Hatton Plantations PLC

Annual Report 2018/19

STEADY

Two years down the road as a stand-alone entity, Hatton Plantations PLC has made steady progress whilst navigating a challenging industry environment. We are maturing, with a progress built upon a strong history in tea and underpinned by our core ethos that enshrines pristine ethics and a steadfast commitment to quality and sustainability.

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ABOUT THIS REPORT

This is Hatton Plantations PLC's (HPL) second Annual Report, which has been prepared to provide all stakeholders with a balanced assessment of the Company's ability to create and sustain value in the short-, medium- and long-terms.

SCOPE AND BOUNDARY

This Annual Report provides an accurate and balanced review of HPL's financial, social and environmental performance within the context of its strategy, risks and opportunities and long-term prospects. The Report covers the operations of HPL for the year ended March 2019 and where relevant is supported by comparable data relating to the previous period; information pertaining to six months ended 31 March 2018. Unless otherwise mentioned, the boundary for all material aspects reported in this Report is the Company.

COMPLIANCE

The Financial Statements of HPL has been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Sri Lanka Accounting Standards which comprise Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The Company has followed additional guidelines as established by the Companies Act No. 07 of 2007. In particular, we have drawn on concepts, principles and guidance, of International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4, where we have opted for the "In accordance – Core" option, the United Nations Sustainable Development Goals (UNSDG) and the Smart Integrated Reporting Methodology™.

For governance-related matters, where applicable, we voluntarily comply with the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Report also complies with the listing requirements of the Colombo Stock Exchange.

KEY CHANGES TO THE STRUCTURE

Reporting principle	Improvement
Strategic focus and future prospects	Strategy linked to internal and external factors
Connectivity of information	Strategy, governance, capitals, and future prospects discussed in the context of the value creation model
Stakeholder engagement	Greater analysis of stakeholder interest and value; Reporting on frequency of engagement
Comparability	More comparable information provided
Reliability	Information is carefully scrutinised to ensure reliability

QUERIES

We welcome your comments or inquiries on this Annual Report 2018/19. Please contact:

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OVERALL REPORT ARCHITECTURE

Companies Act No. 07 of 2007 Integrated Reporting Framework

Financial Statements	Economic, Social and Financial Reporting	Corporate Governance
Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 Sri Lanka Financial Reporting Standards	GRI G4 Guidelines "In Accordance core"	Code of Best Practice on Corporate Governance Listing Requirement of the Colombo Stock Exchange

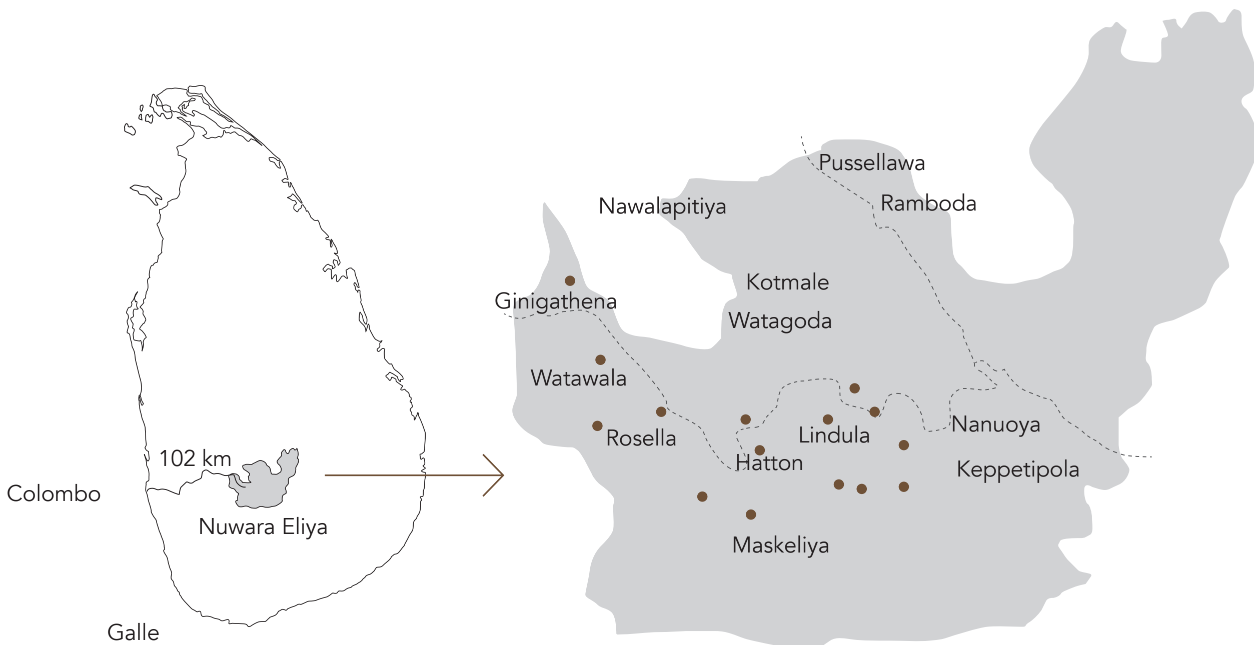
WHO WE ARE

Our journey began in 1992 with the privatisation of 22 regional plantation companies in Sri Lanka by the Government, paving the path for a strategic joint venture between Watawala Plantations PLC and Tata Tea Ltd. of India. The joint venture continued up to 1996 until Estate Management Services (Pvt) Ltd. took over the steering of Watawala Plantations. In 2017, the entity underwent a demerger leading to the floating of a new entity known as Hatton Plantations PLC (HPL). HPL was incorporated on 14 September 2017 as a part of the arrangement proceedings carried out by Watawala Plantations PLC (WATA) under the Section 256 of the Companies Act No. 07 of 2007 to carry out the existing upcountry tea business of Watawala Plantations.

Since the demerger from Watawala Plantations PLC in 2017, we have consolidated our position as one of the largest tea plantation companies in Sri Lanka, with a strong emphasis on innovation and value addition. We have continued to build upon the established and proud reputation of being a prime producer of pure Ceylon tea and continue to set new standards in the industry.

Our 13 estates with a combined area of 7,206 ha are located over 4,800 feet above sea level in the central hills of Sri Lanka. We own 12 tea processing factories with a combined green leaf capacity of 158,500 kg. Using both orthodox and CTC (Cut, Tear, Curl) manufacturing methods supported by versatile production facilities, we produce high and medium-grown teas in the key regions of Hatton, Watawala, and Lindula. As a stand-alone company, we produce over thirty-five grades of tea, combining sustainable agricultural practices and balanced nutrient intake to harness the best in quality parameters. Our modernised and well-equipped factories are capable of extracting the most in liquoring characteristics whilst retaining all of its flavour and quality considerations. Approximately, 99% is auctioned at the Colombo Tea Auction and the balance sold directly to buyers.

We continue to build upon the long-standing legacy of excellence spun off from our pursuit of excellence, and the continued quest to become the most respected producer of tea in Sri Lanka. Endowed with a strong capital base, our expertise, innovativeness and the commitment to uphold ethical business values and practices have been the critical success factors that propel us to focus on driving higher crop volumes and yields with attention to detail to produce highest quality tea for domestic and international markets.



Nuwara Eliya District

OUR FUTURE

"To be the most admired
Plantation Company in Sri Lanka"

OUR PURPOSE

"Growing Hatton Plantations to be the Industry Leader"

OUR VALUES

Our Approach	Our Heritage	Our Solutions	Our Promise
▼	▼	▼	▼
Integrity Honest, open and transparent	***Perseverance*** Never give up	***Innovation*** Improvement through continuous change	***Responsibility*** Accountable to all stakeholders

TRUST

The foundation upon which we grow

YEAR IN REVIEW

HIGHLIGHTS

EARNINGS HIGHLIGHTS AND RATIOS

Revenue	LKR Mn	4,040
Results from operating activities	LKR Mn	(55)
(Loss) Profit before tax	LKR Mn	(118)
(Loss) Profit after tax	LKR Mn	(113)
Dividends	LKR Mn	59
Basic (loss)/earnings per share	LKR	(0.48)

BALANCE SHEET HIGHLIGHTS AND RATIOS

Total assets	LKR Mn	3,421.4
Total debt	LKR Mn	147
Net debt (Cash)	LKR Mn	(38)
Total shareholders' funds	LKR Mn	1,564
Net assets per share	LKR	6.6
Debt/equity	%	9
Debt/total assets	%	4

MARKET/SHAREHOLDER INFORMATION

Market price of share as at 31 March (actual)	LKR	6.70
Market capitalisation as at 31 March	LKR Mn	1,586
Enterprise value	LKR Mn	1.7
Dividend per share	LKR/share	0.25
Dividend yield	%	3.7

SOCIAL AND RELATIONSHIP CAPITAL

100+
local smallholders supported

100%
purchases from local suppliers

LKR 59 Mn
dividends to shareholders for FY 2018/19

14,000+
residents benefited from development support

LKR 135.8 Mn
invested in community development and worker welfare

MANUFACTURED CAPITAL

LKR 1,042 Mn
property/plant and equipment value

103,095 kg
of green leaf processed per day

158,500 kg
daily tea production capacity

NATURAL CAPITAL

4,109 ha
tea cultivated extent

LKR 620 Mn
value of bearer plants on estate

50 ha
of natural forests protected and preserved

74%
renewable energy consumption

3
mini hydro power plants installed

HUMAN CAPITAL

7,000+
employees

537
health and safety committees/CBOs in place

6,573
employees enjoy benefits such as free accommodation and medical assistance

556
staff received training across a variety of categories

INTELLECTUAL CAPITAL

Leader in technological adaptation in the industry

12 garden selling marks renowned for superior quality

CHAIRMAN'S MESSAGE

Navigating difficult conditions and global challenges to the industry, HPL made steady progress and consolidated its position as a prime producer of quality Ceylon tea. Retaining our strength in innovation and focusing on quality, we look forward to an exciting future with a new strategic direction.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Hatton Plantations PLC (HPL) for the year ended 31 March 2019. The Report provides a record of the steady progress we have made over the two years, as a stand-alone entity, upholding business ethics and strong governance with a commitment to sustainability.

BUILDING A RESILIENT COMPANY

Since our incorporation in mid-2017, we continued to consolidate our position as a prime producer of pure Ceylon tea for domestic and international markets. We advocated our business to embrace the best management practices and champion corporate stewardship. We conducted our business with an emphasis on resilience and agility. We also blended commercial viability with social and environmental sustainability to create value for all stakeholders throughout the year.

Our tea estates continued to be certified on agricultural and manufacturing practices, food safety, and environment, labour and social standards – through the Rainforest Alliance, Ethical Tea Partnership, Fair Trade, and ISO 22000.

Through the many efforts implemented to conserve the environment and uplift the communities, we contribute to the United Nations Sustainable Development Goals (SDGs), which seek to address the world's biggest challenges, including ending poverty, improving health and education, and tackling climate change. Our work on value creation is exemplified in the Management Discussion and Analysis section of the Report.

NAVIGATING A CHALLENGING LANDSCAPE

Our core businesses remained susceptible to local and global socio-political and macroeconomic volatilities during the financial year 2018/19. Sri Lanka's tea industry continued to be challenged with the vagaries in weather, unstable tea prices and ground issues relating to the ban on chemical weedicides. The industry was further plagued by low labour productivity, labour scarcity and high labour costs. A declining trend was observed in tea auction prices at the Colombo Tea Auction (CTA) throughout the year 2018 as well.

Consequent to banning of glyphosate in 2015, tea growers, especially large plantations were compelled to use alternative weedicides, resulting in MCPA levels higher than permitted for exports to Japan. Due to the higher MCPA related Minimum Residual Levels (MRL) in SL teas, demand from Japanese buyers declined. Ban on glyphosate was finally lifted following lobbying by the industry. However, the product was not sufficiently available until November due to modalities of imports.

RESILIENT PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

HPL reported a loss of LKR 113 Mn for the financial year 2018/19. The loss can be mainly attributed to extra gratuity provision of LKR 147 Mn on account of the increased daily labour wage under the new collective agreement. We paid a dividend per share of LKR 0.25 amounting to LKR 59.2 Mn for financial year 2017/18 in July last year. Shareholders' funds decreased due to the loss reported for the year, mainly due to extra gratuity provision charged to the income statement and an additional LKR 255 Mn on account of actuarial losses, which was charged directly in retained earnings. The market price per share was LKR 6.70 as at 31 March 2019, down from last year due to lower market index.

GOOD GOVERNANCE

The Board continues to maintain oversight of the strategic and operational affairs and the management of strategic and operational risks across the Company. The Board remains committed to excellent corporate governance and, participate fully in formal Board meetings where operational and strategic aspects are deliberated. Our Directors have considerable knowledge and experience of the plantation sector and bring other relevant experience to the Board to assist HPL in achieving its strategic goals. During the year, we followed and complied with the prescribed governance codes and standards.

DEDICATED TO ENVIRONMENTAL CONSERVATION AND SOCIAL RESPONSIBILITY

With a large community base living within our tea estates, our community engagement is extensive and intense. A total of LKR 135.8 Mn was invested during the financial year to uplift resident communities with better living conditions and higher quality of life. The funds were generated from our Company inputs coupled with investments for the Government and non-governmental partners who carried out a range of initiatives for our community. These initiatives are focused on supporting communities with basic amenities including housing, water and sanitation infrastructure facilities. Additionally, well-planned out healthcare and educational programmes were put out to build capacity and ensure their wellbeing.

Housing construction and housing renovation took precedence in our social responsibility agenda, in our efforts to provide every resident family with home. A total of LKR 30 Mn was spent on the housing project for estate our communities during the financial year.

LOOKING FORWARD

As we are living in an environment filled with volatility, uncertainty, complexity, and ambiguity (VUCA), there is no doubt that 2019 too will be a challenging year. We will navigate the challenges with a strong focus on quality, operational efficiency, and leveraging new partnerships.

On 28 May 2019, Estate Management Services (Pvt) Limited (EMSL), HPL's parent company, divested a majority controlling stake of HPL to Lotus Renewable Energy Group (LREG) through the Colombo Stock Exchange at a price of LKR 8.30 per share. The significant premium over its market value signals the Company's strength and positive long term prospects, resulting from decades of sustainable Agri-practices employed by management. I have no doubts that the LREG will steer the Company in a new strategic direction and into an exciting future.

APPRECIATION

I wish to express my gratitude to the Board of Directors for their consistent support, and guidance. I commend Mr Vish Govindasamy, our Managing Director for his exemplary leadership in steering the Company forward and achieving operational growth in a challenging year. I wish to express my sincere appreciation to the HPL team for their dedication, commitment, and hard work. My gratitude is extended to our shareholders for the steadfast support and trust placed in us.

Mr Sunil G Wijesinha
Chairman

29 May 2019

MANAGING DIRECTOR'S REVIEW

Amidst a challenging year, we built on our legacy of excellence, investing in our people, factories, and communities. We made steady progress in building a resilient and an agile Company. This ensures we have the right footing to leverage new opportunities and embark on a promising phase of growth.

Hatton Plantations PLC (HPL) went through a challenging financial year, yet was resilient and agile in responding to the many challenges it faced in FY 2018/19. However, the progress made in terms of operational, agricultural, and marketing sphere is commendable.

BUILDING A RESILIENT COMPANY

Although depressed, tea market conditions impacted our top line and profitability, we continued unabated with our future-focused strategy of growth based on agricultural best practices, mechanisation, and investment in people and communities. Sri Lankan tea market was affected by slow global economic environment, ongoing geopolitical instability and upheaval in many financial markets. We persisted in maintaining higher operational standards to bring down costs and improve product quality.

Measures were implemented to contend climate change, conserve the non-renewable resources, protect biodiversity and curtail the carbon footprint across operations. Significant investments were made to ensure the well-being of the workforce and uplift the quality of life of the resident communities reaching over 55,000 across our tea estates. This acts as a key benefit, motivator, and valuable investment in human capital, given the inherent inter-relatedness of our workers and communities.

Training and development also received priority in the human capital agenda as we continued to invest in developing our next level of managers in addition to the estate employees. We looked at improving our internal controls, risk management and compliance practices while upholding our corporate values and good governance.

NAVIGATING THROUGH CHALLENGES

Sri Lanka's agriculture sector recorded a growth of 4.8% in 2018 against 0.4% contraction in 2017, a recovery of the negative performance for the past two years. However, as per the Agriculture Production Index, the tea industry recorded a negative growth during the year. This is largely attributed to unfavourable weather conditions in tea growing areas, wage related trade union action in the plantation sector, and adhoc policy changes on the use of agrochemicals. Consequently, total tea production decreased by 1.0% in 2018 compared to the previous year, and a declining trend in tea prices was recorded in the Colombo Tea Auctions from early 2018 which continued till the end of the year.

Global growth is expected to decelerate in 2019 with both emerging market and developing economies, projected to record a decline in growth. Geopolitical risks on account of domestic turbulence in foreign markets and upheavals in financial markets pose severe challenges to cross-border trade in such a milieu. Sri Lanka's top five tea exporting nations, Turkey, Russia, Iraq, Iran, and Libya, are volatile markets frequently affected by political uncertainty, curtailed economic growth, currency fluctuations and high inflations which affect their purchasing power. High tariffs in some of these countries also affect our tea exports, especially in value-added exports. The depreciation of currencies in tea-importing countries negates benefits to Sri Lankan producers of tea as well. Consequently, Sri Lanka's total tea exports decreased by 2.3% in 2018 compared to the previous year, due to the low demand from exporters.

In a depressed tea market during 2018, the decline in tea crop and the high number of tea factories led to unhealthy competition for raw material affecting product quality. This had a bearing on production cost as most factories were unable to operate at full capacity. The ban on weedicides, including Glyphosate, pressurised margins further.

The sustainability of the tea industry was challenged by the increasing production costs as well, in particular, labour costs. With Sri Lanka being classified as a middle-income country, there is a demand for higher wages. The increase in average wage per day following the settlement of wage negotiations, coupled with bonus/incentive factors pushed up the production cost further. On account of the wage hike, we had to bear an extra gratuity provision of LKR 147 Mn for the financial year 2018/19, which had an immense impact on our bottom line. Labour migration, low labour productivity, shortage of skilled labour were other key challenges that inhibited growth prospects and increased production costs further. Hence, capacity building in the estate worker ranks remains an important priority in addition to mechanisation.

Despite the presence of a depressed market, Company sales prices on all elevations were above the elevation averages, and some of our garden selling marks topped the pricing in their respective elevations.

In our efforts to face the challenges posed globally and those inherent to the tea industry, we streamlined our operations. We initiated digitisation of the estate operations, increased mechanisation and sheer plucking. We also reinforced our operational standards to contain costs and enhance product quality. To combat climate change which has a significant impact on our industry, we factored in environmental considerations, both in terms of optimising our natural capital in the value creation process, as well as driving for environmental stewardship to be more efficient and responsible in the way we use our resources, dispose our waste, , manage energy and water, protect biodiversity and reduce our carbon footprint.

A NEW PHASE OF GROWTH

Hatton Plantations PLC (HPL) entered into a promising phase of growth when Lotus Renewable Energy (Private) Limited (LREG) bought the controlling stake from Estate Management Services (Pvt) Limited (EMSPL), on 28 May 2019. LREG is a multinational renewable energy company with its operations across India, Singapore, and Australia, and over two decades of experience in managing several plantation estates in Sri Lanka. LREG, with its expertise in both upstream and downstream operations of the tea industry, will provide new strategic direction to take the Company to the next level.

ACKNOWLEDGMENT

The lifting of the ban on the use of Glyphosate (weedicide) and restoring the fertiliser subsidy will bring positive results to the tea industry. This is likely to give much relief to tea producers to carry-out required agricultural practices and achieve the full potential of plantations.

In closing, I wish to express my sincere gratitude to the Chairman and the Board for the visionary leadership and guidance. I also extend my heartfelt appreciation to employees of the Company who were part of the Sunshine family for many years, for their continuing commitment and dedication, which have been the cornerstones of our success. I convey my sincere appreciation to our brokers, business partners, and suppliers for their continued support during the year. I thank the shareholders for their unwavering loyalty and confidence placed in us. I have no doubts that all stakeholders will extend their fullest cooperation to the new Management in taking the Company to the next level.

Mr V Govindasamy
Managing Director

29 May 2019

HOW WE DO TEA

OPERATING ENVIRONMENT

GLOBAL ECONOMY

Global economic growth decelerated to 3.6% in 2018 after peaking close to 4.0% in 2017. A confluence of factors including a decline in business confidence, a tightening of financial conditions, higher policy uncertainty across many economies and the increase in trade tensions and tariff hikes between the United States and China contributed to the decline.

In particular, China's decline in growth resulted in weakening in import demand which impacted trading partner exports in Asia and Europe. Geo political tensions contributed to weaker activity in the Middle East.

INFLATION

Consumer price inflation remained muted across advanced economies, given the drop in commodity prices. Accordingly, inflation is expected to decline to 1.6% in 2019 in advanced economies, from 2.0% in 2018.

Inflation in emerging market and developing economies excluding Venezuela was stable across most regions. It is expected to firm to 4.9% in 2019 from 4.8% in 2018.

OUTLOOK

Global growth is expected to moderate from 3.6% in 2018 to 3.3% in 2019, and then to return to 3.6% in 2020.

Global growth in 2019 would be weighed down by the emerging market and developing economies, where growth is expected to decline to 4.4% in 2019 from 4.5% in 2018. This reflects lower growth in China the recession in Turkey, and the carry over from weaker activity in late 2018, as well as a deepening contraction in Iran.

Growth in emerging and developing Asia is expected to decline to 6.3% in 2019 and 2020, from 6.4% in 2018. In particular, in India, growth is projected to pick up to 7.3% in 2019 and 7.5% in 2020.

Growth in advanced economies is projected to slow from 2.2% in 2018 to 1.8% in 2019 and 1.7% in 2020.

GLOBAL TEA INDUSTRY

In 2018, global consumption of tea amounted to approximately 273 billion litres and is forecasted to reach to 297 billion litres by 2021. Tea is the second most consumed drink in the world, after water. There are many types of teas, depending on their oxidation levels: green, yellow, oolong and black. The well-known varieties of black tea include Darjeeling, Assam, Turkish and Ceylon teas.

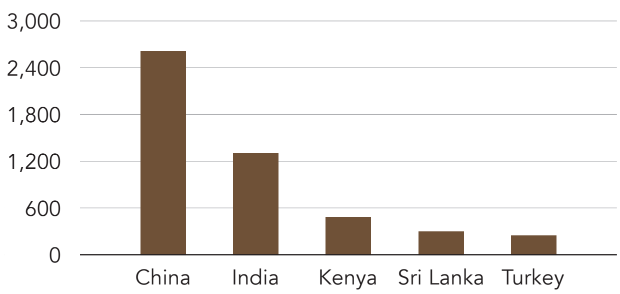
Driven by robust demand in developing and emerging countries, the global tea consumption and production are projected to keep rising over the next decade. This is expected to create new rural income opportunities and improve food security in tea-producing nations.

As per the Food and Agriculture Organisation (FAO), the world production of black tea is projected to rise annually by 2.2% over the next decade to reach 4.4 million tonnes in 2027. This reflects major output increases in China, Kenya and Sri Lanka and China is expected to reach the output levels of Kenya, the largest black tea exporter in the world.

Black tea exports are projected to reach 1.66 million tonnes in 2027 with positive but weak growth rates projected for Africa's producing countries and Kenya maintaining its leadership with an average annual growth rate of 2.89%. Additionally, major exporting countries are expected to remain the same, with Kenya being the largest exporter followed by India, China,Sri Lanka, Vietnam, Argentina, Uganda, Tanzania, Rwanda and Malawi.

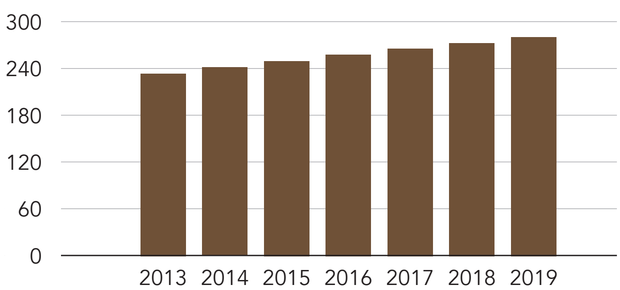
Going forward increased awareness about the health and well-being benefits of tea are seen as the key drivers of future consumption. Additionally, tea production is highly sensitive to changes in growing conditions. Even as climate changes are expected to intensify, there is urgent need for tea producing nations to integrate climate change challenges, both on the adaptation and mitigation front, into their national tea development strategies.

WORLD'S TOP 5 TEA PRODUCERS 2018 ('000 tonnes)



Source: Tea Review 2018, Forbes & Walker Tea Brokers (Pvt) Ltd. (Sourcing from International Tea Committee Ltd. 2018)

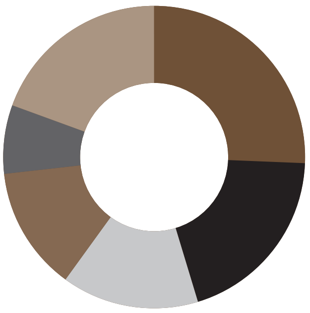
WORLD TEA CONSUMPTION (Bn litres)



Source: Statista

Kenya led global tea exports accounting for 26% of global tea exports in 2018, followed by China and Sri Lanka.

TOP 5 TEA EXPORTING COUNTRIES (%)



Source: Tea Review 2018, Forbes & Walker Tea Brokers (Pvt) Ltd. (Sourcing from International Tea Committee Ltd. 2018)

SRI LANKAN ECONOMY

GDP GROWTH

Sri Lanka's economy was estimated at US dollars 88.9 Bn in 2018, while the per capita GDP was US dollars 4,102, marginally lower than 2017.

Sri Lanka's real GDP growth was 3.2% in 2018, compared to 3.4% in the previous year. This growth was largely supported by services activities that expanded by 4.7% and the recovery in agriculture activities, which recorded a growth of 4.8%. Industry activities slowed down significantly to 0.9%, mainly due to the contraction in construction.

INFLATION

The headline inflation, as measured by year-on-year change in the NCPI, exhibited an overall declining trend. Both headline and core inflation remained well anchored in low single digit levels during 2018 supported by proactive monetary policy measures, improved domestic supply conditions, and subdued aggregate demand conditions.

Headline inflation fluctuated largely in line with the price movements of the food category. Going forward, inflation is expected to remain well within mid single digit levels in the medium term, particularly under the envisaged flexible inflation targeting (FIT) regime.

EXTERNAL SECTOR

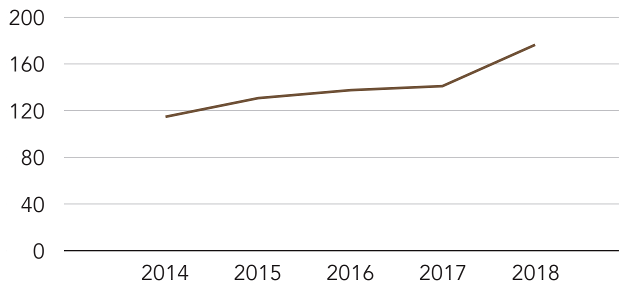
The external sector was volatile during the year due to both global and domestic factors. Sri Lanka's sovereign rating was downgraded in the fourth quarter of the year. Additionally, the trade deficit surpassed US dollars 10 Bn for the first time in history with higher growth in import expenditure outpacing the growth in export earnings.

Reflecting the impact of the expanded trade deficit and heightened capital outflows, the liquidity conditions in the domestic foreign exchange market remained mostly tight during the second half of 2018. As a result, the Sri Lankan rupee depreciated against the US dollar by 16.4% by end 2018.

Earnings from exports increased by 4.7% to US dollars 11,890 Mn in 2018, largely contributed by earnings from industrial exports. Performance of agricultural exports which account for 22% of total exports, declined by 6.8% in 2018. Earnings from tea exports declined by 6.6% in 2018 due to the combined impact of lower average export prices and reduced exported volumes.

Expenditure on imports increased by 6.0% to US dollars 22,233 Mn in 2018, compared to 2017. The growth in imports was largely due to fuel, personal motor vehicles, textiles and textile articles, and fertiliser.

EXCHANGE RATE (LKR VS USD) (LKR)



Source: CBSL Annual Report 2018

OUTLOOK

Real GDP growth is projected to gradually improve to around 5% by 2023. In the medium term, inflation is expected to be anchored more firmly at mid single digit levels under the envisaged flexible inflation targeting regime. The outlook for the external sector, which improved since the latter part of 2018, is projected to remain resilient despite potential downside risks over the medium term.

SRI LANKA'S TEA INDUSTRY

Sri Lanka renowned for its high quality tea is the tea producing country globally, and the third largest exporter.

Sri Lanka produces tea throughout the year and the total tea production for 2018 was 303.8 million kilogrammes, a decrease 1.0% compared to 307.1 million kilogrammes produced in 2017. Tea production in 2018 was affected by unfavourable weather conditions in tea growing areas, particularly during the months of May and June 2018, and wage related trade union action in the plantation sector.

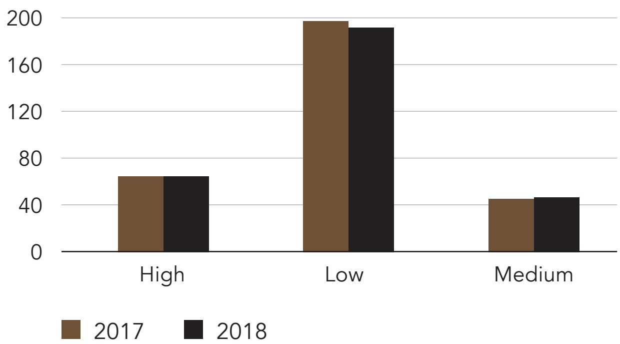
In addition, tea growers and large plantations were forced to use alternative products for the control of weed growth following the banning of Glyphosate by the Government of Sri Lanka. As a result the MCPA levels were higher than permitted for exports to Japan. Also the sanctions imposed on Iran by USA in May 2018 had a cascading impact on Auction prices in Colombo, particularly for the Low Grown (Tippy) teas.

TEA PRODUCTION

The tea growing areas are mainly concentrated in the central highlands and southern inland areas of the island. They are broadly grouped under these headings according to their elevations, with high grown ranging from 1200 m upwards, medium grown covering between 600 m. to 1200 m. and low grown from sea level up to 600 m. The highest production continued to be from low grown teas followed by high grown teas. The highest tea production district was Ratnapura recording a production of 68.58 million kilogrammes.

	Units	2014	2015	2016	2017	2018
Tea production	kg million	338	328.8	292.6	307.1	303.8
Total extent	hectares '000	203	203	202	201	201

TEA PRODUCTION (Mn Kg)



Source: CBSL Annual Reports 2017 and 2018

TEA EXPORTS

The volume of tea exported declined by 2.3% in 2018, compared to the previous year, with lower production due to work stoppage on account of wage negotiations as well as adverse weather conditions that prevailed in some months. Turkey continued to be the number one importer of Sri Lankan tea, in value terms, followed by Russia, Iraq and Iran, jointly contributing for approximately 41% of earnings from tea exports.

Top 5 Sri Lanka tea exports (Quantity Units – million kgs)

Country	2017	2018
Iraq	34.94	38.35
Turkey	37.81	35.45
Russia	32.79	30.29
Iran	27.04	23.55
Libiya	10.83	13.4

Source : Ceylon Tea Board

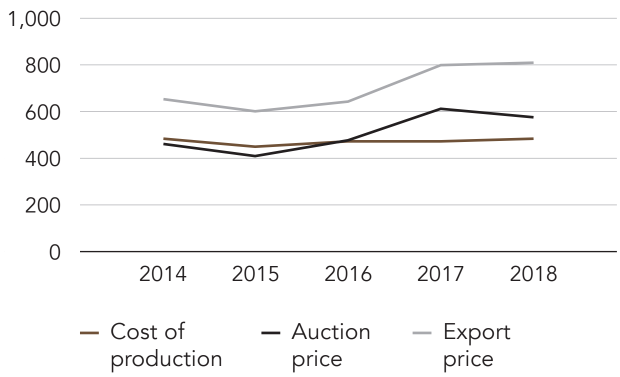
THE TEA AUCTION

The Colombo Tea Auction (CTA) is the single largest tea auction in the world. During 2018, the average price of tea decreased to LKR 581.58 per kilogramme from LKR 620.44 per kilogramme in 2017. The highest YoY decrease in tea prices at the CTA was for medium grown tea (8.0%), followed by high grown tea (6.3%) and low grown tea (5.9%). The average export price (FOB) too recorded a decrease.

Category	Unit	2014	2015	2016	2017	2018
Cost of production	LKR/kg	475.11	458.84	469.24	466.98	475.29
Auction price	LKR/kg	459.01	401.46	473.15	620.44	581.58
Export price	LKR/kg	649.44	593.08	639.88	807.44	820.75

Source: CBSL Annual Report 2018

TEA PRICES VS COST OF PRODUCTION (LKR/kg)



Source: CBSL Annual Report 2018

INDUSTRY CHALLENGES

Sri Lanka's tea industry faced several challenges that threatened the productivity and competitiveness in the global market.

IMPACT OF CLIMATE CHANGE

Climate change has a significant impact on tea production, due to its dependence on stable temperatures and consistent rainfall patterns. Unfavourable weather patterns influence both the quantity and quality of tea production. Through the adoption of sustainable agricultural practices and by reducing the greenhouse gas concentrations, the severity of future climate change impacts can be reduced.

INTENSIFYING GLOBAL COMPETITION

Global completion has intensified over the recent years for Ceylon Tea, with China emerging as a strong contender in the black tea market, overtaking Sri Lanka in world tea export volume and value. Kenya, predominantly a CTC tea producer, successfully challenges Sri Lanka's position in Russia, Iran and other traditional orthodox tea markets, after steeply increasing its orthodox tea production from 1.5% of total tea production in 1960 to 8.4% by 2018. While Sri Lanka still grapples with low production, Chinese and Kenyan tea exports benefit from innovation in tea production.

HIGH COST OF PRODUCTION

Sri Lanka's tea industry is threatened by increasing production costs, in particular with labour issue, especially in the plantation sector, stresses the need for mechanisation in tea production wherever possible. Plantation workers leaving the tea industry, producers not retaining sufficient funds for replanting and other developments also contribute towards production cost escalation. Further, Sri Lanka being classified as a middle income country, the demand for higher wages and elevation of status will continue.

LOW YIELD PER HECTARE

Sri Lanka's tea industry is affected by low productivity as indicated by yield per hectare which has declined during the last few years. This is largely attributed to weather, soil erosion leading to infertile soils, pests and diseases etc. along with a myriad of management decisions from strategy, structure, lack of managerial and technical personnel, maintenance, fertiliser, plant types and ageing.

RE-PLANTING NOT UP TO THE EXPECTED LEVELS

Replanting and in-filling are essential to increasing productivity on plantations. According to accepted norms, a replanting rate of nearly 2% to 3% is essential to obtain sustainable improvement in yields. Currently, the replanting rate in Sri Lanka is low, around 0.5%. Over 50% of the tea plantations in Sri Lanka are over 100 years old as well.

SRI LANKA'S DECLINING YIELD COMPARED TO THE VIRGIN SOILS OF KENYA AND VIETNAM

Tea industry of Sri Lanka is about 150 years old. Tea is grown in High, Medium and Low elevation of Sri Lanka. In the late 1950s Sri Lanka's national tea yield was about the highest in the world (ADB, 1990) which remained at an attractive level with world standards during the 1960's as well. However, other producing countries have acquired reasonable increase in their productivity compare to stagnation and slow growth of the production in Sri Lanka. Poor land productivity of Sri Lanka tea is attributed to both low agricultural standards and old vegetative stock. Countries such as Kenya and Vietnam have recorded steady growth in production in the past several years and are poised to achieve higher yields and are likely to play a significant role when assessing the total global supply situation.

To mitigate the above challenges and improve the tea sector, the Government has implemented several initiatives focused on productivity and technological enhancements throughout 2018. These include, promoting Ceylon Tea more aggressively in the international markets, supporting small tea holders to increase production and productivity, and elevating the quality of Ceylon Tea. These measures would have a positive effect in the development of the tea sector in the years ahead.

STAKEHOLDERS

We maintain good relationships with our key stakeholders and meaningfully engage them. This is essential to ensure the long-term viability of HPL. The relationships we have nurtured with our stakeholders and our initiatives to proactively engage them, have enabled us to strengthen the sustainability of our Organisation over the years. The feedback is helpful to effect strategic changes, if necessary, to make our operations more effective.

We have identified the following stakeholder groups that have significant impact on our Organisation. We constantly deliver value to them and simultaneously derive value through these relationships.

Stakeholder	Material concerns	Engagement	Frequency	Value created
Employees Our employees are critical to the success of HPL. As such, we nurture an engaged and motivated workforce. Majority of employees reside on our estates and we invest heavily in their welfare and development. See pages 39-42 for more details on our relationship with our employees.	• Fair labour practices • Industry competitive compensation and benefits • Skills and career development • Health and safety	• Daily forums • Community development forums • Employee surveys • Complaints registers maintained at estates • Monthly meetings with Union representative • Staff meetings	• Daily • As and when required • Continuous • Continuous • Monthly • Continuous	• Livelihoods • Employee empowerment • Equal opportunity • Conducive environment • Welfare and other benefits • Job enrichment
Smallholders Local smallholders are a vital component in Sri Lanka's tea industry. We purchase green leaf from, and work to improve the capacity of smallholders. See pages 35-36 for more details on our work with local smallholders.	• Access to market for grown tea • Best-practices and knowledge in tea growing	• Village forums • One-to-one meetings • Complaints registers maintained at estates	• As and when required • As and when required • Continuous	• Fair price • Technical advice on agri-business • Financial support
Brokers and buyers 90% of our tea is sold through brokers at the Colombo Tea Auction. We also work closely with key buyers for direct sales. See pages 35-36 for more details on our relationship with key partners	• Quality and standards of products • Product information • Customer service • Ethical business practices	• Tea auctions • One-to-one meetings • Buyer satisfaction surveys • Broker review reports	• As and when required	Hi • gh quality produce • Quality assurance certification • Compliance to accreditations
Communities Worker families and communities create the social fabric of estate life. As such, we work closely with state and non-state agencies to facilitate the socio-economic development of our estate communities. See pages 35-38 for more details on our relationship with key partners	• Creating employment opportunities • Welfare and benefits • Philanthropy and community development • Environmental best practices	• Village forums • Complaints registers maintained at estates	• As and when require • Ongoing	• Provision of housing and other facilities • Basic medical facilities • Education for children • Environment conservation • Financial support for community development

STAKEHOLDERS

Stakeholder	Material concerns	Engagement	Frequency	Value created
Investors Key investors and shareholders provide the impetus for our growth and share in our success. See pages 35-36 for more details on investor relations	• Operational viability and returns • Ethical and responsible corporate conduct • Timely disclosures	• Quarterly financials • Press releases • Annual Report	• Quarterly • As and when required • Annually	• Increasing financial returns • Risk Management • Corporate Governance
Government The Government functions as the lessor of estates managed by us, and as the regulator for the industry and environment. The government also functions as a policy maker, and levies taxes on our products and profits. See pages 35-37 for our partnership with government entities and page 116 for our statement of value added	• Compliance with statutory and regulatory requirements • Uphold good governance and effective risk management practices	• One-to-one meetings with government and Provincial Councils • One-to-one meetings at corporate level with relevant Ministries and Department of Inland Revenue	• As and when required	• Alignment with national strategy • Compliance with the terms of the lease agreement • Conservation of natural capital • Timely payment of taxes
Environment As an agriculture-based operation, the environment directly impacts our sustainability. From ecological integrity to climate change, these have a direct impact on our future prospect. See pages 43-44 for our conservation efforts and sustainability initiatives	• Environmentally friendly processes • Environment conservation • Compliance to green practices	• Sustainability initiatives • CEA approvals for timber harvesting • Approval for the five year forestry management plan	• Ongoing	• Rain water harvesting • Conservation of biodiversity in HPL estates and surrounding area • Responsible waste management

STRATEGY

Our strategic focus for 2018/19 was to increasing the selling prices through quality enhancement. Our selling marks attract premium prices at the Colombo Tea Auctions. We strategised to improve the rankings of our selling marks among regional plantation companies in respective elevations. HPL has secured above average prices for the respective elevations. This is a commendable feat considering the declining demand for tea that was evident throughout the financial year in review.

SWOT ANALYSIS

It is imperative to assess our internal strengths and weaknesses as well as opportunities and threats presented by the external environment. Hence, a SWOT Analysis is conducted as part of the annual budgeting process to prepare a realistic business plan.

STRENGTHS

- Land extent and high yielding tea estates
- Tea estates in both Western medium and Western high appealing to a wide array of buyers
- Amongst the top three manufacturers
- Top notch selling marks such as Waltrim, Addisham, Kenilworth
- Ability to meet buyers' requirements effectively
- Highly experienced workforce with tacit knowledge
- Commitment to field development and factory development coupled with financial strength

WEAKNESSES

- Declining land productivity
- Inability to respond speedily to market changes
- Constrains in replanting
- Shortage in labour supply

OPPORTUNITIES

- Improve quality further and become the top price gainer
- Reduce cost through mechanisation and sheer plucking
- Increase direct and private sales
- Forecast market conditions and reduce revenue volatility through research
- Land for commercial forestry

THREATS

- Price volatility
- No control over the market prices
- Issues related to climate change and sustainability
- Changes in geopolitical factors affecting tea market
- Government restrictions in approvals and policy changes

OPPORTUNITIES

Executing effective strategies to capitalise on opportunities enables to increase profitability and strengthen HPL sustainability.

Opportunities	HPL's response
• Improve quality further and become the top price gainer	• Attention to detail throughout the production cycle
	• Reinforcement of compliance to certifications and accreditations
	• Reduce cost through accelerated mechanisation and sheer plucking
	• Pursuing direct and private sales
	• Forecast market conditions and reduce revenue volatility through market research
• Land for commercial forestry	• Managed timber under the five year forestry management plan
	• Replacing harvested trees with new planting

PESTEL ANALYSIS

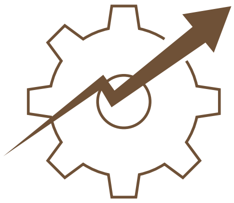
We have an in depth understanding of the sensitivity of our Company to changes in the external environment. Sustainability of our operations is largely impacted by macroeconomic conditions, environmental factors, regulatory changes and other competitive factors. Shown below are external factors that posed risks to our Company, as well as their potential impact and mitigating actions taken by us. Please refer our risk management report on page 25 for a comprehensive overview of our corporate risk management.

	Challenge	Potential impact for HPL	Our responses
Political	Political stability and importance of the tea industry in the country's economy. Political environment consists of law, government agencies and politically affiliated trade unions. They exert significant influence on the tea industry.	Political instability affects Company's profitability and sustainability and could disrupt its operations.	• Adopt prudent assumptions in forecasting and implement operational strategies. • Perform scenario planning to ascertain different outcomes • Maintain strong relationships with industry associations and unions.
Economic	Volatility in exchange rates, economy, business cycle stage of the economy (e.g. prosperity, recession, and recovery), economic growth rate, unemployment rate and inflation affect the tea industry.	Affects the Company's operations, revenue stream and sustainability. Increase in cost of living adversely affects the demand for tea.	• Adopt prudent assumptions in forecasting. Increase efficiency and productivity. • Perform scenario planning in business planning.
Social	Changes in demography and consumer needs disrupt the industry.	Affects the demand of tea and revenue earned.	• Obtain feedback from buyers, brokers and research agencies to understand the changing preferences of the end customers . • Actively monitoring new trends and changes in consumer demands. • Focus of quality improvement
Technological	Technology impacts the product offering, cost structure and the value chain structure. It also affects the efficiency and productivity of operations.	Technology disrupts the industry and makes certain processes obsolete and inefficient. Non-adoption of technology leads to increase in cost of production, in particular high labour costs.	• Invest in automation of processes and adopt technology in operations. • Modernisation of factories
Environment	Environmental policies of the Government, changes in weather conditions and declining soil quality.	High cost of compliance, drop in production, high cost of fertilising, increase in abandoned lands and high cost of maintenance.	• Restoration of degraded lands by soil rehabilitation. • Replace old seedling tea bushes with VP teas. • Commercial forestry on abandoned lands. • Develop minor crops such as cinnamon, fuelwood planting.
Legal/regulatory	Impact of regulations on processing tea, packaging, sourcing, manufacturing and distribution. Additionally, the labour laws, environmental laws, health and safety laws also impact the industry.	High cost of compliance and keeping abreast with the regulatory changes.	• Regular consultations with the corporate legal officer. • Conduct regular compliance audits. • Provide training to our staff on regulatory aspects. • Collective lobbying to the Government.

STRATEGIC FRAMEWORK

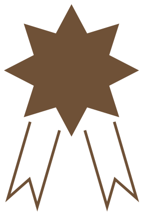
Our ultimate objective is to meet the requirements of our buyers effectively. We give utmost importance to the quality of our teas which commences with understanding buyer preferences and leveraging our resources to meet their demand to the best of our ability. We made steady progress on our three strategic pillars, namely, productivity, quality, and responsibility. Given below are value drivers and the respective key performance indicators (KPIs).

VALUE DRIVERS



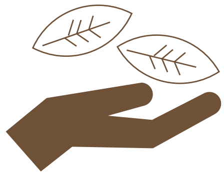
Productivity

- Adopt sustainable soil management practices
- Workforce engagement, motivation and well-being
- Investment in technology to enhance production and operations
- Reduce waste and maintain a lean cost structure



Quality

- Innovation, quality and greater value addition to manufacture specialty teas to meet buyer requirements
- Leverage strategic partnerships, consistent training and technological development to maximise quality in growth, harvest, purchase and manufacture



Responsibility

- Uphold sustainable agriculture and manufacturing practices and follow certification guidelines
- Implement comprehensive measures to ensure environmental responsibility
- Comply with laws and regulatory requirements
- Conduct social programmes to uplift the living standards of resident communities and integrate operations with neighbouring communities

RISKS AND MATERIALITY

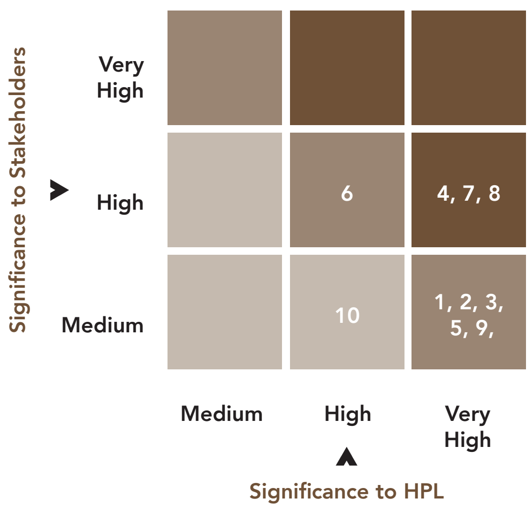
Scanning the external environment for risks and threats and executing effective strategies to mitigate them is an integral aspect of the strategic planning process at HPL.

Risk/challenge	Impact on HPL	HPL's mitigation strategy
1. Unpredictable weather climate conditions	• Crop losses • Shortfall in revenue • Lower profitability	• Adopt sustainable agri-practices • Follow recommendations of the Tea Research Institute
2. Price volatility in the tea market	• Volatility in revenue generation • Accumulation of unsold stocks • Liquidity concerns	• Cost control • Enter into forward contracts • Adopt industry-wide solutions
3. Low land productivity	• Lower yields • Pressure on cost of production	• Replace old seedling with VP and replanting • Alternative crops • Timber planting
4. Risks related to bought leaf	• Losses incurred due to unsold tea and stock holding • Lowered NSA • Rejection of produced tea • High re-processing cost	• Field-level monitoring and supervision • Improved leaf transportation and handling • Improved quality control/assurance for purchased leaf and manufacturing
5. Rising labour costs due to biennial wage increase	• Escalation of personal costs • Labour strikes and unrest leading to low productivity	• Conduct industry wide negotiations • Engaging labour on contract basis
6. Rising energy cost	• Erosion of profits • Increased strain on cash flows	• Use cost effective sources energy sources • Use of internal hydro power, briquettes and solar power • Use of Calliandra as firewood, planting trees to be used as firewood
7. Changing policy environment	• High cost of production due to non-availability of the weedicide • Challenges in controlling weeds • Difficulty in applying fertiliser • Switching to alternative weedicides result in adverse consequences	• Manual weeding • Using organic weedicides • Industry lobbying
8. Shortage of associates	• Disturbance to leaf plucking • Impact on revenue	• Mechanisation of plucking • Contract labour for plucking
9. Estate associate wage structure and engagement	• Loss of productivity • High cost of production • Disruption to operations • Labour unrest	• Up-skilling existing cadre • Implementation of development plan • Lobbying for change to productivity-based wage model • Application of estate norms and better utilisation of labour
10. Risk of fraud	• Loss of revenue/profit • Impact on corporate reputation and brand equity	• Sound internal controls and effective audits • Implementation of IA recommendations and follow up actions, • Pre-employment screening • Appropriate insurance coverage

MATERIALITY MATRIX

We consider an aspect to be material if it substantially affects our Company's ability to create and sustain value over the short, medium and long-term. A stringent evaluation process is followed to determine material aspects which impact our Company and our stakeholders. Material aspects are considered from the perspective of the Company and the stakeholders whilst relevance and significance are also taken into consideration to determine materiality. The material topics are identified through the stakeholder engagement process and by assessing the external environmental factors, social issues and business risks and opportunities.

The material issues identified are prioritised and mapped on the matrix below and the impacts are rated as high, moderate and low. This forms the basis of risk management and formulating strategies accordingly, to create sustainable value for all stakeholders.



VALUE CREATION MODEL

HOW WE DO TEA

INPUTS

FINANCIAL CAPITAL
page 30

- Shareholders' Funds LKR 1,563 Mn
- Financial management
- Risk management
- Borrowed funds from banks

INTELLECTUAL CAPITAL
page 33

- Accreditations
- Several high demand selling marks
- Management expertise
- Tacit knowledge
- Innovation across processes and products

MANUFACTURED CAPITAL
page 31

- Bearer biological assets
- Bearer plants
- ISO certified factories
- Property, plant and equipment

REGULATORY AGENCIES

Government

GOVERNANCE STRUCTURE

Vision and Mission

VALUE CREATION PROCESSES
(Activities/Business Processes)

Growing

- Planting, pruning, weeding and nurturing

Harvesting

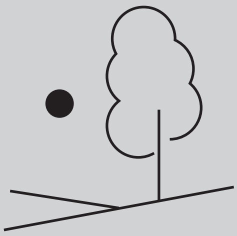
- Harvesting of two leaves and a bud
- Strong employee engagement, regular training and phased modernisation

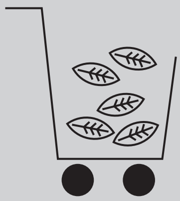
Purchasing

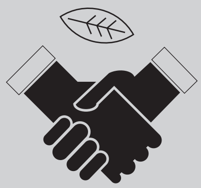
- Green tea-leaves bought from local tea smallholders

Relationship management

- Derive, create and share value through strong and strategic relationships with our stakeholders







Internal Controls

Corporate Governance

CEA

OUTPUTS

- Loss Before Tax of LKR 118 Mn

- Employees trained 2,252

- LKR 53 Mn invested on expansion

SOCIAL AND RELATIONSHIP CAPITAL
Investor/Customer/
Business Partner/Community
page 35

- Community development
- Improving quality of life
- Business ethics and integrity
- Proactive collaboration with unions, regulators, Government and NGO's
- Investor confidence

HUMAN CAPITAL
page 39

- Skilled and motivated workforce
- Healthy and developing estate communities
- Robust Group, Company, and estate leadership
- Core competencies

NATURAL CAPITAL
page 43

- Exceptional biodiversity, soil quality and climate
- Renewable and non-renewable energy sources
- Water from natural aquifers
- Locally sourced raw materials
- Environmental stewardship

CSE

Manufacturing

- Value-addition, quality, innovation and modernisation throughout our tea manufacturing process
- State-of-the-art factories set a benchmark in the industry

Branding and Marketing

- Distinct garden selling marks renowned for premium teas
- Our marketing teams ensure our produce have a competitive edge by leverage the Company's passion for environmental conservation,
- Community development, sustainable farming and quality tea

Sales

- Majority of our tea is sold through brokers at the Colombo Tea Auction

Risk Management Framework

CBSL

- Company growth
- EPS LKR (0.48)
- Dividend to shareholders LKR 0.25
- Certification and global benchmarks for ethical and sustainable practices
- All raw materials sourced from local suppliers
- 25% – 30% of leaves processed, bought from over 100 local smallholders
- 7,057 MT tea produced
- LKR 35.2 Mn paid as taxes

- Employees trained 2,252
- LKR 1.8 Bn expended on salaries, wages and other benefits
- 89% of employees were members of trade unions
- Health and safety of estate employees

- International accreditation and certifications – Rainforest Alliance
- Energy efficient factories

OUR IMPACT

FINANCIAL CAPITAL

Financial capital comprises the pool of funds that is available to an organisation for use in the production of goods or the provision of services and obtained through financing, such as debt, equity or grants, or generated through operations or investments.

It is not paradoxical to say that Hatton Plantations reported a loss of over hundred million rupees, yet ended up with a substantial cash and cash equivalent balance of LKR 185 Mn. As the primary source of cash on an ongoing basis is a profitable operation, less profitability or losses invariably means depletion of cash reserves. This cash surplus at the year end is proof of the preservation of the financial capital during the year amidst a depressing tea market that prevailed for the most part of the financial year. Because the funds generated through operations are critical for the Company in the absence of any equity or debt infusion to its capital structure, the Management focused fully on prudent working capital management and frugal spending without compromising the standards of operations.

The cash surplus is quite commendable in view of the formidable challenges the tea industry faced during the year such as the MRL/MCPA issues, declined demand from Japan, drought and heavy rainfall, wage hike etc., which affected Hatton Plantations profitability in a significant way.

As the extra gratuity provision of LKR 147 Mn (triggered by the wage hike) coupled with the usual non-cash items such as depreciation and amortisation contributed to the loss for the year, the Company made cash inflows from operating activities as follows:

LKR '000	**2019**	2018 (Six months)
Net (Loss) profit before taxation	**(117,802)**	390,545
Adjustment of non-cash items and changes in working capital	**470,661**	189,290
Settlement of retirement benefit obligations	**(104,552)**	(47,927)
Other operating payments	**(97,685)**	(43,533)
Cash generated from operating activities	**150,622**	488,375

Further, despite the liquidity crunch that the Company went through due to the setbacks aforesaid, significant expenditure was incurred on capital expenditure in order to maintain the sustainability of the business as shown below:

LKR '000	**2019**	2018 (Six months)
Cash used in capital expenditure	**50,648**	65,122

Also, Company created this surplus after incurring LKR 170.2 Mn on the financing activities which includes dividend payment and significant loan settlements as shown in the following table:

	2019 **LKR '000**	2018 (Six months) LKR '000
Dividend paid	**59,167**	118,333
Repayment of borrowings	**106,884**	51,215
Repayment of Government lease	**4,192**	1,946
Cash used in financing activities	**170,243**	171,494

The loss before tax of LKR 117 Mn, capital expenditure of LKR 50 Mn and expenditure on financing activities of LKR 170 Mn only resulted in a net decrease of cash reserves of LKR 70 Mn, out of the beginning of the year cash reserve of LKR 255 Mn, resulting in the year end cash surplus of LKR 185 Mn.

As shown above, the preserved financial capital was leveraged to meet current and non-current financial obligations and meet working capital requirements.

MARKET CAPITALISATION

Market capitalisation is a reflection of the investor interest in the Company and their confidence on the Company's ability to create value in the future. It signals the easiness to raise capital in the stock market. Comparisons are as follows:

	31 March 2019	31 March 2018
Market price per share (LKR)	**6.70**	7.80
Market capitalisation (LKR Bn)	**1.6**	1.8

The decrease in market price and the market capitalisation is due to the depressed tea market and loss reported for the year. However, HPL being a new entrant in the industry consequent to the spin-off of Watawala Plantations PLC, market capitalisation which is above LKR 1.5 Bn is commendable.

MANUFACTURED CAPITAL

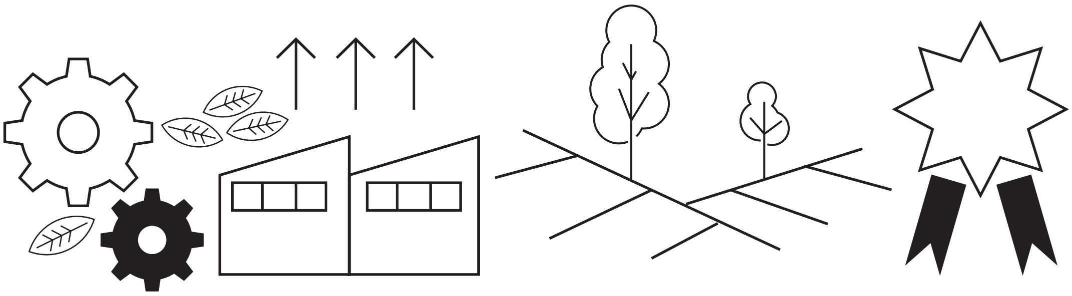
Our manufactured capital is a vital value driver consisting cultivated tea land (bearer plants) and property, plant and equipment including plant and machinery, roads and water sanitation projects and IT infrastructure that support the production of tea. Manufactured capital also includes commercial forestry (consumable biological assets), namely timber and firewood. We develop, manage, utilise and maintain our manufactured capital in a sustainable manner to satisfy our markets (buyers), sustain the plantation workforce, and create value for other stakeholders.

Overall, HPL has increased the capacity and value of its manufactured capital during the year, despite a liquidity crunch which prevailed during the first nine months of the year. This underscores the Management commitment to value creation using manufactured capital.

BEARER PLANTS

Bearer plants refers to the land cultivated under tea. Cost of land preparation, new planting, and subsequent cost of upkeep and capital infillings are considered investments. During the year, HPL invested LKR 11 Mn on land preparation, replanting, and upkeep of tea. A further LKR 4 Mn investment was made for a new project planting Agarwood.

Land utilisation is guided by HPL's agricultural policy which meets soil, biodiversity, and stakeholder concerns. Hence, a range of concerns are addressed, including prevention of environmental pollution, health and welfare of the community, and adoption of sustainable agri-practices that nourish the soil. Additionally, all our plantations are Rainforest Alliance Certified. We also addressed labour shortages by increasing mechanisation.



158,500 kg/day tea production capacity (Green leaf)	**4,109 ha** tea cultivated extent	**103,095 kg/day** capacity utilisation (Green leaf)	**ISO and HACCP** certified estates/factories
LKR 49 Mn investments for factory upgrading/improvement	**LKR 15 Mn** investment in bearer plants	**LKR 23 Mn** investment for commercial forestry	

PROPERTY, PLANT AND EQUIPMENT

Despite the liquidity crunch that prevailed during the year, we continued to invest in property, plant, and equipment in order to improve and maintain our production capability. A total of LKR 60 Mn was invested in factory machinery and buildings. LKR 34 Mn was invested in factory machinery, mainly for VFD (Variable Frequency Drives) to reduce electricity consumption, and generators to ensure uninterrupted power supply. HPL also invested LKR 26 Mn on a worker housing scheme.

COMMERCIAL FORESTRY

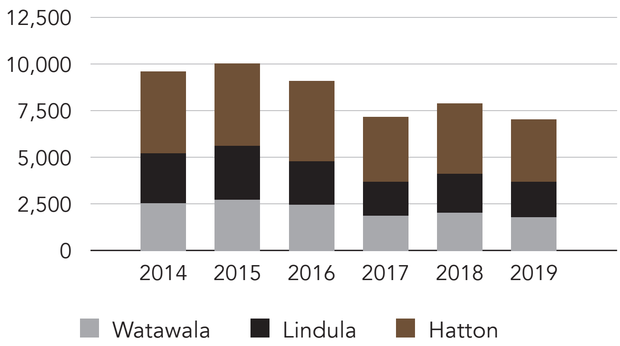
HPL has designated blocks of timber planted for future harvesting. Also, there are valuable trees planted across the estates. These have been recognised as managed timber under the five-year forestry management plan approved by the Forest Department, Sri Lanka. Lands which are considered unsuitable for tea cultivation, and lands designated for timber are converted for forestry. Harvested trees are replaced with new plants that are looked after for five years till they mature. HPL invested LKR 23 Mn in forestry due to the growing commercial importance and environmental significance of this asset. During the year, we ascertained 72,000 ha on HPL estates can be categorised as valuable trees as per their girth and height.

TEA PRODUCTION

Estate	Total factory production 2018/19 (Made Tea kg)
Abbotsleigh	**1,382,853**
Carolina	**942,396**
Dickoya	**638,160**
Kenilworth	**448,300**
Shannon	**464,355**
Strathdon	**740,543**
Vellaioya	**703,276**
Agrakanda	**199,171**
Henfold	**480,069**
Tangakelle	**331,255**
Waltrim	**726,953**
Total	**7,057,331**

Carolina, Strathdon, and Abbotsleigh are CTC factories, which contribute around 45% of production. HPL was the third largest in terms of tea sales among RPCs for the financial year ended 2018/19.

TEA PRODUCTION (kg '000)



Region	Production (kg '000)					
	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea						
Watawala	**1,797**	2,073	1,893	2,489	2,754	2,563
Lindula	**1,925**	2,088	1,835	2,323	2,881	2,682
Hatton	**3,335**	3,749	3,459	4,297	4,402	4,388
Total	**7,057**	7,909	7,187	9,110	10,036	9,632

SUSTAINABLE AGRICULTURAL AND SOIL MANAGEMENT PRACTICES

We continuously maintain and improve our manufactured capital to ensure environmental and organisational sustainability. By adopting best practices in agriculture, soil management, and conservation, we optimise yield and maintain the quality of our tea. Sustainable agri-practices on our tea plantations are key aspects of our core business, and incorporated at every level from planting, pruning, weeding, and nurturing, to harvest.

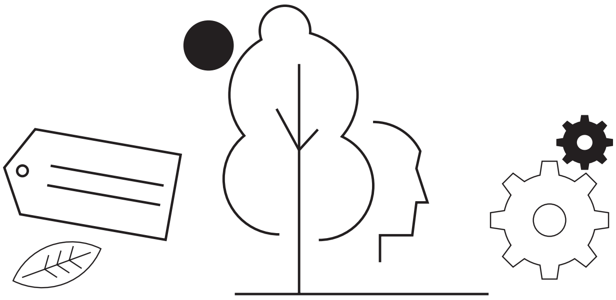
Regular pruning, weeding, and monitoring ensure ideal root growth, bush framing, and nurture of our precious cultivars. Turning, composting, and using natural and accepted inorganic fertilisers ensures suitable productivity and optimal quality of tea leaves. We also utilise tried and tested practices such as shade management, mulching, high and low-shade variation, terracing, draining, and planting of cover crops to preserve soil quality to reap an optimal harvest of the highest quality. These sustainable farming practices adopted by us go hand-in-hand with forestry management and biodiversity protection initiatives.

FUTURE OUTLOOK

With a clear focus on producing teas of the highest quality, we will continue to modernise our approach to the business both in human capital and technology platforms. In particular, we aim to adopt technology to field irrigation, which is critical to producing high quality tea plants that produce a good harvest. We also plan to upgrade our factories, install modern energy efficient equipment, automate our offices and factories to realise greater cost efficiencies and create more Green Energy factories.

INTELLECTUAL CAPITAL

The intellectual capital of our Company comprises our brand, distinct selling marks, tacit knowledge, awards and accolades, certifications, compliance, and corporate culture. This is a very relevant asset in the value creation process of our Company which helps to enhance its profitability and sustainability.



12
distinct garden selling marks

Compliance to globally recognised environmental, social, and product responsibility standards

Leader in technological adaptation in the industry

MAKING QUALITY TEA

Making of quality tea is an art that we have perfected with decades of experience. From growing (and selection of cultivars) to manufacture and sales, attention to detail is a key factor in ensuring quality of our teas. Following best practices in agriculture, soil management, and conservation enables to maintain quality and increase yield whilst mitigating the effects of climate change. We follow the below mentioned steps to make quality teas:

- Ensuring the highest standards of green leaf
- Regular maintenance of factory machinery
- Adopting new technology
- Experienced tea makers
- Consultant tea tasters
- Feedback from buyers and brokers

We pay detailed attention from plucking of tea leaves through withering, rolling, fermenting, and drying and sorting until the final packing to ensure highest quality.

BRAND DEVELOPMENT AND MARKETING

Several of our garden selling marks hold a prestigious place amongst the finest of Ceylon Teas. Especially, Waltrim, Adisham, Shannon, Vellaioya, and Kenilworth garden "marks" have always been synonymous with high quality and is held in high esteem among tea connoisseurs throughout the world. Our legacy and long-standing history in tea production coupled with the attention to quality have enabled us to be a leading player in the industry.

Bulk of our tea is sold through brokers at the Colombo Tea Auction (CTA). Our garden selling marks has secured consistent and at times record-breaking performance at the CTA and continues to command premium prices in the market which is a testament of the quality of our tea.

OUR GARDEN SELLING MARKS

We have 12 garden selling marks which distinguishes us from our peers. Each selling mark is distinct in their own taste, quality, character, and appearance based on soil and climatic conditions of the tea estates. Many are renowned for their superior quality and are ranked on top of selling marks from their respective agro-climatic regions. Hence, these selling marks command premium auction prices as well.

HPL ESTATES AND RESPECTIVE SELLING MARKS

Region	Estate	Selling mark
Lindula	Waltrim	Waltrim
	Henfold	Henfold
	Tangakelle	Tangakelle
	Agarakanda	East Fassifern
	Ouvahakelle	Ouvahakelle
Hatton	Dickoya	Adisham
	VellaiOya	VellaiOya
	Abbotsleigh	Florence
	Strathdon	Strathdon
Watawala	Shannon	Shannon
	Kenilworth	Kenilworth
	Carolina	Carolina CTC

TACIT KNOWLEDGE

HPL's quality is built on a reservoir of tacit knowledge, which comes from years of experience in the industry. From growing to harvesting, and from manufacturing to quality control, our knowledge and expertise has been the key success factor that has enabled us to be a leading player in the industry.

Whilst using best agricultural management practices to optimise crop yield and quality, we continuously upgrade the knowledge and skills of our estate workforce and Management to enhance productivity and efficiency. Employee engagement coupled with regular skill-building, best-practice adoption, and information-sharing help nurture "explicit" knowledge into "tacit" knowledge.

COMPLIANCE

We confirm our compliance with best practices and international benchmarks on environmental and social responsibility, and product responsibility. To validate the quality of our products, all our plantations adhere to the high ethical standards set out under the Rainforest Alliance Certification and Ethical Tea Partnership while the Tea manufacturing processes operate in alignment with globally accepted best practices covered by ISO 22000: 2005, Food Safety Management System, SGS and HACCP for food and safety management standards. Additionally, we are aligned with the FLO Certification standards and the standards issued by the Sri Lanka Standards Institution – Sri Lanka Tea Board. We also adopt the Good Agricultural Practices and 5S practices in our operations.

Certification	Description	Estates Certified
ISO 22000:2005	This certifies that our food safety management system addresses the food safety management risk across the food supply chain and ensure the safety of the food at the time of human consumption.	Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina
HACCP (Hazard Analysis and Critical Control Points)	Certifies that our hazards analysis and critical control points system for biological, chemical and physical hazards from raw material production, procurement and handling to manufacturing, distribution and consumption is compliant with international best practices.	Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth
Ethical Tea Partnerships	Certifies our products meet international standards on social and environmental practices.	Abbotsleigh, Dickoya, Waltrim, Shannon, Kenilworth, Carolina, Henfold, Tangakelle, Vellaioya, Agarakanda, Ouvahakellie, Lippakellie, Strathdon, Wigton
Fair Trade	Certifies our products meet international Fairtrade Standards which cover environmental, labour and developmental standards.	Abbotsleigh, Dickoya, Waltrim, Henfold, Kenilworth, Vellaioya

FAIRTRADE FOUNDATION

Ethical Tea Partnership

ISO 22000:2005

FUTURE OUTLOOK

We will continue to reinforce our brand through keen focus on quality and strong compliance with best practices. Whilst maintaining the “Star” status of some of our brands, we will endeavour to turnaround more of our selling marks to become “Stars”.

SOCIAL AND RELATIONSHIP CAPITAL

As a leading player in the plantation sector with 23 years of expertise, we have a diverse set of stakeholders. It is imperative that we engage and manage them responsibly to ensure sustainable value creation. Our commitment reaches beyond mere commercial gains to upholding ethical values in all our transactions and managing relationships with customers, business partners, investors, and statutory and regulatory authorities. This is a critical success factor for organisational sustainability.

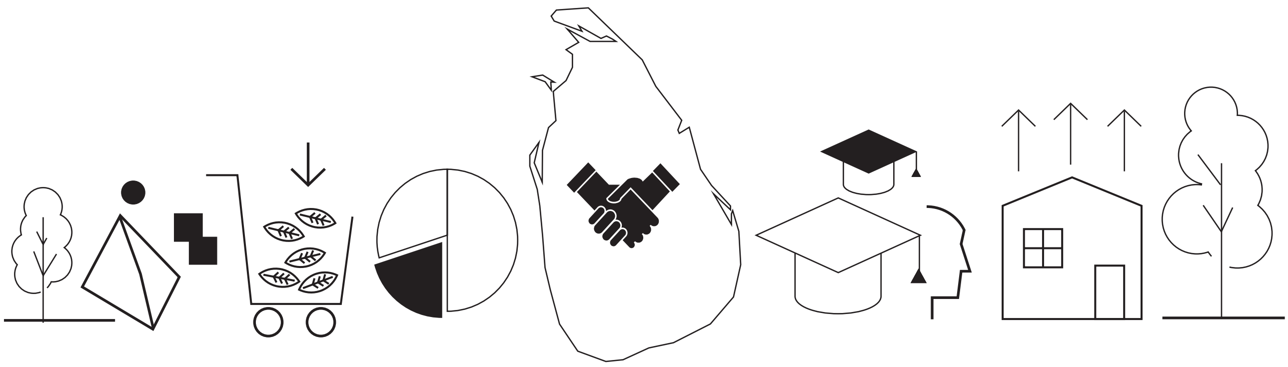
CONTENT CUSTOMERS

We engage our customers and buyers responsibly, gaining their confidence and trust. We focus on building positive customer experiences by offering quality products and providing an excellent customer service. We communicate responsibly and also receive their feedback which is imperative to fulfil customer requirements efficiently. Our employees are trained in customer service tenets, upholding best practices and complying with relevant rules and regulations. Our distinct garden selling marks are renowned for premium teas and we are trusted by customers for exemplary quality, ethical processes and adopting sustainable farming practices.

PRODUCT QUALITY AND STANDARDS

We give utmost importance to product quality. The quality of our tea is assured through attention to detail at stage of the production cycle. Our well-qualified quality assurance team ensures the quality of our tea on the Colombo Tea Auctions. We follow due quality assurance process and adhere to rules and regulations in terms of food safety. To ensure quality of our products and the health and well-being of our consumers, the entirety of our operations is aligned with local and international best practices. Our agricultural practices on tea estates conform to the requirements of the Sri Lanka Tea Research Institute (TRI) and other certifications including, concentration of agro-chemicals, gestation period and permitted materials.

All our tea estates are certified with Rain Forest Alliance, Ethical Tea Partnership, Fair Trade, ISO 22000 Food Safety Management System and HACCP voluntarily. Additionally, we comply with the requirements of the, Sri Lanka Standards Institution, TRI and Sri Lanka Tea Board.



100% raw material sourced from local suppliers	**100+** local smallholders supported	**25% to 30%** of processed leaf is purchased from smallholders	**LKR 0.25** dividend per share to shareholders
14,000 estate residents benefitted from development support	**LKR 135.8 Mn** invested in community development and worker welfare	**55** child development centres on estates, supporting 5,581 children	**28** estate dispensaries and MCH centres on estate
40 active CBOs on estate	**10,961** children (<14 years) attending school	**23** scholarships provided	**116** awareness programmes carried out

CONSUMER SECTOR

We sell over 90% of our tea produce through brokers at the Colombo Tea Auction and the balance is sold directly to buyers. The buyers include wholesalers and exporters whom are in the process of making value added teas and selling them globally, earning valuable foreign exchange for our nation. The record-breaking performance of our garden selling marks and consistent premium prices exemplify the market demand for our quality teas.

PRODUCT COMPLIANCE

In the year under review, HPL did not record any fines for non-compliance with laws and regulations with respect to products and services. We did not incur any incident of non-compliance with regulations and voluntary codes with respect to marketing communications.

RESPONSIBLE BUSINESS PARTNERS

We have continued to build strong relationships and collaborated strategically with our business partners to strengthen our value creation process and give careful thought on managing our partnerships. In doing so, building trust in the HPL brand remains a focus of our engagement initiatives. We nurture relationships based on common understanding and shared experiences. In order to enhance the confidence they have placed in our Company, we regularly invite our business partners to visit our plants and factories and showcase our production process.

We are conscientious in our selection process, carrying out necessary background checks and initiating relationships only with the best-in-class partners who have the necessary expertise and solid corporate standing both locally and internationally. In turn, we too uphold our obligations to secure better partner relationships.

SUPPLIERS

The suppliers we regularly engage with are bought-leaf and agro-chemical suppliers. We follow best practices in selecting and maintaining relationships with our suppliers, paying attention to quality aspects, reliability, delivery timelines, and cost and benefits. We also check supplier credentials, corporate values, and conformance to relevant environmental and social aspects.

BOUGHT-LEAF SUPPLIERS

All bought-leaf is sourced locally and we closely engage with smallholders to develop capacity at every stage. Bought-leaf account for 25% to 30% of green tea leaves processed and is sourced by over 100 suppliers, of whom 22 are key. All bought-leaf suppliers are all located within a 30 km radius of the factory it is supplying. They are either tea smallholders registered with TSHDA (Tea Small Holders Development Authority) or collectors from groups of out growers, registered with the Tea Commissioners Division.

Value is delivered to tea small holder through capacity building and training, conducting regular monitoring and audits, providing routine feedback and support to enhance their services and through the provision of incentive programmes. In particular, we continually engage in knowledge sharing and providing advice on best practices on plucking, manuring, storing and transporting goods. This facilitates capacity building and quality enhancement, whilst adopting environmentally sustainable practices throughout our supply chain. Additionally, workshops are conducted for tea brokers to enhance their knowledge in the finesse of quality teas. We also provide financial support by paying for goods on delivery, regardless of the substantial lead time until tea auction sales proceeds are received by HPL. Selected small holders are given further support by dispensing agro-chemicals directly from our warehouses and recovering the cost subsequently by deducting from the earnings from the next consignment of bough-leaf.

FERTILISER AND AGRO-CHEMICAL SUPPLIERS

Fertiliser and agro-chemicals are bought from 2 to 3 reputed local suppliers, recognised in the industry for quality of goods and reliability. These suppliers are registered with the National Fertiliser Secretariat and the Registrar of Pesticides. Since the banning of weedicides – glyphosate and Basta, the volume of purchases of agro-chemicals has reduced. Following the withdrawal of the fertiliser subsidy by the Government, we continue to engage in manual weeding and focus on measures to improve cost-effectiveness of fertiliser application through soil mapping and leaf analysis.

INVESTOR RELATIONS

Our Board of Directors and the Management Team fully recognise our responsibility towards our investors. We manage our operations adopting best business practices and adhering to relevant rules and regulations. Whilst enabling higher returns on investor investment, we conduct our operations and investor dealings with transparency and accountability.

We posted a revenue of LKR 4,039 Mn and a net loss after tax of LKR (112) Mn for the financial year 2018/19. This enabled us to declare dividends for the year, totalling to LKR 59 Mn.

CONTENT BROKERS AND BUYERS

We build and maintain firm relationships with our brokers and buyers and command confidence in the Colombo Tea Auctions. Strategic precedence is given to the quality of our product, upholding best practices, complying with relevant rules and regulations and responsible communications. Frequent meetings and discussions with broker and buyers enable us to identify their requirements, trends, preferences, opportunities, and further improvements of the quality of our products. We proactively engage with brokers and buyers by ensuring regular visits to our estates, factories, and tea-tastings. We also participate in industry trade fairs, building existing relationships and creating new business opportunities.

CORDIAL RELATIONS WITH TRADE UNIONS

We maintain healthy relations with our estate workforce and trade unions. Meeting regularly and engaging in continuous dialogue, and collaborating with all parties to respond to issues raised by union members. Out of our workforce, 89% hold membership of a trade union.

EDUCATION AND TRAINING

Our community is our estate workforce. Hence, we have a long-term strategy to raise the quality of life even after their retirement. We develop the skills and knowledge of our workforce, apart from remunerating their direct input. In particular, we award scholarships to children to pursue their advance level and higher education. In our endeavour to raise the quality of life of our estate workforce, vocational training centres have been established at Kelnilworth and Waltrim to provide skills training to individuals who are not pursuing higher education. These centres cater to approximately 45 individuals who receive skills training in a range of income-generating areas. We strategise to open such training centres in other estates as well.

We also celebrate cultural and religious events and support differently-abled individuals in the community. Additionally to inculcate the need and the value of a healthy environment, several programmes were conducted during the years as well.

UPLIFTING THE COMMUNITY

We remain committed to being an exemplary corporate citizen. We uphold corporate social responsibility through our community engagement initiatives in areas where we operate, particularly to the resident communities within our estates. We carry out social initiatives to uplift our resident communities and also engage in philanthropic activities to support needy communities in the areas we operate. Our community-based initiatives are geared to uplift the living conditions of resident communities and enhance their quality of life through provision of basic amenities such as housing, water and sanitation, and infrastructure facilities.

ESTATE HOUSING FACILITIES

The Organisation is working toward the outcome of individual houses per family. As such, investments in upgrading and construction of housing remain a key component of our community development strategy. Majority of housing on our estates now consist of twin cottages or single houses.

WORKER WELFARE

A range of facilities are provided to our estate workforce ranging from decent accommodation to healthcare, from childcare to child development. In the year under review, LKR 135.8 Mn was invested on housing for associates, schools for their children, medical facilities, welfare, sports, and crèche facilities.

A series of programmes for oral cancer screening, communicable and non-communicable diseases in elders, anaemia control, environmental conservation, personal hygiene, and grooming were conducted in several estates as well. Communities were also assisted with personal capacity building training including workshops on women's leadership, saving practices, accessing basic legal documentation, and processing EPF/ETF claims.

- 55 child development centres on estates, supporting 5,581 children
- 28 estate dispensaries and MCH centres on estate
- 40 active CBOs on estate
- 10,961 children (<14 years) attending school
- 23 scholarships provided
- 116 awareness programmes carried out

The list of benefits and the expenditure for financial year 2018/19 is given below.

Facility	**2018/19 LKR**	2017/18 LKR
Associate houses	**20,436,419**	22,660,370
Schools	**263,250**	282,720
Scholarships	**984,000**	
Medical	**35,602,570**	37,108,634
Welfare and sports	**48,069,452**	71,929,065
Crèche	**30,470,802**	33,597,488
Total	**135,826,493**	165,578,277

PARTNERSHIPS IN WORKER WELFARE

We work in close partnership with several non-governmental agencies to enhance the welfare standards of our estate employees by utilising their knowledge, skills, and expertise. The estate employees are highly appreciative of the services rendered by World Vision, Berendina, and the Plantation Human Development Trust.

PROGRESS AGAINST SDGS

- 86% of families live in a permanent house with access to safely managed drinking water

- 75% of children receive essential vaccines at the appropriate time
  77% of children exclusively breast-fed until 6 months of age
  Children on our estates have lower incidence of stunting and underweight than the national average

- 90% of children (6-14 years) are literate and can read with comprehension
  8% school drop-outs

WELFARE BENEFITS

Given below are the key welfare benefits given to our employees.

Executive and above grade	Non-executive grade	Associates
Fully furnished bungalow with water and electricity	Accommodation – fully furnished quarters	Free medical assistance
Supervisory vehicle	Tea allowance	Material benefits
Insurance	Free medical benefits from the estate dispensary	Pre-natal/anti-natal / post-natal clinics
Tea allowance	Covered under personal accidents insurance scheme	Child development centres
Mobile phone allowance	Death donations	• Free accommodation with water and sanitation • Transparent to closest government hospital in case of an emergency • Tea allowance • Health education through medical staff • Assistance in the case of a death • Assistance for school children for admission to Grade 1 • Nutritious food for pregnant mothers • Free food for children upto 10 years

FUTURE OUTLOOK

We will continue to build sustainable communities and build long-lasting relationships with our estate workforce, business partners and suppliers. We will also deliver increased value to our customers.

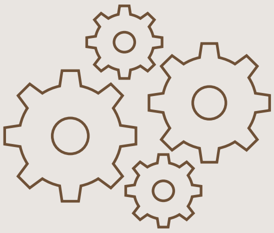
HUMAN CAPITAL

Our employees are critical to the success of HPL. We nurture an engaged and motivated workforce who make a significant contribution to the growth and sustainability of HPL. The value of human capital is enhanced by fostering a culture of learning and development, high work ethics, and promoting a healthy work-life balance.

OUR PEOPLE STRATEGY

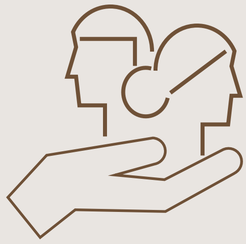
Our people strategy is integrally linked with the business strategy and is geared to drive business outcomes by attracting the right talent, developing them internally through clear cut training interventions, deploying the right resources in the right place at the right time and retaining them through a well thought out compensation and benefits strategy.

Being a responsible and ethical employer has been a key factor for our success, from group level, down to each estate. We strongly believe that a happy and developing workforce is good for business, local communities, and the country at large. Hence, our employee value proposition is executed through well designed, HR policies and procedures to deliver increased value to our people. We strive to drive change management and transformation based on the corporate HR strategy and operations strategy with key focus on people development. A robust HR service model is initiated for efficient implementation of the HR strategy at HPL.



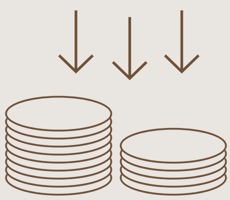
Drive change management and transformation from HR strategy and operations focus

Focus on People. Development to accommodate organisational restructuring and amalgamations



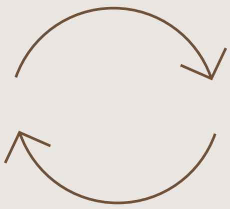
Initiate a robust HR service model with support from HRSC and segregate admin and core HR functions

OUR OPERATIONAL PEOPLE STRATEGY



Reduce fixed costs

Manage expectation with variable compensation

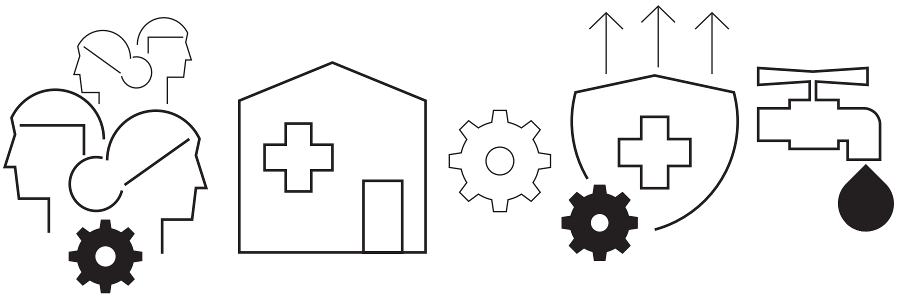


Replacement based recruitment

Re-distribution of staff to manage proposed amalgamations across the regions
Manage cadre expansion to support mechanisation process

Personal development to support succession planning

Quality-improvement based training initiatives to bring about TQM Actively engage on PIPs and TNAs Industry related training calendar



7,002
strong workforce

57%
female employees

556
staff received training across a variety of categories

6,573
employees benefit from free accommodation, WASH, and medical assistance

537
health and safety committees/ CBOs in place

177
health and safety trainings conducted

152
lost days and 8% rate of injury

380+
hours of training for H/O staff

EMPLOYEE ENGAGEMENT

HPL has a strong engagement ethos that encompasses an activity framework revolving around a structured approach stemming from our climate surveys.

The Employee Opinion Survey Conducted annually by the company provides a pulse check on aligning engagement activity both at head office and regional level. These are further fed by our regional and head office town hall meetings where employees are encouraged to freely express their opinions in order to allow for course correction of our employee engagement activities. Suggestion boxes and other such feedback mechanisms provide for anonymity for employees who may feel the need to express their views in private in lieu of expressing themselves in these public forums.

The company also has an annual calendar of regional and head office awards as well as an Employee Recognition Scheme (ERS) which culminates in the Sunshine Awards ceremony for the Group.

The main awards are supplemented by a series of year-round engagement activity carried out according to an engagement calendar that is pre-planned and encompasses special events of cultural significance as well as those of importance as per industry norms.

INTERDEPENDENCY OF THE WORKFORCE

We have a workforce of 6,978 employed across the 14 plantations in the Central Province, and 24 employed in the Head Office. There is a high level of interdependency because 99% of the workforce, who form the backbone of our production line, resides on the estates with their families. These worker families create the societal fabric of estate life. On one hand they form the human capital of our Organisation and on the other they become the community we serve. Hence, it is imperative to adopt equitable HR processes to balance stakeholder aspirations and our estate employees. Therefore, our certifications with Rainforest Alliance and Ethical Tea Partner cover good employment practices we adopt in their assessments. More details of our efforts to uplift the community are detailed under relationship and social capital section of this Annual Report.

We report on the Sustainable Development Goals (SDGs) as well to report the initiative taken in the estates to promote the social economic progress of our workforce.

EMPLOYEE ANALYSIS

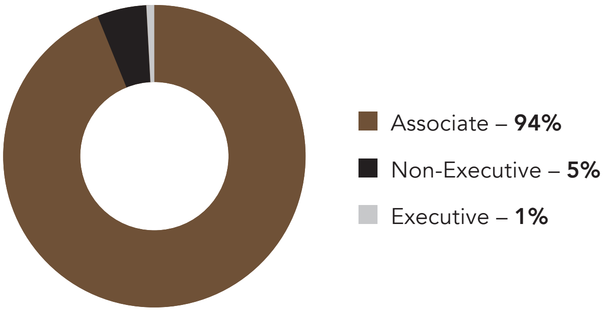
Given below is the analysis of our workforce.

ESTATE-WISE CADRE

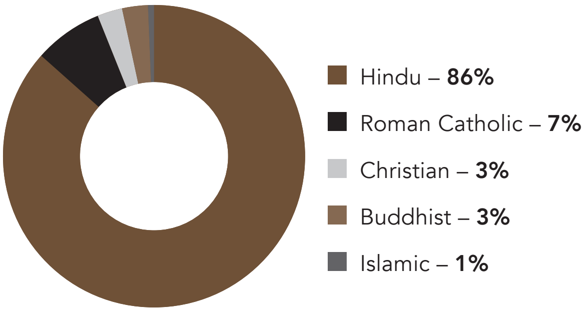
Estate	Male	Female
Abbotsleigh	189	277
Carolina	139	210
Wigton	108	161
Dickoya	307	346
Kenilworth	220	230
Shannon	117	163
Strathdon	305	401
Vellaioya	355	434
Agrakande	167	190
Henfold	356	412
Tangakelle	172	317
Waltrim	372	472
Ouvahkelle	219	339
Head office	17	7
Total	3,043	3,959

HUMAN CAPITAL

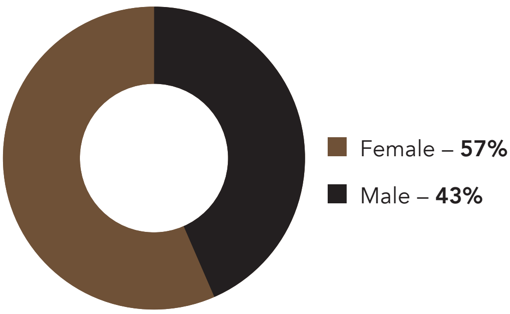
WORKFORCE ANALYSIS/TEAM PROFILE (%)



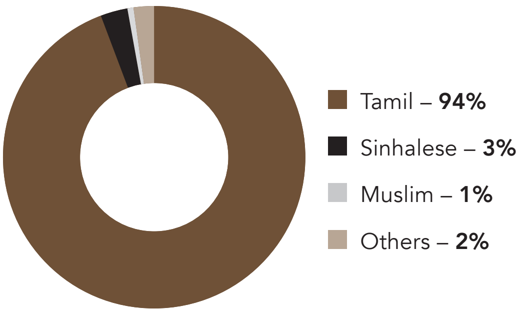
RELIGIOUS DISTRIBUTION (%)



GENDER DISTRIBUTION (%)

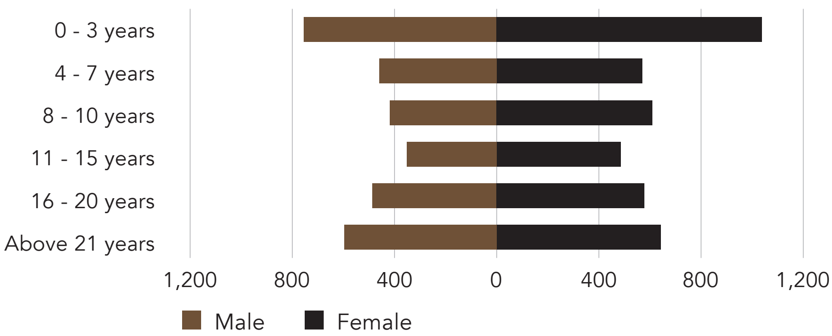


ETHNIC DISTRIBUTION (%)



A higher percentage is female employees.

SERVICE ANALYSIS – 2019 (Number of years)



Majority of the workforce has served the Company for over 21 years. This indicates employee loyalty to HPL.

FAIR REMUNERATION

We adopt a fair remuneration policy in our Organisation for all employees compensating them based upon a pay for performance approach, irrespective of their gender, race, religion, or any other discriminatory criterion. Employees who have opted to be represented by Trade Unions are remunerated based on industry specific Collective Agreements and the balance employees are remunerated based on a compensation model that is derived from extensive market research data.

We have taken and continue to take measures geared towards elevating the economic status of our estate employees by upgrading their remuneration to a level that is in keeping with accepted norms. Accordingly, based upon the current collective agreement models, we increased the daily wage of our estate associates to LKR 750 per day, with a guarantee of 300 days of work per annum. Our compensation structure also entails a performance incentive.

Our remuneration policy compares well against the following guidelines

- Sustainable Development Goal of which stands at 1.25 US dollars per day
- Wage rates in India and Kenya which stands at 2.00 US dollars per worker
- Income distribution of Sri Lanka falling between 2nd and 3rd deciles with medians of LKR 13,850 and LKR 18,944
- Apparel sector monthly wage of 60 – 110 US dollars for a 60-hour week, under the "Garments without guilt" guidelines

DECENT WORK ENVIRONMENT

We nurture a work environment that upholds values such as mutual respect, dignity and harmony built upon our strong five-fold value system of Perseverance, Integrity, Innovation Responsibility and Trust. From a hierarchical legacy of a "master-associate" structure, we have made significant progress to move towards a harmonious environment across our estates. Our management team is committed to the corporate Code of Conduct and constantly strives towards creating a work environment conducive to harmonious coexistence.

The Company advocates a culture of open communication by maintaining continuous dialogue with associates both directly as well as through trade unions and joint consultative committees. Approximately, 89% of the employees belong to trade unions.

TRAINING AND DEVELOPMENT

HPL is known in the market for its premium teas of the highest quality. We strive to maintain these standards by constantly renewing the knowledge base of our employees in production processes, best practices, industry innovations and quality standards through continuous investment in our workforce to enhance their skills and capabilities.

Training programmes have been instituted in our Organisation to hone skills and capabilities of our workforce. They include para extension training programmes for technology driven agri-practices with routine monitoring and review; including feedback loops within estates for continuous learning and development. Regular input and training from the Tea Research Institute further augments our training process, enabling us to keep producing the best quality teas.

We have a wide base of some of the most experienced planters in the business with a deep reservoir of industry knowledge. Leveraging this knowledge, we strive to ensure constant sharing of knowledge and best practices throughout our estates especially focusing on sustainable agriculture (growing), harvesting, and manufacture. We also harness the local expertise and agricultural knowledge of our workforce, ensuring it cascades across the company from the grass root level to the very DNA of the organisation.

Support functions at the head office were also strengthened through a series of training programmes on leadership, new processes, corporate management, HRM, compliance and corporate governance, finance, and new developments in the industry. A total of 1046 staff hours were dedicated to learning and capacity building during the year.

Additionally, a comprehensive training strategy based on training need analyses and progression management is implemented to groom our workforce to aspire to higher levels within the Company. Our processes are enhanced by facilitating the transferring of knowledge from key stakeholder groups such as key buyers, brokers, and business partners.

Category	Staff trained
PARA-extension training	40
Other skill-building and work-related Standards (Fair-trade, Rainforest alliance, ISO); Conservation (energy efficiency, leopard protection etc.); Health and safety (emergency preparedness, fire safety, first aid etc.); Agriculture and manufacturing (plucking, pest-management, crop management etc.)	351
Personal capacity building	100

FUTURE OUTLOOK

We will continue to deliver increased value to our workforce by providing fair remuneration, nurturing a conducive work environment, open communication and by training and developing our employees in keeping with sustainable development goals of the business.

NATURAL CAPITAL

Natural capital relates to the natural resources on which we depend to create value for all our stakeholders. We continually strive to reduce our environmental footprint by making our operations more sustainable by increasing efficiency, eliminating waste, and raising productivity. Therefore, we keenly adhere to practices and policies that nurture and conserve the scarce resources, for the benefit of future generations.

ENERGY CONSUMPTION

Our main source of energy is electricity. In addition we use diesel, petrol, firewood, and briquettes. Withering and drying processes consume the highest energy in tea processing. Factory operations, transportation of goods and employees in tea estates also consume a considerable amount of energy. Approximately, 74% of energy consumed is renewable energy from biomass energy. Given the massive requirement of energy for our agri-crop operation, biomass has become a popular and cheaper source of energy than fossil fuel.

Briquettes have high combustion efficiency and lower levels of moisture and ash. They are manufactured utilising bio waste such as tea waste, paddy husks, and saw dust.

Our overall energy consumption continued to decrease during the year consequent to the energy efficient initiatives implemented in the past years. These include:

- Increasing the use of biomass energy
- Drying firewood on solar drying sheds
- Replacing old machinery used in production with new energy efficient machinery and machinery that run on solar energy
- Utilisation of variable speed drive (VSD) or variable frequency drive (VFD) to increase energy efficiency
- Installation of LED lights in the palm oil factory
- Conducting technical forums on Vehicle Fleet Management
- Installation of three mini hydro plants supplying to the nation grid in Strathdon, Ouvahkelle, and Vellioya tea estates

RAW MATERIALS

All raw material used in our operations are renewable except for fertiliser and agro-chemicals. We have adopted a policy of responsible and correct usage of agro-chemicals along with good agricultural practices that promotes environmental sustainability.

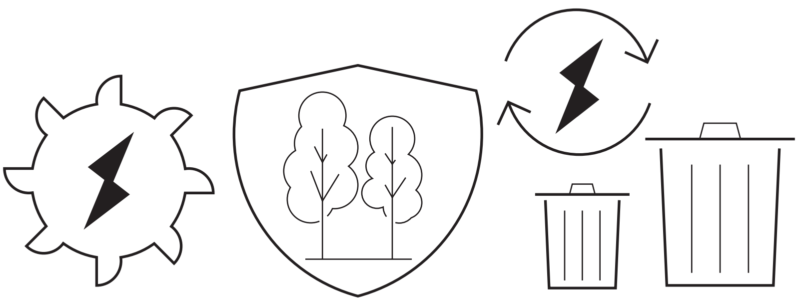
BIODIVERSITY CONSERVATION

Given the diverse ecosystems within our grasslands, streams, small-scale reservoirs, and home gardens, our estates are rich in biodiversity. In particular, our estates in the Nuwara Eliya district are home to several endangered species of fauna and flora. Hence, we take utmost effort to conserve the biodiversity within the production area of our Company. We aim to make a zero impact on biodiversity through our operations.

Therefore, our environmental responsibility and sustainability initiatives address shade management, responsible agro-chemical and fertiliser usage, and application of sustainable agricultural practices.

In order to establish ecologically friendly tea estates, we continued our efforts on conservation and protection of biodiversity under the Rainforest Alliance Certification programme. We have also partnered with "Friends of Horton Plains;" a non–governmental organisation that continuously monitors the habitats.

We reiterated our commitment to biodiversity conservation by planting native plants in HPL estates, protecting natural forests, scrub land, and river line basins. Our aim is to protect all ecosystems by restoring even more native vegetation across our estates.



50 ha
of natural forests protected and preserved

74%
renewable energy consumption

3
mini hydro plants installed

Reduced emissions through bio-waste

Reduced energy consumption via use of new technology

WATER

The main sources of water for our properties are wells, streams, harvested rain water, and reservoirs. We have implemented the following initiatives for sustainable use of water and conserve the soil moisture.

- Rain water harvesting and deep draining to ensure storage of maximum amount of rain water
- Burying all pruning materials to improve soil water retention and ground moisture levels
- Conservation of a land perimeter of 60 meters from the water body as a catchment area

Source	Category	Water saving
Spring	Flowing water	Used only for cleaning of the operations factory and for domestic purposes No significant water withdrawal process

EFFLUENTS, EMISSIONS, AND WASTE MANAGEMENT

We implemented an integrated waste management system in our operations aligned to environmental conservation. Waste water is treated and released to environment only if it complies with the World Health Organisation (WHO) specifications.

Source	Category	Effluent/waste reduction
Housing	Degradable	Have a method of making compost fertiliser for each family
Stores	Non degradable	Handing over empty chemical cans and plastic containers for recycling

We have implemented the following initiatives for responsible waste management:

- Biodegradable waste generated in production is used to produce compost fertiliser for crops
- Pruning waste is buried in the soil to enrich soil and enhance water retention
- All non-degradable and hazardous waste is disposed responsibly through the collector approved by the Central Environmental Authority.
- We educate all our employees who reside in the plantations on conserving the environment
- Use rubber firewood, briquettes and fire-cuts which have lesser emissions
- Prevent contamination of water bodies by treating waste- water before releasing them to water bodies
- Use of briquettes from sawdust and tea-refuse in the manufacturing process

FUTURE OUTLOOK

We will continue to adopt environmental conservation practices in our operations that would minimise energy and water consumption and reduce the carbon footprint. We also create value for the environment by using resource saving processes.

HOW WE ARE MANAGED

BOARD OF DIRECTORS

	Mr Sunil G Wijesinha Chairman (Non-Executive/ Independent) Age: 70	**Mr G Sathasivam** Director (Non-Executive/ Non-Independent) Age: 72	**Mr V Govindasamy** Managing Director (Executive/ Non-Independent) Age: 55	**Mr A N Fernando** Director (Non-Executive/ Independent) Age: 72
Qualifications/ Business Experience	MBA from Postgraduate Institute of Management, University of Sri Jayewardenepura. Fellow Member of the Chartered Institute of Management Accountants (UK). Fellow Member of the Institute of Management Services (UK). Associate Member of the Institution of Engineers, Sri Lanka.	Founder of Sunshine Holdings PLC fifty one years ago and the former chairman of Watawala Plantations PLC. Started business in the pharmaceutical sector and ventured into plantations by forming a JV with TATA Group.	Holds an MBA from the University of Hartford, USA. Bachelor of Science in Electrical Engineering, University of Hartford, USA.	Holds an MBA in Finance, Industrial and Corporate Strategy from IMD Business School, Lausanne, Switzerland. Fellow Member of The Institute of Chartered Accountants of Sri Lanka.
Other Key Positions	**Chairman** • Watawala Plantations PLC • Watawala Dairy Limited • United Motors Lanka PLC • RIL Property Limited • SC Securities (Private) Limited • UML Property Development Ltd. • UML Heavy Equipment Ltd. • Orient Motor Company Ltd. • Unimo Enterprises Ltd. **Director** • BizEx Consultancy (Private) Limited • Sampath Centre Limited	**Chairman** • Estate Management Services (Private) Limited **Director** • Sunshine Holdings PLC • Sunshine Energy Limited • Sunshine Healthcare Lanka Limited • Waltrim Hydropower (Private) Limited • Healthguard Pharmacy Limited • Watawala Plantations PLC	**Group Managing Director** • Sunshine Holdings PLC • Sunshine Healthcare Lanka Limited • Sunshine Energy Limited • Waltrim Hydropower (Private) Limited • Watawala Tea Ceylon Limited • Watawala Dairy Limited • Health guard Pharmacy Limited • Watawala Plantations PLC **Director** • TAL Lanka Hotels PLC • Tata Communications Lanka Limited • Estate Management Services (Private) Limited	**Director** • Watawala Plantations PLC
Board meeting attendance	4/4	3/4	4/4	4/4
Audit Committee attendance	4/4	N/A	N/A	4/4
Nomination and Remuneration Committee attendance	–	–	N/A	–
Related Party Transactions Review Committee attendance	4/4	N/A	N/A	4/4

			
Mr M S Mawzoon Director (Non-Executive/ Non-Independent) Age: 48	**Mr L D Ramanayake** Director (Non-Executive/Independent) Age: 67	**Mr N B Weerasekera** Director (Non-Executive/Independent) Age: 59	**Mr Pratheepan Karunagaran** Director (Non-Independent/ Non-Executive) Age: 49
Twenty-six years experience in various business industries.	MBA from Postgraduate Institute of Management, University of Sri Jayewardenepura. Fellow Member of the Institute of Certified Professional Managers. Member of the Chartered Institute of Marketing.	Fellow Member of the Chartered Institute of Management Accountants, UK. Holds a BSC in Physics from University of Peradeniya. MA in Economics from University of Colombo.	Holds a Bachelor of Science in Chemical Engineering from University of Wisconsin. Over 15 years' experience in the management of businesses in the Agribusiness industry and currently holds the position of General Manager - Africa and Sri Lanka for Wilmar International Limited.
Managing Director • Pyramid Lanka (Private) Limited • Pyramid Wilmar (Private) Limited • Pyramid Wilmar Oils and Fats (Private) Limited • Pyramid Wilmar Plantations (Private) Limited • The Phone Company (Private) Limited • The Phone International (Private) Limited Director • Estate Management Services (Private) Limited • Watawala Plantations PLC • Watawala Tea Ceylon Limited • Shangri La Hotels Lanka (Private) Limited • Shangri La Investments Lanka (Private) Limited • Jewelsco Restaurants (Private) Limited	Director • Watawala Tea Ceylon Limited	Director • Watawala Plantations PLC • John Keels Hotels PLC • Mahaweli Plantations PLC • Affno Virtual Market (Private) Limited	Director • Watawala Plantations PLC • Pyramid Lanka (Private) Limited • Pyramid Wilmar (Private) Limited • Pyramid Wilmar Plantations (Private) Limited • Pyramid Wilmar Oils and Fats (Private) Limited
4/4	4/4	4/4	3/4
4/4	4/4	1/4	N/A
N/A	N/A	–	N/A
4/4	4/4	1/4	N/A

EXECUTIVE COMMITTEE AND MANAGEMENT TEAM

EXECUTIVE COMMITTEE

Name	Designation
Binesh Pananwala	Chief Executive Officer
Anandh Vaithylingam	General Manager – Plantations
Robin Winter	Deputy General Manager – Hatton/Watawala region
Udeni Wanigatunga	Deputy General Manager – Lindula region
Prasanna Pahalagamage	Deputy General Manager – Finance
Ratnam Thiruppan	Deputy General Manager – System Assurance
Thushara Hettihamu	Consultant – HR

FUNCTIONAL MANAGERS

Name	Designation
Gamini Wanasekara	Senior Manager – Procurement
Uditha Karunaratne	Manager – Marketing
Ravikumar Palanisamy	Manager – ERP/MIS

ESTATE MANAGEMENT TEAM

Estate	Manager
Kenilworth	Manoj Ramadas
Carolina	Robin Winter
Wigton	Lalindra Abeywardena
Shannon	Zaman Imthiaz
Abbotsleigh	Suranga Dela
Dickoya	Mithiraj Samaraweera
Vellaioya	Prasanna Premachandra
Strathdon	Kapila Sumanaratne
Agarakande	Tharaka Wijeratne
Henfold	Priyantha Sunilrathne
Ouvahkelle/Lippakelle	Haresh Wijesinghe
Tangakelle	Nandakumar Somasundaram
Waltrim	Udeni Wanigathunga

CORPORATE GOVERNANCE REPORT

Sound governance, balancing stakeholder interests in an equitable manner, has defined how we do business, shaping our success and reputation. Building on regulatory requirements, we incorporate voluntary codes and sound principles into the framework as set out in the adjacent column.

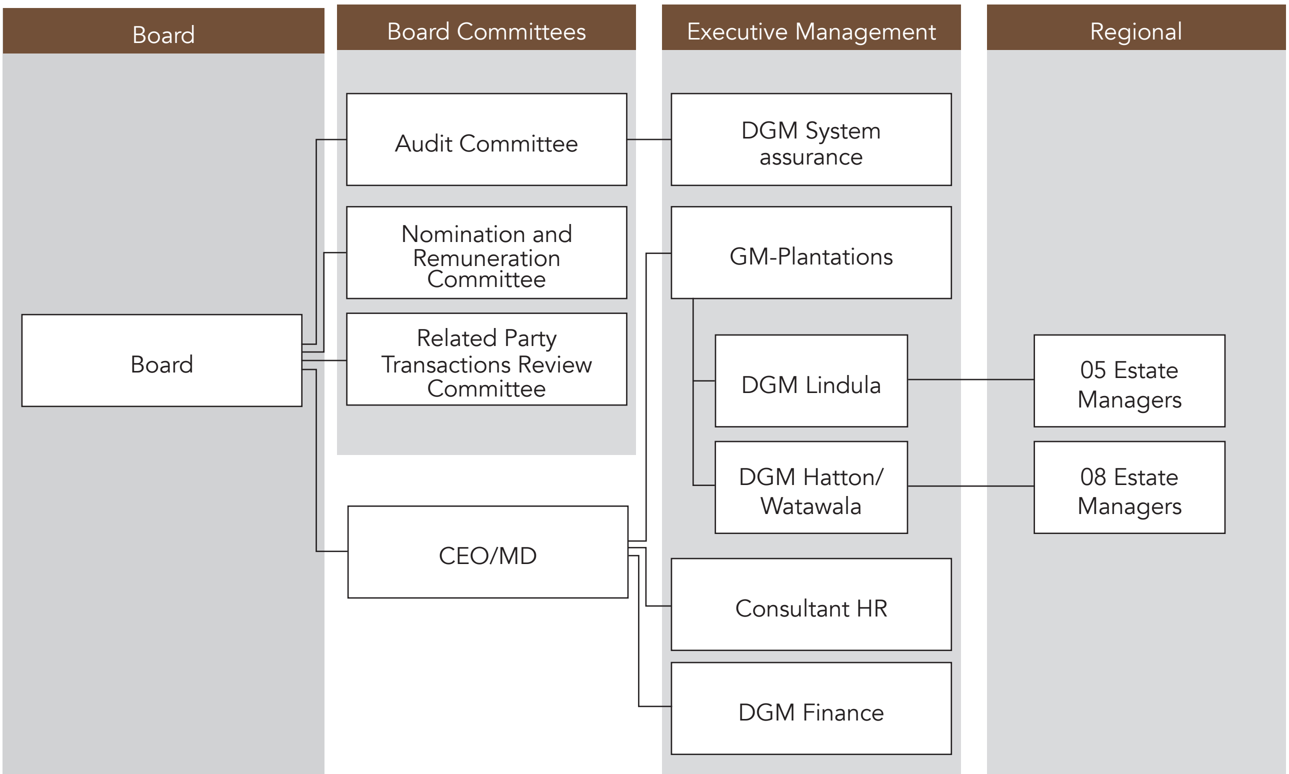
As the highest decision-making authority, the Board sets the tone at the top through the Hatton Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. Hatton Corporate Governance Framework comprises:

- Governance Structure
- Policy Framework
- Corporate Values
- Board Charter
- Code of Conduct
- Guidelines for Corporate Governance

KEY LEGAL ENACTMENTS, CODES AND AGREEMENTS COMPLIED WITH

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- Employees' Provident Fund Act
- Employees' Trust Fund Act
- Payment of Gratuity Act
- Maternity Benefits Ordinance
- Medical Wants Ordinance
- Shop and Office Act
- Industrial Disputes Act
- Factories Ordinance
- Workmen's Compensation Ordinance
- Collective Agreement entered into between the EFC, the CESU and NESU
- Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka
- Inland Revenue Act No. 10 of 2006

GOVERNANCE STRUCTURE



BOARD COMPOSITION

The Board comprises eight Directors of which four are Independent Non-Executive Directors including the Chairman. Three of the Directors are Non-Independent Non-Executive Directors and one Executive Director.

The Directors are professionals of the highest calibre in diverse fields such as Plantation Management, Export Marketing, Tea Industry and Finance etc. and their profiles are set out on pages 46 to 47.

COMPOSITION OF THE BOARD AND SUBCOMMITTEES

Member of the Board and Board Committees	Executive Directors	Non-Executive Directors	
		Independent	Non-Independent
Board of Directors	1	4	3
Audit Committee		4	1
Remuneration and Nomination Committee		3	1
Related Party Transactions Committee		4	1

AREAS OF EXPERTISE OF BOARD MEMBERS

Area of expertise	Number of Board Members with expertise
Business management	6
Financial and management accounting	3
Plantation management	2
Engineering	2
Science	1

ANTI-CORRUPTION

The Company's Code of Conduct clearly sets out the standard of conduct expected of all our employees addressing, amongst other things, matters such as conflicts of interest, payments to outside entities and individuals, political contributions, and the maintenance of proper books, records and controls. Employees are provided training at the time of joining and awareness is reinforced through consistent application of the principles. Our consistent commitment to the high standards enumerated in this policy protects both the Company and its employees in their dealings with others.

The principles are articulated and disseminated to all employees in all three languages. The competency framework and performance appraisal criteria also addresses the need to maintain high standards of ethics to ensure that employees are sufficiently knowledgeable about their areas of expertise. Reprimands issued in case of breaches are recorded in personnel files and serve as early warning signs for monitoring by management.

This Report has been organised along the structure of the Code of Best Practice on Corporate Governance as graphically summarised below.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The Company	Shareholders	Sustainability
Directors	Institutional investors	
Directors' remuneration	Other shareholders	
Relations with shareholders		
Accountability and audit		

A – DIRECTORS

PRINCIPLE A 1

AN EFFECTIVE BOARD

The Board of Directors comprises nine Directors of which one is Executive and four are Non-Executive Independent Directors, four Directors are Non-Executive Non-Independent.

A 1.1 FREQUENCY OF BOARD MEETINGS

The Board meets once a quarter to discuss and review the performance of the past quarter and the future performance. Further, additional Board meetings are summoned when the Board feels it is necessary to meet. The Audit Committee which is a subcommittee of the Board also meets quarterly with additional meetings scheduled as deemed necessary.

Estate Management, Regional Executive Committee and the Corporate Management Committee meet on a monthly basis to review performance against the strategic plan and budgets to identify matters requiring intervention and escalation to Board.

BOARD ATTENDANCE

Director	Board Meetings	Audit Committee	Nominations and Remuneration Committee	Related Party Transactions Review Committee
Mr S G Wijesinha	04/04	04/04	–	04/04
Mr G Sathasivam	03/04	N/A	–	N/A
Mr V Govindasamy	04/04	N/A	N/A	N/A
Mr A N Fernando	04/04	04/04	–	04/04
Mr M S Mawzoon	04/04	04/04	N/A	04/04
Mr L D Ramanayake	04/04	04/04	N/A	04/04
Mr N B Weerasekera	04/04	01/04	–	01/04
Mr B A Hulangamuwa (Resigned w.e.f. 28 June 2018)	01/04	01/04	N/A	01/04
Mr Pratheepan Karunagaran	03/04	N/A	N/A	N/A

A 1.2 RESPONSIBILITIES OF THE BOARD

The Company's Board of Directors reviews the business strategies especially at times when the commodity prices reach lower levels. The Executive Committee chaired by the Chief Executive Officer review performance and discuss new strategies and the methods prior to recommending same to the Board of Directors for discussion. The Regional Executive Committees streamline the flow of information to the Executive Committee for fast decision- making. The Five Year Strategic Plan, the Annual Budget are discussed in-depth at the Executive Committee prior to submitting to the Board for approval, expediting decision-making and focus on key matters.

The Company's Executive Committee (Ex-Com) which assists in the decision-making process comprises the Chief Executive officer and the GM/DGM Plantations, DGM Finance, Consultant HR and DGM System Assurance. The second level of Ex-Com which is now known as the Regional Ex-Com has been established to cascade information to the Regions and to provide insights to the Ex-Com, enhancing the deliberations.

Succession planning was introduced to cover the more important roles in the Company. The relevant training is being provided in accordance with identified needs. All members of the Management are encouraged to follow MBA programmes.

The Board of Directors is committed to comply with all laws, rules and regulations, and ethical standards. The Company has complied a detailed checklist to ascertain the compliance with laws and regulations of which a summary is appended on page 58 of this Report.

The Company's Board of Directors considers stakeholders' requirements as important in taking corporate decisions. The Company has also embarked on several cost reduction methods which are addressed in the Managing Directors Review. CSR which is discussed elsewhere in this Report has received much focus from the Company in the recent years.

A 1.3 ACT IN ACCORDANCE WITH THE RELEVANT LAWS AND SEEK INDEPENDENT PROFESSIONAL ADVICE

Board ensures compliance with the applicable laws wherever required. Page 49 of this Report list down the laws (in the best possible manner) applicable to the organisation and its compliance.

The Board also obtains professional advice from outside parties whenever necessary. The Company has appointed F J & G De Saram as their legal consultants. The Company also obtains advice on other issues such as Taxation, Actuarial Services, Product Development, Process Development, Productivity Development wherever necessary. Any Director may obtain independent professional advice that may be required in discharging his responsibilities effectively, at Company's expense.

A 1.4 COMPANY SECRETARY

The Company Secretaries are Corporate Advisory Services (Private) Limited, which acts as secretaries to the Board and make their presence at every Board meeting. The Company Secretaries advise the board on all regulatory matters pertaining to Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka. The Secretaries also record minutes which are tabled for the next meeting for effective follow-up on decisions taken. The Directors have independent access to the Company Secretary.

Appointment and removal of the Company Secretary is a matter for the Board as a whole and this was evident with the appointment of Messrs Corporate Advisory Services (Private) Limited, as the new Company Secretaries during the year.

A 1.5 INDEPENDENT JUDGEMENT

The Directors use their independent judgements in making decisions. Eight of the nine Directors are Non-Executive and four are Independent. As experienced Directors, they are able to exercise their independent judgement without hindrance and every effort is made by the Chairman to ensure that all Directors contribute to the deliberations.

A 1.6 DIRECTOR'S DEDICATION OF TIME AND EFFORT

In addition to the attendance and participation at the Board meetings, Board members make their time available for consultation whenever necessary. All Board papers are sent to the members of the Board well in advance and all queries raised by them are answered before or even after the meetings. The Board has met three times during the period as reported on page 21 and is satisfied that all Non-Executive Directors have committed sufficient time during the year under review.

A 1.7 TRAINING FOR DIRECTORS

The decisions on Directors training is at Board level where Directors are sent specially on overseas training and study tours wherever necessary. The Executive Director participated in several study tours of Plantations outside Sri Lanka.

PRINCIPLE A 2

CHAIRMAN AND MANAGING DIRECTOR

The Chairman is a Non-Executive Independent member of the Board and the Managing Director is an Executive Director, maintaining a clear segregation of roles between them.

PRINCIPLE A 3

CHAIRMAN'S ROLE

The Chairman conducts the Board meetings ensuring the participation of all Board members, maintaining a balance between Executive and Non-Executive, and Independent and Non-Independent Directors.

The Managing Director presents all detail operating results to the Board along with the Chief Executive Officer and the Senior Manager Finance. He also ensures that the Board is in complete control of Company's affairs.

PRINCIPLE A 4

FINANCIAL ACUMEN

The Board comprises one Chartered Accountant and two Chartered Management Accountants namely,
Mr A N Fernando – FCA, MBA
Mr Sunil Wijesinghe – FCMA
Mr N B Weerasekera – FCMA

PRINCIPLE A 5

BOARD BALANCE

The Board comprises seven Non-Executive Directors which constitutes 87.5% of the Board of Directors of which four are Independent.

Following are Non-Executive Directors of the Company.

Mr S G Wijesinha
Non-Executive Independent Director

Mr G Sathasivam
Non-Executive Non-Independent Director

Mr A N Fernando
Non-Executive Independent Director

Mr M S Mawzoon
Non-Executive Non-Independent Director

Mr L D Ramanayake
Non-Executive, Independent Director

Mr N B Weerasekera
Independent Non Executive Director

Mr Pratheepan Karunagaran
Non-Executive, Non-Independent Director

The four Independent Directors mentioned above are totally independent of the Management and free of any business relationship that could interfere in their independent judgement. Declaration of Independence as per the Code of Best Practices in Corporate Governance has been obtained from the Independent Non-Executive Directors. The Board has determined that the following Non-Executive Directors are Independent.

- Mr A N Fernando
- Mr S G Wijesinha
- Mr L D Ramanayake
- Mr N B Weerasekera

The full Board of Directors are indicated on page 46-47.

If there are any concerns of Directors that cannot be unanimously settled such issues are recorded in the minutes by the Secretary and circulated to the Board prior to the next Board meeting where the minutes are adopted. To date such situations have not arisen in the Company.

PRINCIPLE A 6

SUPPLY OF INFORMATION

The Board meets quarterly with additional meetings scheduled, if required, more frequently. The Board is supplied with all information including the following:

- Quarterly financial statements reviewed and recommended by the Audit Committee.
- Minutes of the previous Board meeting and follow-up action.
- Proceedings of the monthly review meetings of the Company.

- Recommendation of capital expenditure and its justifications.
- Next quarters projected performance and how the year would end.
- Any other matter of importance.
- Annual Business Plan.
- A full presentation is made to the Board by the Managing Director on the performance of the Company during the period under review.

The members of the Board are provided with Board Papers prior to the Board meeting. Further, Board members could request for any additional information if required. All documents listed under (A 6) are circulated to the entire Board seven days before the Board meeting.

PRINCIPLE A 7

APPOINTMENTS TO THE BOARD

The Board decides on the appointment of new Directors and nominations of professionals to the Board. In finding suitable candidates the Board assesses its composition to ascertain whether the combined knowledge and experience of the Board could meet the strategic demands facing the Company. New appointments are made only after the above assessments are completed. No new appointments were made during the Financial Year. Details of the current Board of Directors are given on pages 46 and 47 of this report.

PRINCIPLE A 8

RE-ELECTION

At the first Annual General Meeting of the Company, all new Directors appointed during the year, with the exception of the Managing Director and Directors appointed by shareholders at previous AGM, shall retire from office and every subsequent year, one third of the directors except the Managing Director shall retire from office at every annual general meeting as required by the Company's Articles of Association. A retiring Director is eligible for reappointment.

PRINCIPLE A 9

APPRAISAL OF BOARD PERFORMANCE

The Board of Directors evaluate their performance as against the strategies adopted which is generally done at every Board meeting. In the light of this evaluation and considering the future and the challenges that need to be met the Board considers the following areas in evaluating its performance.

- The past performance.
- Reviewing and formulating a sound business strategy.
- Ensuring that the Managing Director and the Management Team is capable in achieving the said standards.
- Securing effective information and control systems and audit.
- Prevention or minimising risks.
- Ensuring compliance with legal/ethical standards.

PRINCIPLE A 10

DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

- A detailed profile in respect of the Directors is disclosed in pages 46 and 47 of this Report.
- Related party transactions are disclosed on pages 110 and 111 of this Report.
- The details of Board meetings attended are on pages 46 and 47.
- Board Committees that the Directors serve on and their attendance is on pages 46 and 47.

PRINCIPLE A 11

APPRAISAL OF CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Performance of the Managing Director is evaluated by the Board on his meeting the companies short and medium term targets and his capability of meeting the future targets. He submits a detailed performance of the Company to the Chairman for this purpose.

At the commencement of the Financial Year a detailed budget is prepared which is presented to the Board for approval. Once the Budget is approved, the Managing Director has indicative targets to work on. Any specific deviations from the approved budget on expenses such as capital expenditure need to have the approval of the Board.

At the end of the year, the Board evaluates the performance of the Managing Director on the final performance of the Company.

B – DIRECTORS' REMUNERATION

PRINCIPLE B 1

REMUNERATION COMMITTEE

The Board determines the remuneration of the Managing Director. In deciding this remuneration the Board takes into consideration the levels of remuneration met by similar companies. Executive Directors who draw their remuneration from this Company are also entitled to a performance related incentive. They are given specific targets at the commencement of the year and their remuneration is decided at the year-end after their performances have been appraised. The Company does not have a Share Option Scheme nor a Pension scheme. The report of the Remuneration Committee is on page 64 of this report.

Remuneration of the management staff is also approved by the Board in total.

The Directors' remuneration is disclosed in Note 27 of the Financial Statement and the Management Staff remuneration is described on page 106 of this report under Reward and Recognition.

PRINCIPLE B 2

LEVEL OF MAKEUP OF REMUNERATION

The Executive Directors who draw salaries from the Company are remunerated in keeping with the market rates and are also entitled to defined incentive schemes. The annual salary increments are granted after a year end appraisal. There is no Executive Share Option Scheme in the Company. There were no instances where compensation was paid on early termination. Mr B A Hulangamuwa, Mr A N Fernando, Mr S G Wijesinha, Mr L D Ramanayake and Mr N B Weerasekera draw a fee and the other Non-Executive Directors do not get any remuneration from the Company.

PRINCIPLE B 3

DISCLOSURE OF REMUNERATION

Remuneration Committee report on page 64 will give the members of the Remuneration Committee and the remuneration policy. The remuneration of the Executive Directors and the key managers are shown on page 111 of this report.

C – RELATIONS WITH SHAREHOLDERS

PRINCIPLE C 1

Constructive Use of the Annual General Meeting (AGM)
The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 07 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice. Active participation of its shareholders is welcome where all relevant questions are answered by the Board of Directors. The Chairman of the Audit Committee, the SMF and other managers of divisions make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 27 June 2019.

Proxy Forms are sent to all shareholders with the Annual Report. On the day of the Annual General Meeting a separate counter is setup to receive and record proxy forms. The Company proposes separate resolutions for substantially separate issues. Adoption of Report and Accounts are taken as separate item in the Agenda. The Chairmen of the two subcommittees, the Audit Committee and the Remunerations Committee make themselves available at the AGM. The Company Secretary ensures that adequate notice is given to all shareholders as required by the Companies Act No. 07 of 2007 of its Annual General Meeting and presents them with an Annual Report at the time of such notice. Summary of the voting procedure is stated in the Proxy Form which is circulated to all shareholders along with the Annual Report.

There were no Major Transactions during the year as specified by Section 185 of the Companies Act No. 07 of 2007.

D – ACCOUNTABILITY AND AUDIT

PRINCIPLE D 1

FINANCIAL REPORTING

In the preparation of the annual and quarterly financial statements, the Company complies to the requirements of the

- Companies Act No. 07 of 2007.
- Sri Lanka Financial Reporting Standards.
- Listing Rules of the Colombo Stock Exchange.

The table below depicts the dates the quarterly accounts were published within the prescribed time of the Listing Rules.

First quarter	8 August 2018
Second quarter	7 November 2018
Third quarter	12 February 2019
Fourth quarter	29 May 2019

The Annual Report is prepared at the end of the year covering the whole year. All price sensitive information such as appointment of new Directors retirement of Directors and other price sensitive information was conveyed to the CSE within time.

- Directors Report is presented on pages 59 to 61 of this Report.
- Report on Going Concern is on page 59.
- Management Discussion and Analysis on pages 15 to 65 in this report.
- A comprehensive risk assessment is on page 25.
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 10 to 12.
- Social and Welfare work and development of Human Resources and Industrial Relations is on page 35 to 38.
- The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on page 74 and pages 70 to 73 respectively.
- Directors Report on page 59 confirm that the business is a Going Concern.

Net assets of the Company have not fallen below 50% of shareholders' funds.

PRINCIPLE D 2

INTERNAL CONTROL

The Board is overall responsible in establishing a good system of internal control in the Company and delegated much of it to the Audit Committee. This Committee in turn reviews all management accounts, directs the Internal Audit Team to carry out checks on areas of concerns other than their normal checks.

The Audit Committee reviews all Internal Audit Reports which are circulated to them quarterly and discusses the salient features at the Audit Committee Meetings with the Internal Auditor the Chief Executive Officer and the SMF. At the end of each quarter a limited review is carried out by the External Auditors Messrs PricewaterhouseCoopers and their reports are discussed in length at the Audit Committee meetings. The year-end Management Letter submitted by the External Auditor is also discussed at the final Audit Committee Meeting during the Financial period.

PRINCIPLE D 3

AUDIT COMMITTEE

The Board has delegated their responsibility to the Audit Committee with regard to selecting and application of accounting policies, financial reporting, internal control, risk management and maintaining an appropriate relationship with the Company's Auditors. The Accounting Policies are discussed and agreed with the External Auditors.

The Audit Committee of the Company consists of five Non-Executive Directors:

Mr A N Fernando
Non-Executive Independent Director,
Chartered Accountant and the former
Chief Partner of KPMG

Mr S G Wijesinha
Non-Executive Independent Director,
Chartered Management Accountant and the
Chairman of United Motors Lanka PLC.

Mr L D Ramanayake
Non-Executive Independent Director.
Director Watawala Tea Ceylon Limited

Mr M S Mawzoon
Non-Executive Non-Independent Director,
Managing Director Pyramid Wilmar Plantations
(Private) Limited

Mr N B Weerasekara
Non-Executive Independent Director
Chartered Management Accountant
Director Watawala Plantations PLC

The Audit Committee has four Independent Non-Executive Directors. The Head of the Audit Committee is Mr A N Fernando who is an Independent Non-Executive Director.

The Audit Committee views at different intervals the independence of the External Auditors. The External Auditors on the other hand discusses with the Management before taking up any other assignment in the Company and would take over such assignments if it relates to work involving Audit and Assurance only. The Auditors PWC only provides Assurance services.

The Audit Committee functions on clear guidelines given to them by the Board of Directors as set out in the Report of the Audit Committee on pages 62 to 63.

PRINCIPLE D 4

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has a practice where it regularly draws attention of the Executive Directors and Senior Managers to the Company's Policy on Business Ethics by obtaining their signature on a copy of same. This document covers the following main areas:

1. Conflict of Interest with the business of the Company.
2. Relations with Customers, Government and Labour.
3. Confidentiality of documents, books and records.
4. Supplier relations.
5. Conduct.

Wherever there are transactions with connected companies such transactions are disclosed under the related party transactions. The Company is compliant with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka.

The company has published the best businesses practices and ethics in the form of an employee hand book and have distributed to all the employees of the organisation. This covers a wide area of activity including policies and business ethics of the Company. These policies are regularly reviewed and updated by the Human Resource Division of the organisation.

PRINCIPLE D 5

CORPORATE GOVERNANCE DISCLOSURES

The Company has complied with the "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Company has been publishing quarterly financial statements with the necessary explanatory notes as required by the Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration, is promptly disclosed to the public.

E AND F – INSTITUTIONAL INVESTORS AND OTHER SHAREHOLDERS

The Company through Company Secretary, Secretarial and Financial Services maintains an active dialog with the shareholders, potential investors, investment banks etc. All Institutional Shareholders are encouraged to participate at the Annual General Meeting and exercise their vote. All regulatory notices are sent to them on time.

G – OTHER INVESTORS

The Company at different intervals throughout the year encourages Stock Brokers to publish research reports giving a full analysis of company's affairs. The Annual Report of the Company also gives a full analysis of the affairs of the Company.

H – OTHER INVESTORS

This report is a full sustainability report. The GRI Index on page 64 provides a comprehensive reference to information disclosed in this report.

Rule No.	Requirement	Compliance	Reference in this Report
7.10.1 (a)	Non Executive Directors (NED) Two or at least one-third of the total number of Directors should be NEDs	✓	Principle A1
7.10.2 (a)	Independent Directors (ID) Two or one-third of NEDs, whichever is higher, should be independent	✓	Principle A1
7.10.2 (b)	Independent Directors (ID) Each NED should submit a declaration of independence	✓	Available with the Secretaries for review
7.10.3 (a)	Disclosure relating to Directors The Board shall annually determine the independence or otherwise of the NEDs Names of IDs should be disclosed in the Annual Report (AR)	✓	Directors' profiles
7.10.3 (b)	Disclosure relating to Directors The basis for the Board's determination of ID, if criteria specified for independence is not met	✓	Directors' profiles
7.10.3 (c)	Disclosure relating to Directors A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓	Directors' profiles
7.10.3 (d)	Disclosure relating to Directors Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the CSE	✓	Directors' profiles
7.10.5	Remuneration Committee (RC) The RC of the listed parent company may function as the RC	✓	Remuneration Committee Report
7.10.5 (a)	Composition of Remuneration Committee Shall comprise of NEDs, a majority of whom will be independent	✓	
7.10.5 (b)	Functions of Remuneration Committee The RC shall recommend the remuneration of the Managing Director's and NEDs	✓	
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to NED/NIDs and NED/IDs	✓	Remuneration Committee Report on page 64

Rule No.	Requirement	Compliance	Reference in this Report
7.10.6	Audit Committee (AC) The Company shall have an AC	✓	Principle D3 and Audit Committee Report on page 62
7.10.6 (a)	Composition of Audit Committee Shall comprise of NEDs a majority of whom will be Independent A NED shall be appointed as the Chairman of the Committee Managing Director and Chief Financial Officer (CFO) should attend AC meetings The Chairman of the AC or one member should be a member of a professional accounting body	✓	Corporate Governance and the Board Committee Reports
7.10.6 (b)	Audit Committee Functions Overseeing of the – Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards Assessment of the independence and performance of the external auditors Make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor		Corporate Governance and the Board Committee Reports
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee Names of Directors comprising the AC The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the AC setting out the manner of compliance with their functions	✓	Corporate Governance and the Board Committee Reports
	Related party transactions review committee Names of Directors comprising the Committee Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines	✓	Corporate Governance Report

COMPLIANCE REPORT FOR THE YEAR ENDED 31 MARCH 2019

	Reporting party institute/personnel	Subject	Responsibility	Deadline	Status of compliance
Statutory	Inland Revenue	1. Income Tax Payment	DGM-F/CEO	30 September	Complied
		2. Income Tax Return	DGM-F/CEO	30 November	Complied
		3. VAT Payment	DGM-F/CEO	15th of the following month	Complied
		4. VAT Return	DGM-F/CEO	30th of the following month end of quarter	Complied
		5. NBT Payment	DGM-F/CEO	20th of the following month	Complied
		6. NBT Return	DGM-F/CEO	20th of the following quarter	Complied
		7. PAYE Payment	DGM-F/CEO	15th of the following month	Complied
		8. ESC Payment	DGM-F/CEO	20th of the month following quarter	Complied
		9. ESC Return	DGM-F/CEO	Annually	Complied
		10. Stamp Duty Return and Payment	DGM-F/CEO	15th of the month following quarter	Complied
		11. Assessment/Default notices	DGM-F/CEO	On given dates	Complied
Regulatory	Department of Labour	12. EPF Payment	DGM-F/CEO	30th of the following month	Complied
	ETF Board	13. ETF Payment	DGM-F/CEO	30th of the following month	Complied
	Department of Labour	14. Gratuity – Provision/Payment	DGM-F/CEO	Within one month of resignation	Complied
	SLAASMB	15. Publishing of Annual Financial Report	DGM-F/CEO	By 25 May 2018	Complied
		16. All Financial Reports are prepared in accordance with SLFRS	DGM-F/CEO	–	Complied
	CSE/SEC	17. Quarterly Financial Report	DGM-F/CEO	30th of the month following the quarter	Complied
		18. Annual Financial Report	DGM-F/CEO	7 June 2018	Complied
Compliance with internal procedure	Finance Department	19. Monthly Financial Statements	DGM-F/CEO	10th of the following month	Complied
		20. Interim Financial Statements	DGM-F/CEO	10th of the following month	Complied
	Chairman and BOD	21. Board approval obtained for any new projects/Investment/ venture the company is planning to embark upon	DGM-F/CEO	Relevant Papers to be delivered to directors 7 Days before the board meeting	Complied
	Insurance	22. Insure all the business assets to mitigate losses	DGM-F/CEO	on going	Complied

There are no statutory, regulatory, conventional or compliance that the Company is bound by other than those listed above. Initialled by all responsible officers as above.

(Sgd.)
Deputy General Manager – Finance

(Sgd.)
Chief-Executive Officer

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the Annual Report for the period ended 31 March 2019 which covers business strategy, strategic imperatives, Audited Financial Statements, share-related information and reviews on risk management, governance and sustainability.

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

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period under review were cultivation, manufacturing and sale of tea.

There was no significant change in the nature of business of the Company during the period that may have a significant impact on the state of affairs of the Company.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A review of the financial and operational performance and future business developments of the Company's business segments are discussed in the Chairman's report on pages 10 to 11 and Managing Director's review on pages 12 to 13.

These reports together with the Audited Financial Statements (pages 70 to 114) and financial review (page 30) provide a comprehensive assessment on the financial performance, financial position and the state of affairs of the Company.

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

FINANCIAL STATEMENTS

The Financial Statements of the Company for the period ended 31 March 2019 duly signed by the DGM – Finance, two of the Directors of the Company are given on pages 74 to 114 which form an integral part of the Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Company to represent a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Financial Reporting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 66 and forms an integral part of the Annual Report of the Board of Directors.

AUDITOR'S REPORT

Company's Auditors, Messrs PricewaterhouseCoopers, carried out the statutory audit on the Financial Statements of the Company for the period ended 31 March 2019 and the report on those Financial Statements is given on pages 70 to 73 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are stated on pages 79 to 88.

GOING CONCERN

The Directors, after making necessary inquiries and reviews, including reviews of the Company's budget for the ensuing year, capital expenditure requirements, future prospects and risk, cash flows and borrowings facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis is adopted in the preparation of the Financial Statements.

REVENUE

The revenue of the Company for 2018/19 was LKR 4 Bn an analysis of income is given in Note 23 to the Financial Statements.

FINANCIAL RESULTS

The Company's loss for the period amounted to LKR (113) Mn.

The Company's Income Statement for the period is on page 75 Details of transfer to/from reserves in respect of the Company are shown in the Statement of Changes in Equity on page 77.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31 March 2019 is LKR 1.8 Bn comprising 236,666,670 ordinary shares and 1 Golden share. There were no changes in the stated capital during the period.

The capital and reserves of the Company as at 31 March 2019 amounts to LKR 1,803 Mn and LKR (240) Mn, respectively.

DIVIDEND ON ORDINARY SHARES

A final dividend of LKR 59,166,667 (LKR 0.25 per share) was paid in July 2018.

CORPORATE DONATIONS

During the period 2018/19 Company has not made any donation.

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. The profit from agriculture is liable for income tax at 10% while profit earned on manufacturing of tea is liable for income tax at 28%. Other operating income is liable at 28%.

The Company has also provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes".

Information on the income tax expense and the deferred taxes of the Company is given in Note 29 and 20 to the financial statements.

CAPITAL EXPENDITURE

The total capital expenditure on purchase and construction of Property, Plant and Equipment, and expenditure incurred on immature plantations by the Company as at 31 March 2019 amounts to LKR 50 Mn and LKR 41 Mn respectively. The movement in Property, Plant and Equipment is set out in Note 7 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Total value as at 31 March 2019 amounts to LKR 1.0 Bn.

The details of Property, Plant and Equipment are given in Note 7 to the Financial Statements.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government Institutions have been made up to date.

EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date, which would require adjustments in the Financial Statements, except for the disclosure made under Note 37.

DIRECTORS' INTEREST REGISTER

In compliance with the Companies Act No. 07 of 2007, the Company maintained the Interest Registers. Particulars of Entries in the Interest Register are set out in Note 35 to the Financial Statements.

SHAREHOLDINGS

As at 31 March 2019, there were 16,046 registered shareholders. Information on the distribution of shareholding, categories of shareholders and the percentage holding of Twenty Largest Shareholders is indicated on pages 122 and 123.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all shareholders are treated equitably.

DIRECTORS' INTEREST IN TRANSACTIONS

The Directors of the Company made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Note 35 to the Financial Statements have dealt with related party disclosures and include details of their interests in transactions. The shareholdings (No. of shares) of Directors are as follows:

As at 31 March 2019	No. of Sharers
S G Wijesinha	01
G Sathasivam	–
V Govindasamy	–
A N Fernando	01
M S Mawzoon	–
L D Ramanayake	–
N B Weerasekara	–
Pratheepan Karunagaran	–

DIRECTORS' EMOLUMENTS

Directors' emoluments, in respect of the Company for the financial period ended 31 March 2019 are given in Note 26 to the Financial Statements.

COMPLIANCE WITH RELATED PARTY RULES

The Board of Directors affirm that the Company has complied with CSE listing Rule No. 9 pertaining to Related Party Transactions.

THE BOARD OF DIRECTORS

As at 31 March 2019, the Board of Directors of Hatton Plantations PLC consisted of nine members. Names of the Directors and their brief profiles appear on pages 16 and 17 of the Annual Report.

AUDITORS

Messrs PricewaterhouseCoopers, (PwC) Chartered Accountants are deemed to be appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

The audit fees paid to PwC during the period under review by the Company amounted to LKR 1.8 Mn.

As far as the Directors are aware, the Auditors do not have any relationship (Other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the Company.

CORPORATE GOVERNANCE/ INTERNAL CONTROL

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company are explained in the Corporate Governance reports on pages 49 to 57.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

DIRECTORS' MEETINGS

The details of the Directors' meetings which comprise Board meetings, Audit Committee meetings, Remuneration and Nomination Committee meetings, Related Party Transactions Review Committee and Attendance of Directors at these meetings are given in the Annual Report under Corporate Governance, Audit Committee Report, and Remuneration Committee Report and Related Party Transaction Review Committee.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the "Lotus Room" of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on 27 June 2019 at 11.00 am. The Notice of the Annual General Meeting appears on page 130 for and on behalf of the Board.

V Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

Corporate Advisory Services (Pvt) Ltd.
Secretaries,
Hatton Plantations PLC

29 May 2019

REPORT OF THE AUDIT COMMITTEE

ROLE OF THE AUDIT COMMITTEE

The Terms of Reference "Charter" provides a clear understanding of the Committee's role, structure, processes, and membership requirements. This conveys the framework for the Committee's organisation and responsibilities that can be referred to by the Board, committee members, management and External and Internal Auditors. The Audit Committee reviews the charter quarterly and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

During the year, the Committee comprised four Independent Non-Executive Directors and one Non-Independent Non-Executive Director. Profiles of the members are given on pages 46 to 47 Corporate Advisory Services (Pvt) Ltd., the Company Secretaries function as the Secretaries to the Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

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

Name of the Director	Status	Attendance	Remarks
A N Fernando – Chairman	Independent Non-Executive	4 of 4	
S G Wijesinha	Independent Non-Executive	4 of 4	
L D Ramanayake	Independent Non-Executive	4 of 4	
N B Weerasekara	Independent Non-Executive	1 of 4	
Sajjad Mawzoon	Non-Independent Non-Executive	4 of 4	
B A Hulangamuwa	Non-Independent Non-Executive	1 of 4	Resigned w.e.f 28 June 2018

The Chief Executive Officer and Deputy General Manager – Finance shall normally attend meetings of the Audit Committee. The Head of Internal Audit also attended these meetings by invitation. On the invitation of the Audit Committee, the Engagement Partner of the Company's External Auditors, Messrs PricewaterhouseCoopers attended two Committee meetings. The Audit Committee shall report to the Board.

THE DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2019.

FINANCIAL REPORTING

Reviewed the quarterly and year-to-date financial results of the Company and the relevant announcements to Colombo Stock Exchange (CSE), focusing particularly on significant changes to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.

Reviewed the Annual Report and the annual audited financial statements of the Company prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the listing requirements of Sri Lanka Financial Reporting Standards provisions of the Companies Act. No. 07 of 2007, CSE and any other relevant legal and regulatory requirements.

In review of the annual Audited Financial Statements, the Committee discussed with the Chief Executive Officer, Deputy General Manager – Finance and External Auditor the significant accounting policies, estimates and judgements applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the Financial Statements.

INTERNAL CONTROL AND RISK MANAGEMENT AND INTERNAL AUDIT

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on page 25.

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls and of the internal audit function. During the year, it reviewed and approved the annual internal audit plan prepared taking into consideration the required controls and risks attached to different areas of operation. It also reviewed the reports from the internal audit team summarising the audit findings and recommendations and describing actions taken by Management to address any shortfalls. It reviewed the level and nature of outstanding audit weaknesses with reference to the risk rating assigned to those issues by the internal auditor and invited Management to the Committee to further understand progress where it felt it was necessary.

It also encourages the Management to establish a suitable whistle-blowing mechanism to facilitate anonymous complains and feedback.

EXTERNAL AUDIT

Reviewed the scope of the External Auditors, Audit strategy and audit plan for the year and their proposed fees for the statutory audit.

Reviewed the external audit reports and areas of concern highlighted in the Management Letter including Management's responses to the findings of the External Auditors.

Discussed with External Auditors the key audit matters, impact of new or proposed Sri Lanka Accounting Standards and regulatory requirements applicable to the Company.

Assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Company and prior to the appointment of the External Auditors for provision of any non-audit services. The Audit Committee also received report from the external auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with.

Reviewed the performance of the External Auditors, Messrs PricewaterhouseCoopers and recommended their appointment to the Board for financial year ended 31 March 2020 subject to the approval of the shareholders at the next Annual General Meeting.

REGULATORY COMPLIANCE

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Chief Executive Officer along with the Deputy General Manager-Finance submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.

AUDIT COMMITTEE EFFECTIVENESS

The Committee prepares and reviews with the Board an annual performance evaluation of the Committee. The findings of the review ensure that the Board is satisfied that the Committee is operating effectively, and meeting all applicable legal and regulatory requirements.

CONCLUSION

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the financial position of the Company is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the financial statement is appropriate. The Audit Committee recommends to the Board of Directors that the Financial Statements as submitted be approved.

On behalf of the Audit Committee;

A N Fernando
Chairman – Audit Committee

29 May 2019

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEE

TERMS OF REFERENCE

The Charter determines the terms of reference for the Remuneration Committee. The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, members of the Executive Committee, and setting the broad parameters of remuneration for Senior Executives across the Company.

COMPOSITION

The Committee is made up of four Directors namely –

- G Sathasivam (Non-Executive, Non Independent)
- A N Fernando (Non-Executive, Independent)
- S G Wijesinha (Non-Executive, Independent)
- N B Weerasekera (Non-Executive, Independent)

Corporate Advisory Services (Pvt) Limited acts as the Secretaries to the Remuneration Committee. The Minutes of the Remuneration Committee approved by the said Committee is circulated and affirmed by the Board of Directors.

REMUNERATION POLICY

The Company's remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Company's objectives and create value for our shareholders.

A significant portion of executives' total potential remuneration is performance related in order to drive the right behaviour to optimise Company performance. Stretch targets are set for the plantation managers on a quarterly basis in the context of prevailing market conditions in which it operates. The remuneration packages which are linked to individual performances are aligned with the Company's short-term and long-term strategy.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, business unit and overall performance of the Company and market practices.

The Committee continues to provide analysis and advice to ensure Key Management Personnel remuneration is competitive in the market place. The Committee has the authority to seek external independent professional advice on matters within its purview.

NON-EXECUTIVE DIRECTORS' FEES

Non-Executive Directors receive fees for services on Board and Board Committees. Non-Executive Directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Non-Executive Directors are recommended by the Remuneration committee to the Board for their approval, after considering input from the Executive Directors.

The Directors emoluments are disclosed on Note 26 to the Financial Statements.

On behalf of the Remuneration Committee,

G Sathasivam
Chairman – Remuneration Committee

29 May 2019

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION OF THE COMMITTEE

Related Party Transaction Review Committee was established in accordance with the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange. Related Party Transaction Review Committee comprised four Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Policies and Procedures adopted for reviewing the related party transactions:

The Committee reviewed all related party transactions except for the following transactions:

(1) Recurrent, routine transactions which are of trading or revenue nature
(2) Payment of dividend, issue of securities
(3) Grant of options and the issue of securities pursuant to the exercise of options under an employee share option scheme
(4) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the listed entity at the time of the transaction
(5) Directors fees and remuneration and employment remuneration.

either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The committee established guidelines for the Senior Management to follow, for recurrent related party transactions, in its ongoing dealings with the related parties. At the year end, the Committee carried out a review and assessed ongoing relationships with the related parties to determine whether they are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.

The Committee also determined whether to obtain the approval of the Board of Directors for a related party transaction considering the factors such as the impact of the proposed transaction on the independence of the Directors and whether related party transaction require immediate market disclosure.

It was also ensured that Committee members did not have any conflict of interest with regard to the proposed related party transactions.

MEETINGS

The Committee met four (4) times during the year. Attendance of the Committee members at each of these meetings is as follows.

Name of the Director	Status	Attendance	Remarks
A N Fernando	Independent Non-Executive	04/04 meetings	
S G Wijesinha	Independent Non-Executive	04/04 meetings	
L D Ramanayake	Independent Non-Executive	04/04 meetings	
B A Hulangamuwa	Independent Non-Executive	01/04 meetings	Resigned w.e.f. 28 June 2018
N B Weerasekara	Independent Non-Executive	01/04 meetings	
Sajjad Mawzoon	Non-Independent Non-Executive	04/04	

MEETING AND MINUTES

Corporate Advisory Services (Pvt) Limited acts as the Secretaries to the Related Party Transaction Review Committee. The Minutes of the Related Party Transaction Committee approved by the said Committee is circulated and affirmed by the Board of Directors.

STATEMENT OF COMPLIANCE

The Committee has reviewed the related party transactions during the financial year and communicated the comments/ observations to the Board of Directors. Information disclosures as required under section 9 of the Listing Rules are presented under Note 35 to the Financial Statements.

On behalf of the Board,

A N Fernando
Chairman

29 May 2019

FINANCIAL REPORTS

First quarter	8 August 2018
Second quarter	7 November 2018
Third quarter	12 February 2019
Fourth quarter	29 May 2019
Publishing of annual accounts	6 June 2019
Annual general meeting	27 June 2019

STATEMENTS OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities set out in Directors report, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the Financial Statements.

The Directors are required by the Companies Act No. 07 of 2007, to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year. The Directors are required to prepare these Financial Statements on going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the Financial Statements continue to be prepared on the said basis.

The Directors consider that in preparing the Financial Statements on pages 74 to 114 the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimated that all accounting standards, which they consider to be applicable, are followed.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and which will enable them to ensure that Financial Statements comply with the Companies Act No. 07 of 2007.

The Directors are generally responsible for taking such steps that are reasonably for them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are confident that they discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the Statement of Financial Position date, are paid or where relevant, provided for.

By Order of the Board,

V Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

29 May 2019

MANAGING DIRECTOR'S AND DEPUTY GENERAL MANAGER – FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of the Hatton Plantations PLC are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company. There are no departures from the prescribed Accounting Standards in their adoption.

The significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and Deputy General Manager – Finance of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements give a true and fair view of the state of affairs, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The Financial Statements of the Company were audited by Messrs PricewaterhouseCoopers, Chartered Accountants and their report is given on pages 70 to 73 of the Annual Report.

The Audit Committee of the Company meets periodically with the internal audit team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company.

V Govindasamy
Managing Director

Prasanna Gamage

Prasanna Pahalagamage
Deputy General Manager – Finance

29 May 2019

INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Hatton Plantations PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Hatton Plantations PLC ("the Company") as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

WHAT WE HAVE AUDITED

The financial statements of the Company, which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- The Notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company 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.

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.

Key audit matter	How our audit addressed the Key audit matter
1. CARRYING VALUE OF IMMATURE AND MATURE PLANTATION Refer Note 8 in the financial statements. The carrying value of bearer plants at year end was LKR 619.5 Mn. Bearer plants mainly include mature and immature tea plants in identified fields of the plantation. As per the industry practice, at the point of commencement of commercial harvesting the cost of immature plants are transferred to cost of mature plants. The actual duration taken to start commercial harvesting depends on factors such as the soil condition, weather patterns and plant breed. We have focused on this area in our audit due to the significant management judgement involved in determining the duration taken for plants in a field to be deemed ready for commercial harvesting.	We performed following audit procedures in relation to the transfer of immature plants to mature plants. – Obtained schedules of costs incurred and capitalised under immature plants, and cost transferred to mature plants by each estate for the year ended 31 March 2019 and reconciled these balances to the general ledger maintained at the Head Office, checking reasonability of explanations for reconciling items. – Compared the actual costs transferred to mature plants from immature plants, to budgeted costs included in annual board approved budgets and assessed if the actual costs are consistent with management expectations at the beginning of the financial year. – Obtained the immature to mature cost transfer worksheet of a sample of estates and checked whether the amounts transferred during the year was consistent with the Company policy and industry norms.

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S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

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Key audit matter	How our audit addressed the Key audit matter
The date of transfer from immature to mature plants has a significant impact on the carrying value of the bearer plants and the reported profits of the Company as capitalisation of costs will cease from the point of transfer and the mature plants are depreciated over the estimated useful lives of the plants.	Based on the above procedures, management judgement involved in transferring immature plants to mature plants was noted to be consistent with Company policy and industry norms.
2. VALUATION OF CONSUMABLE BIOLOGICAL ASSETS – VALUATION OF TIMBER TREES Refer Note 9 in the financial statements. The carrying value of consumable biological assets at year end was LKR 700.1 Mn. The timber trees on estates managed by the Company are classified as consumable biological assets and are measured at each reporting date at fair value less cost to sell. The trees less than 5 years are carried at cost less impairment as the fair value cannot be reliably measured. Timber trees include both immature and mature plants. The market prices for timber trees are impacted by factors such as topographical characteristics of the land, age and condition of timber trees and the economic conditions that drives the supply and demand. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumable biological assets of the Company as at 31 March 2019. We consider the valuation of consumable biological assets as a key audit matter due to the significant management judgements and assumptions/estimates involved in the process. These include the following: – Estimation of height and girth of trees to arrive at volume of timber – Value of timber per cubic meter – Discount rates	We obtained evidence relating to the external valuer's competence and independence. We also obtained the external valuation reports and performed the following. – Obtained estate wise reports for timber trees from the E Plantation System which is used by the Company to record and manage timber trees and the annual census report of timber trees by estates, compared the physical number of timber trees with the valuation report to check the completeness and accuracy of the data used for the valuation. We also checked the accuracy of the valuation formulae contained in the valuation report. – Performed a physical verification of a sample of trees during estate visits to assess the girth and height of the respective trees. The assumptions used in estimating girth and height to calculate the volume were compared with the market projections and industry norms that are generally accepted in determining the volume of timber. – Assessed the value per cubic meter, by comparing the market prices for Eucalyptus Grandis trees to publicly available information in web sites, for timber sales made during the year by the Company, to measure the reasonableness of price taken for the valuation of mature trees of timber. – Assessed the appropriateness of the discount rate, by considering the market yields on the Government treasury bonds published by the Central Bank of Sri Lanka (CBSL). Assessed the industry risk, by comparing adjusted beta factor with comparable businesses of similar scale obtained from the Colombo Stock Exchange where information is publicly available. We found the discount rate to be consistent and in line with market information. Based on our work, the judgements and assumptions used by the independent valuer in determining the value of consumable biological assets as at 31 March 2019 appropriately reflect the market rates and conditions.
3. VALUATION OF INVESTMENT IN EQUITY INTEREST IN MINI- HYDRO POWER COMPANIES Refer Note 10 in the financial statements. Equity investment measured at fair value through other comprehensive income includes interest in two Mini Hydro Power Plants. Management has estimated the fair value of these investments at LKR 24.6 Mn as at 31 March 2019. One of the investments was valued by an independent professional valuer based on discounted cash flow model, and the other investment had been valued based on price to book value multiple using publicly available information of entities that are of similar size, profitability, growth, market segment and risk profile to the investment being valued. We considered the fair valuation of these investments to be a key audit matter as the valuations involved significant management judgement and estimates including cash flow projection, discount rate and risk premium.	We obtained and assessed evidence relating to the qualifications, competency, and independence of the external valuer used by management. We obtained the external valuation reports and performed the following tests: • Assessed the valuation methodology used by the independent professional valuer to estimate the fair value of the investment and checked whether such methodology used is in line with generally accepted practices. • Assessed the appropriateness of the discount rate by considering the market yields on Government treasury bonds published by the Central Bank of Sri Lanka (CBSL). • Assessed reasonableness of the risk premium by reference to local market conditions, and the normal expected rates of returns on investment of the Company. We found the methodology used to be in line with generally accepted practices and discount rate to be consistent and in line with market expectations.

Key audit matter	How our audit addressed the Key audit matter
	We obtained the internal valuation workings and performed the following tests: • Checked the accuracy and reasonableness of the cash flows used by management in the valuations to approved budget and found the cash flows to be reasonable and consistent with the size , profitability, growth, market segment and market data. • Checked the accuracy of the investment stake/proportions used in valuing the fair value of the investment by tracing to board minutes and share warrants of the Company. We found the investment proportions considered in valuation to be in line with actual investment made. Based on the audit procedures performed, we found the fair value estimates relating to these investments to be reasonable.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report. (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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 Company'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 Company 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.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PricewaterhouseCoopers.

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number – 1581
COLOMBO

29 May 2019

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2019 LKR '000	2018 LKR '000
Assets			
Non-current assets			
Right to use of land	5	106,843	110,918
Immovable estate assets on finance lease (other than land)	6	53,878	62,369
Property, plant and equipment other than bearer plants	7	1,042,488	1,153,612
Bearer plants	8	619,528	662,345
Biological assets – consumable	9.1	700,140	679,356
Equity investments at fair value through other comprehensive income	10	24,686	21,645
Total non-current assets		2,547,563	2,690,245
Current assets			
Inventories	12	440,351	678,439
Biological assets-produce crops on bearer plants	9.2	14,612	19,891
Trade and other receivables	13	233,666	185,688
Cash and cash equivalents	14	185,224	255,493
Total current assets		873,853	1,139,511
Total assets		3,421,416	3,829,756
Equity and liabilities			
Capital and reserves			
Stated Capital	15	1,803,400	1,803,400
Reserve on rearrangement		–	52,798
Reserve on equity investments at FVOCI		3,041	–
Retained earnings		(242,754)	95,457
Total equity		1,563,687	1,951,655
Non-current liabilities			
Borrowings	16	50,541	151,878
Lease liability to SLSPC and JEDB	17.2	188,664	193,024
Retirement benefit obligation	18	1,011,911	661,290
Deferred capital grants	19	127,588	133,857
Deferred tax liability	20	48,606	95,646
Total non-current liabilities		1,427,310	1,235,695
Current liabilities			
Borrowings	16	96,277	101,824
Lease liability to SLSPC and JEDB	17.2	4,359	4,191
Trade and other payables	21	322,348	499,794
Current income tax liability	22	7,435	36,597
Total current liabilities		430,419	642,406
Total liabilities		1,857,729	1,878,101
Total equity and liabilities		3,421,416	3,829,756

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Prasanna Pahalagamage
Deputy General Manager – Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed on behalf of the Board of Hatton Plantations PLC.

V Govindasamy
Managing Director

Sunil G Wijesinha
Chairman

29 May 2019

The Notes on pages 79 to 114 form an integral part of these financial statements.
Independent Auditor's Report – pages 70 to 73

STATEMENT OF INCOME

	Note	Year ended 31 March 2019 LKR '000	Six months ended 31 March 2018 LKR '000
Revenue	23	4,039,996	2,317,027
Cost of sales		(3,945,228)	(1,881,238)
Gross profit		94,768	435,789
Other operating income	24	105,372	52,307
Administrative expenses		(259,357)	(103,661)
Other gains – net	25	3,803	32,172
Operating (loss)/profit		(55,414)	416,607
Finance income	28	16,072	10,923
Finance costs	28	(78,460)	(36,985)
Net finance costs		(62,388)	(26,062)
(Loss)/profit before income tax		(117,802)	390,545
Income tax expense	29	5,213	(149,714)
(Loss)/profit for the year		(112,589)	240,831
(Loss)/profit per share for (losses)/profit attributable to the ordinary equity holders of the Company (expressed in LKR per share)			
– Basic (loss)/earning per share	30	(0.48)	1.02

The Notes on pages 79 to 114 form an integral part of these financial statements.

Independent Auditor's Report – pages 70 to 73.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2019 LKR '000	Six months ended 31 March 2018 LKR '000
(Loss)/profit for the year		(112,589)	240,831
Other comprehensive income:			
Items that may be reclassified to profit or loss			
– Changes in the fair value of equity investments at fair value through comprehensive income	10	3,041	–
Items that will not be reclassified to profit or loss			
– Remeasurements of post-employment benefit obligations	18	(254,945)	–
– Income tax relating to these items	29	35,692	–
Total other comprehensive income for the year (net of tax)		(216,212)	–
Total comprehensive (loss)/income for the year		(328,801)	240,831

The Notes on pages 79 to 114 form an integral part of these financial statements.

Independent Auditor's Report – pages 70 to 73.

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital LKR '000	Reserve on equity instruments at FVOCI LKR '000	Reserve on rearrangement LKR '000	Accumulated profits/(losses) LKR '000	Total equity LKR '000
Balance at 1 October 2017		1,803,400	–	52,798	–	1,856,198
Profit for the period		–	–	–	240,831	240,831
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the period		–	–	–	240,831	240,831
Transactions with owners of the Company						
Dividend	31	–	–	–	(118,333)	(118,333)
Opening stock adjustment as per lower of cost or NRV		–	–	–	(27,041)	(27,041)
Total transactions with owners		–	–	–	(145,374)	(145,374)
Balance at 31 March 2018		1,803,400	–	52,798	95,457	1,951,655
Balance at 1 April 2018		1,803,400	–	52,798	95,457	1,951,655
Loss for the year		–	–	–	(112,589)	(112,589)
Other comprehensive income		–	3,041	–	(219,253)	(216,212)
Total comprehensive income for the year		–	3,041	–	(331,842)	(328,801)
Reserve on rearrangement transferred to retained earnings		–	–	(52,798)	52,798	–
Transactions with owners of the Company						
Dividend	31	–	–	–	(59,167)	(59,167)
Total transactions with owners		–	–	–	(59,167)	(59,167)
Balance at 31 March 2019		1,803,400	3,041	–	(242,754)	1,563,687

The Notes on pages 79 to 114 form an integral part of these financial statements.

Independent Auditor's Report – pages 70 to 73.

STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2019 LKR '000	Six months ended 31 March 2018 LKR '000
Cash flows from operating activities			
Cash generated from operations	34	355,176	579,835
Finance costs	28	(78,460)	(36,985)
Tax paid	22	(35,297)	(17,471)
Retirement benefit obligations paid	18	(104,552)	(47,927)
Interest received	28	16,072	10,923
Net cash generated from operating activities		152,939	488,375
Cash flows from investing activities			
Additions to bearer plants	8	(12,438)	(3,826)
Additions to consumable biological assets	9.1	(28,763)	(13,552)
Additions to property, plant and equipment	7	(49,461)	(50,247)
Proceeds from sale of property, plant and equipment		20,635	2,503
Proceeds from sale of consumable biological assets		17,062	–
Net cash used in investing activities		(52,965)	(65,122)
Cash flows from financing activities			
Dividend paid	31	(59,167)	(118,333)
Repayment of borrowings	16	(106,884)	(51,215)
Repayment of lease principal	17	(4,192)	(1,946)
Net cash used in financing activities		(170,243)	(171,494)
(Decrease)/increase in cash and cash equivalents		(70,269)	251,759
Movement in cash and cash equivalents			
At the beginning of period		255,493	3,734
(Decrease)/increase for the period		(70,269)	251,759
At end of period	14	185,224	255,493

The Notes on pages 79 to 114 form an integral part of these financial statements.

Independent Auditor's Report – pages 70 to 73.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts are shown in Sri Lankan Rupees thousands unless otherwise stated)

1. REPORTING ENTITY

Hatton Plantations PLC ("the Company") is a public limited liability company incorporated on 14 September 2017 and domiciled in Sri Lanka under the Companies Act No 7 of 2007. The registered office of the Company is located at No 60, Dharmapala Mawatha, Colombo 03. The Plantations are situated in the planting districts of Watawala, Hatton and Lindula. The Company is primarily engaged in cultivation, manufacture and sale of tea. The Company is a subsidiary of Estate Management Services (Private) Limited and it's ultimate parent is Sunshine Holdings PLC.

The Financial Statements consist of the Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the period ended 31 March 2019.

The Financial Statements were authorised for issue by the Board of Directors in accordance with the solution of the Directors on 29 May 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Statements of the Company are prepared in accordance with Sri Lanka Accounting Standards which comprises Sri Lanka Financial Reporting Standards (SLFRS), Sri Lanka Accounting Standards (LKAS), pronouncements by the Standards interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared under the historical cost convention except for assets carried at fair value.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in Note 4.

The accounting policies have been consistently applied in the Financial Statements.

HISTORICAL COST CONVERSION

The Financial Statements have been prepared on a historical cost basis, except for the following:

- Consumable biological assets through fair value
- Equity investments at fair value through other comprehensive income
- Biological assets - produce crops on bearer plants at fair value

COMPARATIVE INFORMATION

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous year in the Financial Statements in order to enhance the understanding of the current year's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year is reclassified, where relevant for better presentation and to be comparable with those of the current year.

The Company has not restated the comparative information of previous financial year for financial instruments within the scope of Sri Lanka Financial Reporting Standard - SLFRS 9 on "Financial Instruments" (SLFRS 9). Therefore, the comparative information for 2017/18 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" (LKAS 39) and is not comparable to the information presented for 2018/19.

No adjustments have been made to equity as of 1 April 2018 as no differences resulted from adoption of SLFRS 9 and SLFRS 15.

(a) New standards and amendments – applicable 1 April 2018

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

- SLFRS 9 Financial Instruments
- SLFRS 15 Revenue from Contracts with Customers
- Amendments to SLFRS 15, Revenue from contracts with customers

The Company had to change its accounting policies following the adoption of SLFRS 9 and SLFRS 15.

SLFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with the transition provisions in SLFRS 15, the Company has adopted the new rules retrospectively and no adjustments have been made to equity as at 1 April 2018 as no differences resulted from adoption of SLFRS 15.

The effect of initially applying these standards is mainly attributable to:

- Revenue recognition of Auction sales. Please refer Note 3.21

SLFRS 9 FINANCIAL INSTRUMENTS

SLFRS 9 replaces the provisions of LKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

The adoption of SLFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.1 (a). In accordance with the transitional provision in SLFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 April 2018 the Company's management has assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate SLFRS 9 categories.

The main effects resulting from this reclassification are as follows:

	Measurement category		Carrying amount	
	Original standard (LKAS 39)	New standard (SLFRS 9)	Original standard (LKAS 39)	New standard (SLFRS 9)
Non-current financial assets				
Equity securities	Available for sale	FVOCI	21,645	21,645
Current financial assets				
Trade receivables	Amortised cost	Amortised cost	88,543	88,543
Cash and cash equivalents	Amortised cost	Amortised cost	255,493	255,493
Other receivables	Amortised cost	Amortised cost	30,615	30,615

Refer details on the reclassification of equity investments previously classified as available for sale in Note 10.

(ii) Impairment of financial assets

The Company's trade receivables are subject to SLFRS 9's new expected credit loss model and was required to revise its impairment methodology under SLFRS 9. While cash and cash equivalents are also subject to the impairment requirements of SLFRS 9, the identified impairment loss is immaterial.

(b) New standards and amendments but not adopted in 2018/2019

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 March 2019.

(i) SLFRS 16 Leases

SLFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 April 2019 with earlier application permitted if SLFRS 15, "Revenue from Contracts with Customers", is also applied.

The Company is in the process of assessing the impact of adopting SLFRS 16 and will apply the standard from its mandatory adoption date of 1 April 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(ii) Amendments to SLFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in the statement of income. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from LKAS 39.

This amendment is effective for annual periods beginning on or after 1 April 2019.

(iii) Annual improvements 2015 – 2017

I. LKAS 12, "Income taxes" – a company accounts for all income tax consequences of dividend payments in the same way.
II. LKAS 23, "Borrowing costs" – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

These amendments are effective for the annual periods beginning on or after 1 April 2019.

(iv) Amendments to SLFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

This amendment is effective for the annual periods beginning on or after 1 April 2020.

(v) Amendments to LKAS 1 and LKAS 8 on the definition of material

These amendments to LKAS 1, 'Presentation of Financial Statements', and LKAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other SLFRSs:

I. use a consistent definition of materiality throughout SLFRSs and the Conceptual Framework for Financial Reporting;
II. clarify the explanation of the definition of material; and
III. incorporate some of the guidance in LKAS 1 about immaterial information.

This amendment is effective for the annual periods beginning on or after 1 April 2020.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of company's Financial Statements in conformity with Sri Lanka Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the report of amounts of revenue and expenses during the reporting period. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within next financial year are given in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in these financial statements.

3.1 PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment comprise tangible assets and bearer plants.

RECOGNITION AND MEASUREMENT

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the company and the cost of the asset can be measured reliably. All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost includes expenditure that is directly attributable to the acquisition of assets. The self-constructed assets includes the cost of materials, direct labour and any other costs 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.

SUBSEQUENT COSTS

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The cost of improvements to or on leasehold property, is capitalised, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, which ever is shorter.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset when it is available for use. Capital work-in-progress is stated at cost less any accumulated impairment losses.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

BEARER PLANTS

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Bearer plants mainly include mature and immature tea plantations. Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, fertilising and maintenance. Capitalisation of borrowing costs incurred on loans used to finance the development of immature plantations and an allocation of other indirect costs based on planted hectares. Mature plantations are stated at acquisition cost less accumulated depreciation and impairment losses. Mature plantations are depreciated on a straight line basis over its estimated useful life, upon commencement of commercial production.

General charges such as supervisory, security and office overheads etc. are apportioned between immature plantations and the income statement based on the man-days spent on the respective activities. General charges apportioned to immature plantation based on the man days used on replanting and subsequent upkeep until they become maturity, are capitalised on immature plantations. General charges incurred on the revenue generating activities are charged to the income statement in the year in which they are incurred.

INFILLING COST ON BEARER PLANTS

Where infilling results in an increase in the economical life of a relevant field beyond its previously assessed standard of performance, the cost is capitalised in accordance with Sri Lanka Accounting standard LKAS 16 - Property Plant and Equipment and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling cost that are not capitalised are charged to the income statement in the year in which they are incurred.

DEPRECIATION AND AMORTISATION

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Assets held under finance lease are amortised over the shorter of the lease term and their useful lives, in equal amounts.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is discontinued.

The economic useful lives of assets are estimated below for depreciation/amortisation purposes.

Company	Leasehold assets (Years)
Right to use of land	27
Improvements to land	27
Vested other assets	30
Buildings	40
Plant and machinery	13
Equipment	8
Computer equipment	4
Computer software	6
Furniture and fittings	10
Motor vehicles	5
Sanitation, water and electricity	20
Roads and bridges	40
Fences and security lights	3
Mini hydro plants	10
Bearer plants	
– Tea	30
– Caliandra	10
– Cinnamon	30

The assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

3.2 BIOLOGICAL ASSETS

Biological assets comprise Timber reserves and growing agricultural produce on bearer plants.

3.2.1 CONSUMABLE BIOLOGICAL ASSETS

Timber plantation that are managed by the company is classified as consumable biological assets and are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Cost to sell include all costs that would be necessary to sell the assets, including transportation costs if any. The fair value of trees younger than 5 years cannot be reliably estimated and are carried at cost less impairment. The cost include direct material, direct labour and appropriate proportion of directly attributable overheads.

Gains or losses arising on initial recognition of timber plantation at fair values less costs to sell and from the change in fair values less costs of plantations at each reporting date are included in statement of income for the period in which they arise. All costs incurred in maintaining the assets are included in statement of income for the period in which they arise.

Proceeds from sale of consumable biological assets are credited to the statement of income when the risk and rewards associated with the sale is transferred to the buyer. Standing timber is transferred to inventories at its fair value less cost to sell at the date of harvest.

3.2.2 PRODUCE GROWING ON BEARER PLANTS

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants. Nurseries are measured at cost less accumulated impairment.

Produce that grows on mature plantations are measured at fair value less estimated cost to sell. Cost to sell include all costs that would be necessary to sell the produce.

3.3 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or group of assets (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.4 INVESTMENTS AND OTHER FINANCIAL ASSETS

3.4.1 CLASSIFICATION

From 1 April 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

3.4.2 RECOGNITION AND DERECOGNITION

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.4.2 MEASUREMENT

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i. Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of income.

ii. FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of income.

iii. FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the statement of income and presented net within other gains/(losses) in the period in which it arises.

EQUITY INSTRUMENTS

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in the statement of income as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

iv. Impairment: From 1 April 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 36 C.

3.5 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.6 CLASSIFICATION OF FINANCIAL ASSETS

Until 31 March 2018, the Company classified its financial assets in the following categories:

– Financial assets at fair value through profit or loss,
– Loans and receivables,
– Held-to-maturity investments, and
– Available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

(I) RECLASSIFICATION

The Company could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Company could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Company had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(II) SUBSEQUENT MEASUREMENT

The measurement at initial recognition did not change on adoption of SLFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

– for financial assets at FVPL - in profit or loss within other gains/(losses).
– for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income.
– for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 11.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to the statement of income as gains and losses from investment securities.

3.7 IMPAIRMENT ON FINANCIAL ASSETS

The Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(I) ASSETS CARRIED AT AMORTISED COST

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the statement of income. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Company could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the statement of income.

Impairment testing of trade receivables is described in Note 36 C.

(II) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income – was removed from equity and recognised in the statement of income.

Impairment losses on equity instruments that were recognised in the statement of income were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss was reversed through the statement of income.

3.8 INVENTORIES

(I) FINISHED GOODS MANUFACTURED FROM AGRICULTURAL PRODUCE OF BIOLOGICAL ASSETS

These are valued at the lower of cost or estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

(II) RAW MATERIAL, SPARES AND CONSUMABLES.

These are valued at actual cost on weighted average basis.

3.9 TRADE RECEIVABLES

Trade receivables are amounts due from customers for commodities sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Refer Notes 13 and 36.

3.10 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.11 STATED CAPITAL

Ordinary shares are classified as stated capital in equity. Dividend distributed to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

3.12 TRADE PAYABLES

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.13 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction. Cost of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, is recognised in the statement of income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.14 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets except biological assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of income in the period in which they are incurred.

3.15 ACCOUNTING FOR LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the statement of income on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is recognised in the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.16 CURRENT INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by end of the reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.17 DEFERRED TAX

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.18 EMPLOYEE BENEFITS

3.18.1 DEFINED CONTRIBUTION PLANS

Defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as and when they are due.

(I) PROVIDENT FUND CONTRIBUTIONS

All employees of the Company are members of the Employees' Provident Fund or the Estate Staff Provident Society or Ceylon Planters' Provident Fund to which the Company contributes 12% of the salary of each employee.

(II) TRUST FUND CONTRIBUTIONS

The Company contributes 3% of the salary of each employee to the Employee Trust Fund.

3.18.2 DEFINED BENEFIT PLAN - GRATUITY

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company has adopted a defined benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date, together with adjustments for unrecognised past service cost. An actuarial valuation for defined benefit obligation is carried out by Mr M. Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, using the projected unit credit method prescribed in Sri Lanka Accounting Standard LKAS – 19 on "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of Government bonds 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 pension liability.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in the statement of income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Refer Note 18 for detailed analysis of Actuarial assumptions used.

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.

3.19 GRANTS

Grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to other income on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are differed and recognised in the statement of income over the period necessary to match them with costs that they intended to compensate.

3.20 PROVISIONS

Provisions are recognised when the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the Directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material. All known liabilities and provisions have been accounted for in preparing the financial statements.

3.21 REVENUE RECOGNITION

AUCTION SALES

Sale is recognised when control of the tea is transferred by accepting the highest bidder at the drop of hammer by the Auctioneer at the Colombo Tea Auction. This do not involve complex calculations or significant estimation uncertainties. Hence there is no unfulfilled obligation that could affect customers acceptance of the teas sold.

The revenue from these sale is recognised based on the price and quantities agreed upon net of brokerage fee.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with the credit term of 7 days, which is consistent with market practice.

A receivable is recognised when the goods are sold at Auction, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

PRIVATE/LOCAL SALES

Teas not catalogued at the Auction can be sold as private sales/local sales. Price is determined based on prevailing market prices and tea board regulations. Sales are recognised when control of the products are transferred when the products are delivered to the customers and there is no unfulfilled obligations that could affect the customers acceptance of the products.

Revenue is only recognised to the extent that is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with the credit term of 7 days.

GAINS OR LOSSES ON DISPOSAL

Gains and losses from sale of property, plant and equipment are recognised in the period in which the sale occurs and the delivery order is issued.

INTEREST INCOME

Interest income is recognised using the effective interest method. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

DIVIDEND INCOME

Dividend income is recognised in the income statement on an accrual basis when the Company's right to receive the dividend is established.

3.22 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue as given in Note 37.

3.23 DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.24 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

3.25 ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual results. Management also needs to exercise judgment in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity.

INCOME TAXES

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax assessment issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

PENSION BENEFITS – GRATUITY

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of government bonds, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions and are disclosed in Note 20.

ESTIMATED USEFUL LIVES OF PROPERTY, PLANTS AND EQUIPMENT

The Company reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plans, strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment which increases the recorded depreciation charge and decreases the carrying value of property, plant and equipment.

PROVISIONS

The Company recognises provisions when they have a present legal or constructive obligation arising as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. The recording of provision requires the application of judgment about ultimate resolution of their obligations.

CONSUMABLE BIOLOGICAL ASSETS

In measuring fair value of timber management estimates and judgement are required. These estimates and judgement relates to the market prices, average volume of trees and quality of trees. Trees grow at different rates and there can be a considerable spread in the quality and volume of trees and that affect the prices achieved.

BEARER PLANTS

The date of transfer from immature to mature plants has a significant impact on the carrying value of the bearer plants and the reported profits of the Company as capitalisation of costs will cease from the point of transfer and the mature plants are depreciated over the estimated useful lives of the plants.

As per the industry practice, at the point of commencement of commercial harvesting the cost of immature plants are transferred to cost of mature plants. The actual duration taken to start commercial harvesting depends on factors such as the soil condition, weather patterns and plant breed.

EQUITY INVESTMENTS

Equity investment measured at fair value through other comprehensive income includes interest in two Mini Hydro Power Plants. The fair valuation of these investments to be a key audit matter as the valuations involved significant management judgement and estimates including cash flow projection, discount rate and risk premium.

5. RIGHT TO USE LAND

As at 31 March	2019	2018
Cost		
As at 1 April	112,956	–
Vested from Watawala Plantations PLC	–	112,956
As at 31 March	112,956	112,956
Accumulated amortisation		
As at 1 April	2,038	–
Amortisation	4,075	2,038
As at 31 March	6,113	2,038
Carrying value		
As at 31 March	106,843	**110,918**

The leases of JEDB/SLSPC estates were assigned to the Company for a period of 27 years as per the arrangement sanctioned by the High Court of the Western Province on 20 July 2017 in case No. HC (Civil) 28/2017/CO. The leasehold rights to the land on all the estates have been taken into the books of the Company as at 30 September 2017 after the arrangement was approved by the courts on 26 September 2017. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

6. IMMOVABLE ESTATE ASSETS ON FINANCE LEASE (OTHER THAN LAND)

	Improvements to land	Other vested assets	Bearer plants	Roads and bridges	**Total**
Cost					
As at 1 October 2017 vested from Watawala Plantations PLC	354	1,319	64,755	187	**66,615**
As at 31 March 2018	354	1,319	64,755	187	**66,615**
As at 1 April 2018	354	1,319	64,755	187	**66,615**
As at 31 March 2019	354	1,319	64,755	187	**66,615**
Accumulated amortisation					
Amortisation	36	18	4,186	6	**4,246**
As at 31 March 2018	36	18	4,186	6	**4,246**
As at 1 April 2018	36	18	4,186	6	**4,246**
Amortisation	72	36	8,371	12	**8,491**
As at 31 March 2019	108	54	12,557	18	**12,737**
Carrying value					
As at 31 March 2019	246	1,265	52,198	169	**53,878**
As at 31 March 2018	318	1,301	60,569	181	**62,369**

(a) Investment by the Company on mature and immature plantations is shown separately under Bearer Plants Note 8.

7. PROPERTY, PLANT AND EQUIPMENT

In LKR '000	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 October 2017	526,697	29,242	69,093	422,703	19,559	1,316	5,986	77,867	1,152,463
Additions	14,630	3,029	12,857	–	–	421	1,580	17,730	50,247
Transfers	–	(7,414)	–	–	–	–	–	7,414	–
Disposals	–	–	(1,500)	–	–	–	–	–	(1,500)
As at 31 March 2018	541,327	24,857	80,450	422,703	19,559	1,737	7,566	103,011	1,201,210
Cost									
As at 1 April 2018	541,327	24,857	80,450	422,703	19,559	1,737	7,566	103,011	1,201,210
Additions	1,930	–	12,191	33,849	–	1,491	–	–	49,461
Transfers [refer (c) below]	24,470	(24,470)	–	–	–	–	–	(11,057)	(11,057)
Disposals	(7,724)	–	(9,600)	–	–	–	–	–	(17,324)
As at 31 March 2019	**560,003**	**387**	**83,041**	**456,552**	**19,559**	**3,228**	**7,566**	**91,954**	**1,222,290**
Accumulated depreciation									
Charge for the period	8,469	–	9,062	27,366	1,756	801	554	1,090	49,098
Relating to disposals	–	–	(1,500)	–	–	–	–	–	(1,500)
As at 31 March 2018	8,469	–	7,562	27,366	1,756	801	554	1,090	47,598
Accumulated depreciation									
As at 1 April 2018	8,469	–	7,562	27,366	1,756	801	554	1,090	47,598
Charge for the year	17,896	–	26,437	64,454	4,709	1,072	1,417	24,499	140,484
Disposals	(199)	–	(8,081)	–	–	–	–	–	(8,280)
As at 31 March 2019	**26,166**	**–**	**25,918**	**91,820**	**6,465**	**1,873**	**1,971**	**25,589**	**179,802**
Carrying value									
As at 31 March 2019	**533,837**	**387**	**57,123**	**364,732**	**13,094**	**1,355**	**5,595**	**66,365**	**1,042,488**
As at 31 March 2018	532,858	24,857	72,888	395,337	17,803	936	7,012	101,921	1,153,612

(a) Cost of fully depreciated assets still in use as at 31 March 2019 amounts to LKR 516,586,527 (2018 – LKR 482,730,271).

(b) Depreciation expense of LKR 113,897,586 has been charged in cost of goods sold and LKR 26,585,966 in administrative expenses.

(c) LKR 11,056,990 incurred for cadestal survey has been reclassified under other receivable based on the government confirmation of reimbursement.

8. BEARER PLANTS

In LKR '000	Nurseries	Immature plants	Mature plants	Total
Cost				
As at 1 October 2017 – Vested from Watawala Plantations PLC	560	120,217	558,948	679,725
Additions	353	6,167	–	6,520
Adjustment	–	(1,507)	(1,187)	(2,694)
Transfers	–	(39,276)	39,276	–
As at 31 March 2018	913	85,601	597,037	683,551
As at 1 April 2018	913	85,601	597,037	683,551
Additions	740	11,106	592	12,438
Adjustment	–	(2,317)	–	(2,317)
Transfers	–	(55,644)	55,644	–
As at 31 March 2019	**1,653**	**38,746**	**653,273**	**693,672**
Accumulated depreciation				
Charge for the period	–	–	21,206	21,206
As at 31 March 2018	–	–	21,206	21,206
As at 1 April 2018	–	–	21,206	21,206
Charge for the year	–	–	52,938	52,938
As at 31 March 2019	–	–	**74,144**	**74,144**
Carrying value				
As at 31 March 2019	**1,653**	**38,746**	**579,129**	**619,528**
As at 31 March 2018	913	85,601	575,831	662,345

(a) Bearer plants mainly consists of tea bushes. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with Sri Lanka Accounting Standard – LKAS 16 – "Property, Plants and Equipment".

(b) The transfer of immature plantations to mature plantations is made when the plantation is ready for commercial harvesting.

9. BIOLOGICAL ASSETS

9.1 CONSUMABLE BIOLOGICAL ASSETS

	Nurseries	Immature plantations	Mature plantations	Total
At fair value				
As at 1 October 2017 vested from Watawala Plantations PLC	1,117	109,261	529,753	640,131
Transfers	–	(12,330)	12,330	–
Additions	90	13,462	–	13,552
Gain arising from changes in fair value less cost to sell	–	–	25,673	25,673
As at 31 March 2018	1,207	110,393	567,756	679,356
As at 1 April 2018	1,207	110,393	567,756	679,356
Additions	1,520	27,243	–	28,763
Transfers	–	(11,830)	11,830	–
Value of trees harvested	–	–	(15,755)	(15,755)
Disposal	(1,307)	–	–	(1,307)
Gain arising from changes in fair value less cost to sell	–	–	9,083	9,083
As at 31 March 2019	**1,420**	**125,806**	**572,914**	**700,140**

(a) The mature consumable biological assets are stated at fair value determined based on an independent valuation of timber/trees performed by Messrs S Sivakantha (BSc Estate Management and Valuation). The key assumptions and judgements include the following:

As at 31 March	2019	2018
– Expected rate of return	14.5% p.a	14.5% p.a
– Maturity for harvesting	25 years	25 years
– Number of trees valued	72,370	28,798

(b) Immature consumable biological assets comprising trees under five years old are carried at cost less accumulated impairment losses.

SENSITIVITY ANALYSIS

The financial impact on the value appearing in the statement of financial position due to change of selling price and variation of discount rate is given below.

(a) Sensitivity variation sales price (Using 5% estimated variation)

As at 31 March	2019	2018
Sale price – increase by 5%	601,559	596,144
Sale price – value as stands	572,914	567,756
Sale price – decrease by 5%	544,268	539,368

(b) Sensitivity variation discount rate (using 1.0% variation)

Simulations made for the timber trees show that a increase or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

As at 31 March	2019	2018
Discount rate – increase by 1%	**568,275**	565,502
Discount rate – value as stands	**572,914**	567,756
Discount rate – decrease by 1%	**577,690**	571,048

9.2 PRODUCE ON BEARER PLANTS

As at 31 March	2019	2018
As at 1 April	**19,891**	–
As at 1 October 2017 Vested from Watawala Plantations PLC	–	16,687
Movement of fair value	**(5,279)**	3,204
As at 31 March	**14,612**	**19,891**

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year for tea taking three days crop (50% of 6 days cycle).

Produce that grows on mature bearer plants are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Tea Board.

A. RECOGNITION AND MEASUREMENT

FAIR VALUE HIERARCHY

The fair value measurement of consumable biological assets and produce on bearer plants have been categorised as level 3 fair value based on the inputs to the valuation technique used.

This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial and assets and liabilities into the three levels prescribed under the accounting standards.

	Level 1	Level 2	Level 3	Total
31 March 2018				
Biological assets – consumable	–	–	567,756	567,756
Biological assets-growing crops on bearer plants	–	–	19,891	19,891
	–	–	587,647	587,647
31 March 2019				
Biological assets – consumable	–	–	**572,914**	**572,914**
Biological assets-growing crops on bearer plants	–	–	**14,612**	**14,612**
	–	–	**587,526**	**587,526**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see above.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

B. VALUATION TECHNIQUES

(i) Discounted cash flow method
To value the mature plants discounted cash flow method is used. The discounting rate should be market derived adjusted to recognise the risk factors affecting the maintenance of stock due to vagaries, weather, disease, historical yield, age of the plantation, genetic factors of stock, etc.

(ii) Replacement cost basis
To value the young pre-merchantable plantations Replacement Cost Basis is adopted. The rationale being that there is no market determined prices or values and specially little biological transformation has taken place since the initial cost of planting or the impact of the biotical transformation on the price especially initial growth in 25 - 30 years of production cycle.

(iii) Estimated cost
The volume of produce growing on bearer plants (tea) is measured using the estimated crop of the last harvesting round of the year by three days crop (50% of 6 days round).

C. VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

Description	Fair value of mature plants/ growing crop as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2019	2018		2019	2018	
Biological assets – consumable	**572,914**	567,756	Discount rate	**13.5% – 15.5% (14.5%)**	13.5% – 15.5% (14.5%)	The higher the discount rate, the lower the fair value.
			Maturity for harvesting	**25 years**	25 years	The higher maturity for harvesting, the lower the fair value.
			Sales price	**5% estimated variance in selling price**	5% estimated variance in selling price	The higher the selling price, the higher the fair value.
Biological assets – growing crops on bearer plants	**14,612**	19,891	Harvesting cycle of crop	**3 days crop (50% of 6 days round)**	3 days crop (50% of 6 days round)	Higher the crop in the harvesting cycle, higher the fair value.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at FVOCI comprise the following unlisted individual investments:

As at 31 March	Note	2019	2018
Unit Energy Lanka (Private) Limited	a	**16,453**	10,763
Waltrim Hydro Power (Private) Limited	b	**8,233**	10,882
Closing balance		**24,686**	21,645

(a) Represent 5% of investment in Unit Energy Lanka (Private) Limited.

(b) Represent 2.51% of investment in Waltrim Hydro Power (Private) Limited.

	Unit Energy Lanka (Private) Limited	Waltrim Hydro Power (Private) Limited	Total
As at 1 April 2018	10,763	10,882	21,645
Change in fair value of equity investments	5,690	(2,649)	3,041
As at 31 March 2019	**16,453**	**8,233**	**24,686**

EQUITY INVESTMENTS PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE

The Company elected to present in other comprehensive income (OCI) changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of LKR 21,645,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of LKR 3,041,000 were reclassified from available-for-sale financial assets reserve to the FVOCI reserve on 1 April 2018.

A. RECOGNITION AND MEASUREMENT

FAIR VALUE HIERARCHY

The fair value measurement of equity investments have been categorised as level 3 fair value based on the inputs to the valuation technique used.

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

31 March 2019	Level 1	Level 2	Level 3	Total
Equity investment at FVOCI	–	–	24,686	24,686
	–	–	24,686	24,686

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers in and out of level 3 measurements see above.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

B. VALUATION TECHNIQUES

(I) DISCOUNTED CASH FLOW METHOD

The business value attributable to the equity holders of the Company consist of the present value of Free Cash Flows available to the providers of equity capital of the company, namely investors in convertible stock and common equity.

(II) PRICE TO BOOK VALUE MULTIPLE BASIS OF VALUATION

This valuation methods is used to compare the company's net assets available to common shareholders relative to the sale price of stock. The stock price per share can be found as the amount listed as such through the secondary market.

C. VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of equity investments at FVOCI.

Description	Fair value of equity investment as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2019	2018		2019	2018	
Equity investment at FVOCI	24,686	–	Discount rate	16.83%	–	The higher the discount rate, the lower the fair value
			Average price to book value ratio	1.69	–	The higher the price to book value ratio, the higher the fair value

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company holds the following financial instruments:

FINANCIAL ASSETS

As at 31 March	Note	2019	2018
Financial assets at amortised cost			
– Trade and other receivable excluding pre-payments	13	**145,461**	119,158
– Amount due from related party	13	**20,896**	1,213
– Cash and cash equivalents	14	**185,224**	255,493
Financial assets at fair value through other comprehensive income (FVOCI)			
– Equity investments at fair value through other comprehensive income	10	**24,686**	21,645
		376,267	397,509

The Company's exposure to various risks associated with the financial instruments is discussed in Note 36. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

FINANCIAL LIABILITIES

As at 31 March	Note	2019	2018
Liabilities at amortised cost			
– Borrowings (excluding finance lease liability)	16	**146,818**	253,702
– Finance lease liabilities	17	**193,023**	197,215
– Trade and other payables excluding non-financial liabilities	21	**96,699**	218,618
		436,540	669,535

The company's exposure to various risks associated with the financial instruments is discussed in Note 36. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

12. INVENTORIES

As at 31 March	2019	2018
Produce stock	**367,845**	518,154
Raw materials, spares and consumables	**72,506**	160,285
Closing balance	**440,351**	678,439

13. TRADE AND OTHER RECEIVABLES

As at 31 March	Note	2019	2018
Trade receivables		83,382	88,543
Loss allowance	36 (c)	–	–
Amounts due from related party	35 (c)	20,896	1,213
Other receivables		62,079	30,615
Financial assets at amortised cost		166,357	120,371
Tax receivables		21,372	–
Employee advances		39,446	31,428
Prepayments		2,753	6,643
Advance paid to creditors		3,738	27,246
		233,666	185,688

(A) FAIR VALUES OF TRADE RECEIVABLES

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(B) IMPAIRMENT AND RISK EXPOSURE

Information about the impairment of trade receivables and the company's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 36 C.

14. CASH AND CASH EQUIVALENTS

As at 31 March	2019	2018
Cash at bank	33,051	102,905
Cash in hand	609	1,699
Short-term bank deposit	151,564	150,889
	185,224	255,493

(I) RECONCILIATION TO CASH FLOW STATEMENT

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

As at 31 March	2019	2018
Balances as above	185,224	255,493
Bank over draft	–	–
Balance as per cash flow statement	185,224	255,493

15. STATED CAPITAL

	Number of shares	Value (LKR)
As at 31 March 2018	236,666,671	1,803,400
As at 31 March 2019	236,666,671	1,803,400

The Company has issued and fully paid 236,666,670 ordinary shares and 1 golden share.

THE GOLDEN SHAREHOLDER

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the State of Sri Lanka or by a 100% State owned public company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights:

(a) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased.

(b) The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.

(c) 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 written notice.

(d) The Company will be required to submit 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 fiscal year.

(e) The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

16. BORROWINGS

	2019			2018		
	Tea board	Term loan	Total	Tea board	Term loan	Total
As at 1 April	73,337	180,365	253,702	–	–	–
As at 1 October 2017 vested from Watawala Plantations PLC	–	–	–	93,618	214,594	308,212
Repaid during the period	(34,889)	(71,995)	(106,884)	(16,986)	(34,229)	(51,215)
Fair value adjustment of concessionary loan	–	–	–	(3,295)	–	(3,295)
As at 31 March	**38,448**	**108,370**	**146,818**	73,337	180,365	253,702

ANALYSIS OF BORROWINGS BY YEAR OF REPAYMENT

As at 31 March	2019	2018
Repayable within one year		
Tea Board	**34,277**	34,277
Seylan Bank PLC	**62,000**	62,000
National Development Bank	–	5,547
	96,277	101,824
Repayable after one year		
Tea Board	**4,171**	39,060
Seylan Bank PLC	**46,370**	108,410
National Development Bank	–	4,408
	50,541	151,878
Total borrowings	**146,818**	253,702

Total borrowings at 31 March can be analysed as follows:

	Analysis of borrowings based on the repayment schedule				
	Within one years	2-3 years	4-5 years	More than 5 years	Total
Term loan	67,547	112,818	–	–	180,365
Tea Board loan	34,277	39,060	–	–	73,337
As at 31 March 2018	101,824	151,878	–	–	253,702
Term loan	62,000	46,370	–	–	108,370
Tea Board loan	34,277	4,171	–	–	38,448
As at 31 March 2019	**96,277**	**50,541**	–	–	**146,818**

PARTICULARS ABOUT LOAN FACILITIES

(A) TEA BOARD

Purpose: For working capital financing

				Outstanding liability 2018/2019			
Year	Loan Number	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	**Balance as at 31 March 2019**	Repayment term
2016/17	I	38,000	0.41%	10,020	3,347	**13,367**	36 equal monthly instalments commencing from August 2017
2017/18	II	74,000	5.00%	24,257	824	**25,081**	36 equal monthly instalments commencing from October 2016
As at 31 March 2019				34,277	4,171	**38,448**	

Security – No assets have been pledged as security.

PARTICULARS ABOUT LOAN FACILITIES

(B) SEYLAN BANK PLC

Purpose: For working capital financing

			Outstanding liability 2018/2019			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	**Balance as at 31 March 2019**	Repayment term
2015/16	310,000	AWPLR – 0.5%	62,000	46,370	**108,370**	60 equal monthly instalments commencing from December 2015
As at 31 March 2019			62,000	46,370	**108,370**	

Security – No assets have been pledged as security.

17. LEASE LIABILITY TO SLSPC AND JEDB

17.1 MOVEMENT OF LEASE LIABILITY

	2019	2018
As at 1 April	197,215	–
As at 1 October 2017 vested from Watawala Plantations PLC	–	199,161
Capital settlement	(4,192)	(1,946)
As at 31 March	193,023	197,215

17.2 DETAILED ANALYSIS OF LEASE LIABILITY

As at 31 March	2019			2018		
	Non-current	Current	Total	Non-current	Current	Total
Gross liability	304,597	12,184	316,781	316,781	12,184	328,965
Less:						
– Interest in suspense	(115,933)	(7,825)	(123,758)	(123,757)	(7,993)	(131,750)
Net liability to lessor	188,664	4,359	193,023	193,024	4,191	197,215

17.3 LEASE LIABILITY CAN BE ANALYSED AS FOLLOWS (MATURITY PERIOD):

	1-2 years	3-5 years	More than 5 years	Total
As at 31 March 2019	8,718	13,077	171,228	193,023
As at 31 March 2018	8,382	12,573	176,260	197,215

For all of the borrowings, the fair values are not material to their carrying amount since the interest payable on those borrowings are close to current market rates.

18. RETIREMENT BENEFIT OBLIGATION

As at 31 March	2019	2018
Post-employment benefits (gratuity)	1,011,911	661,290
	1,011,911	661,290

The amounts recognised in the Statement of financial position and the movements in the net defined benefit obligation over the year are as follows;

	2019	2018
Opening balance as 1 April	661,290	–
As at 1 October 2017 vested from Watawala Plantations PLC	–	688,599
Current service cost	81,445	20,618
Interest cost	118,783	–
Total amount recognised in profit or loss	200,228	20,618
Remeasurements		
– Losses from change in actuarial assumptions	254,945	–
Total amount recognised in other comprehensive income	254,945	–
Benefits paid	(104,552)	(47,927)
Closing balance at 31 March	1,011,911	661,290

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2019 by Mr M Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 on "Employee Benefits".

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

		2019	2018
(i)	Rate of interest	**12.0 % p.a.**	11.5 % p.a.
(ii)	Rate of salary increase		
	– tea estate workers	**25% every two years**	19% every two years
	– estate staff	**25% every three years and 2.5% per annum**	20% every three years and 2.5% per annum
	– estate management and head office staff	**7.5% every year**	7.5% every year
(iii)	Retirement age	**60 years**	60 years
(iv)	The company will continue in business as a going concern		
(v)	Number of employees	**7,081**	7,004

SENSITIVITY ANALYSIS

In order to illustrate the significance of the salary/wage escalation rate and the discount rate assumed in this valuation as at 31 March 2019, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

		Present value of defined benefit obligation		
Discount rate	Salary/wage escalation rate	Staff LKR	Workers LKR	Total
Increase by 1%	As given above	67,306	854,587	921,893
Decrease by 1%	As given above	78,195	1,038,882	1,117,077
As given above	Increase by 1%	78,371	981,531	1,059,902
As given above	Decrease by 1%	67,073	899,916	966,989

19. DEFERRED CAPITAL GRANTS

	2019	2018
Capital grants		
As at 1 April	**133,857**	–
As at 1 October 2017 vested from Watawala Plantations PLC	–	136,991
Amortisation	**(6,269)**	(3,134)
As at 31 March	**127,588**	133,857

Funds have been received from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centres are also included above.
The amounts spent have been capitalised under the relevant property, plant and equipment category. The capital grants are amortised on a straight-line basis over the useful life of the respective asset.

20. DEFERRED INCOME TAX LIABILITY

As at 31 March	2019	2018
Deferred tax assets (i)	(159,530)	(111,520)
Deferred tax liabilities (ii)	208,136	207,166
Net deferred Income Tax Liability*	48,606	95,646

**Offsetting deferred tax assets and liabilities*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

The gross movement on the deferred income tax account is as follows:

	2019	2018
Opening balance at 1 April	95,646	–
Income statement (released)/charged		
– to profit or loss	(11,348)	95,646
– to other comprehensive income	(35,692)	–
Closing balance at 31 March	48,606	95,646

(I) DEFERRED TAX ASSETS

The analysis of each type of deductible temporary differences as at 31 March 2019 and 31 March 2018 are as follows:

As at 31 March	2019	2018
The balance comprises temporary differences attributable to:		
Retirement benefit obligation	(141,668)	(92,581)
Capital grants	(17,862)	(18,939)
	(159,530)	(111,520)

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances, is as follows:

	Capital grants	Retirement benefit obligations	Total
At 1 October 2017	–	–	–
Income statement release			
– to profit or loss	(18,939)	(92,581)	(111,520)
– to other comprehensive income	–	–	–
Closing balance at 31 March 2018	(18,939)	(92,581)	(111,520)
At 1 April 2018	(18,939)	(92,581)	(111,520)
Income statement charge/(release)			
– to profit or loss	1,077	(13,395)	(12,318)
– to other comprehensive income	–	(35,692)	(35,692)
Closing balance at 31 March 2019	(17,862)	(141,668)	(159,530)

(II) DEFERRED TAX LIABILITIES

The analysis of each type of taxable temporary differences as at 31 March 2019 and 31 March 2018 are as follows:

As at 31 March	2019	2018
The balance comprises temporary differences attributable to:		
Property plant and equipment	**109,323**	110,041
Bearers plants	**86,734**	92,728
Consumable biological assets	**12,079**	4,397
	208,136	207,166

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

	Property plant and equipment	Bearers biological assets	Consumable biological assets	Total
At 1 October 2017	–	–	–	–
Income statement charge				
– to profit or loss	110,041	92,728	4,397	207,166
– to other comprehensive income	–	–	–	–
Closing balance at 31 March 2018	110,041	92,728	4,397	207,166
At 1 April 2018	110,041	92,728	4,397	207,166
Income statement (release)/charge				
– to profit or loss	(718)	(5,994)	7,682	970
– to other comprehensive income	–	–	–	–
Closing balance at 31 March 2019	109,323	86,734	12,079	208,136

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017 effective from 1 April 2018, the Company has used 14% in assessing the deferred tax asset/liability for the current financial year.

21. TRADE AND OTHER PAYABLES

As at 31 March	2019	2018
Trade payables	**66,270**	208,389
Taxes	**5,903**	7,713
Employee related dues	**137,232**	143,307
Provisions and accruals	**82,514**	130,156
Other payables	**30,429**	10,229
	322,348	499,794

Trade payables are unsecured and are usually paid within 30 days of recognition the carrying amounts of trade payable are considered to be the same as their fair values due to their short term nature.

22. CURRENT INCOME TAX LIABILITY

	2019	2018
As at 1 April	36,597	–
Charged for the period	7,435	54,068
Adjustment for over provisions	(1,300)	–
Set-off against ESC	(11,983)	–
Set-off against WHT	(548)	–
Quarterly payments on self assessment basis	–	(17,471)
Final payment for 2017/18	(22,766)	–
Balance as at 31 March	7,435	36,597

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

As at 31 March	2019	2018
Revenue		
Revenue from external customers – Tea	4,039,996	2,317,027
	4,039,996	2,317,027
Timing of revenue recognition		
– At a point in time	4,039,996	2,317,027

24. OTHER OPERATING INCOME

As at 31 March	Note	2019	2018
Profit on sale of property, plant and equipment		11,591	2,503
Amortisation of capital grants	19	6,269	3,134
Hydro power income		57,182	31,724
Dividends		7,088	5,328
Net sundry income		23,242	9,618
		105,372	52,307

25. OTHER GAINS/(LOSSES) – NET

As at 31 March	Note	2019	2018
Net fair value gains/(losses) on financial liability at amortised cost		–	3,295
Gain on fair valuation – consumable biological assets	9.1	9,082	25,673
Loss on fair valuation – growing crops on bearer plants	9.2	(5,279)	3,204
		3,803	32,172

26. BREAKDOWN OF EXPENSES BY NATURE

As at 31 March	Note	2019	2018
Auditors' remuneration			
– Audit		1,806	1,358
– Non audit		309	378
Amortisation			
– Right to use of land	5	4,075	2,038
Depreciation			
– Immovable leased assets	6	8,491	4,246
– Property, plant and equipment	7	140,484	49,098
– Biological assets – bearer	8	52,938	21,206
Directors' emoluments	35 (d)	1,880	945
Staff costs	27	1,825,699	1,181,518
Cost of inventories sold		2,086,151	659,520
Transport cost		39,714	34,969
Other expenses		43,038	29,623
Total cost of sales and administrative expenses		4,204,585	1,984,899

27. STAFF COSTS

As at 31 March	Note	2019	2018
Wages and salaries		1,551,452	1,016,691
Defined contribution plan		189,302	129,209
Defined benefit plan	18	81,445	20,618
Workers' profit share bonus		3,500	15,000
Total cost of sales and administrative expenses		1,825,699	1,181,518
Average number of persons employed during the year			
Full time		7,081	7,004
Average cost per employee LKR '000		258	169

28. FINANCE INCOME AND COSTS – NET

As at 31 March	2019	2018
Finance income:		
– Interest income on short-term bank deposits	16,072	10,923
Finance income	16,072	10,923
Finance costs:		
Interest expense for borrowings at amortised cost		
– Interest on term loans	(26,346)	(16,032)
– Interest on bank overdrafts	(7,920)	(73)
Interest on leasehold rights payable to JEDB/SLSPC	(44,194)	(20,880)
Total finance costs	(78,460)	(36,985)
Net finance costs	(62,388)	(26,062)

29. INCOME TAX EXPENSE

This note provides an analysis of the company's income tax expense.

As at 31 March	Note	2019	2018
Current tax			
– Current income tax on profits for the year	22	7,435	54,068
– Adjustments for current tax of prior periods		(1,300)	-
Total current tax expense		6,135	54,068
Deferred income tax			
– Increase in deferred tax liability	20	970	207,166
– Increase in deferred tax assets	20	(48,010)	(111,520)
Total deferred tax (benefit)/expense		(47,040)	95,646
Income tax (benefit)/expense		(40,905)	149,714

Income tax expense is attributable to:

As at 31 March	Note	2019	2018
Income tax expense (released)/charged:			
– To profit or loss			
Deferred tax attributable to profit or loss	20	(11,348)	95,646
Current income tax on profits for the year.		6,135	54,068
		(5,213)	149,714
– Deferred tax attributable to other comprehensive income	20	(35,692)	–
Income tax (benefit)/expense		(40,905)	149,714

Reconciliation between current tax expenses and the accounting profit:

As at 31 March	2019	2018
Accounting (loss)/profit before tax	(117,802)	390,545
Expenses not deductible for tax purposes	168,347	449,352
Expenses deductible for tax purposes	(61,436)	(153,089)
Taxable profit	(10,891)	686,808
Tax at effective rates	(39,605)	149,714
Adjustment for prior year over provisions	(1,300)	–
Income tax expense	(40,905)	149,714

30. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year, as per the requirements of the Sri Lanka Accounting Standard – LKAS 33 on "Earning per Share".

Calculation of Earnings per share;

As at 31 March	2019	2018
Net (loss)/profit attributable to shareholders	(112,589)	240,831
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667
Basic earnings/(loss) per share (LKR)	(0.48)	1.02

31. DIVIDEND PER SHARE

Calculation of dividend per share;

As at 31 March	2019	2018
Interim dividend – 2017/2018	–	118,333
Final dividend – 2017/2018	59,167	–
	59,167	118,333
Number of ordinary shares	236,667	236,667
Dividend paid per share	0.25	0.50

32. COMMITMENTS

(A) FINANCIAL COMMITMENTS

There were no financial commitments during the year.

(B) CAPITAL COMMITMENTS

Capital expenditure approved by the Board of Directors for which provision has not been made in the accounts is detailed below:

As at 31 March	2019	2018
Approved and not contracted for	178,563	92,655
	178,563	92,655

33. CONTINGENT LIABILITY

As at 31 March	2019	2018
Bank guarantees	16,800	–
	16,800	–

Bank guarantees have issued in favour of Sri Lanka Estate Plantation Corporation and Janatha Estate Development Board to facilitate to purchase green leaf.

Other than disclosed above, there were no material contingent liabilities as at the statement of financial position date.

34. CASH GENERATED FROM OPERATIONS

Reconciliation of loss profit before tax to cash generated from operations.

	Note	Year ended 31 March 2019	Six months ended 31 March 2018
Net (loss)/profit before taxation		(117,802)	390,545
Adjustments for:			
– Depreciation charge	6, 7 & 8	201,913	74,550
– Profit on sale of property, plant and equipment	24	(11,591)	(2,503)
– Opening balance adjustment		2,317	(27,041)
– Timber fair valuation gain	25	(9,082)	(25,673)
– Biological assets-produce crop valuation loss	25	5,279	(3,204)
– Fair value adjustment of concessionary loan		–	(3,295)
– Provision for retirement benefit obligations	18	200,228	20,618
– Amortisation of leasehold right to land	5	4,075	2,038
– Amortisation of capital grants	19	(6,269)	(3,134)
– Finance income	28	(16,072)	(10,923)
– Finance costs	28	78,460	36,985
Changes in working capital			
– Inventories		238,088	(179,702)
– Trade and other receivables		(39,540)	170,480
– Trade and other payables		(174,828)	140,094
Cash generated from operations		355,176	579,835

35. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Estate Management Services (Private) Limited which owns 75.65% of ordinary shares of the Company's shares. The remaining ordinary shares are widely held. The ultimate Parent Company of the Company is Sunshine Holdings PLC.

(A) DIRECTORS' INTEREST IN CONTRACTS

(i) Messrs G Sathasivam, V Govindasamy, and M S Mawzoon who are Directors of the Company are also Directors of Estate Management Services (Private) Limited.

(ii) Messrs G Sathasivam and V Govindasamy who are Directors of the Company are also Directors of Sunshine Healthcare Lanka Limited, Upper Waltrim Hydropower (Private) Limited, Waltrim Power (Private) Limited and Sunshine Holdings PLC.

(iii) Mr G Sathasivam who is a Director of the Company is also a Director of Sunshine Tea (Private) Limited.

(iv) Messrs G Sathasivam, V Govindasamy, M S Mawzoon and L Ramanayake who are Directors of the Company are also Directors of Watawala Tea Ceylon Limited.

(v) Messrs V Govindasamy, M S Mawzoon and S G Wijesingha, who are Directors of the Company are also Directors of Watawala Dairy Limited.

(vi) Mr G Sathasivam and V Govindasamy who are Directors of the Company are also Directors of Health Guard Pharmacy Limited.

(vii) Mr Sunil G Wijesinha, Mr G Sathasivam, Mr Vish Govindasamy, Mr Nirmal Fernando, Mr M S Mawzoon, Mr P Karunagaran and Mr N B Weerasekara who are Directors of the Company are also Directors of Watawala Plantations PLC.

(B) RECURRENT TRANSACTIONS WITH OTHER RELATED COMPANIES

The following transactions occurred with related parties;

As at 31 March			2019		2018
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue/income	
(i) Included in the revenue and other sources of income					
Waltrim Hydropower Private Limited	Common Directors	Rental income	12,214	–	5,286
		Sales	26	–	18
Upper Waltrim Hydropower (Private) Limited	Common Directors	Rental income	10,668	–	–
Watawala Tea Ceylon Limited	Common Directors	Sales	45,196	1.12%	5,159
		Rental income	1,230	–	510
(ii) Included in the cost of sales and other expenses					
Sunshine Tea (Private) Limited	Common Directors	Building rent	5,677	–	2,839
		Sales	518	0.01%	394
Sunshine Healthcare Lanka Limited	Common Directors	Sales	13	–	9
Watawala Plantations PLC	Common Directors	Sales	113	–	88
		Sales of assets	1,600	–	–
		Purchase of assets	7,000	–	–
Watawala Dairy Limited	Common Directors	Sales	10	–	7
		Purchases of green leaf	27,291	–	21,363
		Provision for management fees	–	–	1,838
		Sales of assets	2,900	–	–
		Other purchases	4,039	–	1,701
		Payment of lease	1,250	–	625

As at 31 March			2019		2018
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue/income	
(iii) Recurrent Transactions with the parent and ultimate parent company					
Estate Management Services (Private) Limited	Parent	Dividend Paid	44,759	–	–
Sunshine Holdings PLC	Ultimate Parent	Service Cost	65,161	–	26,593
		Sales	129	–	81

(C) AMOUNTS DUE FROM RELATED COMPANIES

As at 31 March	2019	2018
Watawala Dairy Limited	6,729	1,213
Waltrim Hydropower (Private) Limited	10,833	–
Upper Waltrim Hydropower (Private) Limited	3,334	–
	20,896	1,213

Transactions with related parties have been carried out on an arms length basis.

The Directors have disclosed the nature of their interests in contracts and proposed contracts with the Company at meetings of the Directors.

(D) KEY MANAGEMENT COMPENSATION

Key management includes the executive committee of the Company. The compensation paid or payable to key management for employee services is shown below:

As at 31 March	2019	2018
Salaries and other short term employee benefits	4,489	16,616
	4,489	16,616

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(A) FINANCIAL RISK FACTORS

The Company is exposed to a variety of financial risks. These include market risks, credit risks, and liquidity risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance. Based on our economic outlook and the Company's exposure to these risks, the Board of Directors approves various risk management strategies from time to time.

(B) MARKET RISKS

(I) FOREIGN EXCHANGE RISK

The Company is not exposed to foreign exchange risk due to the non availability of transaction in foreign currencies.

(II) INTEREST RATE RISK

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises mainly from the borrowings. The fluctuation in the Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Company analyses the interest rate exposure on a dynamic basis monitoring AWPLR.

(III) PRICE RISKS

The Company is exposed to the commodity price risk from tea auction prices. The Company monitors commodity price on a systematic basis and manages inventory levels to minimise the impact.

(C) CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers. While cash and cash equivalents are also subject to the impairment requirements of SLFRS 9, the identified impairment loss was immaterial.

The company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Credit risk of trade receivable is minimum due to the auction sales system where prompt is received within 7 days with a zero default rate. The credit quality of financial assets are disclosed in Note (i) below.

The Company has identified and factored the GDP of the country and other relevant factors accordingly to the model to reflect forward looking information affecting the ability to settle receivables.

(I) CREDIT QUALITY

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

As at 31 March	Rating	2019	2018
Cash at bank and short-term bank deposits.			
Cash at bank			
– Hatton National Bank PLC	AA-	28,907	75,994
– Commercial Bank of Ceylon PLC	AA	3,627	199
– Nations Trust Bank PLC	A	94	100
– Seylan Bank PLC	A-	423	26,612
		33,051	102,905
Short-term deposits/investments			
– Nations Trust Bank PLC	A	–	150,889
– Seylan Bank PLC	A-	151,564	–
		151,564	150,889
Unrated			
– Cash in hand		609	1,699
Cash and cash equivalents		185,224	255,493

As at 31 March	Note	2019	2018
Trade receivable			
Existing customers with no default history	13	83,382	88,543
		83,382	88,543

Above related to a number of independent customers/tea brokers for whom there is no recent history of credit default and the total trade receivables were fully performing.

(D) LIQUIDITY RISK

Cash flow forecasting is performed in the Company which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration, the Company's debt financing plans.

The table below analyses the Company's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

FINANCIAL LIABILITIES

	Note	With in one year	2-3 years	4-5 years	More than 5 years	Total
31 March 2018						
Lease Liability to – SLSPC and JEDB	17	4,191	8,892	9,624	174,508	197,215
Borrowings	16	101,824	151,878	–	–	253,702
Trade and other payables (excluding statutory liabilities)	21	499,794	–	–	–	499,794
		605,809	160,770	9,624	174,508	950,711
31 March 2019						
Lease Liability to – SLSPC and JEDB	17	4,359	8,718	8,718	171,228	193,023
Borrowings	16	96,277	50,541	–	–	146,818
Trade and other payables (excluding statutory liabilities)	21	322,348	–	–	–	322,348
		422,984	59,259	8,718	171,228	662,189

FINANCIAL ASSETS

	Note	With in one year	2-3 years	4-5 years	More than 5 years	Total
31 March 2018						
Trade and other receivables	13	185,688	–	–	–	185,688
Equity investment at FVOCI	10	–	–	21,645	–	21,645
Cash and cash equivalents	14	255,493	–	–	–	255,493
		441,181	–	21,645	–	462,826
31 March 2019						
Trade and other receivables	13	233,666	–	–	–	233,666
Equity investment at FVOCI	10	–	–	24,686	–	24,686
Cash and cash equivalents	14	185,224	–	–	–	185,224
		418,890	–	24,686	–	443,576

(E) CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Further company has complied with all covenants on all borrowings throughout the reporting period.

In consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Statement of Financial Position plus net debt.

The gearing ratio of the company as at the date of the financial position is given below:

As at 31 March	Note	2019	2018
Total borrowings	16	146,818	253,702
Less:			
Cash and cash equivalents	14	185,224	255,493
Net debt		(38,406)	(1,791)
Total equity		1,563,687	1,951,655
Total capital		1,563,687	1,951,655

37. EVENTS AFTER THE REPORTING DATE

Lotus Renewable Energy (Private) Limited on 28 May 2019 acquired 120,700,002 ordinary voting shares in Hatton Plantations PLC (HPL) by way of a crossing transaction on the Colombo Stock Exchange ("CSE") from its Major Shareholder, Estate Management Services (Private) Limited (EMSL) representing 51% out of the 75.6% voting rights held by EMSL, at a price of LKR 8.30 per share.

No other events have occurred except for the above since the date of the statement of financial position which require adjustment or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

VALUE ADDED STATEMENT

	Company			
In LKR ‘000	2018/19	%	2017/18	%
Revenue	4,039,996		2,317,027	
Other income	105,372		52,307	
Other gains	3,803		32,172	
	4,149,171		2,401,506	
Cost of materials and services obtained	(2,211,764)		(758,628)	
Value addition	1,937,407		1,642,878	
Value allocated to:				
To Employees				
Salaries,wages and other benefits	1,825,699	94	1,181,518	73
To Providers of funds				
Interest to money lenders	34,266	2	36,985	2
To Government				
JEDB/SLSPC Lease rental	48,934		20,880	
Value Added Tax	–		–	
Nation Building Tax	369		–	
Economics Service Charges	26,809		–	
Stamp Duty	159		–	
Income Tax	25,810		17,471	
	102,081	5	38,351	2
To providers of capital				
Dividend paid to shareholders	59,167	3	118,333	7
To Expansion and growth				
Profit retained	(242,754)		95,457	
Depreciation and amortisation	205,988		76,588	
Deferred Taxation	(47,040)		95,646	
	(83,806)	–4	267,691	16
	1,937,407		1,642,878	

	Company			
LKR ‘000	2018/19	%	2017/18	%
To Employees	1,825,699		1,181,518	
To Providers of funds	34,266		36,985	
To Government	102,081		38,351	
To Shareholders	59,167		118,333	
To Expansion and growth	(83,806)		267,691	
	1,937,407		1,642,878	

HISTORICAL FINANCIAL INFORMATION

STATEMENT OF INCOME

In LKR '000	Year ended 2018/19	Six months ended 2017/18
Revenue	4,039,996	2,317,027
Cost of sales	(3,945,228)	(1,881,238)
Gross profit	94,768	435,789
Other operating income	105,372	52,307
Administrative expenses	(259,357)	(103,661)
Other gains – net	3,803	32,172
Operating profit/(loss)	(55,414)	416,607
Finance income	16,072	10,923
Finance costs	(78,460)	(36,985)
Net finance costs	(62,388)	(26,062)
Profit/(Loss) before income tax	(117,802)	390,545
Income tax expense	5,213	(149,714)
Profit/(Loss) for the year	(112,589)	240,831
Other comprehensive income:		
Changes in the fair value of equity investments at fair value through comprehensive income	3,041	–
Remeasurements of post-employment benefit obligations	(254,945)	–
Income tax relating to these items	35,692	–
Total other comprehensive income for the year (net of tax)	(216,212)	–
Total comprehensive income/(loss) for the year	(328,801)	240,831

STATEMENT OF FINANCIAL POSITION

As at 31 March In LKR '000	2019	2018
Assets		
Non-current assets		
Right to use of land	106,843	110,918
Immovable estate assets on finance lease (other than land)	53,878	62,369
Property, plant and equipment other than bearer plants	1,042,488	1,153,612
Bearer plants	619,528	662,345
Biological assets - consumable	700,140	679,356
Equity investments at fair value through other comprehensive income	24,686	21,645
Total non-current assets	2,547,563	2,690,245
Current assets		
Inventories	440,351	678,439
Biological assets-produce crops on bearer plants	14,612	19,891
Trade and other receivables	233,666	185,688
Cash and cash equivalents	185,224	255,493
Total current assets	873,853	1,139,511
Total assets	3,421,416	3,829,756
Equity and liabilities		
Capital and reserves		
Stated Capital	1,803,400	1,803,400
Reserve on rearrangement	–	52,798
Reserve on equity investments at FVOCI	3,041	–
Retained earnings	(242,754)	95,457
Total equity	1,563,687	1,951,655
Non-current liabilities		
Borrowings	50,541	151,878
Lease liability to SLSPC and JEDB	188,664	193,024
Retirement benefit obligation	1,011,911	661,290
Deferred capital grants	127,588	133,857
Deferred tax liability	48,606	95,646
Total non-current liabilities	1,427,310	1,235,695
Current liabilities		
Borrowings	96,277	101,824
Lease liability to SLSPC and JEDB	4,359	4,191
Trade and other payables	322,348	499,794
Current income tax liability	7,435	36,597
Total current liabilities	430,419	642,406
Total liabilities	1,857,729	1,878,101
Total equity and liabilities	3,421,416	3,829,756

CASH FLOW

	Year ended 2018/19	Six months ended 2017/18
Net cash generated from operating activities	152,939	488,375
Net cash used in investing activities	(52,965)	(65,122)
Net cash used in financing activities	(170,243)	(171,494)
(Decrease)/increase in cash and cash equivalents	(70,269)	251,759
OPERATING RATIOS		
Annual turnover growth (%)	-13	0
Profit Growth (%)	-123	0
Turnover per employee (LKR '000)	571	662
FINANCIAL RATIOS		
Return on equity (%)	-7	12
Current ratio (Times)	2.03	1.77
Debt equity ratio (Times)	1.19	0.96
Interest cover (Times)	(0.71)	11.26
Total assets to current liabilities (%)	13	17
Dividend payout ratio (%)	-53	49
INVESTOR RATIOS		
Annualised earning per share (LKR)	(0.48)	2.04
Price earning share (Times)	(0.07)	0.26
Dividend per share (LKR)	0.25	0.50
Dividend cover (Times)	(1.90)	2.04
Market Capitalisation (LKR '000)	1,585,667	1,846,000
Net assets value per share (LKR)	6.61	8.25

ESTATE HECTARAGE STATEMENT

Area (Ha)	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea Mature	4,057.90	4,117.00	4,098.00	4,238.48	4,230.83	4,232.49
Tea Immature	51.29	64.74	45.29	82.69	82.65	60.05
Tea	4,109.19	4,181.74	4,143.29	4,321.17	4,313.48	4,292.54
Fuelwood	1,079.29	1,027.29	1,058.14	1,065.14	1,388.41	1,495.31
Nursery	12.08	12.08	12.08	12.08	14.58	14.58
Other Cultivated Area	61.19	45.74	45.74	62.66	59.66	59.66
Other Area (Building/Roads etc.)	1,944.63	1,939.53	2,369.09	2,166.04	1,852.21	1,767.50
Lonach - Dairy			(419.98)	–	–	–
KNL & STR development			(1.98)	–	(1.25)	–
Other	3,097.19	3,024.64	3,063.09	3,305.92	3,313.61	3,337.05
Company	7,206.38	7,206.38	7,206.38	7,627.09	7,627.09	7,629.59

CROPS AND YIELDS

PRODUCTION (kg '000)

Region	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea						
Watawala	1,797	2,073	1,893	2,489	2,754	2,563
Hatton	3,335	3,749	3,459	4,297	4,402	4,388
Lindula	1,925	2,088	1,835	2,323	2,881	2,682
Total	7,057	7,909	7,187	9,110	10,036	9,632

YIELD PER HECTARAGE kg

Region	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea						
Watawala	1,221	1,329	1,269	1,373	1,533	1,420
Hatton	1,469	1,480	1,224	1,441	1,624	1,570
Lindula	1,217	1,305	1,152	1,444	1,523	1,415
Total	1,309	1,374	1,213	1,439	1,568	1,480

PERMANENT BUILDINGS ON ESTATES

BUILDINGS	KNL	CAR	WIG	SHN	ABB	DCK	VEL	STD	AGR	HEN	LIP/ OUV	TNG	WAL	Total
Factories	1	1	–	1	1	2	1	1	1	1	2	1	1	14
Bungalows	5	3	2	1	4	5	6	3	2	4	3	2	5	45
Senior Staff Bungalows	8	11	2	8	7	11	10	10	4	9	10	9	9	108
Junior Staff Bungalows	14	17	15	19	25	46	26	24	13	34	25	21	30	309
JEDB Quarters	–	–	18	–	–	23	–	–	–	–	–	–	–	41
Double Barrack lines	22	8	16	6	10	50	9	17	12	23	17	10	10	210
Single Barrack lines	15	34	24	11	25	50	78	48	11	25	23	41	52	437
Twin Cottages	48	67	–	69	21	104	69	54	36	46	45	74	17	650
Single Cottages	–	–	–	20	2	137	3	125	–		–	–	–	287
Upstairs Houses	–	39	–	–	–	–	–	–	–	19	–	–	–	58
Single Houses	123	75	5	99	67	178	60	183	77	199	119	75	211	1,471
Crèches	6	5	1	3	4	6	7	7	2	5	6	5	7	64
Dispensary	2	1	1	1	1	2	1	1	1	1	2	1	2	17
Maternity Ward	–	1	7	–	1	–	1	1	–	1	1	–	1	14
Minor Buildings	11	11	1	11	18	25	9		5	1	13	10	1	116
Training Centres	1	–	1	1		1	1	1	–	–		1	1	8
Estate Workers Housing Cooperating Society (EWHCS)	–	1	7	1	1	1	1	1	1	–	1	1	1	17
Any Other Buildings	–	–	17	1		–	14	1	1	2	–	5	7	48
Temples	8	11	4	3	7	10	2	7	4	6	7	3	8	80
Church	2	2	2	2	1	2	5	2	1	1	2	4	2	28
Muster sheds	5	5	–	3	4	5	1	5	2	5	6	–	7	48
Field Rest Rooms	3	5	–	3	1	5	1	2	–	5	1	1	7	34
GS Office Room		–	–	1	1	1	–	1	–	1	–	–	1	6
Elders Club	1	–	–	1	–	1	1	–	–	1	–	–	7	12
Vocational Training Centre	1	–	–	–	–	–	1	–	–	–	–	–	1	3
Dormitory	1	–	–	–	–	–	2	–	–	–	–	1	–	4
Library	1	–	–	1	–	–	1	1	–	1	–	2	1	8
Dairy Farm		–	–	–	–	–	–		–	–	–	–	–	
Pre School		–	–	–	–	–	–	6	2	5	2	2	6	23
Water Bottling Factory/ Bulk Tea Sales Centre		–	–	–	–	–	1	1	–	–	–	1	–	3
Vehicle Garage		3	–	1	–	–	–	1	–	1	1	–	1	8
Bulk Tea Sales Centre (Containers)	–	–	–	–	–	–	–	2	–	–	–	–	–	2
Mandira Bungalow (Managed by Jetwing)	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Mandira Bugalow Servant's House	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Tea Cup Manager's Bungalow	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Shannon Asst. Manager's Bungalow	–	–	–	–	–	–	–	1	–	–	–	–	–	1
Manure Store	–	2	1	–	1	1	–	3	1	1	–	–	1	11
Staff Club	–	1	–	–	–		–	–	–	–	–	–	–	1
Total	278	303	124	267	202	666	311	512	176	397	286	270	397	4,189

SHAREHOLDERS' AND INVESTORS' INFORMATION

STOCK EXCHANGE LISTING

The issued shares of Hatton Plantations PLC are listed with the Colombo Stock Exchange (CSE) in Sri Lanka. The Audited Statement of Income for the period ended 31 March 2019 and the Audited Statement of financial position at that date have been submitted to the Colombo Stock Exchange within three months of the Statement of Financial Position date.

SHAREHOLDERS INFORMATION

Total No of Shareholders as at 31 March 2019 – 16,046 (as at 31 March 2018 – 16,000)

PUBLIC SHARE HOLDING

The Percentage of shares held by the public: 24.35% (2018 – 24.35%)

	Option	Float adjusted market capitalisation	Public holding percentage	Number of public shareholders
Listing rule 7.13.1	5	Less than LKR 2.5 Bn	20.00%	500
Compliance by HPL		LKR 0.386 Bn	24.35%	16,043

(A) DISTRIBUTION OF SHAREHOLDING

	Residents				Non-Residents			Total			
Shareholdings	Number of shareholders	%	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	%	Number of shares	%
1 to 1,000	8,389	52.28	3,847,187	1.63	9	4,196	0.00	8,398	52.34	3,851,383	1.63
1,001 to 5,000	7,248	45.17	13,614,356	5.75	8	20,300	0.01	7,256	45.22	13,634,656	5.76
5,001 to 10,000	204	1.27	1,584,072	0.67	4	23,600	0.01	208	1.30	1,607,672	0.68
10,001 to 50,000	127	0.79	2,790,426	1.18	3	116,424	0.05	130	0.81	2,906,850	1.23
50,001 to 1,000,000	45	0.28	7,648,541	3.23	3	342,249	0.14	48	0.30	7,990,790	3.38
Over 1,000,000	5	0.03	205,036,769	86.64	1	1,638,551	0.69	6	0.04	206,675,320	87.33
Total	**16,018**	**99.83**	**234,521,351**	**99.09**	**28**	**2,145,320**	**0.91**	**16,046**	**100.00**	**236,666,671**	**100.00**

(B) CATEGORIES OF SHAREHOLDERS

	Institutional				Non-Institutional			Total			
Shareholdings	Number of shareholders	%	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	%	Number of shares	%
1 to 1,000	40	0.25	17,218	0.01	8,358	3,834,165	1.62	8,398	52.34	3,851,383	1.63
1,001 to 5,000	38	0.24	129,970	0.05	7,218	13,504,686	5.71	7,256	45.22	13,634,656	5.76
5,001 to 10,000	22	0.14	178,915	0.08	186	1,428,757	0.60	208	1.30	1,607,672	0.68
10,001 to 50,000	16	0.10	368,157	0.16	114	2,538,693	1.07	130	0.81	2,906,850	1.23
50,001 to 1,000,000	10	0.06	2,710,710	1.15	38	5,280,080	2.23	48	0.30	7,990,790	3.38
Over 1,000,000	3	0.02	186,672,921	78.88	3	20,002,399	8.45	6	0.04	206,675,320	87.33
Total	**129**	**0.80**	**190,077,891**	**80.31**	**15,917**	**46,588,780**	**19.69**	**16,046**	**100.00**	**236,666,671**	**100.00**

SHARE TRADING INFORMATION FROM 1 APRIL TO 31 MARCH

	2019	2018
Highest during the period	8.70	10.70
Lowest during the period	6.50	6.70
Closing price	6.70	7.80
No. of transactions	2,412	1,984
No. of Shares traded	29,781,902	3,358,954
Value of Shares traded (LKR)	222,773,319	28,994,545

TWENTY (20) LARGEST SHAREHOLDERS

		31 March 2019		31 March 2018	
		Number of shares held	% of the holding	Number of shares held	% of the holding
1.	Estate Management Services (Private) Limited	179,034,370	75.65	179,034,370	75.65
2.	M J Fernando	11,732,930	4.96	–	–
3.	P Subasinghe	6,073,524	2.57	–	–
4.	Ayenka Holdings Private Limited	6,000,000	2.54	–	–
5.	K C Vignarajah	2,195,945	0.93	2,195,935	0.93
6.	HSBC International Nominees Ltd-SSBT-Deustche Bank	1,638,551	0.69	1,638,551	0.69
7.	Vyjayanthi and Company Limited	1,000,000	0.42	1,000,000	0.42
8.	Dr T Senthil Verl	640,027	0.27	22,953,410	9.70
9.	N Muljie	552,900	0.23	552,900	0.23
10.	Alpex Marine (Private) Limited	550,750	0.23	–	–
11.	M I Abdul Hameed	350,000	0.15	350,000	0.15
12.	Cocoshell Activated Carbon Company Limited	305,000	0.13	305,000	0.13
13.	D S D De Lanerolle	268,720	0.11	–	–
14.	S Vignarajah	262,824	0.11	262,539	0.11
15.	Union investments (Private) Limited	262,000	0.11	262,000	0.11
16.	V V Appoo	195,249	0.08	–	–
17.	C M Holdings PLC	170,000	0.07	170,000	0.07
18.	D Dodanwela	169,500	0.07	–	–
19.	M M A Ameen	162,000	0.07	–	–
20.	Best Real Invest Co Services (Private) Limited	160,757	0.07	160,757	0.07
	Sub total	211,725,047	89.46	208,885,462	88.26
	Others	24,941,624	10.54	27,781,209	11.74
	Grand total	236,666,671	100.00	236,666,671	100.00

SHARE TRADING INFORMATION-LAST TWO YEARS

	2019	2018
Highest during the year	8.70	10.70
Lowest during the year	6.50	6.70
As at 31 March	6.70	7.80
No. of shares	236,666,671	236,666,671

GRI CONTENT INDEX

General standard disclosures		Report Section
STRATEGY AND ANALYSIS		
G4-3	Name of the organisation.	Who we are, Corporate information
ORGANISATIONAL PROFILE		
G4-4	Primary brands, products, and services.	Who we are, Value creation model
G4-5	Location of the organisation's headquarters.	Corporate information
G4-6	Number of Countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Corporate information
G4-7	Nature of ownership and legal form.	Corporate information
G4-8	Markets served	Who we are, Value Creation Model
G4-9	Scale of the organisation	Who we are, Human capital
G4-10	Workforce Profile	Human capital
G4-11	Percentage of total employees covered by collective bargaining agreements.	Human capital – Fair remuneration
G4-12	Description of organisation's supply chain.	Social and relationship capital, Stakeholders
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Chairman's message, Managing Director's review
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation.	About this Report
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	About this Report, Who we are, Intellectual capital
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	Intellectual capital, Social and relationship capital
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-18	Process for defining the report content and the Aspect Boundaries.	Risk management and materiality
G4-19	Material Aspects identified in the process for defining report content.	Risk management and materiality
G4-20	Aspect Boundary within the organisation for identified material aspects	Risk management and materiality
G4-21	Aspect Boundary outside the organisation for identified material aspects	Risk management and materiality
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	N/A
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	N/A
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organisation.	Stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage.	Stakeholders
G4-26	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholders

GRI CONTENT INDEX

General standard disclosures		Report Section
REPORT PROFILE		
G4-28	Reporting period for information provided.	About this Report
G4-29	Date of most recent previous report	About this Report
G4-30	Reporting cycle	About this Report
G4-31	Contact point for questions regarding the report or its contents.	About this Report
G4-32	Report the 'in accordance' option the organisation has chosen.	About this Report
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report.	About this Report
GOVERNANCE		
G4-34	Governance structure of the organisation, including committees of the highest governance body.	How we are managed – Corporate governance
G4-38	Composition of the highest governance body and its committee	Board of Directors, Executive management, Corporate governance
G4-39	Indicate whether the Chair of the highest governance body is also an Executive officer	BoD profiles
G4-40	Process and criteria used for nomination and selection of members to the highest governance	Corporate governance
G4-41	Processes in place for the highest governing body to ensure conflicts of interests are avoided and managed	Corporate governance
G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals	Corporate governance - Responsibilities of the board
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Corporate governance - Training for Directors
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	Corporate governance – Governance structure/ responsibilities of the board
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Corporate Governance – Frequency of Board Meetings
G4-51	a. Report the remuneration policies for the highest governance body and senior executives	Corporate Governance – Directors' remuneration, level of makeup of remuneration
	b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	
G4-52	a. Report the process for determining remuneration.	Corporate governance – Directors' remuneration, Report of the Remuneration and Nominations Committee
ETHICS AND INTEGRITY		
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate governance – Code of Business conduct and ethics.
SPECIFIC STANDARD DISCLOSURES		
ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	Generic Disclosures on Management Approach	Corporate governance
G4-EC1	Direct economic value generated and distributed	Value Creation (VC) Model, Financial capital, Value creation statement

GRI CONTENT INDEX

General standard disclosures		Report Section
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Operating Environment, Risk management and materiality, Chairman's message
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Financial capital, Financial statements
G4-EC4	Financial assistance received from government	Financial capital, Financial statements
ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-DMA	Generic Disclosures on Management Approach	Value Creation Model, Social and relationship capital
G4-EC7	Development and impact of infrastructure investments and services supported	Social and relationship capital
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Social and relationship capital
ASPECT: PROCUREMENT PRACTICES		
G4-DMA	Generic Disclosures on Management Approach	Social and relationship capital
CATEGORY: ENVIRONMENTAL		
ASPECT: MATERIALS		
G4-DMA	Generic Disclosures on Management Approach	Natural capital – Raw Materials
G4-EN1	Materials used by weight or volume	N/A
ASPECT: ENERGY		
G4-DMA	Generic Disclosures on Management Approach	Natural capital – Energy consumption
G4-EN3	Energy consumption within the organisation	Natural capital – Energy consumption
G4-EN5	Energy intensity	N/A
G4-EN6	Reduction of energy consumption	Natural capital – Energy consumption
ASPECT: WATER		
G4-DMA	Generic Disclosures on Management Approach	Natural capital – Water
G4-EN9	Water sources significantly affected by withdrawal of water	N/A
ASPECT: BIODIVERSITY		
G4-DMA	Generic Disclosures on Management Approach	Natural capital – Biodiversity
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural capital – Biodiversity
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A
ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach	Natural capital – Effluents, emissions, and waste management
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	–
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	–
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	–
G4-EN18	Greenhouse gas (GHG) emissions intensity	–
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Natural capital – Effluents, emissions, and waste management

GRI CONTENT INDEX

General standard disclosures		Report Section
ASPECT: EFFLUENTS AND WASTE		
G4-DMA	Generic Disclosures on Management Approach	Natural capital – Effluents, emissions, and waste management
G4-EN22	Total water discharge by quality and destination	N/A
G4-EN24	Total number and volume of significant spills	N/A
ASPECT: COMPLIANCE		
G4-DMA	Generic Disclosures on Management Approach	Natural capital, Intellectual capital, Social and relationship capital - product quality and standards
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A
ASPECT: OVERALL		
G4-DMA	Generic Disclosures on Management Approach	Natural capital
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	–
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT		
G4-DMA	Generic Disclosures on Management Approach	Social and relationship capital
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK		
ASPECT: EMPLOYMENT		
G4-DMA	Generic Disclosures on Management Approach	Human capital
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Human capital – Employee attrition
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Human capital, Social and relationship capital
G4-LA3	Return to work and retention rates after parental leave, by gender	Human capital
ASPECT: LABOUR/MANAGEMENT RELATIONS		
G4-DMA	Generic Disclosures on Management Approach	Human capital – Fair remuneration, Decent work environment
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach	Human capital – Decent work environment
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Human capital
ASPECT: TRAINING AND EDUCATION		
G4-DMA	Generic Disclosures on Management Approach	Human capital – Training and development
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human capital – Training and development
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Human capital – Training and development

GRI CONTENT INDEX

General standard disclosures		Report Section
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Generic Disclosures on Management Approach	Human capital
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Human capital
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS		
G4-DMA	Generic Disclosures on Management Approach	Human capital
SUB-CATEGORY: HUMAN RIGHTS		
ASPECT: NON-DISCRIMINATION		
G4-DMA	Generic Disclosures on Management Approach	Human capital
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Generic Disclosures on Management Approach	Human capital, Social and relationship capital
ASPECT: CHILD LABOUR		
G4-DMA	Generic Disclosures on Management Approach	Human capital, Social and relationship capital
ASPECT: FORCED OR COMPULSORY LABOUR		
G4-DMA	Generic Disclosures on Management Approach	Human capital, Social and relationship capital
SUB-CATEGORY: SOCIETY		
ASPECT: LOCAL COMMUNITIES		
G4-DMA	Generic Disclosures on Management Approach	Social and relationship capital
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Social and relationship capital – Uplifting the community
G4-SO2	Operations with significant actual and potential negative impacts on local communities	N/A
ASPECT: ANTI-CORRUPTION		
G4-DMA	Generic Disclosures on Management Approach	Corporate governance – Anti-corruption
G4-SO4	Communication and training on anti-corruption policies and procedures	Corporate governance – Anti-corruption
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
ASPECT: CUSTOMER HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach	Intellectual capital – Compliance, Social and relationship capital – Content customers
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	N/A

GLOSSARY

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

HPL
CSE identification code for the Company.

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

GSA
The Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

COP
The Cost of Productions. This generally refers to the cost of producing per kilo of produce (Tea)

AMORTISATION
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

EBITDA
Earning before interest, tax, depreciation and amortisation.

VALUE ADDITIONS
The quantum of wealth generated by the activities of the company and its application.

EARNING PER SHARE – EPS
Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

ENTERPRISE VALUE – EV
Market Capitalisation plus Debt, Minority Interest & Preferred shares minus total Cash and Cash equivalents.

ENTERPRISE MULTIPLE – EM
Enterprise Value (EV) divided by Earnings before Interest Tax Depreciation and Amortisation (EBITDA)

MARKET VALUE ADDED – MVA
Shareholder funds divided by the market value of shares

PRICE EARNINGS RATIO – PE
Market Price of a share divided by earnings per share.

MARKET CAPITALISATION
Number of Shares issued multiplied by the market value of each share at the year end.

NET ASSETS
Sum of fixed Assets and Current Assets less total liabilities.

NET ASSETS PER SHARE
Net Assets at the end of the period divided by the number of Ordinary Shares in issues.

RETURN ON EQUITY
Attributable profits divided by average shareholders' funds.

INTEREST COVER
Profit before tax plus interest charges divided by interest charges.

DIVIDEND COVER
Profit attributable to shareholders divided by gross dividend.

DIVIDEND PAYOUT
Profit paid out to share holders as dividends as a percentage of profits made during the year.

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

CONTINGENT LIABILITIES
Conditions or situations at the balance sheet date, the financial effects of which are to be determined by future events, which may or may not occur.

IUCN
International Union for Conservation of Nature

PHDT
Plantation Human Development Trust

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

TOTAL BORROWINGS
Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

NET BORROWINGS
Total borrowings less liquid funds.

CASH EQUIVALENTS
Liquid investments with original maturities of three months or less.

CURRENT RATIO
Current Assets divided by current liabilities

DEBT TO EQUITY RATIO
Borrowing divided by equity

GEARING RATIO
Interest bearing Capital divided by total Capital (interest bearing and non interest bearing)

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

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

CROP
The total produce harvested during a financial year

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

MATURE PLANTATIONS
The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

IN FILLING
A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

REPLANTING
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/ bushes.

YIELD (YPH)
The average crop per unit extent of land over a given period of time (usually Kgs. Per hectare per year)

ISO
International Standards Organisation

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

5S
A Japanese management technique on the organization of the workplace. 5s stands for Seiri (Sorting), Seiton (Organizing), Seiso (Cleaning), Seiketso (Standardisation), Shitsuke (Sustenance).

YOY: Year on Year

ROCE: Return on Capital Employed

CAPEX: Capital Expenditure

NOTICE OF MEETING

Notice is hereby given that the Second (2nd) Annual General Meeting of Hatton Plantations PLC will be held at "Lotus Room" Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 27 June 2019 at 11.00am and the business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31 March 2019 with the report of the Auditors thereon.
2. To propose the following resolution as an ordinary resolution for the appointment of Mr A N Fernando who has reached the age of 72 years.

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr A N Fernando who has reached the age of 72 years prior to this Annual General Meeting and that he be reappointed"

3. To propose the following resolution as an ordinary resolution for the appointment of Mr G Sathasivam who has reached the age of 72 years.

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr G Sathasivam who has reached the age of 72 years prior to this Annual General Meeting and that he be reappointed"

4. To propose the following resolution as an ordinary resolution for the appointment of Mr S G Wijesinha who has reached the age of 70 years.

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr S G Wijesinha who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed"

5. To re-elect Mr L Ramanayake who retires by rotation at the Annual General Meeting, a Director as per Article 30 (1) of the Article of Association.
6. To re appoint Messrs PricewaterhouseCoopers (Chartered Accountants) and authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine contributions to Charities.

By order of the Board

Corporate Advisory Services (Pvt) Ltd.
Secretaries, Hatton Plantations PLC
Colombo

29 May 2019

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

FORM OF PROXY

I/We ……

of ……

being a member/members of Hatton Plantations PLC, hereby appoint: ………………………………………………………………..

………

of ……or
failing him, Mr S G Wijesinha (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the first (2nd) Annual General Meeting of the Company to be held on Thursday the 27 June 2019 at 11.00am and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31 March 2019 with the report of the Auditors thereon.		
2.	To pass an ordinary resolution to re-appoint Mr A N Fernando who has reached the age of seventy two, as a Director.		
3.	To pass an ordinary resolution to re-appoint Mr G Sathasivam who has reached the age of seventy two, as a Director.		
4.	To pass an ordinary resolution to re-appoint Mr S G Wijesinha who has reached the age of seventy, as a Director.		
5.	To re-elect Mr L Ramanayake who retires by rotation at the Annual General Meeting, a Director.		
6.	To re-appoint Messrs PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company authorise the Directors to determine their remuneration.		
7.	To authorise the Directors to determine contributions to Charities.		

Dated this ……………….....................................……… day of …………………....................……………… 2019

Signature of shareholder

Shareholders NIC …………………………………………

Proxy Holders NIC ………………………………………..

(a) A proxy need not be a member of the Company.

(b) Instructions regarding completion appear overleaf.

FORM OF PROXY

Instructions as to Completion of the Form of Proxy

- To be valid, the completed form of proxy should be deposited at the Registered Office of the Company at No. 60, Dharmapala Mawatha, Colombo 03 not less than 48 hours before the time of the meeting.
- In perfecting the form of proxy, please ensure that all the details are eligible.
- If you wish to appoint a person other than the Chairman for calling him, one of the Directors of the Company and your proxy, please insert the relevant details.
- Please indicate with an "X" in the space provided how your proxy to vote on each resolution. If no indication is given, the proxy, in his discretion, will vote, as he thinks fit.
- In the case of the Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office No. 60, Dharmapala Mawatha, Colombo 03 for registration.

CORPORATE INFORMATION

NAME OF THE COMPANY
Hatton Plantations PLC

LEGAL FORM
Companies Act No. 07 of 2007 and listed
on the Colombo Stock Exchange

DATE OF INCORPORATION
14 September 2017

REGISTRATION NO
PB 5414PQ

FINANCIAL PERIOD
31 March

DIRECTORS
S G Wijesinha – Chairman
G Sathasivam
V Govindasamy – Managing Director
A N Fernando
M S Mawzoon
L Ramanayake
N B Weerasekara
Pratheepan Karunagaran

SECRETARIES
Corporate Advisory Services (Pvt) Ltd.
47, Alexandra Place, Colombo 07, Sri Lanka

AUDITORS
PricewaterhouseCoopers (Chartered Accountants)
PO Box 918,100, Braybrooke Place, Colombo 02

BANKERS
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Seylan Bank PLC
Nations Trust Bank PLC

LAWYERS
FJ & G de Saram
(Attorneys-at-Law)
No. 216, de Saram Place, Colombo 10

REGISTERED OFFICE
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