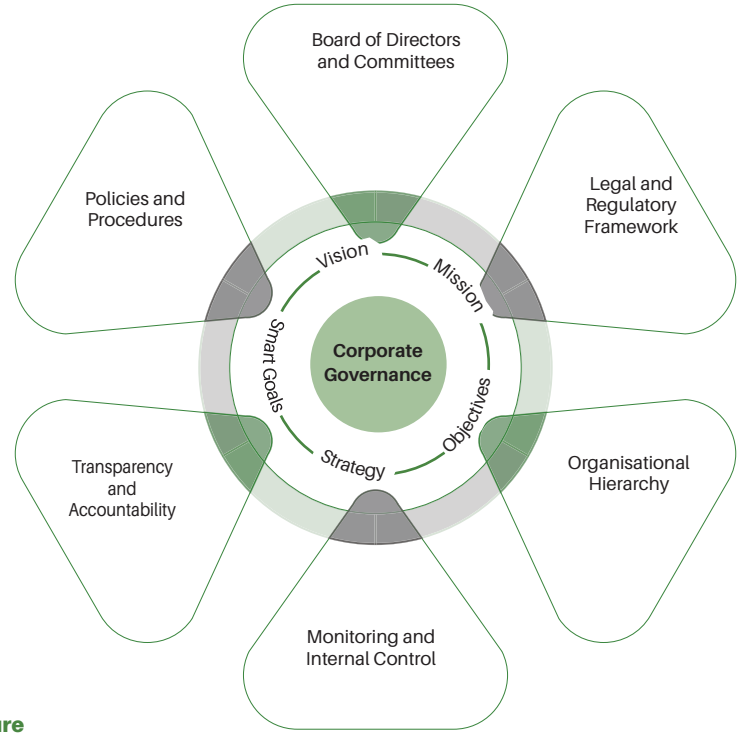
CORPORATE GOVERNANCE

As a Listed company of Colombo stock exchange (CSE) KPPLC have to adhere time to time corporate governance requirements developed by CSE. Well knowing & understanding that aligning with Local & Global governance standards may enhance the Company overall performance, recognition and goodwill within the industry KPPLC always upgrade existing governance policies with the guidance of Board.

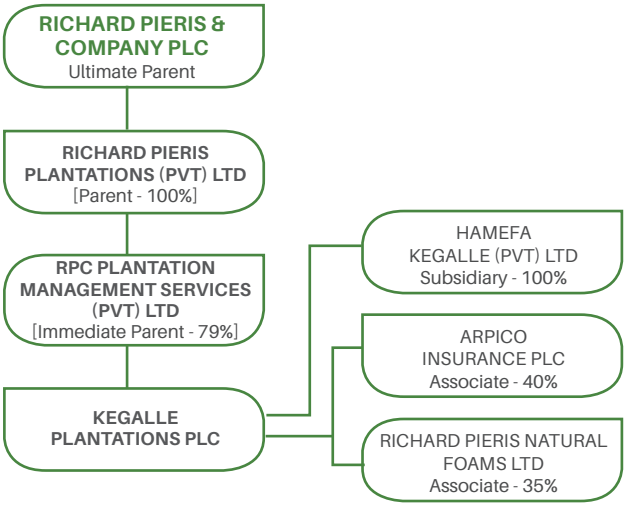
The Board of Directors and Management of KPPLC firmly believe that good corporate governance is a reflection of the Company's commitment towards long-term sustainable business performance. This report sets out the key aspects of the Company's corporate governance framework and practices, with reference to the principles and provisions 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. The Code sets out the principles and specific recommendations on structures and processes, which companies can adopt in making good Corporate Governance an integral part of their business dealings and culture.

As a company conducting business in a field related to plantation, the Company has determined to put its Principles into practice and to fulfill our responsibilities to our various stakeholders. The Company believes that improving corporate governance is critical to meeting corporate social responsibilities and increasing corporate value. In the future, the Company will continue to encourage actions that are in keeping with the purpose of the Corporate Governance Code, with the goal of increasing corporate value.

From the perspective of achieving sustained growth and long-term enhancement of corporate value, the Company regards the essence of corporate governance as being the assurance of the transparency and fairness of decision-making, the full and effective use of management resources, and the improvement of management vitality by means of rapid and resolute decision-making, and we will work to enhance corporate governance in line with all the aspects.



Group Structure



The Board of Directors

Within the corporate governance framework, the role of the Board of Directors (BoD) is to ensure the organization's profitability by jointly controlling the organization's operations. Overseeing rather than actively managing the day-to-day operation, the Board is responsible for the organization's governance, and for meeting the interests of its shareholders and stakeholders.

The Board remains committed to creating long-term sustainable value for our shareholders. The Board is cognizant of its critical role in governing and setting the strategic direction of KPPLC, while upholding the highest standard of corporate governance in providing valuable oversight and guidance to Management to navigate difficult and complex issues that affect the achievement of our medium to long term goals. We have a strong corporate governance framework, providing systems

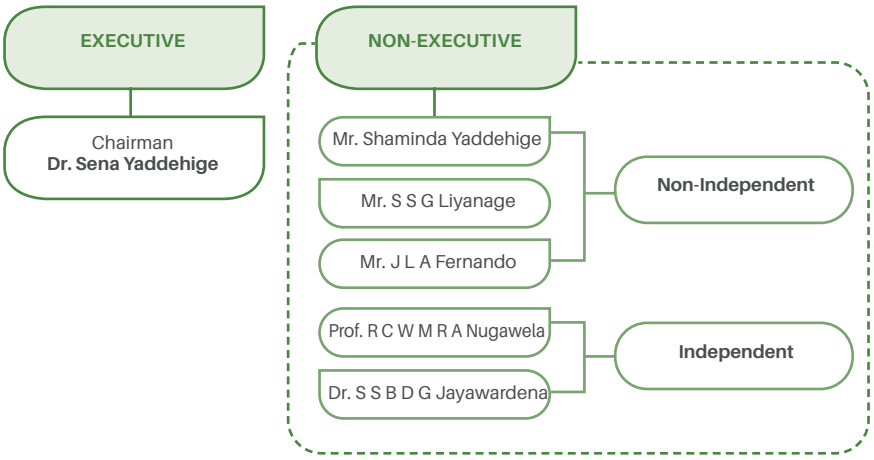
of checks and balance to make sure accountability and drive better decision-making, and also policies and practices which make sure that the Board and its Committees operate effectively.

The Company is headed by a Board of Directors that oversees the conduct of the Company's business affairs and performance by working closely with the Management to achieve strategic goals and enhance shareholder value. Our Board composition provides appropriate levels of diversity in terms of skills, background, knowledge, international and industry experience, culture, independence, amongst many other factors. This is to provide meaningful insight and support in achieving our Company's strategic objectives. Constructive input and feedback on matters deliberated at Board meetings are obtained to inculcate a culture of integrity and openness to support the Board in delivering sustainable results to our stakeholders.

The Kegalle Plantations Sustainability approach is based on creating value for its stakeholders while increasing production and attaining a favorable bottom line. KPPLC, as a major plantation firm, believes that producing long-term value for all stakeholders is the greatest approach to achieve long-term success. As a result, the Company's Board is effective, consisting of professionals with a wide variety of experience and industry knowledge who fulfill their obligations and responsibilities as fiduciaries in the best interests of the company at all times.

The Board of Directors is happy to announce that the Company has followed all material principles and recommendations of the Corporate Governance Code. The Board has approved KPPLC's disclosures of corporate governance structure and procedures in this report.

The Composition of the Board and Sub-Committees and Meeting Attendance as at 31 March 2021.



Name of the Director	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
Mr. J L A Fernando	Non-Executive Director	-	✔		February - 2021

The Board has a strong and independent aspect, with the independent Directors constructively challenging and assisting in the development of strategy proposals. Throughout the year, the Board continued to function efficiently and was able to exercise objective judgment on company matters independently.

On pages 08 and 09, there are brief biographies of the Directors. In accordance with listing standards, the Board evaluates each Non-Executive Director's independency on an annual basis. The Board has always pledged to work with integrity, fairness, and transparency, and it does not accept any kind of corruption. The Organizational Principles guide how KPPLC's corporate culture fosters development and positive contributions to the host communities in which we operate.

Board met several times during the year under review. All Board meetings are arranged and scheduled in advance following consultation with the Directors to ensure that meetings are held with the full involvement of the Directors. Everything is done in order for the Board as a whole to make a decision. As a result, Directors are given with all important administrative information and agenda items before to each meeting, allowing them to make informed choices. Board documentation for the Company's operations, new investments, important projects, and other issues requiring Board approval are presented in advance. A separate information memorandum is provided for official fees at each Board Meeting.

The separation of roles of Chairman and CEO from the Company ensures a

balance of power and authority. From a corporate governance perspective, it can be understood that the separation of the roles of Chairman and CEO helps to separate the supervisory function of the Board and the executive function of the CEO, thus limiting the conflict of interests and abusing of power of the manager who may cause damage to the company and shareholders. Whilst the Chairman and Chief Executive are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between the Chairman and the Chief Executive and each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control.

This enables KPPLC to fulfill the organization's goals and objectives in a sustainable way by guaranteeing openness and accountability to key stakeholder groups. The board believes in the empowerment concept, which holds that governance and management are more effective and efficient when they are separated. The executive directors and senior management of the company are in charge of the group's day-to-day management, operations, and administration. Management works closely with the Non-executive Directors and offers information on the Group's activities. They are held accountable to the board for their effectiveness in pursuing the group's long-term success.

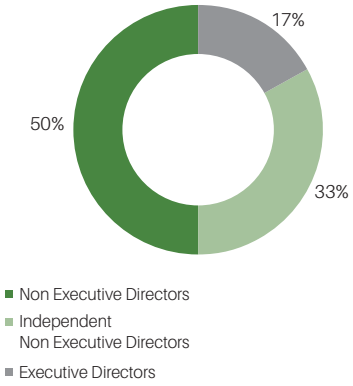
An exceptional Chairperson understands the business, its culture, people and processes. He also understands the wider industry and prepare the Company for all eventualities. Experienced Chairman can quickly identity opportunities and potential risks facing their organization. He can engage with their Boards at an early stage to discuss potential courses of action. As the chairman of the Board, Dr. Sena Yaddehige Provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner. With the assistance of the Board, management, and the Company Secretary, the Chairman takes the lead in the company's endeavor to attain and maintain a high standard of corporate governance. As a result, the Chairman is responsible for overall commercial, operational, and strategic development, and is aided by an Executive Management Committee comprised of Executive Directors and Heads of Companies of the Ultimate Parent Company's Strategic Business Units (SBU). The Finance role is delegated to the Chief Financial Officer and the Financial Controller, who attends board meetings by invitation when financial concerns are discussed. When it is judged important for decision making, the Board of Directors has access to independent expert counsel.

The main functions of the Board are to:

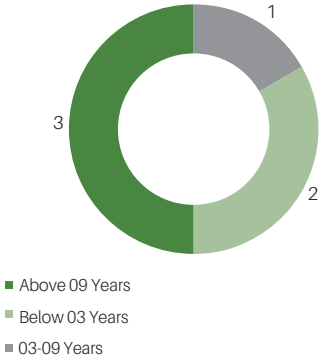
- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management 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.

Independence of directors assist in connecting the management's interests with that of shareholders' and improve the quality of judgement in decision-making. All independent directors have no direct or indirect link with the Company

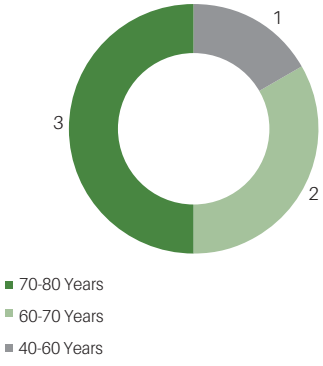
Directors Composition



Directors Tenure on the Board



Directors Age Group



and are required to submit an annual announcement in accordance with the regulations of the Colombo Stock Exchange list. Their diverse knowledge and important commercial, corporate, and financial experience provide the Board with an impartial viewpoint and judgment. Meetings between independent directors who do not have management roles in the firm, according to the Board, will promote and encourage more transparency in assessing Management performance. Any ideas or proposals resulting from private director meetings shall be forwarded to Management.

Sub Committees of the Board

Committees make recommendations for action to the full board, which retains collective responsibility for decision making. Involvement in committees allows directors to deepen their knowledge of the organization, become more actively engaged and fully utilize their experience. Certain board issues are of such a complex nature that they demand substantially more time than a board can commit to during the course of one or two board meetings. Boards can establish committees for nearly any need that they have to maximize their efficiency.

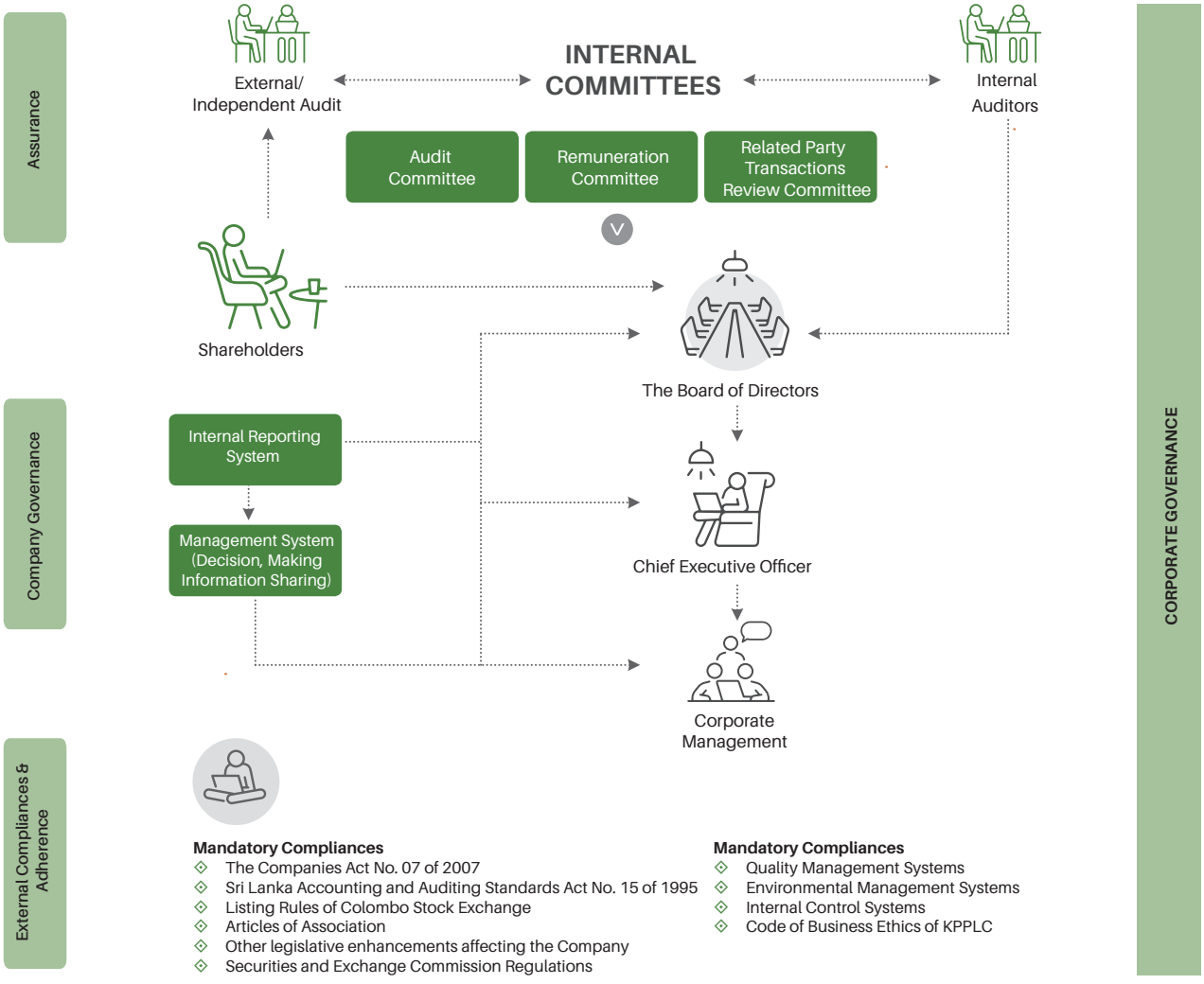
To enable better and more focused attention on the affairs of the Company, the board of KPPLC delegates particular matters to the committees of the board set up for the purpose. Each Committees review items in great detail before it is placed before the Board for its consideration. Each Committee at KPPLC plays a pivotal role in ensuring that high standards of corporate governance are maintained.

Audit Committee

The primary purpose of a KPPLC's audit committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal

Corporate Governance Structure

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



controls and compliance with laws and regulations. The audit committee can expect to review significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements. The committee reviews the results of an audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards.

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 role of the remuneration committee is to have an appropriate reward policy that attracts and motivates executives to achieve the long-term interests of shareholders. In order to be effective, the committee needs both to determine the organization's general policy on the remuneration of key management personnel including executives and directors and specific remuneration packages for each executive director.

Remuneration will need to attract, retain and motivate executives and directors of sufficient quality and at the same time take into account shareholders' interests. KPPLC Remuneration committees have the time and expertise to assist in informing the board. As a result, their opinions are highly valued by their boards. Page 33 contains the Remuneration Committee's Report, which summarizes its primary actions.

Related Party Transactions Review Committee

The Related party transaction Committee shall review the material facts of all Related Party Transactions. Transactions between the company and its key management personnel that fall into the definition of a Related party transaction are in general related to the remuneration of key executives and board members.

Applicable laws and regulations set requirements for the monitoring, assessment, and decision-making concerning related party transactions as well as for the disclosure of executed related party transactions.

The Board of KPPLC has the ultimate responsibility for ensuring proper processes for the identification, reporting, and supervision of related party transactions as well as the proper decision making related thereto. The Related Party Transaction Committee shall assist the Board in respect of monitoring and assessing how related party transactions meet the requirements of ordinary activities and arm's-length terms.

The Report of the Related Party Transactions Review Committee is on Page 34 and highlights its main activities.

Chief Executive Officer

Mr. Prince Gunasekera acting as the Chief Executive Officer of the Company with effect from 15th February 2021. Mr. Prince Gunasekera does not hold any shares in the Company to date. He has extensive industry expertise, an understanding of the present market, and the foresight to assist in the formation of the company's strategic direction. With the assistance of the management team, the CEO makes decisions on all topics impacting the company's operations, performance, and strategy, with the exception of those reserved for the Board or expressly assigned by the Board to the Board Committees.

Company Secretary

The success of the Company management largely depends on the efficiency and ability of the company secretary. Though the important plans and policies of the company are formulated by the board, execution of those plans and policies depends on the initiative of the company secretary. As the responsibilities of the board have increased, the volume of work and necessary skills to support the board have enhanced the role of the company secretary. The company secretary is now often considered to be the chief governance specialist within an organization, increasingly relied upon to provide advice and implement good governance practices.

Richard Pieris Group Services (Pvt) Ltd serves as the Company's Secretariat and is present at all board meetings. Company Secretaries advise the board on all legal concerns related to the Securities and Exchange Commission and the Colombo Stock Exchange. To follow up on the choices made, the secretaries also record the minutes of the following meeting. The Company Secretary is accessible to directors on their own. The Secretary shall be nominated by the current Directors on such terms and conditions as they consider appropriate.

The Company Secretary advises the Board on corporate and management concerns, enables Director leadership and professional development, and promotes the seamless flow of information within the Board and Board committees, as well as between directors and independent directors.

Relationship with Shareholders

We are dedicated to fostering long-term relationships with our stakeholders, analysts and media through consistent engagement across multiple channels. We connect, engage and collaborate with our respective stakeholder groups through different platforms to strengthen mutual interests and establish common goals.

We are committed to promoting responsible practices among our business partners, showing care for the wellbeing of our Stakeholders, and upholding good corporate governance to meet the expectations of our Shareholders, both individual and institutional who are the most significant stakeholder party of the Company. The Board recognizes the importance of timely dissemination of information to its shareholders and investing community to keep them well informed of all major developments of the Company. To keep updated on our shareholders' expectations, and to communicate our strategies, actions and performance, we engage regularly with our shareholders through various platforms. Disclosures in the Annual

Report, announcements and releases of the quarterly financial results provide the shareholders and the investing public with a periodic overview of the KPPLC's performance and operations. Board of directors and key members of management team are available to answer questions raised at any given time. The Company uses the Annual General Meeting (AGM) as a forum for dialogue and interaction with all its shareholders.

Internal Controls

The Board made its assessments based on quarterly updates and discussions with external auditors on the adequacy and effectiveness of the Company's internal controls and risk management systems. The Board was assured by the CEO and the CFO on the proper keeping of financial records and financial statements to give a true and fair view of the Company's operations and finances. The Board was also assured by the CEO and auditors that adequate and effective risk management and internal control systems were implemented to safeguard the stakeholders' interest. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 35 - 38.

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 for the evaluation of capital projects and new investments.

The Internal Audit Division of the Group is an independent unit that operates separately from the business and corporate activities and responsible for the internal audits of the Company's operations in accordance with the guidelines and standards set out in the Professional Practice. 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. The Board reviewed the internal control procedures in existence and is satisfied with its effectiveness.

Relationship with Other Stakeholders

The Company's agribusiness operations are constantly exposed to rapidly changing opportunities and risks related to the environment, communities and stakeholders. These opportunities and risks are addressed through formal management processes, an open and responsible work culture, and partnerships with key stakeholders. Steps are taken to improve operational efficiencies and innovations as part of the KPPLC's pledge towards sustainable agriculture, community development and workplace safety. The Group's ability to consistently produce long-term value, especially in difficult times, is based on our ability to match our strategy with the interests of stakeholders such as investors, employees, policymakers, suppliers, and community etc.

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Company inculcates this practice. Internal communication is mainly conducted through e-mails, memos and circulars. To alleviate any worries stakeholders may have about material issues, we maintain a high level of transparency in our communication. Two-way communication with our stakeholders will continue to pave the path for both sides to find common ground. Stakeholder feedback has been critical in the development and validation of the Group's strategies.

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. Our sustainability commitments are articulated in our Responsible Agriculture Charter, which covers responsible environmental, social and governance practices. The Company promotes protection of the environment, health and safety standards of its employees and others within the organization.

Compliance

The Company Secretary help the Board and Board Committees by taking minutes of meetings, verifying compliance with Board procedures and statutory requirements, and aiding the Board in implementing and strengthening corporate governance policies and processes. The Board places a high value on effective 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. To the best of their knowledge and belief, the Board of Directors believes 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
◈ Internal Audit Division

Going Concern

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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 KPPLC. 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	53
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	53-67
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	41
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	70
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	82
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	42-43,70
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	42-43
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 Committee	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 three 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 three meetings during the year under review.

- 12 August 2020
- 22 September 2020
- 09 February 2021

The Group Chief Financial Officer, Chief Executive Officer, Chief Financial Officer, Senior 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 Financial Statements 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, 2021 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

25 August 2021

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. The Committee is chaired by Dr. Jayatissa De Costa.

Meetings

The Committee met on several occasions during the financial year.

Purpose

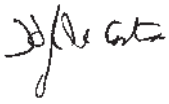
The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

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

25 August 2021

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 Three Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and 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.

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 2020/21

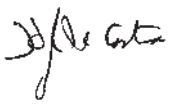
Details of the related party transactions entered into by the Company/Group are disclosed on page 97.

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 2020/21, 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 97 to 98 to this report.



Dr. Jayatissa De Costa P. C.
Chairman

25 August 2021

RISK MANAGEMENT

Risk management is critical for an organization since without it, it will be impossible to determine future goals. If a corporation sets goals without taking risks into account, it's likely that they'll lose focus if one of these hazards manifests itself. The essential risks are those that have the potential to have a negative impact on the business; they should be given priority. At KPPLC, risk management is all about ensuring that the company only takes risks that will help it achieve its key goals while keeping all other risks under control.

Unpredictable economic situations of recent years have had a significant impact on how businesses operate today. The Company operates in a dynamic, uncertain, complex, and confusing environment as an agribusiness. External factors such as unpredictable weather, volatile commodity prices, fluctuating exchange rates, shifting consumer needs, economic concerns, security risks, foreign competition, disruptive technology, and market dynamics all have an impact on its performance. Last year, this was demonstrated by the pandemic-related disruptions that no one could have predicted. With the COVID-19 pandemic hitting businesses and supply chains around the world and radically changing how organizations function, the financial year under review was extraordinarily hard. We made steps to adjust to the new normal by keeping adaptable and achieving the best possible outcomes for our stakeholders as the pandemic scenario evolved over time and presented us with new difficulties.

KPPLC believes that effective risk management means total control of future outcomes proactively rather than reactively. Therefore, effective risk management offers the potential to reduce both the possibility of a risk occurring and its impact. We always give primary and heavy attention on Possibility of occurrence of risk rather than mitigating the impact of the risk since limiting the occurrence means ultimately that there is no impact.

Company always believe and experienced that proper risk management creates a safe and secure work environment for all our staff and employees, as well as increases the stability of business operations while decreasing legal liability. On the other hand It Provides protection from events that is detrimental to both the company and the environment by Protecting all involved people and assets from potential harm. By identifying potential risks and possible impacts of those risks help to establish the KPPLC's insurance needs in order to save on unnecessary premiums. So we have well-identified that Benefits of risk management much higher than cost of it and act accordingly.

Board Responsibilities

The risk management framework of a company is ultimately the responsibility of the Board. The framework's design and implementation are the responsibility of management. The Board's job is to make that the structure is sound and that it is being used effectively. From a domestic and global perspective, Boards should be looking at areas that may be at risk or are out of conformity with established risk management best practices. The Board of Directors of KPPLC is responsible for confirming the Group's risk management principles and determining whether the risk management process at KPPLC is adequate in scope and content. The Board also validates the risk levels in effect at any given moment and decides on actions to be done to manage the Group's most serious risks. The Board of directors of KPPLC should be aware of the type and scale of the Company's major risks at all times, and the CEO and senior executives should be fully engaged in risk management.

The audit committee is in charge of risk management at KPPLC. To successfully cover all areas of risk, the Audit Committee should work closely with the Board and management to ensure that risk communication occurs both horizontally and vertically. The Board should receive a report from the committee on the adequacy of risk management measures so that the board can have confidence in management's ability to support them.

Risk Management Framework At KPPLC

Any firm can benefit from effective risk management and Investors are more ready to put their money into organizations that practice strong risk management. This typically leads to cheaper borrowing costs, greater access to cash, and higher long-term success for the Company. As a result, KPPLC's Risk Management Framework always provides a consistent method to accurately prioritizing risks across all of the Company's operations, allowing for effective controls to be implemented to ensure the Company can manage its operations effectively today and in the future.

The Effective Risk Management (ERM) framework helps the Company to remain vigilant and actively monitor its operations in order to identify, assess, mitigate, and report risks and exposures that could have a negative impact on business operations and results in a timely and correct manner. As a result, the ERM framework improves the Company's competitiveness and long-term viability. Risk management functions are guided by the KPPLC Risk Management framework, which assists Company in managing complexity, visualizing risk, and defining responsibilities for assessing and monitoring risk controls. It aids the organization in incorporating risk management into key business operations and functions.

KPPLC employs the ERM framework as a communication tool to detect, analyze, respond to, and control internal and external risks. It also gives business units, executive management, and board members formal input and assistance on how to establish and manage ERM programs.

Our company's senior management had formed a clear and communicable approach to risk, which is understood by all levels of the employee hierarchy. At the same-time Lines of accountability given to individuals with clear and enforced rather than committees, where accountability is often lost.

RISK MANAGEMENT

Risk management will be more effective if the source of the risks has been identified and allocated before any problems occur. So risk Identification at KPPLC involves identifying both the Likelihood of occurrence of the risk and the impact of the risk. Company is following Bottom-up-approach to identify internal risks and this will encourage even operational level employees to identify risk arising within their respective functional areas. Identifying those minor level risks definitely resulted in eliminating savior organizational level risks.

On the Other-hand KPPLC's top management is always conscious about the external developments to identify external risks. Since we are operated in a highly volatile Business environment might resulted in force to greater level of external risks. KPPLC would be exposed to wide range of risks, some are specific to the Plantations Sector and some of them are common for every organization. We are categorizing identified risks basically under four main headings for effective control purposes.

The risk management process at KPPLC is concerned with identifying specific stakeholders, the level of accountability, understanding their risk perceptions and decision making during all stages of the risk management process by ensuring proper risk communication within organization. Ultimately, this approach enables the Company to keep the relevant personnel informed regarding the potential for risks. This communication process consists of the procedures to report risk to control owners and also to other stakeholders.

Key Risks	Sub Risk	Purpose of Managing Risk	How we manage
Strategic Risks	Global Economic Risk	To reduce the uncertainty of global economic risks that are global in nature and impact, such as unexpected changes due to the global recession, sanctions imposed on countries, or changes 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 reduce the impact of the occurrence of negative economic consequences resulting from 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 reduce the risks associated with shifting government policies affecting foreign trade and the plantation sector.	◈ Company has employed tax & legal consultants to advice on these issues. ◈ Government lobbying through the minister by maintaining good formal relationship. ◈ Willing to deal with financial risk arising with government policy changes.
	Technological Risk	To reduce the impact of technology innovation on product obsolescence in the Company.	◈ Focus on technological changes arising in the industry and adopt them where it is necessitates. ◈ Upgrade the production facilities through allocation of Company funds.
	Reputation Risk	To lessen the impact of risk connected with firm reputational breaches.	◈ Active and regular communication with stakeholders to enhance the image of the Company. ◈ Regular review on 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 reduce the impact of foreign currency rate volatility related with 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.

Key Risks	Sub Risk	Purpose of Managing Risk	How we manage
Financial Risk	Interest Rate Risk & Gearing Risk	To reduce the negative 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 balance between variable & fixed portion of interest income & expense. ◈ Maximum utilization of the concessionary funding available to Plantation Companies. To ensure 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 take advantage of chances to raise funds at the lowest possible cost while maintaining 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 adequate level of funds. ◈ Maximum utilization of the concessionary funding available to Plantation Companies.
	Capital Investments Risk	To maximize shareholder wealth by investing in the 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.
	Credit Risk	To reduce the impact of risks connected with debtor defaults.	◈ 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 get the best possible result, reduce stock obsolescence, fire and theft risks, manage stock holding expenses, and minimize machinery and equipment malfunction.	◈ 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 maintain a smooth flow of activities with minimal disruptions while maximizing human capital productivity.	◈ 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.

RISK MANAGEMENT

Key Risks	Sub Risk	Purpose of Managing Risk	How we manage
Operational Risk	Product Risk & Risk of Competition	To increase our market share and ensure our ability to compete in our respective industries by sustaining leadership.	◈ Ensure high standards of quality of 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 wage, 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 reduce the risk connected with material pricing and availability.	◈ Continuous replanting activities of all crops for 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.
	Information Systems Risk	To reduce the risk of information system failures and increase 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 possibility of an industrial accident occurring in order to secure 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 lessen the harmful consequences 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 on such events.

FINANCIAL CALENDAR 2020/21

Annual Report Published

31-Aug-2021

28th Annual General Meeting

The date for Annual General Meeting will be notified later

Interim Financial Statements	2020/21	2019/20
1st Quarter (three months ended 30th June)	14 August 2020	12 August 2019
2nd Quarter (six months ended 30th September)	13 November 2020	08 November 2019
3rd Quarter (nine months ended 31st December)	11 February 2021	11 February 2020
4th Quarter (twelve months ended 31st March)	31 May 2021	13 August 2020

Dividend Announcements	2020/21	2019/20
Date of Announcement	25 March 2021	-
Interim Dividend	Rs. 4.00 Per Share	-
Date of Payment	28 April 2021	-

Annual Report	Published	Meetings	Date
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	12 February 2021
2020/21	31-Aug-2021	28th Annual General Meeting	The date for 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 2021 and the Auditor's Report thereon.

The Board of Directors approved this report at the Board meeting held on 25 August 2021.

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 7,454 hectares (7,523 hectares in 2019/20).

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. 3,148,121,951/- (2019/20 - Rs. 2,185,537,214/-) which is a 44% increase 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.

	2020/21	2019/20
	Rs.'000	Rs.'000
Profit/ (Loss) from Operations after deducting all expenses, depreciation and all known liabilities	370,291	(82,403)
(-) Taxation	(55,165)	15,400
Profit after Tax	315,126	(67,003)
(+) Other Comprehensive Income/ (Loss)	56,207	(49,291)
Total Comprehensive Income/ (Loss)	371,333	(116,294)
(+) Un-appropriate profit brought forward	2,070,271	2,063,963
(+) Transition adjustment due to initial application od SLFRS 16	-	124,102
Profit available for Distribution	2,441,604	2,071,771
Appropriation		
Dividends paid	(100,000)	-
Timber Reserve	(2,562)	(1,500)
Un-appropriated profit carried forward	2,339,042	2,070,271

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. 274,845,758/- (2019/20 - Rs. 266,860,784/-), out of which expenditure on Biological Assets amounts to Rs. 237,084,953/- (2019/20 - Rs. 262,614,981/-). 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 2021 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 2021 was Rs. 2,648,225,547/- (2019/20 - Rs. 2,376,892,794/-). 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 (2019/20 - Nil).

Taxation

According to the New Inland Revenue Act No. 24 of 2017 (i.e. effective from 1 April 2018), the Company was liable to pay income tax at the rate of 14% on its agricultural business for the year of assessment 2019/20 and as per the Inland Revenue (Amendment) Act was passed in Parliament on 4 May 2021, The sale of produce from agro farming is exempt for a period of 5 years from 1 April 2019.

Agro processing is taxed at a concessionary rate of 14% and all the other sources taxed at the standard rate of 24% from 1 January 2020 onwards.

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 103 to 105 of this report.

Major Shareholders

The twenty largest shareholders of the Company as at 31 March 2021 together with percentages held are given under the caption "Shareholder & Investor Information" on Page 105.

Directors

The Names of the Directors who held Office during the year are given below. Their brief profile appears on Pages 08 to 09.

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
J L A Fernando (appointed w.e.f. 15 February 2021)	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 75 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 78 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.

3. "That Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, who is 72 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 98 of the Articles of Association of the Company, Mr. Ananda Fernando, who retires by rotation at the Annual General Meeting will offer himself for election. In accordance with the Provisions of the Article 92 of the Articles of Association of the Company, Mr. Shaminda Yaddehige, 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Directors' Interest in Shares

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

Name of Director/CEO	2021 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
J L A Fernando (Appointed w.e.f. 15 February 2021)	100
Prins D S A Gunasekara, Chief Executive Officer (appointed w.e.f. 15 February 2021)	Nil

Directors' Remuneration and Other Benefits

The Remuneration of the Directors for the year ended 31 March 2021 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 realize 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.

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 97 to 98.

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 2021 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. Rs. 3,739,714 (2019/20 Rs. 4,567,299/-). In addition, Rs. 1,294,674/- (2019/20 Rs. 985,818/-) 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.

25 August 2021

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 2021 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 53 to 67 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.

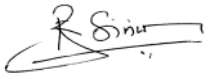
The Directors confirm their responsibility for ensuring that all Companies within the Group maintain adequate accounting records, which are sufficient enough to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company and its subsidiary. They also confirm 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 2021 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.

25 August 2021

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KEGALLE PLANTATIONS PLC

Report on the audit of 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 31 March 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation	
The retirement benefit obligation of the Group amounted to Rs. 446 Mn as at 31 March 2021. The present value of retirement benefit obligation was determined based on the actuarial valuation carried out by an external actuary engaged by the Group. Assessing the present value of retirement benefit obligation was a key audit matter due to: ◈ The magnitude (Rs.446Mn) and the relative significance of the balance to total liabilities of the Group (14% of total liabilities); ◈ The complexity of the valuation process and	Our audit procedures included the following amongst others: ◈ We assessed the competency, capability and objectivity of the external actuary engaged by the Group. ◈ We read the external actuary's report and understood the key estimates made and the approach taken by the actuary in determining the present value of the retirement benefit obligation. ◈ We assessed the assumption for salary growth rates considering the historical collective agreements and management's assessment of the probable implication of wage and salary growth rate negotiations described in note 35 to the financial statements.

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

Principals: G B Goudian ACMA Ms. P S Paranavitane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA C A Yalagala ACMA

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Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Obligation (Contd.)	
◈ The level of significant judgments and assumptions involved in measurement including the management's assessment of the current status of the wage and salary growth rate negotiation as described in the Note 35 to the financial statements. Key areas of significant judgments, estimates and assumptions included the following: ◈ Discount rate ◈ Future salary increase rate	◈ We assessed the reasonableness of the discount rate used by the actuary, considering the government treasury bond yield rates published the central bank of Sri Lanka. ◈ We validated the key inputs used by the actuary to the underlying data held by the Group. We have also assessed the adequacy of the disclosures made in Notes 26 and 35 to the financial statements relating to the significant judgements, estimates and impact on retirement benefit obligation resulting from wage negotiations.
Bearer Biological Assets - Immature	
As at 31 March 2021, the bearer biological Assets classified as Mature and Immature plantations of the Group amounted to Rs.1,540 Mn and Rs. 1,195 Mn respectively. Assessing the existence, valuation, and fair presentation and disclosure of Bearer Biological asset in the financial statements is a key audit matter due to following factors: ◈ Magnitude of the balance and its relative significance to total assets (38%) of the Group; ◈ Degree/level of subjectivity and management judgments involved in Identification of; • the point at which transfers to be made from immature plantations to mature plantations; and • the triggers of impairment (if any).	Our audit procedures included the following amongst others: ◈ We assessed the processes and controls in place to ensure; proper identification of the expenses to be capitalized relating to immature plantations. ◈ We validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. ◈ We assessed if the timely transfers from respective immature to matured plantation categories are made focusing on ageing profile of immature plantations. ◈ We reviewed the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are duly identified, assessed for probable impairment losses and duly accounted for in the financial statements. We also assessed the adequacy of the related disclosures given in Notes 3.8.7.1 and 16.1 in the financial statements relating to the significant judgements and estimates.

Other Information included in the Company's 2021 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The 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 the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

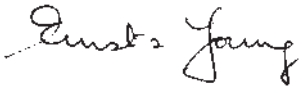
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence,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

25 August 2021
Colombo

STATEMENT OF PROFIT OR LOSS

		Group		Company	
		2021	2020	2021	2020
Year ended 31 March	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	6	3,148,122	2,185,536	3,148,122	2,185,536
Cost of Sale		(2,826,536)	(2,221,996)	(2,826,536)	(2,221,996)
Gross Profit\(Loss)		321,586	(36,460)	321,586	(36,460)
Gain/(Loss) on fair value of Biological Assets	16.4	4,467	2,232	4,467	2,232
Other Income	7	64,756	46,926	220,583	135,614
Administrative Expenses		(52,529)	(57,476)	(48,750)	(50,503)
Management Fee		(58,941)	(4,399)	(58,941)	(4,399)
Profit/(Loss) from Operations	8	279,339	(49,177)	438,945	46,484
Finance Income	9	56,345	61,068	56,345	61,068
Finance Cost	10	(125,000)	(189,955)	(125,000)	(189,955)
Share of Result of Equity Accounted Investees	11	403,869	412,679	-	-
Profit Before Taxation		614,553	234,615	370,290	(82,403)
Tax Expenses	12.1	(131,951)	(75,328)	(55,165)	15,400
Profit After Taxation		482,603	159,287	315,125	(67,003)
Basic Earnings Per Share - Rs.	13	19.30	6.37	12.61	(2.68)
Dividend Per Share - Rs.	13.3	-	-	4.00	-

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
		2021	2020	2021	2020
Year ended 31 March	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit/(Loss) for the year		482,603	159,287	315,125	(67,003)
Other Comprehensive Income					
Other Comprehensive income that will not be reclassified to profit or loss in Subsequent periods (net of tax)					
Actuarial Gains / (Losses) on Defined Benefit Plans	26	51,417	37,122	51,417	37,122
Income tax effect	12.2	(7,198)	(5,197)	(7,198)	(5,197)
Other Comprehensive income/(loss) that will not be reclassified to profit or loss in Subsequent periods (net of tax)		44,219	31,925	44,219	31,925
Share of Other Comprehensive Income of Equity Accounted Investees					
Other Comprehensive income that will not be reclassified to profit or loss in Subsequent periods					
Actuarial Gains / (Losses) on Defined Benefit Plans	11.2	(713)	413	-	-
Income tax effect	11.2	100	(9)	-	-
		(613)	404	-	-
Net Gain / (Loss) on Fair Value Through Other Comprehensive Income Financial Assets	17.2	13,320	(90,240)	13,320	(90,240)
Income tax effect	12.2	(1,332)	9,024	(1,332)	9,024
		11,988	(81,216)	11,988	(81,216)
Net Other Comprehensive income / (Loss) that will not be reclassified to profit or loss in Subsequent periods		11,375	(80,812)	11,988	(81,216)
Other Comprehensive income to be reclassified to profit or loss in Subsequent periods		-	-	-	-
Other Comprehensive Income/(Loss) for the year, net of tax		55,594	(48,887)	56,207	(49,291)
Total Comprehensive Income/(Loss) for the year, net of tax		538,196	110,400	371,332	(116,294)

The accounting policies and notes on Pages 53 through 102 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
ASSETS					
Non Current Assets					
Right of Use Assets	14	499,896	516,907	499,896	516,907
Free hold Property, Plant and Equipment	15	280,170	272,295	258,760	247,266
Bearer Biological Assets	16.1	2,736,499	2,601,028	2,736,499	2,601,028
Consumable Biological Assets	16.2	160,027	147,162	160,027	147,162
Financial Assets	17	167,040	153,720	167,040	153,720
Long Term Investments	18.3	1,646,124	1,477,604	491,850	491,850
Total Non Current Assets		5,489,756	5,168,716	4,314,072	4,157,933
Current Assets					
Produce on Bearer Biological Asset	16.3	6,396	4,491	6,396	4,491
Inventories	19	329,298	371,534	329,185	371,420
Trade and Other Receivables	20	366,875	359,555	365,254	357,933
VAT Recoverable		21,066	23,066	21,066	23,066
ESC Recoverable		21,100	33,809	21,100	33,809
Income Tax Recoverable		16,131	16,131	16,131	16,131
Amounts due from Related Companies	21	11,337	11,214	40,351	42,201
Short Term Investments	22	865,467	527,513	865,467	527,513
Financial Assets	22.1	-	-	-	-
Cash and Bank Balances	23	18,181	10,448	18,181	10,448
Total Current Assets		1,655,851	1,357,761	1,683,131	1,387,012
TOTAL ASSETS		7,145,607	6,526,477	5,997,202	5,544,945
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	35,583	33,021	35,583	33,021
Fair Value Through Other Comprehensive Income Reserve	24.3	48,588	48,588	48,600	48,600
Retained Earnings		3,477,533	3,041,899	2,339,041	2,070,271
Total Equity		4,036,704	3,598,508	2,898,224	2,626,892
Non Current Liabilities					
Interest-bearing Loans & Borrowings	25	677,619	179,060	677,619	179,060
Retiring Benefit Obligations	26	446,117	469,070	446,117	469,070
Deferred Income	27	208,443	204,206	208,443	204,206
Deferred Tax Liability	28	167,634	116,648	167,634	116,648
Lease Creditor	29.3	491,902	484,857	491,902	484,857
Total Non Current Liabilities		1,991,715	1,453,841	1,991,715	1,453,841
Current Liabilities					
Trade and Other Payables	30	344,107	255,335	339,301	250,540
Interest-bearing Loans & Borrowings	25	485,160	1,083,417	485,160	1,083,417
Lease Creditor	29.3	5,586	4,833	5,586	4,833
Dividend Payable	31	133,308	33,320	133,308	33,320
Amounts due to Related Companies	32	149,027	97,222	143,908	92,103
Total Current Liabilities		1,117,188	1,474,127	1,107,263	1,464,213
TOTAL EQUITY AND LIABILITIES		7,145,607	6,526,477	5,997,202	5,544,945

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 53 through 102 form an integral part of the Financial Statements.

25 August 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March

Group	Stated Capital	General Reserve	Retained Earnings	FVTOCI Reserve	Timber Reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April 2019	250,000	225,000	2,932,999	48,588	31,521	3,488,108
Profit for the year	-	-	159,287	-	-	159,287
Other Comprehensive Income						
Actuarial Gains and (Losses) on Defined Benefit Plans	-	-	31,925	-	-	31,925
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on FVTOCI financial assets	-	-	(81,216)	-	-	(81,216)
Actuarial Gains and (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
Profit for the year	-	-	482,603	-	-	482,603
Other Comprehensive Income						
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	44,219	-	-	44,219
Share of Other Comprehensive Income of Equity Accounted Investees						
Net Gain / (Loss) on Fair Value Through Other Comprehensive Income Financial Assets	-	-	11,988	-	-	11,988
Actuarial Gains / (Losses) on Defined Benefit Plans	-	-	(613)	-	-	(613)
Timber Reserve	-	-	(2,562)	-	2,562	-
Dividend paid	-	-	(100,000)	-	-	(100,000)
Balance as at 31 March 2021	250,000	225,000	3,477,533	48,588	35,583	4,036,704

Company	Stated Capital	General Reserve	Retained Earnings	FVTOCI Reserve	Timber Reserve	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April 2019	250,000	225,000	2,188,065	48,600	31,521	2,743,186
Profit / (Loss)	-	-	(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
Profit for the year	-	-	315,125	-	-	315,125
Other Comprehensive Income/(Loss)	-	-	56,207	-	-	56,207
Timber Reserve	-	-	(2,562)	-	2,562	-
Dividend paid	-	-	(100,000)	-	-	(100,000)
Balance as at 31 March 2021	250,000	225,000	2,339,041	48,600	35,583	2,898,224

The accounting policies and notes on Pages 53 through 102 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Year ended 31 March	Notes	Group 2021 Rs. '000	Group 2020 Rs. '000	Company 2021 Rs. '000	Company 2020 Rs. '000
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES					
Net Profit before Taxation		614,553	234,615	370,290	(82,403)
ADJUSTMENTS FOR					
Interest Income	9	(56,345)	(61,068)	(56,345)	(61,068)
Depreciation/Amortisation	8	144,207	138,183	144,207	138,183
Provision for Defined Benefit Plan Costs	26	83,596	89,906	83,596	90,001
Amortisation of Grants	27	(11,708)	(11,176)	(11,708)	(11,176)
Finance Costs	10	125,000	189,955	125,000	189,955
Dividend Received from Associates/FVTOCI Financial Assets	7	-	-	(157,950)	(90,558)
Impairment of Property, Plant & Equipment		3,619	3,494	-	-
Re Assessment on Lease liability		107	98	107	98
(Profit) / Loss on disposal of Assets		1,278	-	1,278	-
(Gains) / Losses on Fair Value of Biological Assets	16.4	(4,467)	(2,232)	(4,467)	(2,232)
Share of result of Associates	11	(403,869)	(412,679)	-	-
Operating Profit before Working Capital Changes		495,971	169,096	494,008	170,800
(Increase)/Decrease in Inventories		42,236	(20,882)	42,235	(20,882)
(Increase)/Decrease in Trade and Other Receivables		(5,320)	(1,739)	(5,321)	(8,419)
Increase/(Decrease) in Trade and Other Payables		88,772	3,643	88,761	6,916
(Increase)/Decrease in amounts due from Related Companies		(123)	(335)	1,850	1,368
Increase/(Decrease) in amounts due to Related Companies		51,805	11,307	51,805	11,308
Cash Generated from / (used in) Operations		673,340	161,090	673,338	161,091
Finance Costs Paid		(60,165)	(126,155)	(60,165)	(126,155)
Defined Benefit Plan Costs Paid	26	(55,132)	(72,233)	(55,132)	(72,233)
ESC/Income Tax Paid		-	(8,846)	-	(8,846)
Net Cash from / (used in) Operating Activities		558,043	(46,144)	558,041	(46,143)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Redemption of Debenture	22.1	-	1,000,000	-	1,000,000
Interest Income	9	56,345	61,068	56,345	61,068
Dividend Received from Associates		157,950	90,558	157,950	90,558
Grant/Subsidies Received	27	15,945	2,630	15,945	2,630
Field Development Expenditure	Note A	(237,085)	(262,614)	(237,085)	(262,614)
Purchase of Property, Plant & Equipment	Note B	(37,760)	(4,245)	(37,760)	(4,245)
Net Cash from / (used in) Investing Activities		(44,605)	887,397	(44,605)	887,397
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Dividend Paid		(12)	3,836	(12)	3,836
Payment of Government Lease Rentals - Interest	29	(64,835)	(63,800)	(64,835)	(63,800)
Payment of Government Lease Rentals - Capital	29	(3,205)	(2,775)	(3,205)	(2,775)
Proceed from Loans	25	725,000	-	725,000	-
Repayment of Loans	25	(264,527)	(603,686)	(264,527)	(603,686)
Net Cash from / (used in) Financing Activities		392,421	(666,425)	392,421	(666,425)
Net Increase / (Decrease) in Cash & Cash Equivalents		905,859	174,828	905,857	174,829
Cash & Cash Equivalents at the beginning of the year	23	(153,828)	(328,656)	(153,827)	(328,656)
Cash & Cash Equivalents at the end of the year	23	752,032	(153,828)	752,030	(153,827)

The accounting policies and notes on Pages 53 through 102 form an integral part of the Financial Statements.

NOTES TO THE CASH FLOW STATEMENT

NOTE A	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in field development expenditure				
Investment in Immature Plantations				
Rubber	182,535	175,057	182,535	175,057
Tea	4,026	2,823	4,026	2,823
Coconut	2,154	2,086	2,154	2,086
Unallocated	48,370	82,648	48,370	82,648
	237,085	262,614	237,085	262,614

NOTE B	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in Property, Plant & Equipment				
Rubber	132	747	132	747
Tea	37,253	3,431	37,253	3,431
Unallocated	375	67	375	67
	37,760	4,245	37,760	4,245

NOTE C	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	10,448	16,970	10,448	16,970
Bank Overdrafts	(691,789)	(1,956,715)	(691,789)	(1,956,715)
Short term Investments	527,513	1,611,090	527,513	1,611,090
	(153,828)	(328,655)	(153,828)	(328,655)

NOTE D	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	18,181	10,448	18,181	10,448
Bank Overdrafts	(131,617)	(691,789)	(131,617)	(691,789)
Short term Investments	865,467	527,513	865,467	527,513
	752,031	(153,828)	752,031	(153,828)

The accounting policies and notes on Pages 53 through 102 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

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 2021 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.

1.2 Principal activities and the 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 of Business	Nature of the business/Principal Place
Hamefa Kegalle (Pvt.) Ltd	Subsidiary (100% Ownership)	Currently no business operation other than Rent Income.
Richard Pieris Natural Foams Ltd	Associate (35.11% Ownership)	Manufacture of latex foam products.
Arpico Insurance PLC	Associate (40.29% Ownership)	Providing life insurance services.

1.3 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.

1.4 Date of Authorization for issue

The financial statements of Kegalle Plantations PLC for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 25 August 2021.

1.5 Responsibility for Financial Statements

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

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements ("the Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than the following material items in the Financial Statements, which are measured at fair value less cost to sell.

- 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 rupee or thousands, unless stated otherwise.

2.4 Materiality and Aggregation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except the changes mentioned, all the accounting policies set out below have been applied consistently to all the periods presented in the financial statements.

3.1 New and Amended Standards and Interpretation

The following amendments and improvements do not have a significant impact on the Company's Financial Statements during the year ended 31st March 2021.

- Amendments to SLFRS 3: Definition of a Business.
- Amendments to LKAS 1 and LKAS 8 Definition of Material.
- Conceptual Framework for Financial Reporting.

3.2 Going Concern

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

Impact on COVID-19 and Going Concern Assessment

- Financing and Liquidity
  Since April 2020, the impact on cash flow considerably improved with the increased in price and demand resulted from the recognition of Black tea as a healthy beverage. Further, the Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments.

- Impact on Assets & Impairments
  The company has mitigated the impact of COVID 19. Revenue from the financial year 2021 is successful and overall performance is good. Therefore, no requirement to impair of Biological Assets, Debtors and Other Assets of the Company.

- Impact on Internal Operations & Business Continuity
  The Company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees and control the outbreak of Corona Virus. The Company continues its policy of Human Resources Development to meet the future challenges that will arise in Skill and Competency levels.

  In this context, ensuring health and safety of our employees is of paramount important and we have facilitated 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.

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

  The Company is quite optimistic about the tea prices and the demand for Black Tea as it has been recognized as a healthy beverage. Sri Lanka will be able to reach the market in a better way due to the disruption of production facilities in other countries affected by 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.

3.3 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2021. Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

If the Group loses control over a subsidiary, it 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.

3.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at

fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is 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.

3.3.2 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 amortised nor individually tested for impairment.

The Statement of Profit or Loss reflects the Groups 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.

3.4 Current versus Non-current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is 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 settlement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

3.5 Fair Value Measurement

The Group measures Financial Instruments and non-financial assets at fair value at each Statement of Financial Position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

External valuers are involved for valuation of significant assets, such as managed 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. The Management Committee decides, after discussions with the company's external valuers, which valuation techniques and inputs to use for each case.

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

3.6 Foreign 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 recognized 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 recognized 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 recognized in OCI or statement of profit or loss are also recognized in OCI or statement of profit or loss, respectively).

3.7 Cash dividend and Non-cash Distribution to Equity Holders of the Parent

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

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity.

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

3.8 Property, Plant & Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned 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.

3.8.1 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.

3.8.2 Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

3.8.3 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 capitalised as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Profit or Loss Statement 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.

3.8.4 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 Company recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.8.4.1 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 direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.8.4.2 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 includes 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 reflects the Company 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 2021 is 13%.

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

3.8.5 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.

3.8.6 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 profit and loss Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.8.7 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

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

The entity 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.

3.8.7.1 Bearer Biological Assets

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

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations.

These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.8.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised 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.

3.8.7.3 Producer 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 (current month) less cost of harvesting & transport.
- Rubber – Latex price (95% of current RSS1 Price) less cost of tapping & transport.

3.8.7.4 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Profit or Loss Statement.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs'.

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.

3.8.7.5 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 into 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 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 fulfil in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in profit or loss for the period in which it arises.

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

3.8.7.6 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.8.8 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. Right of Use Assets 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
Furniture and Fittings	10	10.00
Motor Vehicle	05	20.00
Equipment	08	12.50
Computer Accessories	08	12.50
Right of Use Building	02	50

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 derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is 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	25	3.8 (Over the remaining lease period)
Improvements to land	30	3.33
Mature Plantations (Tea & Rubber)	30	3.33
Machinery	15	6.67

3.8.9 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.

3.8.9.1 Research and Development

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

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

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

3.9 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 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.10.1 Financial assets

3.10.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by Regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the Date that the company commits to purchase or sell the asset.

The Company's financial assets include cash & bank, trade and other receivable and amount due from related parties.

3.10.1.2 Subsequent Measurement

For the purpose 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

Their classification as described below:

(a) Financial Assets at Amortised Cost (Debt Instruments)

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

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

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

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

The Group's financial assets at amortised cost includes trade receivables and amounts due from related parties, deposits, advance 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.

3.10.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

3.10.1.4 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).

3.10.2 Financial Liabilities

3.10.2.1 Initial Recognition and Measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities includes trade and other payables, bank overdraft, loans and borrowings.

3.10.2.2 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 amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

3.10.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

3.10.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset 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.

3.11 Inventories

Agricultural Produce Harvested from Biological Assets

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

Finish Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow-moving items. 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.

3.12 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.

3.13 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 Company 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.

3.14 Trade and Other Receivables

Trade and other receivables are stated at their estimated realisable amounts inclusive of provisions for bad and doubtful debts.

3.15 Provisions

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

3.16 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 the Profit or Loss Statement.

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.

3.17 Capital Commitments and Contingencies

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

3.18 Events occurring after the date of Financial Position.

All material post events occurring after the date of financial position have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.19 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.

3.20 Deferred Income

3.20.1 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 Profit or Loss Statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual

instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

Buildings	40 years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.21 Profit or Loss Statement

For the purpose of presentation of Profit or Loss Statement, the function of expenses method is adopted, as it represents fairly the elements of the Group's performance.

3.21.1 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 is 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.

3.21.1.1 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.

3.22.1.2 Other Source of Income

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

a) Rental Income

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

b) Dividend Income

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

c) 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.

3.21.2 Expenses

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

3.21.2.1 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.

3.21.3 Taxes

3.21.3.1 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.

3.21.3.2 Deferred Tax

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. 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.

3.22 Statement of Cash Flows

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.

3.23 Segment Reporting

Segmental information is provided for the different business segments of the Company Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards 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.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Group's Consolidated Financial Statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, 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:

- Note 16 - Biological Assets
- Note 26 - Measurement of the Defined Benefit Obligations
- Note 28 – Deferred Taxation
- Note 16.2 – Consumable Biological Asset

4.1 Taxation

Current 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 Company operates and generates taxable income.

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

Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the inland revenue (Amended) bill issued on 18.03.2021, company is identified Separately business income as agro farming & agro processing for the purpose of calculating income tax liability therefore , the company has separated assets and liabilities as at 31 March 2021 as Agro farming and Agro processing for the deferred tax purpose.

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

4.2 Retirement Benefit Obligations

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

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

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

4.3 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.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

5.1 Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In March 2021, the ICASL adopted amendments to LKAS16- Property, Plant and Equipment Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

5.2 Amendments to SLFRS 9, LKAS 39, SLFRS7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform (Phase 1 & 2) - ("IBOR reform")

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after January 01, 2021.

5.3 IAS 41 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

6. REVENUE

6.1 Summary

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sale of Goods				
Rubber	1,899,979	1,127,630	1,899,979	1,127,630
Tea	1,053,888	878,108	1,053,888	878,108
Coconut	51,527	41,817	51,527	41,817
Other Crops	1,510	783	1,510	783
Sale of Rubber Trees	141,218	137,198	141,218	137,198
Total Revenue	3,148,122	2,185,536	3,148,122	2,185,536

6.2 Operating Segments

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Geographical Segments - Revenue				
Local Revenue	2,981,768	2,086,845	2,981,768	2,086,845
Export Revenue	166,354	98,691	166,354	98,691
Total Revenue	3,148,122	2,185,536	3,148,122	2,185,536

6.3 Business Segments

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rubber				
Revenue	1,899,979	1,127,630	1,899,979	1,127,630
Revenue Expenditure	(1,562,249)	(1,014,567)	(1,562,249)	(1,014,567)
Depreciation & Amortisation	(108,031)	(104,114)	(108,031)	(104,114)
Other Non Cash Expenditure - Gratuity	(47,430)	(46,806)	(47,430)	(46,806)
Segment Result - Gross Profit / (Loss)	182,269	(37,857)	182,269	(37,857)
Tea				
Revenue	1,053,888	878,108	1,053,888	878,108
Revenue Expenditure	(1,005,122)	(952,249)	(1,005,122)	(952,249)
Depreciation & Amortisation	(36,015)	(32,352)	(36,015)	(32,352)
Other Non Cash Expenditure - Gratuity	(36,166)	(43,195)	(36,166)	(43,195)
Segment Result - Gross Profit /(Loss)	(23,415)	(149,688)	(23,415)	(149,688)
Coconut				
Revenue	51,527	41,817	51,527	41,817
Revenue Expenditure	(31,101)	(27,827)	(31,101)	(27,827)
Segment Result - Gross Profit	20,426	13,990	20,426	13,990
Other Crop				
Revenue	1,510	783	1,510	783
Revenue Expenditure	(26)	(550)	(26)	(550)
Segment Result - Gross Profit	1,484	233	1,484	233
Sale of Rubber Trees				
Revenue	141,218	137,198	141,218	137,198
Revenue Expenditure	(396)	(336)	(396)	(336)
Segment Result - Gross Profit	140,822	136,862	140,822	136,862
Total Segments				
Revenue	3,148,122	2,185,536	3,148,122	2,185,536
Revenue Expenditure	(2,598,894)	(1,995,529)	(2,598,894)	(1,995,529)
Depreciation & Amortisation	(144,046)	(136,466)	(144,046)	(136,466)
Other Non Cash Expenditure - Gratuity	(83,596)	(90,001)	(83,596)	(90,001)
Total Segment Results - Gross Profit/(Loss)	321,586	(36,460)	321,586	(36,460)
Gain/(Loss) on fair value of biological assets	4,467	2,232	4,467	2,232
Other Income	64,756	46,926	220,583	135,614
Administrative Expenses	(52,529)	(57,478)	(48,750)	(50,504)
Management Fee	(58,941)	(4,399)	(58,941)	(4,399)
Finance Income	56,345	61,069	56,345	61,069
Finance Cost	(125,000)	(189,955)	(125,000)	(189,955)
Share of Result of Associates	403,869	412,679	-	-
Profit/(Loss) Before Tax	614,553	234,614	370,290	(82,403)

6.4 Business Segments - Assets

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non Current Assets				
Rubber	2,468,929	1,699,260	2,468,929	1,699,260
Tea	758,383	770,821	758,383	770,821
Other Crops	577	608,177	577	608,177
Unallocated	2,261,867	2,090,460	1,086,185	1,079,675
Total Non Current Assets	5,489,756	5,168,718	4,314,073	4,157,933
Current Assets				
Rubber	504,096	509,317	504,096	509,317
Tea	197,406	191,342	197,406	191,342
Other Crops	1,539	38,733	1,539	38,733
Unallocated	952,810	618,368	980,090	647,620
Total Current Assets	1,655,851	1,357,760	1,683,128	1,387,012

6.5 Business Segments - Liabilities

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non Current Liabilities				
Rubber	121,296	130,357	121,296	130,357
Tea	296,899	300,169	296,899	300,169
Other Crops	149,685	1,488,975	149,685	148,897
Unallocated	1,423,835	874,418	1,423,835	874,418
Total Non Current Liabilities	1,991,715	2,793,919	1,991,715	1,453,841
Current Liabilities				
Rubber	169,360	105,950	169,360	105,950
Tea	129,616	101,136	129,616	101,136
Other Crops	-	19,726	-	19,726
Unallocated	818,212	1,247,317	808,287	1,237,401
Total Current Liabilities	1,117,188	1,474,129	1,107,263	1,464,213

6.6 Segment Capital Expenditure

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rubber	182,667	175,804	182,667	175,804
Tea	41,279	6,254	41,279	6,254
Coconut	2,154	2,086	2,154	2,086
Unallocated	48,745	82,715	48,745	82,715
Total Capital Expenditure	274,845	266,859	274,845	266,859

7. OTHER INCOME

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amortisation of Capital Grants/Subsidy	11,708	11,176	11,708	11,176
Dividend Income	-	-	157,950	90,558
Loss on disposal of PPE	(1,278)	-	(1,278)	-
Sundry Income	54,326	35,750	52,203	33,880
Total Other Income	64,756	46,926	220,583	135,614

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

8. PROFIT BEFORE TAXATION IS STATED AFTER CHARGING FOLLOWINGS

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Auditors' Remuneration	3,740	4,567	3,740	4,567
Depreciation & Amortization	144,207	138,183	144,207	138,183
Directors' Remuneration	800	800	800	800
Defined Benefit Plan Cost	83,596	90,001	83,596	90,001
Defined Contribution Plans - EPF & ETF	146,408	140,826	146,826	140,826
Others - Staff Cost	995,462	961,253	995,462	961,253

9. FINANCE INCOME

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Debenture Interest	-	13,176	-	13,176
Exchange Gain	32,351	4,682	32,351	4,682
Other Interest Income	23,994	43,210	23,994	43,210
Total Finance Income	56,345	61,068	56,345	61,068

10. FINANCE COST

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Overdraft Interest	34,623	99,555	34,623	99,555
Lease Rental	64,835	63,800	64,835	63,800
Interest on lease liabilities (right-of-use assets) - SLFRS 16	341	310	341	310
Term Loan Interest	55,588	62,711	55,588	62,711
	155,388	226,376	155,388	226,376
Less: Interest Capitalised	(30,388)	(36,421)	(30,388)	(36,421)
Total Finance Cost	125,000	189,955	125,000	189,955

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 2021 and 2020, which are accounted under the equity method are as follows.

11.1 Statement of Profit or Loss

	Group	
	2021	2020
	Rs. '000	Rs. '000
Richard Pieris Natural Foams Ltd		
Group's Share of Profit Before Tax	293,690	284,441
Tax on associate results	(45,393)	(40,188)
Group Share of Profit After Tax	248,297	244,253
Arpico Insurance PLC		
Group's Share of Profit Before Tax	110,179	128,238
Tax on associate results	(31,393)	(35,798)
Group Share of Profit After Tax	78,786	92,440
Total Group Share of Result		
Group's Share of Profit Before Tax	403,869	412,679
Tax on associate results	(76,786)	(75,986)
Group Share of Profit After Tax	327,083	336,693

11.2 Statement of Other Comprehensive Income (OCI)

	Group	
	2021	2020
	Rs. '000	Rs. '000
Richard Pieris Natural Foams Ltd		
Gain/(Loss) on Acturial Valuation	(713)	61
Income Tax Effect	100	(9)
Group Share of Other Comprehensive Income/(Loss)	(613)	52
Arpico Insurance PLC		
Gain(/Loss) on Acturial Valuation	-	352
Group Share of Other Comprehensive Income/(Loss)	-	352
Total Group Share of Result		
Gain/(Loss) on Acturial Valuation	(713)	413
Income Tax Effect	100	(9)
Total	(613)	404

12. CURRENT TAX EXPENSES

12.1 Statement of Profit or Loss

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(I) Current Income Tax:				
Current income tax charge/(reversal)	89,495	85,430	12,709	9,444
Tax on dividend paid by Group Companies	-	14,742	-	-
(II) Deferred Tax (Note 28.1):				
Relating to origination and (reversal) of temporary differences	42,456	(24,844)	42,456	(24,844)
Amount originated due to the Income Tax rate change	-	-	-	-
Income Tax charge/(reversal) reported in Statement of Profit or Loss	131,951	75,328	55,165	(15,400)

12.2 Statement of Other Comprehensive Income (OCI)

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	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)	(7,198)	(5,197)	(7,198)	(5,197)
Net gain/(loss) on fair value through OCI financial assets (Note 28.1)	(1,332)	9,024	(1,332)	9,024
Income Tax charge directly to Other Comprehensive Income	(8,530)	3,827	(8,530)	3,827

12.3 Reconciliation between Current Tax Expense and Accounting Profit/(Loss)

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accounting Profit/(Loss) Before Tax	614,553	234,615	370,290	(82,403)
Aggregate Disallowed Items	315,990	296,090	315,990	296,090
Aggregate Allowable Items	(604,099)	(571,281)	(604,099)	(571,281)
Total Statutory Income/(Loss)	326,444	(40,576)	82,181	(357,594)
Assessable Income from Agro Farming	72,181	-	72,181	-
Assessable Income from Agro Processing	10,000	-	10,000	-
Assessable Income from Dividend Income	157,950	-	157,950	-
Assessable Income from Other Income	3,511	-	3,511	-
	171,461	-	171,461	-
	398,625	(40,576)	(167,950)	(357,594)
Tax Losses Utilized During the Year	167,950	-	167,950	-
Total Assessable Income / Taxable Income - (Loss)	566,575	(40,576)	-	(357,594)
Assessable Income / Taxable Income from Agriculture	-	(357,594)	-	(357,594)
Assessable Income / Taxable Income from Manufacture	-	-	-	
Assessable Income / Taxable Income from Interest Income	-	-	3,511	-
Total Assessable Income / Taxable Income - (Loss)	-	(357,594)	3,511	(357,594)
Income Tax @ 14%	-	-	-	-
Income Tax @ 24%	-	-	-	-
Income Tax on Current Year Profits	-	-	-	-
ESC write off	12,709	9,444	12,709	9,444
Share of Equity Accounted Investees' Income Tax Expenses/(Reversal)	76,786	75,986	-	-
Current Income Tax Expenses/(Reversal)	89,495	85,430	12,709	9,444
Details of Business Losses Carried Forward				
Loss Brought Forward	1,613,256	1,255,662	1,613,256	1,255,662
Loss incurred during the year	-	357,594	-	357,594
Loss Appropriate during the year	(167,950)	-	(167,950)	-
Loss Carried Forward	1,445,306	1,613,256	1,445,306	1,613,256

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	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amounts used as the Numerator :				
Net profit applicable to Ordinary Shareholders for basic earnings per share	482,603	159,287	315,125	(67,003)
	482,603	159,287	315,125	(67,003)
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.	19.30	6.37	12.61	(2.68)

13.3 Dividend per Share

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interim Dividend - Rs. 4.00 per share (Nil for the year 2019/20)	100,000	-	100,000	-
Dividend Per Share (DPS) - Rs.	4.00	-	4.00	-

Interim dividend of Rs. 4.00 per share for the financial year ended 31 March 2021 was declared on 25 March 2021 and was paid on 28 April 2021.

14. RIGHT-OF-USE ASSESTS

		Group		Company	
		2021	2020	2021	2020
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Right-of-use of land	14.1	463,323	471,892	463,323	471,892
Right-of-use asset-Building	14.2	1,760	1,600	1,760	1,600
Right-of-use Immovable leased bearer biological assets	14.3	34,800	43,396	34,800	43,396
Right-of-use Immovable Leased assets (other than right-to-use land and bearer biological assets)	14.4	13	19	13	19
		499,896	516,907	499,896	516,907

14.1 Right-To-Use of Land (Revalued)

"Right Of 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 Of Use of Land" have been executed for all estates for a period of 53 years. The Unexpired period of the lease as at the statement of Financial Position date is 24 years.

The effect to the Statement of Financial Position and amortization of the right to use of land up to 31 March 2021 are as follows:

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

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised Value				
As at 01 April 2020	490,768	260,142	490,768	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
Adjustment on Reassessment of lease Liability at 01st April 2020	10,736	-	10,736	-
As at 31 March 2021	501,504	490,768	482,628	490,768
Amortisation				
As at 01 April 2020	18,876	131,372	18,876	131,372
Transferred out due to initial application of SLFRS 16	-	(131,372)	-	(131,372)
Amortization charge for the year	19,305	18,876	19,305	18,876
As at 31 March 2021	38,181	18,876	38,181	18,876
Carrying amount	463,323	471,892	463,323	471,892

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 2021 are as follows:

	Group	Company
	2021	2020
	Rs. '000	Rs. '000
As at 01 April 2020	3,200	-
Effect of adoption SLFRS 16, as at 01 April 2020	-	3,200
Additions	1,920	-
As at 31 March 2021	5,120	3,200
Amortization		
As at 01 April 2020	1,600	-
Amortization charge for the year	1,760	1,600
As at 31 March 2021	3,360	1,600
Carrying amount	1,760	1,600

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 2021 are as follows.

	Group		Company	
	Mature Plantations		Mature Plantations	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised Value as at 22nd June, 1992	262,680	262,680	262,680	262,680
Accumulated Amortisation				
As at 01 April 2020	219,284	210,751	219,284	210,751
Amortisation for the year	8,596	8,533	8,596	8,533
As at 31 March 2021	227,880	219,284	227,880	219,284
Carrying amount	34,800	43,396	34,800	43,396

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	Buildings	Plant & Machinery	Total	Improvement to Land	Buildings	Plant & Machinery	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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 01.04.2020	173	53,935	24,289	78,397	173	53,935	24,289	78,397
Amortisation for the year	6	-	-	6	6	-	-	6
Accumulated Amortisation as at 31.03.2021	179	53,935	24,289	78,403	179	53,935	24,289	78,403
Written down value as at 31.03.2021	13	-	-	13	13	-	-	13
Written down value as at 31.03.2020	19	-	-	19	19	-	-	19

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 01.04.2020	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2021	Balance as at 01.04.2020	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2021
	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	5,687	-	-	5,687	5,610	-	-	5,610
Equipment	60,579	906	-	61,485	59,907	906	-	60,813
Water Sanitation	2,473	-	-	2,473	2,473	-	-	2,473
Computers & Computer Software	19,707	507	-	20,214	19,329	507	-	19,836
Plant & Machinery	422,438	36,348	(3,556)	455,230	353,407	36,348	(3,556)	386,199
Other Assets on Grants	214,647	-	-	214,647	214,647	-	-	214,647
	992,882	37,761	(3,556)	1,027,087	882,175	37,761	(3,556)	916,380

	Group				Company			
	Balance as at 01.04.2020	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2021	Balance as at 01.04.2020	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation								
Buildings	56,783	1,796	1,711*	60,290	27,242	1,796	-	29,038
Motor Vehicles	134,483	6,445	-	140,928	134,483	6,445	-	140,928
Furniture & Fittings	4,003	16	-	4,019	3,952	16	-	3,968
Equipment	57,181	383	-	57,564	56,888	383	-	57,271
Water Sanitation	2,242	30	-	2,272	2,242	30	-	2,272
Computers & Computer Software	16,421	625	-	17,046	15,914	625	-	16,539
Plant & Machinery	338,673	9,074	(370)*	347,377	283,387	9,074	(2,278)	290,183
Other Assets on Grants	112,114	6,620	-	118,734	112,114	6,620	-	118,734
	721,900	24,989	1,341	748,230	636,222	24,989	(2,278)	658,933
Written Down Value	270,982			278,857	245,953			257,447

* Note:

The group has been recognized Rs.3,619,000 impairment loss for the 2020/21 financial year (Rs. 3,494,000/= 2019/20) which was allocated Rs. 1,908,000/= to Plant & Machinery and Rs. 1,711,000 to Building.The valuation for the Property,Plant & Equipments has been carried out by the Messrs.A.Y.Daniel & Son.

15. FREEHOLD PROPERTY, PLANT AND EQUIPMENT CONTD.

	Group				Company			
	Balance as at 01.04.2020	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2021	Balance as at 01.04.2020	Additions for the year	Disposals / Adjustment during the year	Balance as at 31.03.2021
	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	272,295			280,170	247,266			258,760

The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the 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 leasehold 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. 24,826,512/- (2019/20 - Rs. 25,728,933/-) has been charged in cost of sales and Rs. 162,780/- (2019/20 - Rs. 1,716,707/-) 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 01/04/2020	73,778	853,514	2,833	247,009	1,177,134
Additions	4,026	182,535	2,154	38,067	226,782
Transfers	(456)	(152,483)	-	(55,120)	(208,059)
At the end of the year 31/03/2021	77,348	883,566	4,987	229,956	1,195,857
Cost as at 31.03.2021	77,348	883,566	4,987	229,956	1,195,857
Cost as at 31.03.2020	73,778	853,514	2,833	247,009	1,177,134

16.1.2 Mature Plantations	Tea	Rubber	Coconut	Others	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost					
At the beginning of the year 01/04/2020	354,852	1,647,318	48,007	74,395	2,124,572
Additions	-	-	-	-	-
Transfers	456	152,483	-	55,120	208,059
At the end of the year 31/03/2021	355,308	1,799,801	48,007	129,515	2,332,631
Depreciation					
At the beginning of the year 01/04/2020	97,076	589,115	4,939	9,548	700,678
Charge for the year	23,435	65,184	1,150	1,542	91,311
At the end of the year 31/03/2021	120,511	654,299	6,089	11,090	791,989
Written Down Value - as at 31.03.2021	234,797	1,145,502	41,918	118,425	1,540,642
Written Down Value - as at 31.03.2020	257,776	1,058,203	43,068	64,847	1,423,894
Bearer Biological Assets as at 31.03.2021	312,145	2,029,068	46,905	348,381	2,736,499
Bearer Biological Assets as at 31.03.2020	331,554	1,911,717	45,901	311,856	2,601,028

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. 30,388,249/- (2019/20 - Rs. 36,420,696/-) were capitalized during the year under Immature Plantations, at an average borrowing rate of 2.67% (2019/20 - 6.60%).

16.2. Consumable Biological Assets - Timber Plantations

	Group/Company	
	2021	2020
	Rs. '000	Rs. '000
As at 01 April	147,162	135,877
Increase due to development	10,303	9,785
Decrease due to harvest	-	-
Gain/(loss) fair value of Biological Assets	2,562	1,500
As at 31 March	160,027	147,162

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.

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
			2020/21	2019/20	
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 2021	(16,003)	16,003
As at 31 March 2020	(14,716)	14,716

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 2021	13,948	(11,821)
As at 31 March 2020	13,624	(11,428)

16.3 Produce on Bearer Biological Assets

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01April - as previously reported	4,491	3,759	4,491	3,759
Change in fair value less cost to sell	1,905	732	1,905	732
At the end of the year	6,396	4,491	6,396	4,491

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

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Consumable Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.2)	2,562	1,500	2,562	1,500
Produce on Bearer Biological Assets Gain/(loss) arising from change in fair value less cost to sell (Note 16.3)	1,905	732	1,905	732
Total change in fair value of Biologcal Assets	4,467	2,232	4,467	2,232

17. FINANCIAL ASSETS

17.1 Unquoted Investment

Fair Value Through Other Comprehensive Income Financial Assets

		Group		Company	
		2021	2020	2021	2020
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	%	8.61	10.21	8.61	10.21
Face Value Per Share	Rs.	10.00	10.00	10.00	10.00
Carrying Value as at 1 April	Rs.'000	153,720	243,960	153,720	243,960
Equity Value Per Share as at 31 March	Rs.	13.92	12.81	13.92	12.81
Gain/(Loss) on FVTOCI Financial Asset	Rs.'000	13,320	(90,240)	13,320	(90,240)
Carrying Value as at 31 March	Rs.'000	167,040	153,720	167,040	153,720

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).

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

Financial Asset	Valuation methodology	Unobservable inputs	Range of unobservable inputs 2021
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 0.84 - 0.88

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).

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	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Assets measured at fair value							
Fair Value Through OCI Financial Assets	31 March	-	-	167,040	153,720	-	-
Consumable Biological Assets - Timber	31 March	-	-	-	-	160,027	147,162
Produce on Bearer Biological Assets	31 March	-	-	6,396	4,491	-	-

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. S S G Liyanage, Director

18.2 Investments in Associates

Quoted Investment - Arpico Insurance PLC	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
% 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.	755,818	677,032	266,850	266,850

	Group	
	2021	2020
	Rs. '000	Rs. '000
Movement of the Investment - Arpico Insurance PLC		
At the beginning of the year	677,032	584,240
Share of Profit, net of tax	78,786	92,440
Share of Other Comprehensive Income/(loss), net of tax	-	352
Dividends Received, gross	-	-
At the end of the year	755,818	677,032

Unquoted Investment - Richard Pieris Natural Foams Ltd	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
% 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.	890,306	800,572	225,000	225,000

18.2 Investments in Associates contd.

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Movement of the Investment - Richard Pieris Natural Foams Ltd				
At the beginning of the year	800,572	661,567		
Share of Profit, net of tax	248,297	244,253		
Share of Other Comprehensive Income/(loss), net of tax	(613)	52		
Dividends Received, gross	(157,950)	(105,300)		
At the end of the year	890,306	800,572		
Total investments in associates	1,646,126	1,477,604	491,850	491,850

18.3 Other Long Term Investments

	Group		Company	
	2021	2020	2021	2020
No of Shares	Nos	Nos	Nos	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	1,646,124	1,477,604	491,850	491,850

18.4 Summarised Financial Information of Associates

Richard Pieris Natural Foams Ltd	Group 2021 Rs. '000	Group 2020 Rs. '000
Revenue	4,061,855	3,862,394
Profit Before Tax	836,486	810,142
Profit After Tax	707,197	695,677
Other Comprehentive Income/(Loss)	(1,746)	149
Total Comprehentive Income	705,451	695,826
Group's Share of Profit Before Tax	293,690	284,441
Group's Share of Other Comprehensive Income/(Loss)	(613)	52
Group's Share of Total Comprehentive Income	293,077	284,493
Dividends Received, net of tax	157,950	90,558
Current Assets	1,552,948	1,769,527
Non Current Assets	1,415,930	1,236,573
Total Assets	2,968,878	3,006,100
Current Liabilities	722,301	1,050,188
Non Current Liabilities	202,294	167,223
Total Liabilities	924,595	1,217,411

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 2021 Rs. '000	Group 2020 Rs. '000
Revenue	2,281,639	1,641,416
Profit Before Tax	273,465	318,287
Profit After Tax	195,546	229,438
Other Comprehentive Income/(Loss)	-	873
Total Comprehentive Income	195,546	230,311
Group's Share of Profit Before Tax	110,179	128,238
Group's Share of Other Comprehensive Income/(Loss)	-	352
Group's Share of Total Comprehentive Income	110,179	128,590
Current Assets	2,453,990	1,679,264
Non Current Assets	1,938,454	1,970,345
Total Assets	4,392,444	3,649,609
Current Liabilities	352,021	198,719,815
Non Current Liabilities	2,162,746	1,767,763,211
Total Liabilities	2,514,767	1,966,483,026
Market Price Per Share - Close (Rs.)	22.30	16.70

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

19. INVENTORIES

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Input Materials	43,717	31,014	35,847	23,143
Growing Crop - Nurseries	31,956	32,646	31,956	32,646
Produce Stock	243,946	299,117	243,946	299,117
Spares and Consumables	17,436	16,514	17,436	16,514
	337,055	379,291	329,185	371,420
(-) Provision for slow moving stocks	(7,757)	(7,757)	-	-
	329,298	371,534	329,185	371,420

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Produce Debtors (Related Companies, Note. 20.1)	256,706	243,181	256,706	243,181
Produce Debtors (Others)	12,766	32,248	12,766	32,248
Total Produce Debtors	269,472	275,429	269,472	275,429
Advances & Prepayments	43,696	27,325	43,696	27,325
Other Debtors	53,707	56,801	52,086	55,179
	366,875	359,555	365,254	357,933

The age analysis of produce debtors is as follows;

	Neither past due nor impaired					
	0-60 days	61-120 days	121-180 days	181-365 days	> 365 days	Total
Balance as at 31 March 2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group	269,472	-	-	-	-	269,472
Company	269,472	-	-	-	-	269,472

20.1 Trade Receivables From Related Companies

		Group		Company	
		2021	2020	2021	2020
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Richard Pieris Natural Foams Ltd	Associate Company	215,724	202,632	215,724	202,632
Arpico Natural Latex Foam (Pvt) Ltd	Related Company	32,055	32,055	32,055	32,055
Richard Pieris Exports PLC	Related Company	30,870	30,652	30,870	30,652
Richard Pieris Distributors Ltd	Related Company	2,816	4,592	2,816	4,592
Arpitech (Pvt) Ltd	Related Company	7,296	5,305	7,296	5,305
		288,761	275,236	288,761	275,236
(-) Provision for doubtful receivables		(32,055)	(32,055)	(32,055)	(32,055)
		256,706	243,181	256,706	243,181

21. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2021	2020	2021	2020
	Relationship	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Maskeliya Plantations PLC	Related Company	10,727	10,660	10,727	10,660
Hamefa Kegalle (Pvt) Ltd	Subsidiary Company	-	-	83,905	85,878
Arpitech (Pvt) Ltd	Related Company	535	509	535	509
RPC Management Services (Pvt) Ltd	Related Company	75	10	75	10
Exotic Horticulture (Pvt) Ltd	Related Company	-	35	-	35
		11,337	11,214	95,242	97,092
(-) Provision for doubtful receivables		-	-	(54,891)	(54,891)
		11,337	11,214	40,351	42,201

22. SHORT TERM INVESTMENT

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in Treasury Bills, REPO, USD Deposits & Others	865,467	527,513	865,467	527,513
	865,467	527,513	865,467	527,513

22.1 Financial Assets

Quoted Investment
Financial Assets At Amortised Cost

		Group		Company	
		2021	2020	2021	2020
Quoted Debt Securities Held by the Company **Quoted Debentures - Richard Pieris and Company PLC** Year of Maturity					
No of Debentures		-	10,000,000	-	10,000,000
Face Value per Debenture	Rs.	-	100	-	100
Carrying Value	Rs.	-	-	-	-
Fair Value	Rs.	-	-	-	-

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.

23. CASH & CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash & Bank Balances	18,181	10,448	18,181	10,448
Bank Overdrafts (Note 25)	(131,617)	(691,789)	(131,617)	(691,789)
Short term Investments (Note 22)	865,467	527,513	865,467	527,513
Total cash & cash equivalants for the purpose of cash flows	752,032	(153,827)	752,032	(153,827)

24. STATED CAPITAL

		Group		Company	
		2021	2020	2021	2020
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 in the Annual Report under the caption "Shareholder & Investor Information".

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	2021 Repayable within 1 year Rs. '000	2021 Repayable after one year less than five years Rs. '000	2021 Total as at 31.03.2021 Rs. '000	2020 Total as at 31.03.2020 Rs. '000
Long Term Loans (Note: 25.1)	353,543	677,619	1,031,162	570,688
Short Term Loans	-	-	-	-
Bank Over Draft	131,617	-	131,617	691,789
	485,160	677,619	1,162,779	1,262,477

25.1 Long Term Loans (Secured)

Group/Company	2021 Repayable within 1 year Rs. '000	2021 Repayable after one year less than five years Rs. '000	2021 Total as at 31.03.2021 Rs. '000	2020 Total as at 31.03.2020 Rs. '000	Rate of interest	Terms of Repayment
Indian Oversease Bank Term Loan - USD	-	-	-	149,362	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 COVID Loan - Term Loan Facility Rs. 25 Mn	16,667	2,778	19,445	-	Fixed Rate 04%	1 Month Installment @ Rs. 1,388,904 and 17 installments @ Rs. 1,388,888 commencing from 30.11.2020
Commercial Bank of Ceylon PLC Rs. 700 Mn - Term Loan Facility	87,500	612,500	700,000	-	Fixed Rate 09%	1 Month Installment @ Rs.14,583,302 and 47 Installments @ Rs.14,583,334 commencing from 25.10.2021
Commercial Bank of Ceylon PLC Term Loan - USD	249,376	62,341	311,717	417,811	1 Month LIBOR+4.0%	1 Month Installment @ Rs.16,020,885 and 48 Installments @ Rs.16,018,423 commencing from 31.01.2018
Sri Lanka Tea Board Term Loan 1	-	-	-	2,556	Monthly Reviewed	36 Monthly Installments @ Rs. 638,888.89 commencing from 31.08.2017
Sri Lanka Tea Board Term Loan 2	-	-	-	959	Monthly Reviewed	36 Monthly Installments @ Rs.892,930.94 commencing from 31.05.2017
	353,543	677,619	1,031,162	570,688		

26. RETIRING BENEFIT OBLIGATIONS

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision for retiring gratuity				
At the beginning of the year	469,070	488,519	469,070	488,424
Interest Cost	50,425	56,169	50,425	56,169
Current Service Cost	33,171	33,737	33,171	33,832
Gratuity Payments for the year	(55,132)	(72,233)	(55,132)	(72,233)
Actuarial (Gain) / Loss arising from changes in financial assumptions	(36,014)	18,714	(36,014)	18,714
Actuarial (Gain) / Loss arising from experience adjustments	(15,403)	(55,836)	(15,403)	(55,836)
At the end of the year	446,117	469,070	446,117	469,070

According to the actuarial valuation report issued by the Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31 March 2021, the actuarial present value of promised retirement benefits amounted to Rs.446,115,878 /-. 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. 606,099,754 /-.

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.

	Group		Company	
Future Working Life Time	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Within the next 12 months	92,583	93,832	92,583	93,832
Between 2 and 5 years	97,263	107,223	97,263	107,223
Beyond 5 years	256,271	268,015	256,271	268,015
Total RBO	446,117	469,070	446,117	469,070

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

Weigted Average Duration	2021	2020
Workers	8.30 years	8.43 years
Staff	6.61 years	5.73 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		2021	2020
i)	Rate of discount	8.75% (per annum)	10.75% (per annum)
ii)	Rate of salary increase		
	Workers	5.68% (every year)	16% (every two years)
	Staff	7% (per annum)	7% (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%**	**-1%**	**+1%**	**-1%**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
As at 31 March 2021	(26,568)	30,546	(4,397)	5,019
As at 31 March 2020	(28,567)	32,805	(3,476)	3,935

A one percentage point change in the salary / wage increment rate.	**+1%**	**-1%**	**+1%**	**-1%**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
As at 31 March 2021	29,171	(25,783)	5,385	(4,796)
As at 31 March 2020	15,046	(14,257)	4,352	(3,902)

27. DEFERRED INCOME

	Group		Company	
	2021	**2020**	**2021**	**2020**
	Rs. '000	**Rs. '000**	**Rs. '000**	**Rs. '000**
Deferred Grants and Subsidies				
Balance at the beginning of the year	204,206	212,752	204,206	212,752
Add : Grants/Subsidy received during the year	15,945	2,630	15,945	2,630
Less : Amortisation for the year	(11,708)	(11,176)	(11,708)	(11,176)
Balance at the end of the year	208,443	204,206	208,443	204,206

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.

28. DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Temporary Differences,				
At the beginning of the year	807,416	1,037,241	807,416	1,037,241
Amount originating / (Reversal) during the year	393,776	(229,825)	393,776	(229,825)
At the end of the year	1,201,192	807,416	1,201,192	807,416
Temporary Differences of,				
Property, Plant & Equipment (including Biological Assets)	2,776,371	2,865,173	2,776,371	2,865,173
Retirement Benefit Obligations	(350,090)	(469,070)	(350,090)	(469,070)
Leased Asset	416,173	516,889	416,173	516,889
Lease Creditor	(485,151)	(489,691)	(485,151)	(489,691)
Deferred Income	(13,553)	(2,630)	(13,553)	(2,630)
Carried forward Tax Losses	(1,142,558)	(1,613,255)	(1,142,558)	(1,613,255)
At the end of the year	1,201,192	807,416	1,201,192	807,416
Tax Effect,				
At the beginning of the year	116,648	145,319	116,648	145,319
Transfer from/ (to) Income Statement	50,986	(28,671)	50,986	(28,671)
At the end of the year	167,634	116,648	167,634	116,648
Deferred Tax Liabilities				
Property, Plant & Equipment (including Biological Assets)	388,159	404,734	388,159	404,734
Leased Asset	58,264	72,365	58,264	72,365
	446,423	477,099	446,423	477,099
Deferred Tax Assets				
Retirement Benefit Obligations	(49,013)	(65,670)	(49,013)	(65,670)
Carried forward Tax Losses	(159,958)	(225,856)	(159,958)	(225,856)
Lease Creditor	(67,921)	(68,557)	(67,921)	(68,557)
Deferred Income	(1,897)	(368)	(1,897)	(368)
	(278,789)	(360,451)	(278,789)	(360,451)
Deferred Tax (Asset)/ Liability	167,634	116,648	167,634	116,648

A deferred tax asset has been recognized in the financial statements for carried forward tax losses to the extent that the company has assessed that it will generate sufficient taxable profits in future. Accordingly, a deferred tax asset for tax losses of Rs. 1,142,558,085 (2020 1,613,254,769) has been recognized. Further unutilized tax losses are given below.

	2020/21	
	Temporary Difference Rs.	Tax Effect Rs.
Unutilized tax losses	260,025	36,404

28.1 Reconciliation of deferred tax charge / (reversal)

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
At the beginning of the year	116,648	145,319	116,648	145,319
Tax charge/(reversal) during the year recognised Statement of profit or loss.				
- Amount originated/(reversed) during the year	42,456	(24,844)	42,456	(24,844)
- Amount originated due to the Income Tax rate change	-	-	-	-
Tax charge/(reversal) during the year recognised in other Comprehensive Income.	8,530	(3,827)	8,530	(3,827)
At the end of the year	167,634	116,648	167,634	116,648

The effective tax rate used to calculate deferred tax liability for all the temporary differences as at 31 March 2021 is 14% (2019/20 - 14%) for the Company.

29. LEASE LIABILITY

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Lease liability on right to use land	495,524	487,993	495,524	487,993
Lease liability on Right-of-Use asset - building	1,964	1,698	1,964	1,698
	497,488	489,691	497,488	489,691

29.1 Lease liability on right of use asset land

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 1 April 2020	487,993	252,872	487,993	252,872
Transition adjustment due to initial application of SLFRS 16	-	237,896	-	237,896
Re Assessment adjustment	10,736	-	10,736	-
Accretion of interest	64,835	63,800	64,835	63,800
Payment	(68,040)	(66,575)	(68,040)	(66,575)
As at 31 March 2021	495,524	487,993	495,524	487,993
Current	3,622	3,136	3,622	3,136
Non Current	491,902	484,857	491,902	484,857
	495,524	487,993	495,524	487,993

29.1.2 Maturity analysis of lease liabilities are as follows

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Payable within one year				
Gross liability	68,040	66,575	68,040	66,575
Finance cost allocated to future periods	(64,418)	(63,439)	(64,418)	(63,439)
Net liability transferred to current liabilities	3,622	3,136	3,622	3,136
Payable within two to five years				
Gross liability	272,158	332,874	272,158	332,874
Finance cost allocated to future periods	(252,312)	(309,912)	(252,312)	(309,912)
Net liability	19,846	22,962	19,846	22,962
Payable after five years				
Gross liability	1,292,751	1,264,923	1,292,751	1,264,923
Finance cost allocated to future periods	(820,695)	(803,028)	(820,695)	(803,028)
Net liability	472,056	461,895	472,056	461,895
Net liability payable after one year	491,902	484,857	491,902	484,857

The base rental payable per year Rs. 68,039,528/-.
The lease rental during the current year charged to the Income Statement is based on GDP deflator of 2.2% (2020 - 4.3%).

29. LEASE LIABILITY CONTD.

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Interest for the Year	64,835	63,800	64,835	63,800
Capital for the Year	3,205	2,775	3,205	2,775
Lease Rental Paid for the year	68,040	66,575	68,040	66,575

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

	Group	Company
	2021	2020
	Rs. '000	Rs. '000
As at 31 March 2020	1,697	-
Effect of adoption SLFRS 16	-	3,200
As at 01 April 2020	1,697	3,200
Additions	1,823	-
Accretion of Interest	341	310
Payments during the year	(1,897)	(1,813)
Balance as at 31 March 2021	1,964	1,697
Current Liability	1,964	1,697
Non Current Liability	-	-
Total Lease Liability as at 31 March 2021	1,964	1,697

29.3 Current & Non-Current Classification of Lease Liability

	Group	Company
	2021	2020
	Rs. '000	Rs. '000
Current Liability	5,586	4,833
Non Current Liability	491,902	484,857
Total Lease Liability as at 31 March 2021	497,488	489,690

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Creditors	295,267	220,241	293,453	218,443
Other Creditors	48,840	35,094	45,848	32,097
	344,107	255,335	339,301	250,540

31. DIVIDEND PAYABLE

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividends for 2020/21- Rs. 4.00 per Share (Paid on 08 and 28 April 2021)	100,000	-	100,000	-
Dividend Payable	33,308	33,320	33,308	33,320
	133,308	33,320	133,308	33,320

32. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Namunukula Plantations PLC	Related Company	120,908	63,294	120,908	63,294
Arpico Interiors (Pvt) Ltd	Related Company	4	-	4	-
RPC Logistics (Pvt) Ltd	Related Company	193	178	193	178
Richard Pieris & Company PLC	Ultimate Parent Company	6,330	9,248	1,211	4,129
Richard Pieris Group Services (Pvt) Ltd	Related Company	-	200	-	200
RPC Plantation Management Services (Pvt) Ltd	Parent Company	19,173	24,102	19,173	24,102
Richard Pieris Distributors Ltd	Related Company	52	142	52	142
Richard Pieris Tyre Company Ltd	Related Company	1,628	-	1,628	-
Arpitech (Pvt) Ltd	Related Company	673	-	673	-
Maskeliya Tea Garden Ceylon Ltd	Related Company	66	58	66	58
		149,027	97,222	143,908	92,103

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	35.0 Mn	Primary mortgage over leasehold rights of Gampaha Estate.
Hatton National Bank PLC	50.0 Mn	Primary mortgage over leasehold rights of Luckyland Estate.
Commercial Bank of Ceylon PLC	USD 05.0 Mn 25.0 Mn 700.0 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	150.0 Mn	Primary mortgage over Produce Stocks (Rubber, Tea and Coconut).

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 2021 Rs. '000	2020 Rs. '000
Bank of Ceylon	Overdraft	Rs. 31.6 Mn	129,343	130,152
Hatton National Bank PLC	Overdraft	-	189,490	190,185
Commercial Bank of Ceylon PLC	Term Loan	USD 1.562 Mn Rs. 19.4 Mn Rs. 700.0 Mn	620,571	614,641

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	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Approved by the Board & Contracted for	Nil	Nil	Nil	Nil
Approved by the Board & not Contracted for	352,952	295,395	352,952	295,395
	352,952	295,395	352,952	295,395

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.

35.1 - 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.

35.2 - Wages of Plantation workers are agreed based on negotiations between Trade Unions and Regional Plantation Companies (RPCs) once in every two years. A Collective Agreement was signed between the parties in the past. However, recent wage negations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labor.

As such, the Ministry of Labour through its Extraordinary Gazette Notification 2217/37 dated 5th March 2021 announced a minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- to the estate workers employed in the tea and rubber manufacture trade.

Consequent to this gazette notification and based on subsequent discussions among the industry, RPCs together with Planters Association had unanimously agreed that fixing the daily wage rate of Rs. 1,000/- is not a feasible decision for the future of plantation industry in many ways, including the average production cost will be higher than the average Net Selling Average ("NSA") resulting in the payment of wages at Rs. 1,000/- being unaffordable to the RPCs.

As such, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal was not inclined to issue an interim order. In view of the urgency involved in the matter Hon. President of the Court of Appeal fixed the argument for 5th May 2021 and RPCs were directed to file Counter Objections on the 4th May 2021.

A final decision was not reached when the matter was taken for argument at the Court of Appeal on 5th May 2021 and the matter was postponed to respondent's submissions for 31st May 2021. As a result, the above matter is under the preview of the Court of Appeal and therefore the final decision is pending. Having discussed with independent legal experts and based on information available, Board of Directors of the Company has decided to continue with same daily wage rate used for previous year for the calculation of Retirement Benefit Obligations. Accordingly, the future salary rate for the estimation of the retirement Benefit obligation as at 31st March 2021 was estimated using the daily wage rate of Rs. 700/- and the annual wage increment of 5.68%.

However, in the event Court of Appeal rejects the RPC's "Writ Application" and issue an unfavorable decision to the RPCs, considering the gazetted daily wage rate of Rs. 1,000/-, the retirement Benefit obligation as at 31st March 2021 would be increased by Rs. 158,451,892/- resulting Rs. 12,009,258/- impact (charge) on profit or loss and Rs. 146,442,634/- impact (charge) on other comprehensive income for the year ended 31st March 2021. No provisions have been made in the financial statements for the year ended 31st March 2021 in this regard.

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.

37. RELATED PARTY DISCLOSURES

37.1 Transaction with related entities

Nature of Transaction	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
37.1.1 Parent Company				
Amount Payable/Recoverable as at 31 March	(19,175)	(24,102)	(19,175)	(24,102)
Managing Agent's Fee	(58,942)	(4,500)	(58,942)	(4,500)
Settlement of Management Fee	63,966	-	63,966	-
Recovery of expenses	(97)	(103)	(97)	(103)
37.1.2 Subsidiaries				
Amount Receivable as at 31 March	-	-	86,027	30,987
Administration Expenses	-	-	(1,973)	(1,703)
37.1.3 Associates				
Amount Receivable as at 31 March	1,861,847	1,680,235	707,574	694,482
Amount Payable as at 31 March	-	-	-	-
Sale of Latex	1,247,765	625,200	1,247,765	625,200
Settlement Amount	(1,234,673)	(578,673)	(1,234,673)	(578,673)
Share of Result of Equity Accounted Investees	326,470	337,097	-	-
Insurance Premium	(1,666)	(1,765)	(1,666)	(1,765)
Insurance Premium Settlements	1,666	1,765	1,666	1,765
Dividend Receivable	-	-	157,950	90,558
Dividend Settlement	(157,950)	(105,300)	(157,950)	(90,558)
37.1.4 Related Companies				
Amount Receivable as at 31 March	187,304	1,205,483	187,304	1,205,483
Amount Payable as at 31 March	(127,549)	(73,121)	(122,430)	(68,001)
Salaries, Rent, Vehicle repairs & other Expenses	(2,788)	(8,873)	(2,788)	(8,873)
Purchase of Goods	(110,065)	(67,311)	(110,065)	(67,311)
Settlement of Dues	107,449	156,309	107,449	156,309
Sale of Goods	214,985	188,436	214,985	188,436
Sales cash receipts	(210,113)	(169,863)	(210,113)	(169,863)
Secretarial Fees	(200)	(200)	(200)	(200)
Freight Charges	1,667	(1,075)	1,667	(1,075)
Dividend/Repo/Debenture Interest Receivable	246	13,586	246	13,586
Dividend/Repo/Debenture Interest settlement	(26,073)	(108,901)	(26,073)	(108,901)
Deemed Disposal Gain/(Loss) - Sudsequent Recognition	13,320	(90,240)	13,320	(90,240)

37. RELATED PARTY DISCLOSURES

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 2020 audited Financial Statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and code of best practices on related party transactions under the 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 2020 audited Financial Statements, which required additional disclosures in 2020/21 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.

	Group		Company	
Recurrent Related Party Transactions	**2021**	**2020**	**2021**	**2020**
	Rs. '000	**Rs. '000**	**Rs. '000**	**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	1,247,765	625,200	1,247,765	625,200
Consolidated revenue as per latest audited financial statements	3,148,122	2,185,536	3,148,122	2,185,536
e. Aggregate value of related party transactions as a % of net revenue/income	39.6%	28.6%	39.6%	28.6%
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.				

37.1.6 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.

37.2 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 2021. Further there were no key management compensation paid during the year other than those disclosed in Note 8.

37.3 Related Party Transactions

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

37.4 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. 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.

38.1 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.

38.2 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.

38.2.1 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 367 Mn (2019/20 – Rs. 360 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.

38.2.2 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. 865 Mn as at 31 March 21 (2019/20 – Rs.528 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. 18 Mn as at 31 March 2021 (2019/20 – Rs. 10 Mn) which represents its maximum credit exposure on these assets.

38.3. 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 2021	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Interest bearing loans & borrowing	132,239	89,639	276,433	831,303	-	1,329,614
Trade & other payables	344,107	-	-	-	-	344,107
	476,346	89,639	276,433	831,303	-	1,673,721
Company						
Interest bearing loans & borrowing	132,239	89,639	276,433	831,303	-	1,329,614
Trade & other payables	339,301	-	-	-	-	339,301
	471,540	89,639	276,433	831,303	-	1,668,915

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

38.3. Liquidity Risk

As at 31 March 2020	On Demand	Less than 3 Months	3 to 12 Months	2 to 5 years	>5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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

38.4 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.

38.4.1 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. 1,031 Mn (2019/20 – Rs.571 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		
2020/21	1%	(1,773)
	-1%	1,773
2019/20	1%	(8,316)
	-1%	8,316
Company		
2020/21	1%	(1,773)
	-1%	1,773
2019/20	1%	(8,316)
	-1%	8,316

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

38.4.2 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		
2020/21		
USD	5%	(1,039)
USD	-5%	1,039
Group/Company		
2019/20		
USD	5%	(2,885)
USD	-5%	2,885

38.4.3 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.

38.4.4 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 Group manages its capital structure and re-structures the capital base time to time in light of changes in economic conditions as per the directives given by the Board of Directors. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital through share buy backs or infuse capital through new share issuance.

The Group monitors capital using indicative leverage ratios preferably through gearing ratio, which is net debt as a percentage of total equity and net debt. The Group includes within net debt, interest bearing loans & borrowings, short term borrowings less Cash & Cash Equivalents, excluding discontinued operations.

The gearing ratio at the reporting date is as follows.

	As at 31.03.2021 Rs. '000	As at 31.03.2020 Rs. '000
Interest Bearing Borrowings		
Current portion of long term interest bearing borrowings	485,160	1,083,417
Payable after one year	677,619	179,060
Total Debts	1,162,779	1,262,477
Equity	2,898,224	2,626,892
Total Equity & Debts	4,061,003	3,889,369
Gearing Ratio	29%	32%

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	2020/21 No of Share Holders	2020/21 No of Shares	2020/21 % Holdings	2019/20 % Holdings
1 - 1,000	8,604	1,825,831	7.30%	7.28%
1,001 - 10,000	287	957,538	3.83%	4.13%
10,001 - 100,000	55	1,659,550	6.64%	4.77%
100,001 - 1,000,000	4	786,605	3.15%	4.74%
1,000,001 - & above	1	19,770,477	79.08%	79.08%
Total	**8,951**	**25,000,001**	**100.00%**	**100.00%**
Resident Investors	8,933	24,646,447	98.59%	98.23%
Non-Resident Investors	18	353,554	1.41%	1.77%
Total	**8,951**	**25,000,001**	**100.00%**	**100.00%**
Individual Investors	8,842	3,610,091	14.44%	14.41%
Institutional Investors	109	21,389,910	85.56%	85.59%
Total	**8,951**	**25,000,001**	**100.00%**	**100.00%**
Related Company	3	19,783,877	79.14%	79.14%
Company Directors Holding	1	100	0.00%	-
General Public including Employees	8,947	5,216,024	20.86%	20.86%
Total	**8,951**	**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 2021 (31 March 2020 – 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 2021	Year Ended 31 March 2020
Market Capitalization	Rs.'000	2,430,000	1,020,000
Price Earning Ratio	Times	7.71	-
Public Holding Percentage	%	20.86%	20.86%
Total number of Shareholders representing the Public Holding	Nos	8,947	8,928
Float Adjusted Market Capitalization	Rs.'000	506,998	212,818

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		2020/21		2019/20	
Highest Price	Rs.	170.00	(26 January 2021)	65.00	(11 October 2019)
Lowest Price	Rs.	35.00	(12 May 2020)	40.00	(20 March 2020)
Closing Price	Rs.	97.20	(31 March 2021)	40.80	(20 March 2020)

Share Trading		2020/21	2019/20
No. of Shares Traded		3,665,049	344,263
No. of Trades		8,017	1,172
Value of Shares Traded	Rs.	327,551,286	20,114,130

Key Ratios		2020/21	2019/20
Earnings/(Loss) per Share	Rs.	12.61	(2.68)
Net Assets per Share	Rs.	115.93	105.08
Dividends per Share	Rs.	4.00	-

5. Twenty Largest Shareholders of the Company

As at		31 March 2021		31 March 2020	
	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	Tranz Dominion, L.L.C	185,000	0.74%	185,000	0.74%
4	Deustche Bank AG Singapore A/c 02 (DCS CLT ACC)	160,000	0.64%	200,000	0.80%
5	Peoples Leasing & Finance PLC/Mrs. H. C. Kalansooriya	100,000	0.40%	100,000	0.40%
6	Mr. D. M. Kodikara	92,000	0.37%	95,000	0.38%
7	Mrs. D. R. Costa	87,580	0.35%	-	-
8	Employees Provident Fund	80,467	0.32%	122,300	0.49%
9	Hatton National Bank PLC/Rosairo Nigel Machado	80,000	0.32%	-	-
10	Mrs. M. S. E. V. E. A. U. Von Stumm	59,349	0.24%	59,349	0.24%
11	J. B. Cocoshell (Pvt) Ltd	52,772	0.21%	-	-
12	Mr. D. J. N. Costa	52,147	0.21%	-	-
13	Mr. N. Balasingam	50,600	0.20%	50,600	0.20%
14	Bank of Ceylon - No. 1 Account	50,600	0.20%	50,600	0.20%
15	Mrs. T. Liyanage	49,331	0.20%	-	-
16	Mr. P. F. Nandasiri	42,500	0.17%	42,500	0.17%
17	Hatton National Bank PLC/Anura Bandara	37,411	0.15%	-	-
18	Mrs. C. A. D. S. Woodward	35,706	0.14%	35,706	0.14%
19	Mr. R. Gautam	35,300	0.14%	35,899	0.14%
20	Citizens Development Business Finance PLC/ Rathnayake	34,660	0.14%	-	-
Sub Total		**21,375,205**	**85.50%**	-	-
Balance held by 8,931 Shareholders		3,624,796	14.50%	3,425,272	13.70%
(31 March 2020 - 8,911 Shareholders)					
Total Shares		**25,000,001**	**100.00%**	**25,000,001**	**100.00%**

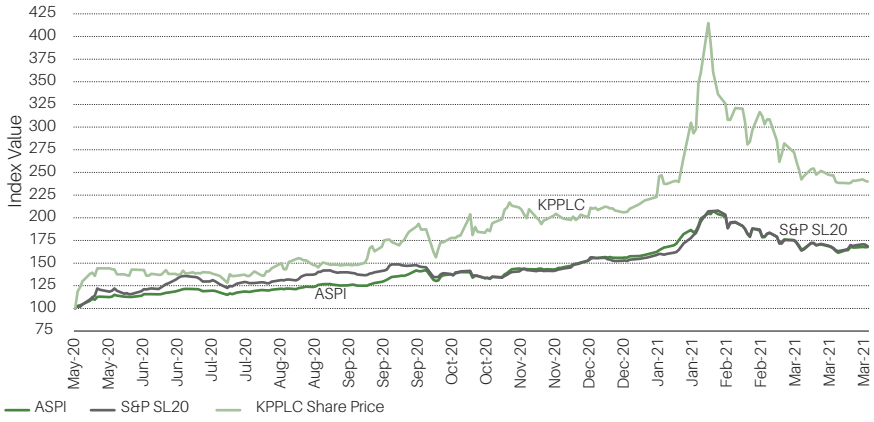
6. Exchange Rates - US $ (Selling)

	2021	2020	2019	2018	2017
As at 31 March (Rs.)	202.04	192.45	178.02	157.49	153.91

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 2020/21.

KPPLC Share Price Vs Market Indices



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		2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Operating Results											
Gross Profit/(Loss)	Rs.'000	321,587	(36,460)	112,054	366,198	227,194	8,287	66,116	429,836	704,132	960,248
Operating Profit before Mgt Fee	Rs.'000	497,887	50,883	222,284	511,708	302,804	85,345	62,710	409,416	670,346	930,179
Profit before Interest and Tax	Rs.'000	495,290	107,554	385,673	625,499	457,275	262,086	274,227	564,605	710,927	990,709
Profit/(Loss) After Tax	Rs.'000	315,126	(67,003)	102,038	235,859	217,263	101,330	127,034	345,993	473,186	769,842
Other Comprehensive Income/(Loss)	Rs.'000	56,207	(49,291)	(25,337)	(2,671)	93,124	122,147	(7,161)	(2,929)	21,855	-
Total Comprehensive Income/(Loss)	Rs.'000	371,333	(116,294)	76,701	233,187	310,387	223,476	119,873	343,064	495,041	769,842
Dividends Distributed	Rs.'000	100,000	-	125,000	187,500	125,000	1,125,000	50,000	337,500	-	187,500
Financial Position											
Fixed Assets	Rs.'000	3,655,183	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
Investments	Rs.'000	658,890	645,570	735,810	1,738,450	1,692,730	1,636,150	1,611,850	611,850	597,000	450,000
Current Assets	Rs.'000	1,683,129	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
Current Liabilities	Rs.'000	1,107,263	1,464,213	2,965,963	2,129,542	1,879,266	1,476,509	771,499	560,053	373,638	347,441
Shareholders' Funds	Rs.'000	2,898,226	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
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	2,648,226	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
Key Financial Indicators											
Current Ratio	Times	1.52	0.95	1.16	1.08	1.11	1.47	3.99	7.33	8.11	6.97
Quick Asset Ratio	Times	1.22	0.69	1.04	0.92	0.97	1.31	3.64	6.76	7.46	6.39
Debt Equity Ratio	Times	0.29	0.32	0.54	0.52	0.50	0.53	0.41	0.41	0.25	0.20
Interest Cover	Times	3.96	0.57	1.36	2.23	1.77	1.32	1.55	3.15	5.02	9.21
Equity /Asset Ratio	Times	0.48	0.47	0.36	0.39	0.41	0.38	0.48	0.48	0.59	0.60
Earnings per Share	Rs.	12.61	(2.68)	4.08	9.43	8.69	4.05	5.08	13.84	18.93	30.79
Dividend Per Share	Rs.	4.00	-	5.00	7.50	5.00	45.00	2.00	13.50	-	7.50
Net Assets Per Share	Rs.	115.93	105.08	104.76	106.70	104.87	97.45	136.50	133.70	133.48	113.68
Market Price of a Share	Rs.	97.20	40.80	55.00	65.90	52.00	50.70	85.80	105.00	112.00	103.00
Market Capitalization	Rs.'000	2,430,000	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
Return On Capital Employed	%	12.20	2.77	6.71	11.23	8.80	5.08	4.72	9.95	15.99	27.88
Price Earning Ratio	Times	7.71	(15.22)	13.48	6.99	5.98	12.51	16.89	7.59	5.92	3.34
Dividend Cover	Times	3.15	-	0.82	1.26	1.74	0.09	2.54	1.03	-	4.11
Dividend Pay Out Ratio	%	31.73	-	122.50	79.50	57.54	1,110.28	39.36	97.55	-	24.36
Annual Production											
Rubber	kg '000	4,589	3,666	4,080	3,495	3,742	3,353	3,534	4,016	4,076	4,155
Tea	kg '000	1,869	1,784	1,923	1,962	2,165	2,375	2,094	2,243	2,162	2,630
Coconuts	nuts '000	918	1,318	1,295	1,117	1,471	1,559	1,549	1,596	1,713	1,731
Capital Expenditure											
Field Development	Rs '000	237,085	262,615	260,837	300,895	172,757	219,068	263,195	290,313	223,167	198,597
Purchase of PPE	Rs '000	37,761	4,246	21,915	33,844	3,168	1,580	42,656	4,155	30,554	51,058
Total Capex	Rs '000	274,846	266,861	282,752	334,739	175,925	220,648	305,851	294,468	253,721	249,656

RUBBER

		2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Production	kg'000	4,589	3,666	4,080	3,495	3,742	3,353	3,534	4,016	4,076	4,155
NSA	Rs./kg	387.74	320.98	293.36	343.86	276.34	274.04	291.26	353.16	415.14	459.76
COP	Rs./kg	328.50	302.12	281.90	289.45	248.13	249.26	261.23	254.21	257.27	247.47
Yield	kg/ha	986	913	990	911	998	872	883	1,011	977	1,016
Revenue Extent	ha	2,714	2,714	2,771	3,008	3,224	3,489	3,535	3,591	3,653	3,764

TEA

			2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
PRODUCTION												
Uva	Elevation	kg'000	1,188	1,025	1,151	1,117	1,191	1,286	1,074	1,143	1,065	1,364
Medium		kg'000	316	340	434	463	542	583	523	600	549	652
Low		kg'000	366	420	339	382	431	505	496	500	548	614
NSA												
Uva	Elevation	Rs./kg	563.10	486.56	520.32	582.30	460.53	365.93	381.53	380.19	361.39	282.39
Medium		Rs./kg	559.38	422.83	469.35	586.58	467.95	356.95	413.35	436.38	383.36	311.66
Low		Rs./kg	604.04	495.38	529.41	578.84	482.48	373.23	416.60	427.58	375.62	323.62
COP												
Uva	Elevation	Rs./kg	556.23	552.51	542.11	545.17	457.05	409.88	449.37	415.00	405.49	353.47
Medium		Rs./kg	575.22	537.95	499.04	508.33	408.53	360.25	368.09	374.81	329.34	291.77
Low		Rs./kg	577.62	509.42	537.79	536.65	440.56	381.36	401.52	400.23	371.36	299.73
YIELD												
Uva	Elevation	kg/ha	771	686	726	730	677	806	858	1,021	840	1,023
Medium		kg/ha	1,203	1,054	1,225	1,311	1,356	1,265	1,582	1,652	1,690	1,746
Low		kg/ha	962	953	967	1,020	1,001	1,068	1,178	1,204	1,337	1,445
REVENUE EXTENT												
Uva	Elevation	ha	984	984	974	967	967	952	952	952	951	946
Medium		ha	179	179	178	179	178	177	173	173	173	174
Low		ha	140	142	143	143	148	150	149	149	148	148

COCONUT

		2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Production	nut'000	918	1,318	1,295	1,117	1,471	1,559	1,549	1,596	1,713	1,731
NSA	Rs./nut	51.98	31.03	43.00	51.79	24.11	31.95	31.71	32.62	23.31	26.78
COP	Rs./nut	31.37	20.65	21.44	27.74	16.57	14.69	15.15	13.16	13.23	15.17
Yield	Rs./nut	2,123	3,032	2,978	2,463	3,241	3,569	3,379	3,652	4,205	4,268
Revenue Extent	ha	432	435	435	453	454	437	437	437	408	406

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.

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
Mr. J L A Fernando (appointed w.e.f 15 February 2021)

STOCK EXCHANGE LISTING

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

MANAGEMENT

Mr. P de S A Gunasekara, Chief Executive Officer
(appointed w.e.f 15 February 2021)
Mr. Kamal Punchihewa, Chief Financial Officer
Mr. I S Doranegama, Director Operations
Mr. R R Wijekoon, Deputy General Manager
Mr. S R Aluwihare, Deputy General Manager/Superintendent
Mr. T I Kodithuwakku, Senior Accountant
Mr. S C Bandaranayake, Engineer
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

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

Kegalle Plantations PLC
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

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.