Taste of Trust

ANNUAL REPORT 2019/2020

HATTON PLANTATIONS PLC

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
Integrity, Honesty, open and transparent

Our Heritage
Perseverance, Never give up

Our Solutions
Innovation, Improvement through continuous change

Our Promise
Responsibility, Accountability to all stakeholders

Trust
The foundation upon which we grow

Taste of Trust

We, at Hatton Plantations PLC steadily moved forward yet another year with the TASTE OF TRUST we built in our stakeholders in a year of many climatic, political, social and economic challenges faced by the tea industry. Our long-term strategy is focused on maximizing our stakeholders' earnings and fulfilling their ambitions.

In order to fulfil our responsibility and accountability to many stakeholders, our actions and processes blend with honesty, integrity and transparency whilst being responsible to the environment and national economy at large.

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ABOUT THIS REPORT

OVERVIEW

We are pleased to present our third Annual Report of Hatton Plantations PLC's for the 12 months' financial period ended 31st March 2020, which has been prepared to provide financial performance and position and the Company's engagements to fulfil its responsibilities to its diverse stakeholders including shareholders in the context of the surrounding economic, social and environmental conditions. This report contains discussions in different sections about how we plan to sail through many challenges ahead and potential growth into the future to meet stakeholders' expectations.

CONTENT AND REPORTING SCOPE AND BOUNDARY

This report covers our tea plantations, their factory processing operations and Head Office management functions across 13 tea estates and one tea reprocessing operation at Hatton, Watawala, Lindula located in high and medium grown regions in upcountry with its Head Office in Colombo. The Company operates its production of tea in 11 factories and one tea re-processing factory.

This Annual Report provides an accurate and balanced review of the Company'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 the Company for the year ended 31st March 2020 and where relevant is supported by comparable data relating to the previous period information pertaining to year ended 31st March 2019. Unless otherwise mentioned, the boundary for all material aspects reported in this Report is the Company.

There has been no restatement of information from previous Annual Report. We elaborate our engagements, responsibilities and compliances through Audited financial position and performance, Chairman's Message, Managing Director's Review, Profile of the Board of Directors, Annual Responsibility Statement of Directors, Corporate Governance, Risk Management, and responsibility statements of sub committees.

ASSURANCE AND COMPLIANCE

Messrs. PricewaterhouseCoopers, Chartered Accountants has issued an independent report on Financial Statement of the Company.

The Financial Statements of the Company 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.

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.

The Board believes that the Annual Report of Hatton Plantations PLC has been prepared in accordance with best practices in reporting. The information is scrutinized to ensure reliability and is a fair representation of its performance in the year under review and prospects. The Board approved the Annual Report 2019/20 for release to shareholders.

QUERIES

We welcome your comments or inquiries on this Annual Report 2019/20. Please contact:

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Chief Financial Officer

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HIGHLIGHTS

		Year ended 2019/2020	Year ended 2018/2019	Variance %
EARNINGS, HIGHLIGHTS AND RATIOS				
Revenue	LKR Mn	4,184.5	4,039.9	3.6%
Results from operating activities	LKR Mn	(78.7)	(55.4)	42.1%
Loss before tax	LKR Mn	(129.2)	(117.8)	9.7%
Loss after tax	LKR Mn	(121.8)	(112.6)	8.2%
Dividends	LKR Mn	Nil	59	-100.0%
Basic loss per share	LKR	(0.51)	(0.48)	6.3%
BALANCE SHEET HIGHLIGHTS AND RATIOS				
Total assets	LKR Mn	3,583.8	3,421.4	4.7%
Total debt	LKR Mn	338.4	146.8	>100%
Net debt (Cash)	LKR Mn	11.3	(38.4)	>100%
Total shareholders' funds	LKR Mn	1,591.5	1,563.6	1.8%
Net assets per share	LKR	6.7	6.6	1.5%
Debt/equity	%	21.3	9.4	>100%
Debt/total assets	%	9.4	4.3	>100%
MARKET/SHAREHOLDER INFORMATION				
Market price of share as at 31 March (actual)	LKR	4.20	6.70	-37.3%
Market capitalisation as at 31 March	LKR Mn	994	1,586	-37.3%
Enterprise value	LKR Mn	1220.3	1740.3	-29.9%
Dividend per share	LKR/share	Nil	0.25	-100%
Dividend yield	%	Nil	3.7	-100%

ABOUT HATTON PLANTATIONS PLC

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 PLC.

In 2017, the entity underwent a demerger leading to the floating of a new entity known as Hatton Plantations PLC which was incorporated on 14 September 2017 as a part of the arrangement proceedings carried out by Watawala Plantations PLC under the Section 256 of the Companies Act No. 07 of 2007 to carry out the existing upcountry tea business of Watawala Plantations PLC.

Since the demerger from Watawala Plantations PLC in 2017, Hatton Plantations PLC has consolidated its position primarily on tea as one of the largest tea plantation companies in Sri Lanka, with a strong emphasis on innovation and value addition. The Company has continued to build upon the established and proud reputation of being one of the prime producers of pure Ceylon tea and continue to set new standards in the industry.

On 28 May 2019, Estate Management Services (Pvt) Limited , the parent company of Hatton Plantations PLC divested a majority controlling stake of Hatton Plantations PLC to Lotus Renewable Energy (Private) Limited and its ultimate parent being Renewables (Singapore) Pte Ltd, 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.

Our 13 estates with a total area of 7,206 ha are located over Watawala, Hatton and Lindula regions ranging from Western High to Western Medium elevations in the central hills of Sri Lanka. We own 12 tea processing factories with a combined green leaf capacity of 155,500 kg per day, 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 Watawala, Hatton 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 its flavor and quality considerations. Approximately, 95% is auctioned at the Colombo Tea Auction and the balance is 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.

As evident and continued in the past, it is our prime responsibility and proudness to look after an employee base of 6,320, their families, estate communities, customers and the environment with due care to national economy in a sustainable manner.

OUR ESTATES AND FACTORIES

Name of Estate	LAND EXTENT				PRODUCTION					EMPLOYEES	
	Total Extent Ha	Revenue Extent Tea Ha	Other Ha	Total Cultivated Extent Ha	Elevation Category	Main Crop	Type of Factory	Factory Elevation Meters	Crop with Bought Crop Kgs	Staff (Nos)	Workers (Nos)
Watawala Region											
Kenilworth	600.86	274.61	198.75	473.36	Western Medium Grown	Tea	Ortho/RV	616	625,282	30	352
Carolina	892.42	220.25	264.07	484.32	Western Medium Grown	Tea	CTC	960	827,800	27	284
Wigton	667.58	170.35	119.65	290.00	Western Medium Grown	Tea	-		158,546	15	218
Shannon	262.04	202.94	23.91	226.85	Western High Grown	Tea	Ortho/RV	1372	509,986	26	234
Sub Total	**2,422.90**	**868.15**	**606.38**	**1,474.53**					**2,121,614**	**98**	**1,088**
Hatton Region											
Abbotsleigh	427.46	308.38	53.87	362.25	Western High Grown	Tea	CTC	1330	1,549,567	36	417
Dickoya	629.59	371.54	142.44	513.98	Western High Grown	Tea	Ortho/RV	1292	791,423	35	557
Vellaioya	840.00	365.64	199.65	565.29	Western Medium Grown	Tea	Ortho/RV	1331	793,178	40	686
Strathdon	644.39	347.79	160.79	508.58	Western Medium Grown	Tea	CTC	1112	876,851	36	516
Sub Total	**2,541.44**	**1,393.35**	**556.75**	**1,950.10**					**4,011,019**	**147**	**2,176**
Lindula Region											
Waltrim	578.25	403.92	23.25	427.17	Western High Grown	Tea	Ortho/RV	1400	640,953	37	726
Henfold	540.00	410.60	42.45	453.05	Western High Grown	Tea	Ortho/RV	1381	538,654	26	659
Tangakelle	367.79	290.56	30.37	320.93	Western High Grown	Tea	Ortho/RV	1472	323,173	24	468
Agrakande	228.75	161.25	44.25	205.50	Western High Grown	Tea	Ortho/RV	1369	213,060	14	326
Ouvahkelle	527.25	311.42	108.45	419.87	Western High Grown	Tea	Re-processing	1573	279,755	29	502
Sub Total	**2,242.04**	**1,577.75**	**248.77**	**1,826.52**					**1,995,595**	**130**	**2,681**
Grand Total	**7,206.38**	**3,839.25**	**1,411.90**	**5,251.15**					**8,128,228**	**375**	**5,945**

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Hatton Plantations PLC for the financial year ended 31 March 2020. I welcome you all to the 3rd Annual General Meeting of Hatton Plantations PLC.

Performance of the year 2019/20 was achieved despite many unexpected challenges in global and Sri Lankan economies. The cost of production of plantation companies significantly increased due to the wage revision granted in February 2019 regardless of previously established productivity-based wage structure. During this turbulent year of operation, Hatton Plantations PLC was able to curtail financial losses after tax to 8.2% over previous year 2018/19 and recorded a loss after tax of Rs. 121.8 Mn., as your company continued to focus on assuring commercial viability blended with social and environmental sustainability to create value for all stakeholders during the year.

Global Economy on Tea Industry in Sri Lanka

The global tea production in 2019 was registered at 6 billion kilograms which was an increase of 1.6% during 2019 compared to 5.91 billion kilograms in the previous year. However, many tea producing nations such as Sri Lanka, Indonesia, Turkey, and most countries in the African region reported decreasing tea production volumes.

The total tea production of Sri Lanka was 300.13 million kilograms for 2019, a negative variance of 1.3% compared to 303.94 million kilograms in 2018 due to erratic and extreme weather patterns in the fourth quarter. The largest share of tea production remains with China which represented 44.9% of the global tea output in 2019 compared to 44.7% in 2018. Market share of Sri Lankan tea production continues decline from 21.1% in 1960 to 5% in 2019 and remains a key concern.

The continued devaluations of foreign currencies, especially in the largest Ceylon Tea importing nations such as Russia and Iran, the economic sanctions imposed by the United States to Iran resulted in decreasing the tea export volumes to these nations in 2019. Political and social instability in the Middle East region continued to impact lower demand and export of Sri Lankan teas to this region.

Among World Auction Centres, the Colombo Tea Auction continued its downward trend in 2019, with average tea prices falling well below that achieved in 2018. The cumulative average tea price in 2019 was Rs. 544.54 per kilogram for the period January to December 2019, reduced by Rs. 37.37 per kilogram compared to Rs. 581.91 per kilogram achieved in 2018. We need to believe and keep confidence that market demand for **'Finest Quality Teas'** would certainly fetch a significant premium price consistently among World Auction Centres throughout.

Rapid technological advancements in the world over the last two decades have led to a variety of new innovations, which have the potential to address technological needs of agriculture sector stakeholders much faster and with far more accuracy than ever before. Countries such as India, Israel and Brazil have experienced rapid transitions in the agriculture sector, with accelerated mechanisation and usage of advanced technologies.

Cost of producing a kilo of tea in Sri Lanka is amongst the highest in the tea producing countries. Rising input costs, declining productivity, age profile in tea bushes and high social costs have led to declining profits. Higher productivity and cost reduction will have to be achieved through modern technology in enhancing the competitiveness of 'Ceylon Teas' in the world market in the medium to long term. Therefore, global competitiveness of 'Ceylon Teas' will largely depend on how quickly the industry addresses these vital issues.

Despite a significant share of the labour force employed in our tea plantations, labour shortages, and loss of skilled labour, use of traditional methods have been increasingly common in relation to labour intensive cultivation activities in plantations. In addition, recent experiences of erratic weather patterns and resultant natural disasters, such as droughts and floods, tend to impose additional restrictions on agricultural activities of our estates. These trends emphasise the importance of improving productivity and efficient resource usage by adopting modern Technologies and Geographic Information Systems in the agriculture sector.

COMPANY PERFORMANCE

The Company recorded a turnover of Rs. 4,184.5 million which is a 3.6% increase over the previous year turnover of Rs. 4,040.0 million. Due focus was given to optimise the factory capacity utilization and hence sale volume increased by 17 % despite sharp drop in high and medium grown tea prices.

Cost of sale increased due to full annual impact of basic wage revision from Rs. 500/- to Rs. 700/- per day. The increase in wage and salary component in cost of sale was Rs. 251.6 million compared to the year 2018/19. Gratuity provision made in the cost of sale amounted to Rs. 190.0 partly affected by lower discounting factor to be in par with long term bond rates and industry norms. However, all other cost components in the cost of sale were carefully controlled and managed. Our prudent strategic cost management approach formulated curtailed the administrative and finance cost significantly by Rs. 131.0 million compared to the previous year.

Other operating and finance income increased by Rs. 36.7 million over the previous year. Finally, the Company was able to mitigate loss after tax to Rs. 121.8 million as against the loss of Rs. 112.6 million in year 2018/19. Shareholders' funds retained at Rs. 1,591.5 million which is an increase of 1.7% over the previous year of Rs. 1,563.6 million.

The Board of Directors has not recommended a dividend for the financial year ended 31st March 2020.

CHANGES TO THE BOARD OF DIRECTORS

On 28 May 2019, Estate Management Services (Pvt) Limited, Hatton Plantations PLC's parent company, divested a majority controlling stake of Hatton Plantations PLC to Lotus Renewable Energy Group through the Colombo Stock Exchange. **With this change over, following directors resigned from the Board.**

Mr. V. Govindasamy
(Resigned w.e.f. 1st January 2020)

Mr. M.S. Mawzoon
(Resigned w.e.f. 1st January 2020)

Mr. S.G. Wijesinha
(Resigned w.e.f. 19th July 2019)

Mr. G. Sathasivam
(Resigned w.e.f. 19th July 2019)

Mr. A.N. Fernando
(Resigned w.e.f. 19th July 2019)

Mr. L.D. Ramanayake
(Resigned w.e.f. 19th July 2019)

Mr. N.B. Weerasekera
(Resigned w.e.f. 19th July 2019)

Mr. Pratheepan Karunagaran
(Alternate – Mr. T Siddique Resigned w.e.f 19th July 2019)

Following directors were newly appointed to the Board.

Mr. Gary Seaton
Chairman
(Appointed as a Director on 17th July 2019 and as the Chairman on 23rd July 2019)

Mr. Menaka Athukorala
Managing Director
(Appointed as a Director on 17th July 2019 and as the Managing Director on 23rd July 2019)

Mr. Gowri Shankar
Non Executive Director
(Appointed on 17th July 2019)

Mr. Hiro Bhojwani
Non Executive Director
(Appointed on 23rd July 2019)

Mr. Indrajith Fernando
Non Executive/ Independent Director
(Appointed on 17th July 2019)

Mr. Uditha Palihakkara
Non Executive/ Independent Director
(Appointed on 30th July 2019)

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 carefully assessed. Our Directors have considerable knowledge and experience of the plantation sector and bring other relevant experience to the Board to assist the Company 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 117.9 million was spent for worker housing, school, welfare and sports, creches for children, water and sanitation etc during the financial year to uplift and facilitate resident communities with better living conditions and higher quality of life. With the outbreak of COVID-19 pandemic, the Company extended its immediate assistance to look after the health and safety requirements of both the estate workers as well as the resident communities according to the directions given by Government Authorities. Face masks, hand sanitization liquids, hand wash etc. were provided free of charge by the company. We extended our financial assistance together with the assistance of Government Authorities by way of special wage advances and rations.

LOOKING FORWARD

As we are living in an environment filled with volatility, uncertainty, complexity, and ambiguity, there is no doubt that 2020/21 too will be a challenging year. We will navigate the challenges with a strong focus on premium quality of our garden marks, operational efficiency, cost minimisation blended with absolute moral standard and determination of the Board and our executive management team evident in the past.

COVID-19 pandemic will certainly cause serious negative impact on global and domestic economies experiencing notable commercial, social and supply chain disruptions slowing down the operations of the plantation industry. As we ensured our responsibilies with the outbreak of COVID-19 pandemic, we need stringent and immediate measures and compliance process to work together with industry stakeholders, health authorities to adopt the best practices of health and safety protocols to ensure the well being of all our estates communities.

Yet another wage negotiation is at discussion. We urge respective authorities on behalf of plantation companies to focus their negotiations on a productivity-based wage structure to ensure sustainability of the plantation industry and for "Ceylon Tea" to be more competitive in the world market.

Our tea industry is traditionally dependent on labour intensive agricultural and manufacturing practices. Supply of labour is limited year on year and labour cost is rising at each wage negotiation resulting in some of our estates becoming unsustainable in the longer term. We are focusing on mechanisation, automation of individual functions, application of modern agricultural and manufacturing techniques from grassroot level, outsourcing and contracting of our labour centric non-core activities as measures of cost reduction and productivity improvement.

APPRECIATIONS

I wish to extend my gratitude to the present Board of Directors for their consistent support, and guidance during this challenging year. I take this opportunity to thank and appreciate the former board of directors of Hatton Plantations PLC under Estate Management Services (Pvt) Limited for their leadership and strategic direction laid down in steering the Company forward.

I appreciate the total commitment and dedication of Mr. Menaka Athukorala, Managing Director, the Executive Management Team and all employees including the estate work force during this volatile year.

My warm thanks to our Shareholders, Buyers, Brokers, Suppliers, Banks, Government Authorities and all other service providers for their continued support and confidence placed in us and the support extended to sustain operational growth for all stakeholders.

Mr. Gary Seaton
Chairman
04 August 2020

MANAGING DIRECTOR'S REVIEW

The year under review was a challenging and unfavorable year globally and locally for the plantation industry and to Hatton Plantations PLC. The Company was taken over on 28th May 2019 from Estate Management Services (Pvt) Limited and we were able to lay down our stones for a solid and sustainable foundation to move forward with great ambitions to face challenges of today. I am confident that with strategic guidance of the Board, the Company will be a sustainable business model for future growth for all stakeholders.

FINANCIAL PERFORMANCE

Colombo Tea Auction annual Averages declined to the second consecutive year from its peak in year 2017 by Rs. 37.37 and Rs. 73.60 per kg in year 2019 compared to the years 2018 and 2017 respectively. All our estates are located, and teas are sold at high and medium grown elevational categories where a sharp price decline was seen. High Grown for the period January - December 2019 of Rs. 508.63 has shown a decrease of Rs. 62.88 per kg compared to the average price of Rs. 571.51 in the same period 2018. Mediums too averaging Rs. 468.96 has shown a decrease of Rs. 52.90 per kg compared to the average price of Rs. 521.86 in the same period 2018.

Under this bearish market condition, the Company was able to record a revenue growth of 3.6% over the previous year. The Company revenue was Rs. 4,184.5 million during the year as against Rs. 4,040.0 million in year 2018/19. Our sale average declined from Rs. 546.39 (year 2018/19) to Rs. 494.62 (year 2019/20), a drop of Rs. 51.77 per kg. However, we were able to increase our sales volume by 14.2%, a 1,023,417 kgs over the previous year.

Our production increased from 7.06 million kgs in year 2018/19 to 8.13 million kgs in year 2019/20 as a result of our prudent strategy of maximizing factory capacity utilization. Yield per hectare was 1,294 in 2019/20 which was a marginal drop of 15 kgs compared to the previous year 2018/19.

Cost of sale at 546.74 per kg was a marginal increase by Rs. 4.38 per kg over the previous year. We were able to keep costs well under control in spite of a high share of employee payments due to a significant wage revision from Rs. 500/- to Rs. 700/- w.e.f. February 2019 and the additional gratuity charged due to reduction in discounting factor. Administration cost reduced by 47% (Rs. 122.1 million) compared to the year 2018/19. With our efficient cash flow management, finance cost was reduced by 26% (Rs. 8.9 million) and additional interest income was generated by another Rs.8.6 million compared to the year 2018/19.

During the year, a loss after tax of Rs. 121.8 million was recorded as against a loss after tax of Rs. 112.6 in the year 2018/19. Although the Company has made a loss for the reporting year under the above circumstances, we continued with our future-focused strategy of growth based on quality of our tea, best agricultural practices, mechanization, and investment in estate workers and communities. Our prudent financial management strategy ensured to maintain a healthy working capital position and to meet all our payments to employees, suppliers, banks, statutory dues, government lease payment and all other service providers in a timely manner.

Our short-term investment and cash and cash equivalent increased to Rs. 462.1 million at the end of the reporting year as against Rs. 185.2 million in previous year 2018/19. Current ratio improved to 2.54 times in year 2019/20 compared to 2.03 times in the previous year. Debt equity ratio increased from 1.19 times (2018/19) to 1.25 times (2019/20) due to a term loan received during the fourth quarter of the year for capital investment and the same resulted in increasing the borrowing position by Rs. 191.5 million. Total equity of shareholders increased to Rs. 1,591.5 million in year 2019/20 as against Rs. 1,563.7 in the previous year 2018/19. Therefore, Net Assets value per share increased to Rs. 6.72 in 2019/20 as against Rs. 6.61 in the previous year 2018/19. We were able to generate an operational cash flow surplus of Rs. 144.4 million during the reporting year and finally end up with Rs. 292.0 million cash surpluses.

DEVELOPMENT PROGRAMMES

The company's development programs continued to receive priority, in keeping with our strategy for long term sustainability of our estates.

Capital expenditure incurred during the year amounted to Rs. 114.6 million, of which Rs. 28.5 million was invested

in replanting and maintenance of immature Tea fields and Commercial Timber planting. The balance capital expenditure amounting to Rs. 86.0 million was invested in factory buildings and machinery, vehicles, equipment, furniture & fittings, water sanitation etc.

CORPORATE SOCIAL RESPONSIBILITY

Our company has built a strong relationship with our stakeholders on our commitment to CSR activities which has now shifted to the community and preserving the environment. Our stakeholder-oriented framework has assisted us to be conscious of the impact on our businesses which are based not only on the profitability line, but also on our role as an employer, provider, investor and a neighbour. The company continued with Corporate Social Responsibility programs with our interest on social development of worker, staff and public at large. 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. Our social development program includes improving the living environment, health and nutrition, and empowerment of the estate community.

Our continuous replanting programme would enhance sustainable development in the plantation sector. Good agricultural practices with emphasis on environmental management and eco-friendliness are being adopted. Reflecting our long-term perspective in business, the company also continued to invest in best practices to enable the sustainability of its plantations. Some of these initiatives during the year include the use of underutilized land to plant Coffee, Bamboo and agriculture timber planting.

We looked at improving our internal controls, risk management and compliance practices while upholding our corporate values and good governance, which are extremely essential during this uncertain operational environment.

HEALTH, SAFFTY AND WELFARE ACTIVITIES OF ESTATE COMMUNITTEES

We believe that having a contented workforce is the key to our success. The company extends support for welfare activities with dedicated medical and

welfare teams providing necessary assistance to the workers, their families and neighboring communities. We have focused on uplifting the living conditions of Plantation workers.

With the outbreak of COVID-19 in the second week of March 2020, plantation workers were provided with stringent measures to keep their health and immunity levels up. Among these, two rounds of coriander were provided to all estate workers on company expense. Field and manufacturing operations are being carried out according to the prescribed health and medical practices announced by government authorities to prevent COVID-19. Workforce gatherings were kept within the required distances and social gatherings were well under control on our estates. Face masks, hand sanitization liquids, hand wash etc. were provided free of charge from the company to protect workers from the threats of COVID-19.

Plantation workers were well looked after with the implementation of several welfare measures such as providing dry rations with the assistance of Estate Workers Co-operative Society, refund of savings, relaxing of repayments of loans and advances etc. Relief Packages valued at Rs. 3,000/= was provided per estate workers on 50% sharing basis by the Company and Plantation Housing Development Trust (PHDT) on installment recovery basis.

PROSPECTS AND LOOKING FORWARD

The world is currently in an uncertain socio-economic crisis. Economic sanctions, political tensions and ongoing violence in key importer counties of Ceylon Teas would certainly bring down the demand and buying power of commodities. Yet another wage increase is lined up in the plantation sector of regional plantation companies of the country. Non-productivity related wage structure and low attention to mechanization which would result in high cost of production, will further impact the competitiveness of Ceylon Tea in world market. Erratic and unpredictable extreme weather patterns due to global and local climate changes would emanate low growth hence production loss and ill effect on quality of the end product. Therefore, prospects for the new financial year is not an encouraging one. We must essentially set firm strategic goals and processes to mininise the ill effect of the above in challenging years ahead.

As we started soon after the outbreak of COVID-19, we need to give our utmost priority to look after and continue with health and safety measures for the estate work force and our resident communities, adopting best practices recommended by health authorities to prevent infection and spread of the virus.

We focus to reinforce quality management practices of agriculture and manufacture to re-gain our market positioning for finest quality teas for premium prices in order to cushion the rising cost of production and to stabilize spending power for product focus value creation leading to business success.

Dependency on outside bought leaf should be gradually curtailed in medium to long term. Through best and timely agriculture practices such as slandered in harvesting, soil management, 4R Nutrient Stewardship (right fertilizer, right rate, right time at right place) etc. and applications of modern agricultural techniques and equipment, deep analysis into geographical information, we will strategize to optimize our yields and enhance replanting activities. We have commenced tea replanting programmes and already started our own tea nurseries to start replanting activities.

We have given immediate priority for factory development to enhance manufacturing capacity and remove manufacturing bottlenecks with modern manufacturing machineries and facilities. Our capital investments focus on cost optimizing through continuous discipline to drive spending and cost reduction while maximizing business value creation.

We have initiated Coffee and commercial timber planting under product diversification to minimize our top line revenue risk. Timber nurseries have already been established. We are in the process of evaluating the possibility of leafy grade manufacture to moderate our produce mix of teas in order to get market advantage of price movements.

APPRECIATIONS

I would like to express my sincere appreciations to our Chairman and my fellow Directors for their guidance and support extended during my 10 months in operations. I take this opportunity to appreciate with my warmest thanks, the former Board of Directors of Hatton Plantations PLC for their valuable contribution and foresight in creating the strategic path to the Company and its success. I also acknowledge the hard work and dedication of our executive management team and all employees in taking the Company forward during this volatile period. I appreciate our Shareholders, Buyers, Brokers, Suppliers, Banks, Government Authorities and all other service providers continued support and confidence placed in us and the support extended to sustain operational growth for all stakeholders. I am hopeful that their support would be extended in the future as well.

Mr. Menaka Athukorala
Managing Director
04 August 2020

GOVERNANCE

BOARD OF DIRECTORS

MR. GARY SEATON

Executive Director | 17 Jul 2019

Mr Gary Seaton was born and educated in Sydney, Australia, completing his formal education at the University of NSW. He embarked upon a career in Agribusiness, joining the Gardner Smith Group as a trainee in 1975. In 1984, Mr Seaton opened up Gardner Smith's Singapore office as the first stepping stone to Gardner Smith's expansion to become a global player in the world market before rejoining Gardner Smith in 1988 to head up their International Operations. Mr Gary Seaton was responsible for the company's expansion into global operations with the establishment of offices in India, Pakistan, Sri Lanka, China, Korea, South Africa, United Kingdom, Tanzania and Turkey. He left Gardner Smith in 1998 to form his own group of companies including the Oceanic Group that continued their investments and involvements in Asia. Mr. Seaton currently heads the Oceanic Group which has operations in Singapore, Malaysia, Sri Lanka (tea and rubber plantations), India (investment in manufacturing plants) and Australia predominantly in the Agricultural Sector. Mr. Seaton also holds Directorship in Lotus Hydro Power PLC, Lotus Renewable Energy (Private) Limited, Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Zyrex Power Company Limited, HI - Tech Power System (Private) Limited and Sri Bio Tech Lanka (Pvt) Ltd.

MR. MENAKA ATHUKORALA

Executive Director | 17 Jul 2019

Mr. Menaka Athukorala studied at Nalanda College Colombo, and is a Higher National Diploma holder of Plantation Management and Agriculture. His career path started as a Junior Assistant Superintendent in 1992 and was promoted as Superintendent at Salawa Estate under Pussellawa Plantations Limited in 2002. He was subsequently Promoted as Deputy General Manager. He joined Lalan Rubber as the Group General Manager in 2013 and Country Manager and Director of Lotus Renewable Energy (Pvt) Ltd. He also carries out duties and responsibilities in the capacity of a Chief Executive Officer of Lotus Hydro Power PLC. Mr. Menaka Athukorala also holds Directorship in Origin Tea Exports (Private) Limited, Lotus Hydro Power PLC, Lotus Renewable Energy (Private) Limited, Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Lotus Mooloya Hydro Power (Private) Limited, Zyrex Power Company Limited, HI – Tech Power System (Private) Limited and Sri Bio Tech Lanka (Private) Limited.

MR. GOWRI SHANKAR

Non- Executive Director | 17 Jul 2019

Mr. Gowri Shankar is a passionate and versatile Mechanical Engineer, Management, Clean energy professional, Corporate strategist with over 18 years experience in developed and developing markets. He has extensively contributed in the renewable energy space (especially Solar & Hydro Power Plants) & Agri-Commodity business space with hands on experience in structuring finance for Mergers & Acquisitions. Adept at negotiating with Governments, Vendors, Development Banks and Private Financing. He is leading an experienced team in South East Asia, apart from successfully managing companies in the renewable energy space, also provides consultancy to businesses in South East Asia and India. He has been involved in community development programmes in Africa, Australia, India and Sri Lanka. Recently he was awarded the "Distinguished Young Alumni of NIT ,Warangal". He obtained a Bachelor of Technology degree in Machine Designing and Automation Engineering from NIT Jalandhar, India and MBA in Finance & Systems from NIT Warangal, India. Mr. Gowri Shankar also holds Directorship in Lotus Hydro Power PLC, Lotus Renewable Energy (Private) Limited, Thebuwana Hydro Power (Private) Limited, Stellenberg Hydro Power (Private) Limited, Halgranoya Hydro Power (Private) Limited, Zyrex Power Company Limited and HI – Tech Power System (Private) Limited.

MR. HIRO BHOJWANI

Non-Executive Director | 23 Jul 2019

Mr Hiro J Bhojwani was born and educated in Singapore, completing his formal education with a Bachelors of Business Administration from the National University of Singapore in 1982. He joined his family business immediately upon graduation and proceeded to revamp the diversified group's accounting and financial reporting systems. Additional responsibilities were eventually added and he was actively involved in the Group's core business of trading and global distribution of consumer electronics as well as garment manufacturing in Philippines & Thailand and real estate investment and development in Singapore. During that time the group expanded it's business in consumer electronics with JVs in Singapore, Russia & Ukraine and company offices in Nigeria, Latvia and UAE and later in Angola.In 2001 he was appointed Group CEO and the group diversified further. They built a Coffee Decaffeination plant in Vietnam and the first purpose-built co-living facility in London, England. He has served as Director on the Board of the Singapore Indian Chamber of Commerce & Industry from 1998 to 2002 and again from 2012 to 2014.

MR. INDRAJITH FERNANDO

Independant-Non-Executive Director | 17 Jul 2019

Mr. Indrajith Fernando has over 27 years of experience in business and the finance profession. His contribution is beyond the confines of the profession which include the Corporate World and the Community at large. He was a past president of the Institute of Chartered Accountants of Sri Lanka (ICA), Member of International Federation of Accountants (IFAC) Developing Nations Committee, President–South Asian Federation of Accountants, Advisor/Chairman SAFA Committee on improving Transparency, Accountability and Governance (CiTAG). He is a fellow of the ICA-SL, CIMA UK and CMA Sri Lanka. He holds a MBA from the University of Queensland, Australia.He is a Senior Member of CPA-Maldives and the Advisory Committee CISI . Mr. Fernando serves as a Non-Executive Director, Chairman of the Audit Committee and the Integrated Risk Management Committee of listed companies. He serves as a Director on the Board of Strategic Insurance Brokers Pvt Limited, Beyond Wealth Pvt Ltd. BPO Connect (Pvt) Ltd, BPM One (Pvt) Ltd, Stromme Microfinance Asia (Guarantee) Ltd and Lotus Hydro Power PLC.

MR. UDITHA PALIHAKKARA

Independent Non- Executive Director | 30 Jul 2019

MBA (Aston), PG Dip Econ Dev(Col), PG Dip Int'l Affairs(BCIS); JDip MA(UK). FCA(SL),FCCA(UK), FCMA (UK),CGMA, ACCS(SL); APB(SL)

Mr. Uditha Palihakkara is a well-respected finance professional with more than four decades of postqualifying experience. His experience spans across Accounting, Auditing, Finance, Consultancy, Development, Banking, Merchant, Investment Banking, Education & Training, General Management, Project Implementation and Management, Project Rehabilitation, Marketing and Promotion, Privatisation and Sector Studies. During his professional career he has worked in a number of Private Sector and Public Sector Organisations in Sri Lanka and overseas which include: Chairman, Acland Insurance Services, Deputy Chairman, Ceylon electricity Board, Director/ General Manager People's Merchant Bank, Deputy General Manager DFCC, Financial Specialist Commonwealth Secretariat (CFTC). He has also worked in a number of Projects funded by the World Bank (WB), Asian Development Bank (ADB), African Development Bank (AFDB), and International Fund for Agricultural Development (IFAD), Commonwealth Secretariat and JICA.

Mr. Uditha Palihakkara had been the Past-President of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants (CIMA) - Sri Lanka, and the Chartered Association of Certified Accountants (ACCA)Sri Lanka. He was a Council Member of the Securities Council of Sri Lanka for 4 years, Post Graduate Institute of Management, Open University of Sri Lanka, the Central Cultural Fund, National Institute of Business Management and CINTEC. He was the President of the Organisation of Professional Associations (OPA) in Sri Lanka (2010/2011) and is an Independent Non- Executive Director Lotus Hydro Power PLC.

CORPORATE MANAGEMENT TEAM

Board of Directors

Mr. Gary Seaton.................................Chairman
Mr. Menaka Athukorala...................Managing Director
Mr. Gowri Shankar............................Non Executive Director
Mr. Hiro Bhojwani ....Non Executive Director
Mr. Indrajith Fernando......................Non Executive/ Independent Director
Mr. Uditha Palihakkara.....................Non Executive/ Independent Director

Senior Executive Management Team - Head Office

Mrs. Annemarie Outschoorn ....Chief Financial Officer
Mr. Anandh Vaithylingam................General Manager Plantations
Mr. Udeni Wanigathunge.................Deputy General Manager
Mr. Waruna Fernando......................Asst. General Manager Administration & Forestry
Mr. Saliya Plevian ....Finance Manager

Consultant - Head Office

Mr. Asanka Tissera...........................Agriculture Consultant

Functional Managers - Head Office

Mr. Uditha Karunaratne ....Manager - Marketing
Mr. Roy Samuel ....Manager - Management & Production
Mr. Metthananda Dissanayake.......Manager Forestry
Mr. Susantha Karunarathna ....Senior Manager Internal Audit
Mr. Bimal Fernando..........................Manager - Purchasing
Mr. Vijitha Perera...............................Manager - Information Technology
Mr. Ravikumar Palanisamy.............Manager - ERP / MIS
Mr. Bernard Jacob ....Asst. Manager - Internal Audit
Mr. Suppudorai Youvarajah.............Asst. Manager - Management & Production
Mrs. Sriyani Kulawansa...................Asst. Manager - HR and Administration

Estate Managers

Name	Designation	Estate Name
Mr. Udeni Wanigathunge	Deputy General Manager	Waltrim
Mr. Suranga Dela	Group Manager	Abbotsleigh
Mr. Prasanna Premachandra	Senior Manager	Vellaioya
Mr. Kapila Sumanarathne	Senior Manager	Strathdon
Mr. Somasundaram Nandakumar	Senior Manager	Tangakelle
Mr. Rasanja Perera	Senior Manager	Kenilworth
Mr. Tharanga Senaratne	Senior Manager	Henfold
Mr. Lalindra Abeywardena	Manager	Carolina
Mr. Zaman Imthiaz	Manager	Shannon
Mr. Tharaka Wijerathne	Manager	Ouvahkelle/Lippakelle Re-processing Factory
Mr. Hiran Herath	Manager	Dickoya
Mr. Haresh Wijesinghe	Manager	Ouvahkelle /Lippakelle
Mr. Kusal Chandrasekera	Acting Manager	Agrakande
Mr. Pathum Bulathsinghala	Acting Manager	Wigton

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.

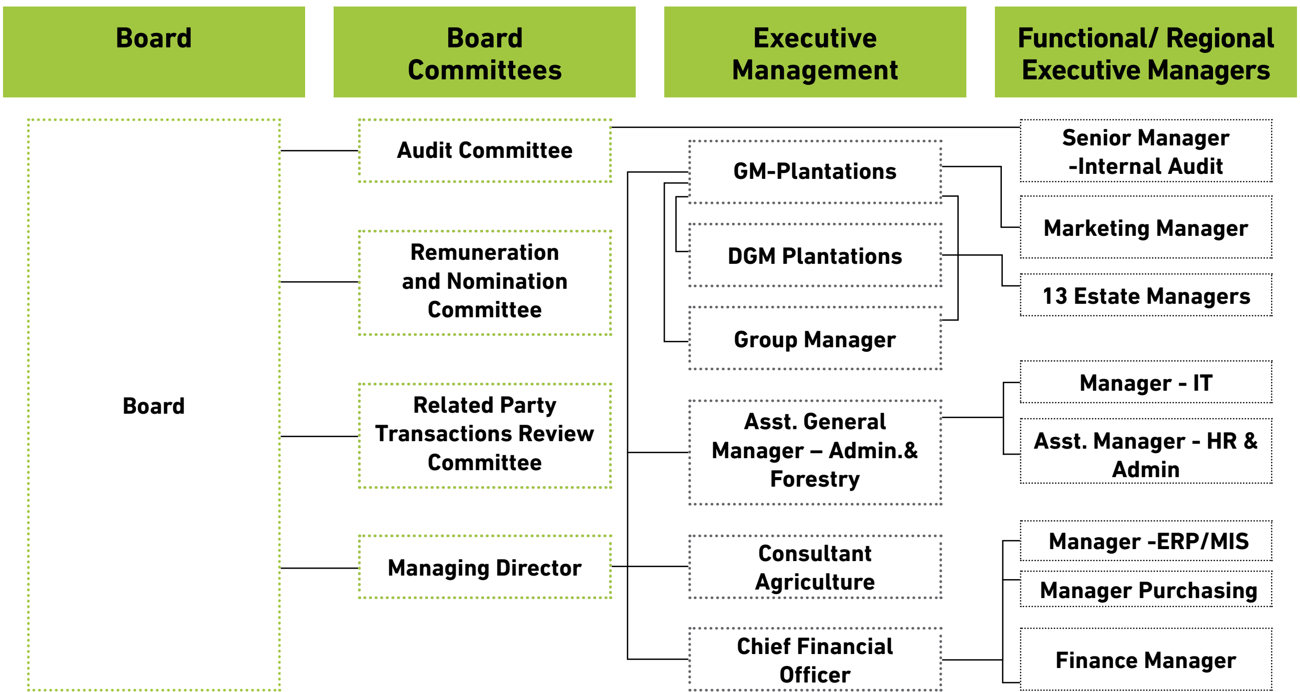
As the highest decision-making authority, the Board sets the tone at the top through the Hatton Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and 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 six Directors of which four are Non-Executive Directors. Two of the Directors are Non-Executive and Independent Directors.

The Directors are professionals of the highest caliber in diverse fields such as Plantation Management, Export Marketing, Tea Industry and Finance etc. and their profiles are set out on pages 014 to 016.

COMPOSITION OF THE BOARD AND SUBCOMMITTEES

Member of the Board and Board Committees	Executive Directors	Non-Executive Directors	
		Independent	Non-Independent
Board of Directors	2	2	2
Audit Committee		2	1
Remuneration and Nomination Committee		2	1
Related Party Transactions Committee		2	1

AREAS OF EXPERTISE OF BOARD MEMBERS

Area of expertise	Number of Board Members
Business management	6
Financial and management accounting	5
Plantation management	2
Engineering	1
Science	0

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 six Directors of which two are Executives and two are Non-Executive Independent Directors, two 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 monthly to review performance against the strategic plan and budgets to identify matters requiring intervention and escalation to Board.

BOARD ATTENDANCE

Name of Director	Board Meetings	Audit Committee	Remuneration & Nomination Committee	Related Party Transactions Review Committee
Resigned Board of Directors – Old Board				
Mr. S G Wijesinha (Resigned on 19/07/2019)	2/2	1/1	-	1/1
Mr. G. Sathasivam (Resigned on 19/07/2019)	2/2	N/A	-	N/A
Mr. V. Govindasamy (Resigned on 01/01/2020)	3/3	N/A	N/A	N/A
Mr. A. N. Fernando (Resigned on 19/07/2019)	2/2	1/1	-	1/1
Mr. M. S. Mawzoon (Resigned on 01/01/2020)	3/3	0/1	N/A	0/1
Mr. L. D Ramanayake (Resigned on 19/07/2019)	2/2	1/1	N/A	1/1
Mr. N. B. Weerasekara (Resigned on 19/07/2019)	2/2	0/1	-	0/1
Mr. P Karunagaran (Resigned on 19/07/2019)		N/A	N/A	N/A
Mr. M T Siddique (Resigned on 19/07/2019)	2/2	1/1	N/A	1/1
(Alternate Director to Mr. P Karunagaran				
Appointed Board of Directors – New Board				
Mr. Gary Seaton (Appointed on 17/07/2019)	3/3	N/A	N/A	N/A
Mr. Menaka Athukorala (Appointed on 17/07/2019)	3/3	N/A	N/A	N/A
Mr. Gowri Shankar (Appointed on 17/07/2019)	3/3	2/3	1/1	2/2
Mr. Hiro Bhojwani (Appointed on 23/07/2019)	1/3	N/A	N/A	N/A
Mr. Indrajith Fernando (Appointed on 17/07/2019)	3/3	3/3	1/1	2/2
Mr. Uditha Palihakkara (Appointed on 30/07/2019)	3/3	3/3	1/1	2/2

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 Management Committee chaired by the Managing Director reviews performance and discusses new strategies and the methods prior to recommending same to the Board of Directors for discussion. The Estate Managers and Functional Managers streamline the flow of information to the Executive Management Committee for fast decision- making. The Five-year Strategic Plan, the Annual Budget are discussed in-depth at the Executive Management Committee prior to submitting to the Board for approval, expediting decision-making and focus on key matters.

The Company's Executive Management Committee which assists in the decision-making process comprises the Managing Director and Chief Financial Officer, General Manager Plantations, Deputy General Manager Plantations, Asst. General Manager Admin.& Forestry, Group Manager and Consultant Agriculture. The second level of Executive Committee which is now known as the Estate Managers and Functionals Heads have been established to cascade information to the estates and departments and to provide insights to the Executive Management Committee 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.

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 028 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 018 of this Report lists 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 such as Legal, 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 decided by the Board.

A 1.5 INDEPENDENT JUDGEMENT

The Directors use their independent judgements in making decisions. Four of the six Directors are Non-Executive and two 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 five times (New and Old Boards) during the period as reported on page 020 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.

PRINCIPLE A 2

CHAIRMAN AND MANAGING DIRECTOR

The Chairman and Managing Director are Executive members of the Board and the Company and they maintain 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 Financial Officer. He also ensures that the Board is in complete control of Company's affairs.

PRINCIPLE A 4

FINANCIAL ACUMEN

The Board comprises Two Chartered Accountants and Chartered Management Accountants namely,

Mr. Indrajith Fernando – FCA, FCMA, MBA

Mr. Uditha Palihakkara – FCA, FCMA, MBA

PRINCIPLE A 5

BOARD BALANCE

The Board comprises four Non-Executive Directors which constitutes 66.7% of the Board of Directors of which two are Independent.

Following are Non-Executive Directors of the Company.

Mr. Gowri Shanker
Non-Executive Non-Independent Director

Mr. Hiro Bhojwani
Non-Executive Non-Independent Director

Mr. Indrajith Fernando
Non-Executive, Independent Director

Mr. Uditha Palihakkara
Non-Executive, 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. Indrajith Fernando
- Mr. Uditha Palihakkara

The full Board of Directors are indicated on pages 014 to 016 .

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. All six members of the Board were newly appointed during the current Financial Year and all members who were on the Board during the financial year 2018/19, resigned during the year 2019/20 . Details of the current Board of Directors are given on pages 014 to 016 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 014 to 016 of this Report.
- Related party transactions are disclosed on pages 096 to 098 of this Report.
- The details of Board meetings attended are on pages 020.
- Board Committees that the Directors serve on and their attendance is on pages 020.

PRINCIPLE A 11

APPRAISAL OF 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. The Company does not have a Share Option Scheme nor a Pension scheme. The report of the Remuneration Committee is on page 042 of this report.

Remuneration of the management staff is also approved by the Board in total. The Directors' remuneration is disclosed in Note 26 of the Financial Statement and the Management Staff remuneration is described on page 091 of this report.

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. All Directors draw a fee from the Company.

PRINCIPLE B 3

DISCLOSURE OF REMUNERATION

Remuneration Committee report on page 042 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 091 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 Chief Financial Officer and other managers of divisions who will be physically present at this meeting. The Annual General Meeting of the Company will be held on the 30th December 2020.

Since AGM is via vertual meeting, Proxy froms can be downloaded via the company website and necessory instractions were given therein for submition. 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 except the fourth quarter. Fourth quarter was published before the extended date given due to Covid-19 pandemic.

First quarter	13 August 2019
Second quarter	14 November 2019
Third quarter	10 February 2020
Fourth quarter	04 August 2020

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 037 to 039 of this Report.
- Report on Going Concern is on page 037.
- A comprehensive risk assessment is on pages 029 to 036.
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 007 to 012.
- The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on page 046 and pages 048 to 051 respectively.
- Directors Report on page 037 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 Managing Director and the Chief Financial Officer. At the end of the year 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 three Non-Executive Directors:

Mr. Indrajith Fernando

Non-Executive Independent Director and the Chairman of Audit Committee. He was a past President of the Institute of Chartered Accountants of Sri Lanka.

Mr. Uditha Palihakkara

Non-Executive Independent Director. He was a past President of the Institute of Chartered Accountants of Sri Lanka (ICA), the Chartered Institute of Management Accountants of Sri Lanka (CIMA), the Chartered Association of Certified Accountants of Sri Lanka (ACCA).

Mr. Gowri Shankar

Non-Executive Director, professionally a Banker and hold a Bachelor of technology degree in Machine Designing and Automation Engineering from NIT Jalandhar, India and MBA in Finance of Systems from NIT Warangal, India.

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 040 to 041.

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 handbook 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 Stockbrokers 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.

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 042
7.10.6	**Audit Committee (AC)** The Company shall have an AC	✓	Principle D3 and Audit Committee Report on pages 040 to 041.
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

Rule No.	Requirement	Compliance	Reference in this Report
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, re-appointment 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 2020

	Reporting party institute/ personnel	Subject	Responsibility	Deadline	Status of Compliance
Statutory	Inland Revenue	1. Income Tax Payment	CFO/ MD	30 September	Complied
		2. Income Tax Return	CFO/ MD	30 November	Complied
		3. VAT Payment	CFO/ MD	15th of the following month	Complied
		4. VAT Return	CFO/ MD	30th of the following month end of quarter	Complied
		5. NBT Payment	CFO/ MD	20th of the following month	Complied
		6. NBT Return	CFO/ MD	20th of the following quarter	Complied
		7. PAYE Payment	CFO/ MD	15th of the following month	Complied
		8. ESC Payment	CFO/ MD	20th of the month following Quarter	Complied
		9. ESC Return	CFO/ MD	Annually	Complied
		10. Stamp Duty Return and Payment	CFO/ MD	15th of the month following Quarter	Complied
		11. Assessment/Default notices	CFO/ MD	On given dates	Complied
Regulatory	Department of Labour	12. EPF Payment	CFO/ MD	30th of the following month	Complied
	ETF Board	13. ETF Payment	CFO/ MD	30th of the following month	Complied
	Department of Labour	14. Gratuity – Provision/ Payment	CFO/ MD	Within one month of resignation	Complied
	SLAASMB	15. Publishing of Annual Financial Report	CFO/ MD	By 04 October 2019	Complied
		16. All Financial Reports are prepared in accordance with SLFRS	CFO/ MD	–	Complied
	CSE/SEC	17. Quarterly Financial Report	CFO/ MD	30th of the month following the Quarter	Complied
		18. Annual Financial Report	CFO/ MD	6th June 2019	Complied
Compliance with internal procedure	Finance Department	19. Monthly Financial Statements	CFO/ MD	10th of the following month	Complied
		20. Interim Financial Statements	CFO/ MD	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	CFO/ MD	Relevant Papers to be delivered to directors 7 Days before the board meeting	Complied
	Insurance	22. Insure all the business assets to mitigate losses	CFO/ MD	on going	Complied

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

Annemarie Outschoorn
Chief Financial Officer

Menaka Athukorala
Managing Director

RISK MANAGEMENT

Risk is defined as the combination of a likelihood of an occurrence of an event and the impact that is caused by the event concerned. The occurrence of such events could hinder business objectives or have a positive impact as a result of maximizing opportunities presented. Risk management deals with mitigating negative impacts whilst ensuring opportunities are maximized.

Hatton Plantations PLC has an effective risk management framework to safeguard its capital and operational processes to create value to all its stakeholders in a sustainable manner. We have identified risks in relation to our strategic objectives and assess them in terms of their likelihood of occurrence and severity of impact and thereby determine a response strategy prudently to satisfy all stakeholder objectives and our company vision.

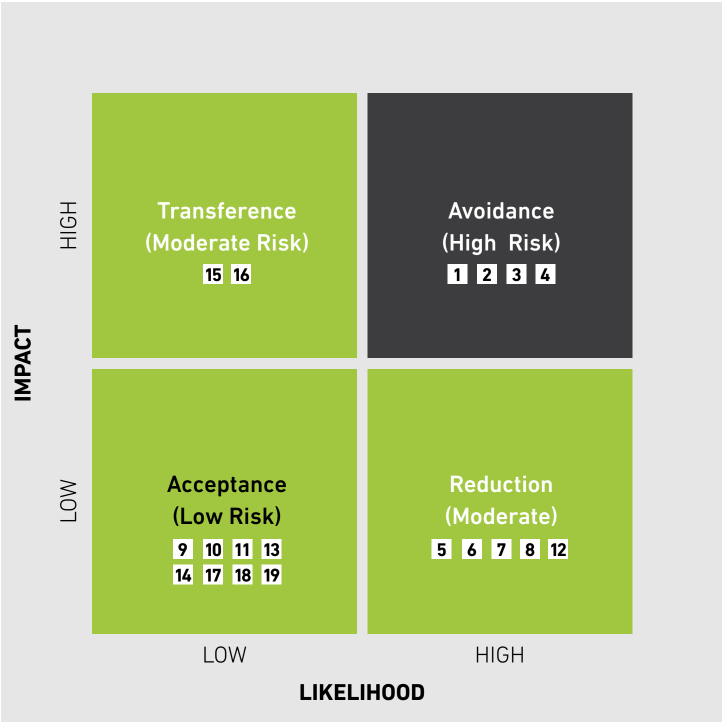
The Board of Directors: The Board is responsible to ensure effective risk management at corporate level. Our Board comprises of diverse expertise locally and globally in diversified fields which sets out our risk management framework effectively. Major risks are conveyed to the Board by comprehensive daily/ monthly reporting of key economic and performance indicators and quarterly reporting of the Audit Committee. The Board is committed to identify significance of risks timely, to question and assess the impact on the organization and determine the risk appetite. The Board continues to evaluate and monitors the responses to identify risks in a timely manner within the risk management framework in place.

Audit Committee: The Audit Committee is responsible to review the existence and effectiveness of policies and processes of our risk management. Audit Committee comprises of sound financial and industry expertise. The Audit Committee has been assigned the responsibility by the Board to optimize the performance and effectiveness of risk management process and internal controls of the company and meets every quarter to discuss their recommendations to the Board. Both internal and independent external auditors carry out well structured audits to provide assurance on internal controls and compliances and ensure timely reporting.

Corporate Management Team: The corporate management team headed by the Managing Director, is responsible for risk assessment and mitigation according to the risk appetite level of the Board. The corporate management team discusses plans and recommend actions. The estate management which plays a key role in implementation, is invited to present their risk management strategies at performance review meetings every month.

Risk Evaluation and Mapping

The likelihood of an event is assessed on the basis of past occurrence and the preventive measures in place and accordingly each risk is ranked at high, medium, and low. The impact of an event is assessed by determining the loss it would cause and the extent of the impact. By considering these two factors, the impact is then categorized as high, medium, and low. The position of a particular risk indicates the risk appetite level and accordingly, the risk mitigation action plans are formed and reviewed by the management committee.



The key risk factors exposed by Hatton Plantations PLC, potential impact to the company/ stakeholders and risk mitigating strategies adopted are summarised below.

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
Strategic Risk			
1. Climate Changes			
Extreme weather conditions, unpredictable rainfall patterns and changes in conducive temperature, sunshine and humidity	■ Crop losses, thereby revenue losses and higher cost of production ■ Increase in cash outflows to mitigate low income of workers. ■ Potential physical damages to workers and property.	■ Maximise buffer tea stock during cropping season and encourage outside bought leaf intake to mitigate adverse impact on working capital and revenue losses. ■ Preserve forests and water sheds and ponds to retain the moisture content ■ Pre-drought spraying for tea. ■ Change fertilizing cycles and harvesting pattern accordingly. ■ Management of shade trees and burial of weed heaps to retain wetness. ■ Support with water bowsers and tanks during extreme dry conditions. ■ Alignment of Estate Welfare Society activities to assist natural disaster management.	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
2. Auction Prices			
The tea market in terms of price and quantity of sale remain volatile due to global factors such as geopolitical, world economic depression of key import destinations of Sri Lanka, exchange rate and natural climatic conditions of tea producing countries	■ Loss of profit and revenue. ■ Liquidity and working capital deficits. ■ Lack of funds for capital expansion.	■ Regular monitoring of quality of raw material used to produce consistent product acceptable to the buyers. ■ Our marketing team is geared to carry out buyer analysis and discussions to identify the buyers' perception of our product to upgrade the quality level of our product acceptable to the market buyers ■ Obtain and maintain international standards and quality accreditations to maintain attractive prices and premium. ■ Initiative to manufacture leafy grades in our product mix. ■ Centralising of tea manufacture according to high NSA. ■ Regular grade analysis to identify high selling NSA of grades of each factory and produce accordingly	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**

<table>
<tr><th>RISK FACTOR</th><th>POTENTIAL IMPACT</th><th>RISK MANAGEMENT STRATEGY</th><th>RISK RATING</th></tr>
<tr><td colspan="4">3. Wage Structure</td></tr>
<tr><td>Wage increase is not linked to productivity of estates and strong trade union and political decisions play major role in determining workers/ estate staff wages and salaries.</td><td>■ Substantial impact on high cost of production and reduction in profitability.
■ Low productivity estates become unviable and uneconomical to be maintained.
■ Unbearable impact on gratuity liability.
■ Working capital deficits.
■ Lack of funds for capital expansion.
■ Noncompliance to the regulatory wage structure and delaying statutory payments.</td><td>■ Lobbying for wage structure in line with productivity.
■ Encourage to do unskilled agricultural activities on task-based contracts.
■ Outsourcing non-value adding activities.
■ Mechanisation of some agricultural activities and factory production functions.
■ Training, monitoring and motivation of workers to increase productivity of workers.
■ Encourage task and norm-based incentive for workers and staff.
■ Issuing standing circular instructions for compliance to estates and follow up internal audit investigations.
■ Monthly review of all statutory liabilities for payments by Finance Department.</td><td>Overall rating:
High
Probability of occurrence:
High
Severity of impact:
High</td></tr>
<tr><td colspan="4">4. Product Portfolio</td></tr>
<tr><td>Over 95% of revenue is generated from Tea revenue and operation is highly dependent on Tea.</td><td>■ Loss of overall profitability due to low crop, drop in market price and cost increase of the single product being Tea.
■ Underutilized asset base.
■ Unabsorbed or un-spread overhead cost.</td><td>■ Diversification into forestry.
■ Initiative to coffee planting as pilot project.</td><td>Overall rating:
High
Probability of occurrence:
High
Severity of impact:
High</td></tr>
<tr><td colspan="4">Operational Risk</td></tr>
<tr><td colspan="4">5. Dependence on Bought Leaf</td></tr>
<tr><td>Approximately 40% of production is from outside bought leaf which maximises the factory capacity unilization and revenue.</td><td>■ Drop in product quality due to substandard raw material and hence drop in market price.
■ Low made tea output and production cost increase.</td><td>■ Executive weighing of bought leaf and acceptance of good leaf for manufacture.
■ Quality checking and weighing of bought leaf by Internal Audit team.
■ Payment of additional rates for good quality leaf.
■ Started replanting and infilling activities in our own lands.</td><td>Overall rating:
Moderate
Probability of occurrence:
High
Severity of impact:
Low</td></tr>
</table>

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
Approximately 40% of production is from outside bought leaf which maximises the factory capacity unilization and revenue.	■ Increase bargaining power of bought leaf suppliers for additional rates over the Tea Board formula resulting in production cost increase. ■ Loss of focus on productivity of our own crop, lands, workforce and good agricultural practices. ■ Loss of profits as a result of reducing Net Sale Average. ■ Noncompliance to Tea Board regulations.	■ Harvesting of crop in our own low yielding lands on revenue sharing basis by estate work force. ■ Regular monitoring of KPIs relating to sound agriculture and production practices covering crop, lands, workforce and production process by Senior Management Team. ■ Senior Management team discussions and evaluations are in place immediately after weekly sales on expected sale average and availability of produce stock to take action on disposal of tea stock to maximise sale average and reduce loss on bought leaf at reducing market trend. ■ Purchasing bought leaf from individuals rather than large scale intermediate collectors. ■ Internal Audit and Estate Managers check and verify the compliance to Tea Board regulations.	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**
6. Dependance on CTC Production			
Approximately 40% of production is from CTC tea.	■ Average price fetched for CTC tea is much below Orthodox and leafy manufacture. ■ In certain months, CTC prices are far below expectations and budgeted level. ■ Revenue/ profitability loss and drop in RPC ranking.	■ Diverting leaf to Orthodox and leafy manufacture where the prices are high. ■ Initiative to start leafy manufacturing facility. ■ Maintaining low cost of production of CTC manufacture	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**
7. Credit Risk			
Risk of being defaulted by trading customers and other debtors and timely settlement of suppliers, financial institutions and government liabilities.	■ Working capital and liquidity issues. ■ Reputational damages. ■ High cost of credits and unavailability of discounts. ■ Legal and compliance issues.	■ Timely cashflow planning by Finance Team. ■ Tea sales are made through Colombo Tea Auction and settlements are assured in seven days by Tea Brokers. ■ Other debtors are invoiced on time and timely collections are followed up by Finance Team. ■ Credit periods are closely evaluated, and creditors are settled on time. ■ Government leases and other finance obligations are monitored monthly and settled on due dates.	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
8. Asset Risk			
Risks due to fire, theft and machinery and equipment breakdown.	■ Permanent or temporary manufacturing break downs. ■ Increase in cost of production and capital losses. ■ Compensation for loss of life and injuries. ■ Legal and compliance issues.	■ Obtaining comprehensive insurance covers for all tangible assets. ■ Carry out periodic inhouse and outsource training programs for employees such as fire prevention, motor accidents, factory safety measures. ■ Executive supervision, custody and authorization, Internal Audit verifications of assets. ■ Maintaining machinery logbook and maintenance schedule with executive supervision and timely maintenance and replacements.	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**
9. Inventory			
Risk of accumulating Tea stock due to lower demand and low prices in auction and holding of input materials for a longer period than norm.	■ Drop in quality and further drop in prices in subsequent cataloging time. ■ Loss due to theft and shrinkage, obsolescence. ■ High cost of stock holding.	■ Finance is geared to analyse weekly stock levels and forward cataloging for next three weeks and make disposal decision together with marketing team to maximise prices and revenue. ■ Monthly review of input material stock by Finance team and procurement are made accordingly. ■ Physical verifications by Internal Audit Team to identify obsolete and slow moving to overcome stock losses.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**
10. Internal Controls			
Risk associated with lack of sound internal control mechanism to safeguard the assets, avoid and detect frauds and to ensure operational effectiveness and efficiency.	■ Operational losses due to frauds and wastage. ■ Capital losses and issue with going concern of the company. ■ Noncompliance with regulatory requirements.	■ Sound Internal Audit Department is in place to carry out operational, management, financial and investigation audits. ■ Clear and detailed operational instructions were given in circular form (SOPs) and follow up by finance and internal audit departments. ■ All financial transactions are checked and verified at Finance Department prior to disbursement to estates by two delegated Managers in the capacity of Management and Production. ■ All estate should submit monthly operational plan to Head of Plantation for prior approval before undertaking. ■ Monthly performance review meeting is conducted by Managing Director and Senior Management Team to evaluate performance against budget and to discuss operational issues and risks.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
11. Information Systems and Cyber Security -IT Risk			
Risk of system failure and loss of data and Ensuring the integrity, confidentiality and availability of information	■ Absence of timely information for management decision making leading to loss of viable decision making to maximise profitability and business opportunities. ■ Discontinuity in financial reporting system. ■ Breach of system security. ■ Financial and non-financial damages.	■ Dedicated IT team to ensure IT security, privacy and confidentiality with adequate systems and controls. ■ An effective backup procedure has been implemented both at estates and head office as a disaster recovery measure. ■ Close monitoring of internet and email usage. ■ Use of licensed software and security systems. ■ Use of branded hardware. ■ Immediate IT related support for estates from head office IT team and regional level service providers. ■ Strengthen internal control systems and procedures to avoid frauds and malpractices.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**
12. Human Capital and Labour Risk			
Plantations are more labour intensive. Reduction in resident manpower, unionized working community, low productivity are key risks in operation.	■ Unavailability of labour on estates. ■ Shortage of skilled labour on estates and low productivity. ■ Difficulty in making viable and economic operational decisions due to power and pressure of labour unions of workers. ■ Difficulty of retention and development of existing skilled employees. ■ Immobility of labour within/ between estates	■ Focus for Capital investments through internally generated funds. ■ Maintained sound relationship and facilitate workers welfare and needs through corporative societies and other welfare societies on the estate. ■ Ensure compliance with all regulatory requirements benefited to estate workers ■ Get the maximum benefits of Government and Non-Governmental organization grants and donations for health and wellbeing of our plantation workers. ■ Maintaining good relationship with trade union leaders through regular dialogues.	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**
13. Procurement Risk			
Availability, quality and timeliness of input material and prices paid.	■ Increase in cost of production. ■ Revenue drop due to poor prices at Tea Auction. ■ Unavailability of fertilizer and chemicals at correct time of weather condition. ■ Operational breakdown in factories.	■ Sourcing of input materials from industry reputed companies. ■ Keeping buffer stock of critical consumable and input materials. ■ Forward purchase agreements with outside bought leaf suppliers. ■ Keeping relationship with number of suppliers to source bought leaf. ■ Advances and daily payments to retain suppliers. ■ Our own transport arrangements extended to suppliers.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
14. Pests and Diseases			
Plantations are vulnerable to be attacked by pests and diseases	■ Revenue Losses ■ Increase in Cost of Production	■ Regular supervision of fields by agriculture consultants. ■ Adoption of best agriculture practices recommended by TRI.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**
15. Business Disruption due to Pandemics			
Out break of pandemics will cause business and operational discontinuity and disruptions.	■ Losses in Revenue and profitability. ■ High operational expenditure. ■ Adverse impact of working capital.	■ Adoption of stringent measures to keep workers and staff health and immunity levels up. ■ Field and manufacturing operations are being carried out according to the prescribed health and medical practices announced by government authorities. ■ Close and timely relationship with government authorities to prevent spreading of diseases. ■ Free of charge provision of sanitary material and facilities to workers and staff. ■ Financial assistance to workers. ■ Awareness program to estate workers and communities. ■ Keep buffer stocks of input materials for uninterrupted production process. ■ Maintain excess working capital funds. ■ Online and remote working facilities to staff and executives. ■ Connection with banks and suppliers through digital media.	Overall rating: **Moderate** Probability of occurrence: **Low** Severity of impact: **High**
Financial Risk			
16. Investment Risk			
Investments made without proper feasibility evaluation to achieve expected objectives	■ Expected profitability of the project will not be achieved or project failures. ■ Deficiencies in long term replanting program.	■ Carry out comprehensive feasibility studies with the support of external expertise and finance team. ■ Discuss and evaluate in Management Committee and Board Meeting prior to undertaking and obtaining Board approval. ■ Close monitoring of the progress to ensure project deliverables are achieved within given budget and timelines. ■ Extremely essential investments are made in capital assets such as replanting, machinery and plant upgrading to rationalize the production process in major factories.	Overall rating: **Moderate** Probability of occurrence: **Low** Severity of impact: **High**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
17. Interest Rate Risk			
Changes in AWPLR due to changes in government fiscal and monetary policies.	■ Increase in finance cost and reduced profitability. ■ Difficulty of investing in capital development and growth prospects. ■ Low return on new investments.	■ Focus for Capital investments through internally generated funds. ■ Get the maximum benefit of concessionary funding of government to Plantation sector. ■ Short term assets to be financed with the short-term borrowings and long-term assets to be financed with long term borrowings.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**
18. Liquidity Risk			
Liquidity Risk is inherited with uncontrollable factors such as erratic weather pattern, wage hike, drop in auction average and government decisions on input material prices.	■ Increase in borrowing costs and loss of opportunity to raise funds at lowest interest. ■ Restricted procurements and high cost on credit terms. ■ Reputational damages due to default and delay.	■ Keep buffer cash in short to medium term fixed deposits. ■ Take the opportunities of concessionary funding facilities available to Plantation companies. ■ Efficient cashflow planning and controls on weekly and monthly basis by Finance Team. ■ All estate payments are closely verified by Management executives and outgoing expenditure is prioritized and kept minimum requirements. ■ Maintain effective budgetary control system for income and expenses of each estate and expenses are restricted to the crop intake and sale average of the month. ■ Input materials are held only to the requirement unless there is a special requirement to keep buffer stocks.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**
Compliance Risk			
19. Compliance Risk			
Compliance to applicable regulations, legislations and internal policies.	■ Penalties ,charges and legal cost. ■ Reputational damages. ■ Threat to continuity of operation and going concern of the company.	■ Periodic review and monitoring of Audit Committee. ■ Review and reporting of Internal Audit Team. ■ Statutory obligations are reviewed monthly by the Chief Financial Officer and reported to the Board of Directors.	Overall rating: **Low** Probability of occurrence: **Low** Severity of impact: **Low**

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the Annual Report for the period ended 31 March 2020 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 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

During the year, the principal activities of the Company were cultivation, manufacturing and sale of Orthodox and CTC 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 development of the Company's business segments are discussed in the Chairman's report on pages 007 to 009 and Managing Director's review on pages 010 to 012.

These reports together with the Audited Financial Statements (pages 052 to 103) 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 Company 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 2020 duly signed by the Chief Financial Officer, two of the Directors of the Company are given on pages 052 to 103 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 046 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 2020 and the report on those Financial Statements is given on pages 048 to 051 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are stated on pages 056 to 068.

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 borrowing 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 during the year was LKR 4,184.4 Mn (2019 – LKR 4,039.9 Mn) 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 (121.8) Mn (2019 – LKR (112.5) Mn).

The Company's Income Statement for the period is on page 053. Details of transfer to/from reserves in respect of the Company are shown in the Statement of Changes in Equity on page 054.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31 March 2020 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 2020 amounts to LKR 1,803.4 Mn (2019 - LKR 1,803.4 Mn) and LKR (211.8) Mn (2019 – LKR (239.7) Mn), respectively.

DIVIDEND ON ORDINARY SHARES

During the period 2019/20 Company has not declared any dividend (2019 – LKR 59.1 Mn).

CORPORATE DONATIONS

During the period 2019/20 Company has made donation amounting to LKR 2.3 Mn (2019 – Nil).

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. Agriculture farming is exempted and agriculture processing is liable at 14% for the year.

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 28 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 2020 amounts to LKR 86.0 Mn (2019 – LKR 49.4 Mn) and LKR 28.5 Mn (2019 – LKR 41.2 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 2020 amounts to LKR 995.5 Mn (2019 – LKR 1,042.4 Mn).

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 36.

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 34 to the Financial Statements.

SHAREHOLDINGS

As at 31 March 2020, there were 15,798 registered shareholders. Information on the distribution of shareholding, categories of shareholders and the percentage holding of twenty largest shareholders is indicated on pages 112 and 113.

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 34 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 2020	No. of Sharers
Mr. Gary Seaton	Nil
Mr. Menaka Athukorala	Nil
Mr. Gowri Shankar	Nil
Mr. Hiro Bhojwani	Nil
Mr. Indrajith Fernando	Nil
Mr. Uditha Palihakkara	Nil

DIRECTORS' EMOLUMENTS

Directors' emoluments, in respect of the Company for the financial period ended 31 March 2020 are given in Note 26 to the Financial Statements.

COMPLIANCE WITH RELATED PARTIES

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 2020, the Board of Directors of Hatton Plantations PLC consisted of six members. Names of the Directors and their brief profiles appear on pages 014 to 016 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 1.9 Mn (2019 – 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 018 to 025.

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, Report of the Audit Committee, Report of the Remuneration Committee and Report of the Related Party Transaction Review Committee.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 30th December 2020 at 10.00 a.m. at the Head office of Hatton Plantations PLC. as a virtual meeting as a precautionary measure due to the prevailing COVID-19 protocols issued by the relevant authorities and guidelines issued by the Colombo Stock Exchange. The Notice of the Annual General Meeting appears on page 116 for and on behalf of the Board.

Mr. Menaka Athukorala
Managing Director

Mr. Gary Seaton
Chairman

Corporate Advisory Services (Pvt) Ltd.
Secretaries,
Hatton Plantations PLC
04 August 2020

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.

COMPOSITION

During the year, the Committee comprised two Independent Non-Executive Directors and one Non-Executive Director. Profiles of the members are given on pages 014 to 016. Corporate Advisory Services (Private) Limited function as the Secretaries to the Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met four (04) times during the year. The attendance of the members at these meetings is as follows:

Name of the Director	Status	Attendance	Remarks
Resigned Directors of Audit Committee – Former Audit Committee			
Mr. S. G. Wijesinha	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Mr. A. N. Fernando	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Mr. M. S. Mawzoon	Non-Independent Non-Executive	1 of 1	Resigned w.e.f 01.01.2020
Mr. L. D. Ramanayake	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Mr. M. T. Siddique	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Appointed Directors of Audit Committee - New Audit Committee			
Mr. Indrajith Fernando	Independent Non-Executive	3 of 3	Appointed on 17.07.2019
Mr. Uditha Palihakkara	Independent Non-Executive	3 of 3	Appointed on 17.07.2019
Mr. Gowri Shankar	Non-Independent Non-Executive	2 of 3	Appointed on 30.07.2019

The Managing Director, the Chief Executive Officer (CFO) and 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 2020.

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 Managing Director, Chief Financial Officer, 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, 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 pages 029 to 036.

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 complaints 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 2021 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 Managing Director along with Chief Financial Officer 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;

Mr. Indrajith Fernando
Chairman – Audit Committee
04 August 2020

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 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 three Directors namely –

- **Mr. Indrajith Fernando**
  (Non-Executive, Independent)
  Appointed on 17.07.2019
- **Mr. Uditha Palihakkara**
  (Non-Executive, Independent)
  Appointed on 17.07.2019
- **Mr. Gowri Shankar**
  (Non-Independent, Non-Executive)
  Appointed on 17.07.2019

The Chairman and Managing Director of the Company assist the Remuneration Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

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 behavior to optimise the Company performance. Stretched 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,

Mr. Indrajith Fernando
Chairman – Remuneration Committee
04 August 2020

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 two Independent Non-Executive Directors and one 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 three (3) times during the year. Attendance of the Committee members at each of these meetings is as follows.

Name of the Director	Status	Attendance	Remarks
Resigned Directors of Related Party Committee - Former Related Party Committee			
Mr. A. N. Fernando	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Mr. S G Wijesinha	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Mr. M. S. Mawzoon	Non-Independent Non-Executive	0 of 1	Resigned w.e.f 01.01.2020
Mr. L. D Ramanayake	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Mr. N. B. Weerasekara	Independent Non-Executive	0 of 1	Resigned w.e.f 19.07.2019
Mr. M T Siddique	Independent Non-Executive	1 of 1	Resigned w.e.f 19.07.2019
Appointed Directors of Related Party Committee - New Related Party Committee			
Mr. Indrajith Fernando	Independent Non-Executive	2 of 2	Appointed on 17.07.2019
Mr. Uditha Palihakkara	Independent Non-Executive	2 of 2	Appointed on 17.07.2019
Mr. Gowri Shankar	Non-Independent Non-Executive	2 of 2	Appointed on 30.07.2019

MEETING AND MINUTES

Corporate Advisory Services (Private) 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 34 to the Financial Statements.

On behalf of the Board,

Mr. Indrajith Fernando
Chairman
04 August 2020

Financial Reports

FINANCIAL CALENDAR

First Quarter	**13 August 2019**
Second Quarter	**14 November 2019**
Third Quarter	**10 February 2020**
Fourth Quarter	**04 August 2020**
Publishing of Annual Accounts	**04 December 2020**
Annual General Meeting	**30 December 2020**

STATEMENTS OF DIRECTORS' RESPONSIBILITY

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

The Directors are required by the companies Act No: 7 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 period and of the profit for the financial year. The Directors are required to prepare these Financial Statements on the going concern basis, unless it is not appropriate.

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

The Directors consider that in preparing the Financial Statements on page 052 to103 the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable, have been followed.

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

The Directors are responsible for taking such steps that are reasonably open to them, to safe guard the assets of the Company and to present and detect fraud and other irregularities.

The Directors confirm that the financial statements have been presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting standards (LKAS) and provide the External Auditors with every assistance to undertake whatever inspections, they consider to be appropriate for the purpose of enabling them to give their audit report in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The report of the external auditors, show on pages 048 to 051sets out their responsibility in respect of the Financial Statements.

The Directors are confident that they have discharged their responsibilities as set out in their statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of employees of the company and all other known statutory dues and payables by the company as at the financial position date have been paid, or where relevant, provided for.

By Order of the Board,

Mr. Menaka Athukorala
Managing Director

Mr. Gary Seaton
Chairman
04th August 2020

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of Hatton Plantations PLC as at 31 March 2020 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, the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance-2017 issued jointly by the institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. 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 Chief Financial officer 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 recognized 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 048 to 051 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.

Mr. Menaka Athukorala
Managing Director

Mrs. Annemarie Outschoorn
Chief Financial Officer
04 August 2020

INDEPENDENT AUDITOR'S REPORT

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 2020, 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 2020;
- 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 stood at year end was LKR 592.7 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 in 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 plantations to mature plantations. • 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 2020 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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Partners **D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, Ms S Perera ACA, N R Gunasekera FCA**
T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda 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 729.2 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 plantations. 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.	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 number of timber trees in the census report with the valuation report to check the completeness and accuracy of the data used for the valuation. We also checked the appropriateness of 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 also compared with the market projections and industry norms that are generally accepted in determining the volume of timber.
Management engaged a subject matter expert who is an incorporate valuer and a member of The Institute of Valuers of Sri Lanka of perform an independent valuation of the consumer biological assets of the company as at 31 March 2020 We consider the valuation of consumable biological assets as a key audit matter due to the significant judgements and assumptions/estimates involved in the process. These include the following: • Estimation of height and girth of trees to arrive volume of timber • Value of timber per cubic meter • Discount rates	• 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 of the Government treasury bonds published by the Central Bank of Sri Lanka (CBSL). Assessed the reasonableness of the industry risk adjustment, 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 2020 appropriately reflect the market information and conditions.

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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

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- 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
04 August 2020

STATEMENT OF FINANCIAL POSITION

(All amounts in Sri Lankan Rupees thousands)

	Notes	As at 31 March 2020	2019
ASSETS			
Non-current assets			
Right-of-use assets	5	207,471	106,843
Immovable estate assets	6	42,758	53,878
Property, plant and equipment other than bearer plants	7	995,555	1,042,488
Bearer plants	8	592,692	619,528
Biological assets - consumable	9.1	729,161	700,140
Equity investments at fair value through other comprehensive income	10	17,587	24,686
Total non-current assets		**2,585,224**	**2,547,563**
Current assets			
Inventories	12	356,016	440,351
Biological assets-produce crops on bearer plants	9.2	9,254	14,612
Trade and other receivables	13	171,297	233,666
Short term investment in financial assets		135,000	-
Cash and cash equivalents	14	327,072	185,224
Total current assets		**998,639**	**873,853**
Total assets		**3,583,863**	**3,421,416**
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital	15	1,803,400	1,803,400
Reserve on equity investments at FVOCI		6,824	3,041
Retained earnings		(218,692)	(242,754)
Total equity		**1,591,532**	**1,563,687**
Non-current liabilities			
Borrowings	16	196,700	50,541
Lease liability	17	214,137	188,664
Retirement benefit obligation	18	1,017,309	1,011,911
Deferred capital grants	19	121,320	127,588
Deferred tax liability	20	49,855	48,606
Total non-current liabilities		**1,599,321**	**1,427,310**
Current liabilities			
Borrowings	16	141,658	96,277
Lease liability	17	973	4,359
Trade and other payables	21	250,379	322,348
Current income tax liability	22	-	7,435
Total current liabilities		**393,010**	**430,419**
Total liabilities		**1,992,331**	**1,857,729**
Total equity and liabilities		**3,583,863**	**3,421,416**

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

Annemarie Outschoorn
Chief Financial Officer

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

Menaka Athukorala
Managing Director
04 August 2020

Indrajith Fernando
Director

The accounting policies and notes on pages 056 to 103 form an integral part of these financial statements.
Independent auditor's report - page 048 -051.

STATEMENT OF INCOME

(All amounts in Sri Lankan Rupees thousands)

	Notes	Year ended 31 March 2020	2019
Revenue	23	4,184,464	4,039,996
Cost of sales		(4,275,443)	(3,945,228)
Gross (loss) / profit		**(90,979)**	**94,768**
Other operating income	24	133,405	105,372
Administrative expenses		(137,239)	(259,357)
Other gains - net	25	16,109	3,803
Operating loss		**(78,704)**	**(55,414)**
Finance income	27	24,691	16,072
Finance expenses	27	(25,347)	(34,266)
Interest paid to government and other on lease	27	(49,872)	(44,194)
Net finance costs		**(50,528)**	**(62,388)**
Loss before income tax		**(129,232)**	**(117,802)**
Income tax expense	28	7,400	5,213
Loss for the year		**(121,832)**	**(112,589)**
Loss per share for losses attributable to the ordinary equity holders of the Company			
(expressed in LKR per share)			
-Basic (loss) / earning per share	29.1	(0.51)	(0.48)

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

	Notes	Year ended 31 March 2020	2019
Loss for the year		**(121,832)**	**(112,589)**
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	**1,134**	3,041
Items that will not be reclassified to profit or loss			
- Remeasurements of post-employment benefit obligations	18	**72,515**	(254,945)
- Income tax relating to these items	28	**(10,152)**	35,692
Total other comprehensive income for the year (net of tax)		**63,497**	**(216,212)**
Total comprehensive (loss) / income for the year		**(58,335)**	**(328,801)**

The accounting policies and notes on pages 056 to 103 form an integral part of these financial statements.
Independent auditor's report - page 048 -051.

STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lankan Rupees thousands)

	Notes	Stated capital	Reserve on equity instruments at FVOCI	Reserve on rearrangement	Accumulated profits/ (losses)	Total equity
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	30	-	-	-	(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**
Balance at 1 April 2019		1,803,400	3,041	-	(242,754)	**1,563,687**
Adjustment due to initial application of SLFRS 16					86,180	**86,180**
Adjusted balance as at 1 April 2019		**1,803,400**	**3,041**	**-**	**(156,574)**	**1,649,867**
Loss for the year		-	-	-	(121,832)	**(121,832)**
Other comprehensive income		-	1,134	-	62,363	**63,497**
Total comprehensive income for the year		**-**	**1,134**	**-**	**(59,469)**	**(58,335)**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	10	-	2,649	-	(2,649)	**-**
Balance at 31 March 2020		**1,803,400**	**6,824**	**-**	**(218,692)**	**1,591,532**

The accounting policies and notes on pages 056 to 103 form an integral part of these financial statements.
Independent auditor's report - page 048 -051.

STATEMENT OF CASH FLOWS

(All amounts in Sri Lankan Rupees thousands)

	Notes	Year ended 31 March	
		2020	2019
Cash flows from operating activities			
Cash generated from operations	33	316,040	355,176
Finance expenses	27	(25,347)	(34,266)
Interest paid to government and other on lease	27	(49,872)	(44,194)
Tax paid	22	(8,938)	(35,297)
Retirement benefit obligations paid	18	(112,172)	(104,552)
Interest received	27	24,691	16,072
Net cash generated from operating activities		**144,402**	**152,939**
Cash flows from investing activities			
Additions to bearer plants	8	(20,399)	(12,438)
Additions and transfer to consumable biological assets	9.1	(8,151)	(28,763)
Additions to property, plant and equipment	7	(86,044)	(49,461)
Proceeds from sale of property, plant and equipment		34,245	20,635
Proceeds from sale of consumable biological assets	9.1	230	17,062
Proceeds from sale of financial assets at fair value through other comprehensive income		10,882	-
Payments for financial assets held as investments		(135,000)	-
Net cash used in investing activities		**(204,237)**	**(52,965)**
Cash flows from financing activities			
Dividend paid	31	-	(59,167)
Proceeds from borrowings	16	268,007	-
Repayment of borrowings	16	(100,636)	(106,884)
Repayment of Government lease principal	17.1	(136)	(4,192)
Repayment of other lease principal	17.2	(598)	-
Net cash generated from / (used in) financing activities		**166,637**	**(170,243)**
Increase / (decrease) in cash and cash equivalents		**106,802**	**(70,269)**
Movement in cash and cash equivalents			
At the beginning of period		185,224	255,493
Increase/(decrease) for the period		106,802	(70,269)
At end of period	**14**	**292,026**	**185,224**

The accounting policies and notes on pages 056 to 103 form an integral part of these financial statements.
Independent auditor's report - page 048 -051.

NOTES TO THE FINANCIAL STATEMENTS

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

Note 01. REPORTING ENTITY

Hatton Plantations PLC ("the Company") is a public limited liability company incorporated on 14th 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. 168, 2nd Floor, Negombo Road, Peliyagoda. The Plantations are situated in the planting districts of Watawala, Hatton and Lindula.

1.1 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were the Cultivation, Manufacture and Sale of Orthodox and CTC Tea.

1.2 Holding Company

The Company is a subsidiary of Lotus Renewable Energy (Private) Limited and its ultimate parent is Lotus Renewables (Singapore) Pte Ltd.

1.3 Date of Authorization for Issue

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, the accounting policies and notes to the financial statements for the period ended 31 March 2020.

The financial statements of Hatton Plantations PLC were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 04 August 2020.

1.4 Responsibility for Financial Statements.

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

Note 02. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The Financial Statements have been prepared in accordance with the historical cost convention other than following items for assets carried at fair value.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured 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 the succeeding Notes.

The accounting policies have been consistently applied in the financial statements.

2.3 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.

2.4.1 New accounting standards, interpretations and amendments adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- SLFRS 16 Leases
- Prepayment Features with Negative Compensation –Amendments to SLFRS 9
- Plan Amendment, Curtailment or Settlement – Amendments to LKAS 19
- IFRIC 23 Uncertainty over Income Tax Treatments

2.4.1.1 SLFRS 16 Leases

SLFRS 16 Leases will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. 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 statement of profit or loss 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 the annual periods beginning on or after 1 January 2019

2.4.1.2 Prepayment Features with Negative Compensation –Amendments to SLFRS 9

The narrow-scope amendments made to SLFRS 9 Financial Instruments which enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

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

2.4.1.3 Plan Amendment, Curtailment or Settlement – Amendments to LKAS 19

The amendments to LKAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

a) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change

b) recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling

c) separately recognise any changes in the asset ceiling through other comprehensive income.

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

2.4.1.4 IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

a) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

b) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored

c) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment

d) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

e) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

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

2.4.2 New standards and amendments but not adopted in 2019

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 March 2020.

(i) Definition of Material – Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

a) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

b) the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need

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

(ii) Definition of a Business – Amendments to SLFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

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

(iii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

a) increasing the prominence of stewardship in the objective of financial reporting

b) reinstating prudence as a component of neutrality

c) defining a reporting entity, which may be a legal entity, or a portion of an entity

d) revising the definitions of an asset and a liability

e) removing the probability threshold for recognition and adding guidance on derecognition

f) adding guidance on different measurement basis, and

g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2.4.3 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.

Note 03. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year and have been applied consistently in these financial statements.

3.1 Going concern

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

"Impact on COVID-19 and Going Concern Assessment"

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a pandemic. Sri Lankan Government imposed an Island wide curfew from second half of March 2020. As a result, during the latter part of March 2020, there was limitations in operations of the Company. Subsequently, with the declaration of Plantation sector as essential services and relaxation of curfew hours in plantation regions normal operations were continued.

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. The impact of COVID-19 on future performance and therefore on the measurement of some assets and liabilities or on liquidity might be significant and might therefore require disclosure in the financial statements, but management has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

3.2 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 include 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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

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, whichever 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 plant

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 economic 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 amortization

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
Leasehold assets (remaining useful life time)	
Improvements to land	6
Vested other assets	6
Roads and bridges	16
Bearer plants	
- Tea	10

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

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

3.3 Biological assets

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

3.3.1 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 includes 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.

3.3.2 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.

3.4 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.

3.5 Investments and other financial assets

3.5.1 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 statement of income 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.

3.5.2 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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

substantially all the risks and rewards of ownership.

3.5.3 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 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 profit or loss 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 statement of income following the derecognition of the investment. Dividends from such investments continue to be recognised in 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.

3.5.4 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 35.C

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

3.7 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) Input material, spares and consumables.

These are valued at actual cost on weighted average basis.

(iii) Agricultural produce harvested from biological assets.

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

3.8 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 Note 13 and 35.

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets including field development activities in immature plantations, which takes a substantial period of time to get ready for its intended use, commercial harvest or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use, commercial harvest or sale.

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

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

3.14 Accounting for leases

Until the 31 March 2019 financial year, leases of property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

were classified as either finance leases or operating leases. From 1 April 2020, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise thatoption, and
- payments of penalties for terminating the lease if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Hatton Plantations PLC, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

3.16 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.

3.17 Employee benefits

3.17.1 Defined contribution plans

Defined contribution plan is a postemployment 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 Society to which the Company contributes 12% of the salary of each employee.

(ii) Trust fund contribution

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

3.17.2 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 unrecognized 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.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

3.19 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.

3.20 Statements of Profit or Loss

For the purpose of presentation of statement of profit or loss, the function of expenses method is adopted, as it represents fairly the elements of the Company performance.

3.20.1.1 Revenue

Revenue from the sale of goods is recognised when performance obligations are satisfied. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Auction sales

Sale is recognised when control of the tea is transferred by accepting the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at the Colombo Tea Auction at which point control is transferred to the customer. 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 this 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.

In respect of private sales and bulk sales at the point goods are dispatched from the factory revenue is recognised

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 are 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 either on cash terms (immediate payment) or with the credit term of 7 days.

3.20.1.2 Other Source of Income

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

Rental Income

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

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.

3.20.2 Expenses

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

3.21 Events after the reporting period

Events after the reporting period are events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue as given in Note 36.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

3.22 Dividend Payments

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.

3.23 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.

3.24 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.

Note 04. 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

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 is 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.

Leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating). Refer Note 3.14

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 05. Right-of-use assets

		As at 31 March	
	Notes	2020	2019
Right-of-use asset-land	5.1	201,523	106,843
Right-of-use asset-building	5.2	5,948	-
As at 31 March		**207,471**	**106,843**

5.1 Right-of-use asset-land

	As at 31 March	
Cost	**2020**	**2019**
As at 1 April	112,956	112,956
Impact in due to initial application of SLFRS 16	96,627	-
As at 31 March	**209,583**	**112,956**
Accumulated amortisation		
As at 1 April	6,113	2,038
Impact in due to initial application of SLFRS 16	(6,113)	-
Amortisation for the year	8,060	4,075
As at 31 March	**8,060**	**6,113**
Carrying value		
As at 31 March	**201,523**	**106,843**

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.

The effect of adoption of SLFRS 16 to the retained earning as of 01 April 2019 and corresponding lease liability to JEDB/SLSPC. are given in the Note 17 to the Financial Statements.

"Right-of-use asset-land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 applicable with effect from 01 January 2019, and above "Right of-use asset-land" has accounted in accordance with standard with effect from 01 April 2019 together with the Application Guidance issued by CA Sri Lanka on 12 March 2020 and right-of-use assets are measured based on the Modified Retrospective Approach.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

5.2 Right-of-use asset-Building

Hatton Plantations PLC (Head Office) as a tenant, occupying a building which belongs to Perpetual Realty (Private) Limited, The Company adopted SLFRS 16 using the modified retrospective method of adoption to above lease arrangement. The effect to the Statement of Financial Position and depreciation of building to 31 March 2020 are as follows:

Corresponding lease liability is given in the note 17 to the Financial Statements.

	As at 31 March	
Cost	**2020**	**2019**
As at 1 April	-	-
Additions	6,261	
As at 31 March	**6,261**	**-**
Accumulated amortisation		
As at 1 April	-	-
Charge for the year	313	-
As at 31 March	**313**	**-**
Carrying value		
As at 31 March	**5,948**	**-**

Note 06. Immovable estate assets

Cost	**Improvements to land**	**Other vested assets**	**Bearer plants**	**Roads and bridges**	**Total**
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**
As at 1 April 2019	354	1,319	64,755	187	66,615
As at 31 March 2020	**354**	**1,319**	**64,755**	**187**	**66,615**
Accumulated amortisation					
As at 1 April 2018	36	18	4,186	6	4,246
Amortisation for the year	72	36	8,371	12	8,491
As at 31 March 2019	**108**	**54**	**12,557**	**18**	**12,737**
As at 1 April 2019	108	54	12,557	18	12,737
Amortisation for the year	82	422	10,603	13	11,120
As at 31 March 2020	**190**	**476**	**23,160**	**31**	**23,857**
Carrying value					
As at 31 March 2019	**246**	**1,265**	**52,198**	**169**	**53,878**
As at 31 March 2020	**164**	**843**	**41,595**	**156**	**42,758**

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. Immovable estate assets 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.

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 07. Property, plant and equipment

In LKR. '000s	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
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**
Cost									
As at 1 April 2019	560,003	387	83,041	456,552	19,559	3,228	7,566	91,954	1,222,290
Additions	18,979	21,753	6,721	29,874	1,781	1,908	2,275	2,753	86,044
Disposals			(26,892)						(26,892)
As at 31 March 2020	**578,982**	**22,140**	**62,870**	**486,426**	**21,340**	**5,136**	**9,841**	**94,707**	**1,281,442**
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**
Accumulated depreciation									
As at 1 April 2019	26,166	-	25,918	91,820	6,465	1,873	1,971	25,589	179,802
Charge for the year	18,514	-	14,907	64,485	4,368	608	1,399	4,107	108,388
Assets write-off	-	-	-	7,654	-	-	-	-	7,654
Disposals	-	-	(9,957)	-	-	-	-	-	(9,957)
As at 31 March 2020	**44,680**	**-**	**30,868**	**163,959**	**10,833**	**2,481**	**3,370**	**29,696**	**285,887**
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 2020	**534,302**	**22,140**	**32,002**	**322,467**	**10,507**	**2,655**	**6,471**	**65,011**	**995,555**

(a) Cost of fully depreciated assets still in use as at 31 March 2020 amounts to LKR 545,487,094 (2019 - LKR 516,586,527).

(b) Depreciation expense of LKR 98,225,210 (2019 - LKR. 113,897,586) has been charged in cost of goods sold and LKR 10,162,790 (2019 - LKR. 26,585,966/-) in administrative expenses.

(c) 2019 - LKR 11,056,990 incurred for cadastral survey has been reclassified under other receivable based on the government confirmation of reimbursement.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 08. Bearer plants

In LKR.'000'	Nurseries	Immature plants	Mature plants	Total
Cost				
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 from immature plants to mature plants	-	(55,644)	55,644	-
As at 31 March 2019	**1,653**	**38,746**	**653,273**	**693,672**
As at 1 April 2019	1,653	38,746	653,273	693,672
Additions	7,337	13,062	-	20,399
Adjustment	801	(530)	-	271
Transfers from nursery to immature plants	(1,035)	1,035	-	-
Transfers from immature plants to mature plants	-	(9,348)	9,348	-
Disposal	(205)	-	-	(205)
As at 31 March 2020	**8,551**	**42,965**	**662,621**	**714,137**
Accumulated depreciation				
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**
As at 1 April 2019	-	-	74,144	74,144
Charge for the year	-	-	47,301	47,301
As at 31 March 2020	**-**	**-**	**121,445**	**121,445**
Carrying value				
As at 31 March 2019	**1,653**	**38,746**	**579,129**	**619,528**
As at 31 March 2020	**8,551**	**42,965**	**541,176**	**592,692**

(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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 09. Biological assets

9.1 Consumable biological assets

	Nurseries	Immature plantations	Mature plantations	Total
At fair value				
As at 1 April 2018	1,207	110,393	567,756	**679,356**
Additions	1,520	27,243	-	**28,763**
Transfers from immature plants to mature plants	-	(11,830)	11,830	**-**
Value of trees harvested	-	-	(15,754)	**(15,754)**
Disposal	(1,307)	-	-	**(1,307)**
Gain arising from changes in fair value less cost to sell	-	-	9,082	**9,082**
As at 31 March 2019	**1,420**	**125,806**	**572,914**	**700,140**
As at 1 April 2019	1,420	125,806	572,914	**700,140**
Additions	982	7,169	-	**8,151**
Transfers from nursery to immature plants	(329)	329	-	**-**
Transfers from immature plants to mature plants	-	(15,275)	15,275	**-**
Adjustment	(801)	530	-	**(271)**
Value of trees harvested	-	-	(230)	**(230)**
Disposal	(75)	-	-	**(75)**
Gain arising from changes in fair value less cost to sell	-	-	21,446	**21,446**
As at 31 March 2020	**1,197**	**118,559**	**609,405**	**729,161**

(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	
	2020	**2019**
- Expected rate of return	14.5% p.a	14.5% p.a
- Maturity for harvesting	25 years	25 years
- Number of trees valued	58,346	72,370

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

(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	
	2020	**2019**
Sale price - increase by 5%	639,874	601,559
Sale price - value as stands	609,405	572,914
Sale price - decrease by 5%	578,933	544,268

(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	
	2020	**2019**
Discount rate - increase by 1%	603,580	568,275
Discount rate - value as stands	609,405	572,914
Discount rate - decrease by 1%	615,576	577,690

9.2 Produce on bearer plants

	As at 31 March	
	2020	**2019**
As at 1 April	14,612	19,891
Movement of fair value	(5,358)	(5,279)
As at 31 March	**9,254**	**14,612**

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

Measuring biological assets at fair value

Consumable biological assets are measured at fair value less cost to sell, based on market prices at present market and timber auction, with adjustments, where necessary, to reflect the differences. Market prices are obtained from the Timber Corporation at the local market, which is considered the principal market for the purpose of the valuation.

Growing crops on bearer plants are measured at fair value less cost to sell, based on market prices of bought leaf with adjustments, where necessary, to reflect the differences. Market prices are obtained from the monthly auctions at the local market, which is considered the principal market for the purpose of the valuation.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Amounts recognised profit or loss

During the year, the following gains / (losses) arisen form fair value changers were recognized in profit or loss:

	As at 31 March	
	2020	2019
Total gain/(loss) for the period recognised in profit or loss		
Biological assets – consumable	21,446	9,082
Biological assets - growing crops on bearer plants	(5,358)	(5,279)
	21,446	**9,082**

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.

	Notes	Level 1	Level 2	Level 3	Total
31 March 2019					
Biological assets – consumable	9.1	-	-	572,914	572,914
Biological assets-growing crops on bearer plants	9.2	-	-	14,612	14,612
		-	**-**	**587,526**	**587,526**
31 March 2020					
Biological assets – consumable	9.1	-	-	609,405	609,405
Biological assets-growing crops on bearer plants	9.2	-	-	9,254	9,254
		-	**-**	**618,659**	**618,659**

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 recognize 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).

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

c. Valuation inputs and relationships to fair value

Description	Fair value of mature plants / growing crop as at 31 March 2020	2019	Unobservable inputs	Range of inputs 2020	2019	Relationship of unobservable inputs to fair value
Biological assets - Consumable	609,405	572,914	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	9,254	14,612	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.

Note 10. Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following unlisted individual investments:

		As at 31 March 2020	2019
Unit Energy Lanka (Private) Limited	(a)	17,587	16,453
Waltrim Hydro Power (Private) Limited	(b)	-	8,233
Closing balance		**17,587**	**24,686**

(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**
As at 1 April 2019	16,453	8,233	24,686
Disposals of equity investment	-	(8,233)	(8,233)
Change in fair value of equity investments	1,134	-	1,134
As at 31 March 2020	**17,587**	**-**	**17,587**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Company considers this classification to be more relevant.

Disposal of equity investments

Since 30 June 2019, the Company has sold its shares in Waltrim Hydro Power (Private) Limited. The shares sold had a fair value of LKR 8,232,800, and the Company realised a gain of LKR 2,648,980. The loss which had already been included in OCI, has been transferred to retained earnings, net of tax of LKR 2,648,980.

Amounts recognised other comprehensive income

During the year, the following gains were recognised in other comprehensive income:

	As at 31 March	
	2020	**2019**
Gains recognised in other comprehensive income		
Related to equity investments	1,134	3,041
	1,134	**3,041**

a. Recognised fair value measurements

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.

	Level 1	Level 2	Level 3	Total
31 March 2019				
Equity investment at FVOCI	-	-	24,686	24,686
	-	**-**	**24,686**	**24,686**
31 March 2020				
Equity investment at FVOCI	-	-	17,587	17,587
	-	**-**	**17,587**	**17,587**

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 used to determine fair values

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

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 investments as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2020	2019		2020	2019	
Equity investment at FVOCI	17,587	24,686	Average price to book value ratio	1.44	1.69	The higher the price to book value ratio, the higher the fair value

Note 11. Financial assets and financial liabilities

The Company holds the following financial instruments:

Financial assets

	Notes	As at 31 March 2020	2019
Financial assets at amortised cost			
- Trade and other receivable excluding pre-payments	13	61,036	145,461
- Amount due from related party	13	20,986	20,896
- Short term investment in financial assets		135,000	-
- Cash and cash equivalents	14	327,072	185,224
Financial assets at fair value through other comprehensive income (FVOCI)			
- Equity investments at fair value through other comprehensive income	10	17,587	24,686
		561,681	**376,267**

- 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

	Notes	As at 31 March 2020	2019
Liabilities at amortised cost			
- Borrowings (excluding finance lease liability)	16	338,358	146,818
- Finance lease liabilities	17	215,110	193,023
- Trade and other payables excluding non-financial liabilities	21	125,714	96,699
		679,182	**436,540**

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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 12. Inventories

	As at 31 March	
	2020	**2019**
Produce stock	316,970	367,845
Input materials, spares and consumables	39,046	72,506
Closing balance	**356,016**	**440,351**

Note 13. Trade and other receivables

		As at 31 March	
	Notes	**2020**	**2019**
Trade receivables		3,585	83,382
Loss allowance	35 (c)	-	-
Amounts due from related party	34 (c)	20,986	20,896
Other receivables (a)		57,451	62,079
Financial assets at amortised cost		**82,022**	**166,357**
Tax receivables		36,413	21,372
Employee advances		46,773	39,446
Prepayments		1,616	2,753
Advance paid to creditors		4,473	3,738
As at 31 March		**171,297**	**233,666**

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Company.

(b) 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.

(c) 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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 14. Cash and cash equivalents

	As at 31 March	
	2020	**2019**
Cash at bank	101,306	33,051
Cash in hand	1,072	609
Short term bank deposit	224,694	151,564
As at 31 March	**327,072**	**185,224**

(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	
	2020	**2019**
Balances as above	327,072	185,224
Bank over draft	(35,046)	-
Balance as per cash flow statement	**292,026**	**185,224**

Note 15. Stated capital

	Number of shares	**Value (LKR)**
As at 31 March 2019	236,666,671	1,803,400
As at 31 March 2020	**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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 16. Borrowings

	As at 31 March	
	2020	**2019**
Repayable after one year		
Tea Board	-	4,171
Term loan	196,700	46,370
	196,700	**50,541**
Repayable within one year		
Tea Board	22,712	34,277
Term loan	83,900	62,000
Bank overdrafts	35,046	-
	141,658	**96,277**
As at 31 March	**338,358**	**146,818**

Movements in term loan and tea board loan during the financial year are set out below:

	Tea board	Term loan	Total
As at 01 April 2018	73,337	180,365	253,702
Repaid during the period	(34,889)	(71,995)	(106,884)
As at 31 March 2019	**38,448**	**108,370**	**146,818**
As at 01 April 2019	38,448	108,370	146,818
Addition during the period	31,737	236,270	268,007
Repaid during the period	(36,596)	(64,040)	(100,636)
Settlement of liability [refer (a) below]	(13,367)	-	(13,367)
Fair value adjustment of concessionary loan	2,490	-	2,490
As at 31 March 2020	**22,712**	**280,600**	**303,312**

(a) Watawala Plantations PLC had settled the Tea board loan on behalf of Company at the time of takeover.

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	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**
Term loan	83,900	196,700	-	-	280,600
Tea Board loan	22,712	-	-	-	22,712
Bank overdrafts	35,046	-	-	-	35,046
As at 31 March 2020	**141,658**	**196,700**	**-**	**-**	**338,358**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

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Fair value

Some borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	As at 31 March 2020		As at 31 March 2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Tea Board loan I	4,457	4,417	28,358	25,081
Tea Board loan II	19,042	18,295	-	-
	23,499	**22,712**	**28,358**	**25,081**

Particulars about loan facilities

(a) Tea Board

Purpose : For working capital financing

Year	Loan Number	Original amount	Interest rate % p.a.	Outstanding liability 2019/2020 Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayment term
2017/18	I	74,000	5.00%	4,417	-	4,417	36 equal monthly instalments commencing from August 2017
2017/18	II	31,737	0.00%	18,295	-	18,295	10 equal monthly instalments commencing from December 2019
As at 31 March 2020				**22,712**	**-**	**22,712**	

Security - No assets have been pledged as security.

(b) Seylan Bank PLC

Purpose : For working capital financing

Year	Original amount	Interest rate % p.a.	Outstanding liability 2019 / 2020 Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayment term
2015/16	310,000	AWPLR - 0.5%	46,330	-	46,330	60 equal monthly instalments commencing from December 2015
As at 31 March 2020			**46,330**	**-**	**46,330**	

Security - No assets have been pledged as security.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

(c) Nations Trust Bank

Purpose : For working capital financing

Year	Original amount	Interest rate % p.a.	Outstanding liability 2019 / 2020 Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayment term
2019/20	6,700	AWPLR + 0.2%	4,270	-	4,270	9 equal monthly instalments commencing from January 2020
Bank overdraft		AWPLR + 0.5%	35,046	-	35,046	Short term
As at 31 March 2020			**39,316**	**-**	**39,316**	

Security - No assets have been pledged as security.

(d) State Bank of India

Purpose : For working capital financing

Year	Original amount	Interest rate % p.a.	Outstanding liability 2019 / 2020 Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayment term
2019/20	230,000	AWPLR - 2.25%	33,300	196,700	230,000	48 equal monthly instalments commencing from March 2020
As at 31 March 2020			**33,300**	**196,700**	**230,000**	

Security - Tea stocks and receivable have been pledged as security.

Note 17. Lease liability

	Notes	As at 31 March 2020	2019
Lease liability on Right-of-Use asset- Land	17.1	209,447	193,023
Lease liability on Right-of-Use asset- Building	17.2	5,663	-
As at 31 March		**215,110**	**193,023**

17.1 Lease liability on Right-of-Use asset- Land

	As at 31 March 2020	2019
As at 1 April	193,023	197,215
Impact in due to initial application of SLFRS 16	16,560	-
Interest charges for the year	49,653	44,194
Settlement of liability	(49,789)	(48,386)
As at 31 March	**209,447**	**193,023**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

(a) The effect of adoption SLFRS 16 - Leases as at 01 April 2019

	Lease liability	Right of Use Assets - Land	Retained Earnings
Balance as at 01 April 2019 (before initial application of SLFRS 16)	193,023	106,843	(242,754)
Impact in due to initial application of SLFRS 16	16,560	102,740	86,180
Adjusted balance as at 01 April 2019 (at the initial application of SLFRS 16)	**209,583**	**209,583**	**(156,574)**

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

	As at 31 March	
	2020	**2019**
As at 1 April	-	-
Additions	6,261	-
Interest charges for the year	219	-
Settlement of liability	(817)	-
As at 31 March	**5,663**	**-**

17.3 Detailed analysis of lease liability

	As at 31 March 2020			As at 31 March 2019		
	Non-current	Current	Total	Non-current	Current	Total
Lease liability on Right-of-Use asset- Land	209,275	172	209,447	188,664	4,359	193,023
Lease liability on Right-of-Use asset- Building	4,862	801	5,663	-	-	-
Net liability to lessor	**214,137**	**973**	**215,110**	**188,664**	**4,359**	**193,023**

17.4 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				
a) Lease liability on Right-of-Use asset- Land	8,718	13,077	171,228	193,023
	8,718	**13,077**	**171,228**	**193,023**

	1-2 years	3-5 years	More than 5 years	Total
As at 31 March 2020				
a) Lease liability on Right-of-Use asset- Land				
Interest on lease liability	(99,175)	(148,296)	(787,630)	(1,035,101)
Settlement of liability	99,564	149,346	995,638	1,244,548
Net liability	**389**	**1,050**	**208,008**	**209,447**
b) Lease liability on Right-of-Use asset- Building				
Interest on lease liability	(1,520)	(827)	-	(2,347)
Settlement of liability	3,344	4,666	-	8,010
Net liability	**1,824**	**3,839**	**-**	**5,663**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

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Note 18. Retirement benefit obligation

	As at 31 March	
	2020	**2019**
Post-employment benefits (gratuity)	1,017,309	1,011,911
	1,017,309	**1,011,911**

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

	As at 31 March	
	2020	**2019**
Opening balance as 1 April	1,011,911	661,290
Current service cost	68,656	81,445
Interest cost	121,429	118,783
Total amount recognised in profit or loss	**190,085**	**200,228**
Remeasurements		
- (Gain)/losses from change in actuarial assumptions	(72,515)	254,945
Total amount recognised in other comprehensive income	**(72,515)**	**254,945**
Benefits paid	(112,172)	(104,552)
Closing balance at 31 March	**1,017,309**	**1,011,911**

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2020 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:

	2020	**2019**
(i) Rate of interest	11.5 % p.a.	12.0 % p.a.
(ii) Rate of salary increase		
- tea estate workers	25% every two years	25% every two years
- estate staff	25% every three years and 2.5% per annum	25% 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) No of employees	6,587	7,081

The weighted average durations of the defined benefit obligation at end of the reporting period are 9.43 years and 11.10 years for staff and workers respectively. (2019 – 8.32 years and 10.86 years for staff and workers).

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The expected maturity analysis of retirement benefit obligation is as follows:

	Within the next 12 months	Between 2 and 5 years	Beyond 5 years	Total
As at 31 March 2019				
Staff	9,888	21,094	41,397	**72,379**
Workers	78,049	185,772	675,711	**939,532**
	87,937	**206,866**	**717,108**	**1,011,911**
As at 31 March 2020				
Staff	7,714	19,298	45,587	**72,599**
Workers	77,020	176,264	691,426	**944,710**
	84,734	**195,562**	**737,013**	**1,017,309**

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 2020, 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**
As at 31 March 2019				
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**
As at 31 March 2020				
Increase by 1%	As given above	66,836	857,147	**923,983**
Decrease by 1%	As given above	79,265	1,047,272	**1,126,537**
As given above	Increase by 1%	79,428	988,667	**1,068,095**
As given above	Decrease by 1%	66,606	903,274	**969,880**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 19. Deferred capital grants

	As at 31 March	
	2020	**2019**
Capital grants		
As at 1 April	127,588	133,857
Amortisation	(6,268)	(6,269)
As at 31 March	**121,320**	**127,588**

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 centers 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.

Note 20. Deferred income tax liability

	As at 31 March	
	2020	**2019**
Deferred tax assets (i)	(190,999)	(159,530)
Deferred tax liabilities (ii)	240,854	208,136
Net deferred Income Tax Liability *	**49,855**	**48,606**

* 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:

	As at 31 March	
	2020	**2019**
Opening balance at 1 April	48,606	95,646
Income statement (released) / charged		
- to profit or loss	(8,903)	(11,348)
- to other comprehensive income	10,152	(35,692)
Closing balance at 31 March	**49,855**	**48,606**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

(i) Deferred tax assets

The analysis of each type of deductible temporary differences as at 31 March 2020 and 31 March 2019 are as follows:

	As at 31 March	
	2020	**2019**
The balance comprises temporary differences attributable to:		
Lease liabilities	(30,115)	-
Tax loss	(1,475)	-
Retirement benefit obligation	(142,424)	(141,668)
Capital grants	(16,985)	(17,862)
	(190,999)	**(159,530)**

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

	Lease liabilities	Tax loss	Capital grants	Retirement benefit obligations	Total
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)**
At 1 April 2019	-	-	(17,862)	(141,668)	(159,530)
Income statement charge / (release)					
- to profit or loss	(30,115)	(1,475)	877	(10,908)	(41,621)
- to other comprehensive income	-	-	-	10,152	10,152
Closing balance at 31 March 2020	**(30,115)**	**(1,475)**	**(16,985)**	**(142,424)**	**(190,999)**

(ii) Deferred tax liabilities

The analysis of each type of taxable temporary differences as at 31 March 2020 and 31 March 2019 are as follows:

	As at 31 March	
	2020	**2019**
The balance comprises temporary differences attributable to:		
Right-of-use assets	29,046	-
Property plant and equipment	103,095	109,323
Bearers plants	82,977	86,734
Consumable biological assets	25,736	12,079
	240,854	**208,136**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

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

	Right-of-use assets	Property plant and equipment	Bearers biological assets	Consumable biological assets	Total
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**
At 1 April 2019	-	109,323	86,734	12,079	**208,136**
Income statement (release) / charge					
- to profit or loss	29,046	(6,228)	(3,757)	13,657	**32,718**
- to other comprehensive income	-	-	-	-	**-**
Closing balance at 31 March 2020	**29,046**	**103,095**	**82,977**	**25,736**	**240,854**

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.

Note 21. Trade and other payables

	As at 31 March	
	2020	**2019**
Trade payables	**98,104**	66,270
Taxes	**-**	5,903
Employee related dues	**85,148**	137,232
Provisions and accruals	**39,517**	82,514
Other payables	**27,610**	30,429
	250,379	**322,348**

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 22. Current income tax liability

	As at 31 March	
	2020	**2019**
As at 1 April	7,435	36,597
Charged for the period	-	7,435
Adjustment for (under)/over provisions	1,503	(1,300)
Setoff against ESC	(8,938)	(11,983)
Setoff against WHT	-	(548)
Final payment for 2017/18	-	(22,766)
	-	**7,435**

Note 23. Revenue

	As at 31 March	
	2020	**2019**
Revenue		
- Tea	4,184,464	4,039,996
	4,184,464	**4,039,996**

Note 24. Other operating income

		As at 31 March	
	Notes	**2020**	**2019**
Profit on sale of property, plant and equipment		17,310	11,591
Amortisation of capital grants	19	6,268	6,269
Hydro power income		43,235	57,182
Dividends		1,722	7,088
Bunglow rental		2,954	7,355
Sales of trees		30,672	7,576
Tower/building rent		8,856	7,284
Profit on disposal of investment		2,649	-
Net sundry income		19,739	1,027
		133,405	**105,372**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 25. Other gains / (losses) - net

		As at 31 March	
	Notes	2020	2019
Gain on fair valuation - consumable biological assets	9.1	21,446	9,082
Loss on fair valuation - growing crops on bearer plants	9.2	(5,358)	(5,279)
Net foreign exchange gains		21	-
		16,109	**3,803**

Note 26. Profit before taxation

Profit before tax is stated after charging all expenses including the following:

		As at 31 March	
	Notes	2020	2019
Auditors' remuneration			
– Audit		1,950	1,806
– Non audit		-	309
Depreciation and amortisation			
- Right to use of land	5	8,373	4,075
- Immovable leased assets	6	11,120	8,491
- Property, plant and equipment	7	108,388	140,484
- Biological assets - bearer	8	47,301	52,938
Directors' emoluments		3,400	1,880
Staff costs			
Wages and salaries		1,803,098	1,551,452
Defined contribution plan		136,215	189,302
Defined benefit plan	18	190,085	200,228
Workers' profit share bonus		3,580	3,500
Cost of inventories sold		1,985,046	1,967,368
Other expenses		114,126	82,752
Total cost of sales and administrative expenses		**4,412,682**	**4,204,585**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 27. Finance income and costs - net

	As at 31 March 2020	2019
Finance income:		
– Interest income on short-term bank deposits	24,691	16,072
Finance income	**24,691**	**16,072**
Finance costs:		
Interest expense for borrowings		
– Interest on term loans	(18,734)	(26,346)
– Interest on bank overdrafts	(6,613)	(7,920)
	(25,347)	**(34,266)**
Interest and finance charges paid/payable for lease liabilities	(49,872)	(44,194)
Total finance costs	**(75,219)**	**(78,460)**
Net finance costs	**(50,528)**	**(62,388)**

Note 28. Income tax expense

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

	Notes	As at 31 March 2020	2019
Current tax			
- Current income tax on profits for the year	22	-	7,435
- Adjustments for current tax of prior periods	22	1,503	(1,300)
Total current tax expense		**1,503**	**6,135**
Deferred income tax			
- Increase in deferred tax liability	20	32,718	970
- Increase in deferred tax assets	20	(31,469)	(48,010)
Total deferred tax expense / (benefit)		**1,249**	**(47,040)**
Income tax expense / (benefit)		**2,752**	**(40,905)**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Income tax expense is attributable to:	Notes	As at 31 March 2020	2019
Income tax expense (released) / charged:			
To profit or loss			
Deferred tax attributable to profit or loss	20	(8,903)	(11,348)
Current income tax on profits for the year	22	1,503	6,135
		(7,400)	(5,213)
To other comprehensive income			
- Deferred tax attributable to other comprehensive income	20	10,152	(35,692)
Income tax expense / (benefit)		2,752	(40,905)

Reconciliation between current tax expenses and the accounting profit:

	As at 31 March 2020	2019
Accounting loss before tax	(129,232)	(117,802)
Tax at effective rates of 14% (2019 – 14%)	(18,092)	(16,492)
Expenses not deductible for tax purposes	50,876	23,569
Expenses deductible for tax purposes	(31,535)	(46,681)
Adjustment for prior year over provisions	1,503	(1,300)
Income tax expense	2,752	(40,905)

Note 29. Earnings per share

29.1 Basic earnings per share

Basic earnings per share has been calculated by dividing the profit/(loss) 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 basic earnings per share;	As at 31 March 2020	2019
Net loss attributable to shareholders	(121,832)	(112,589)
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667
Basic earnings / (loss) per share (LKR)	(0.51)	(0.48)

29.2 Diluted earnings per share

The calculation of diluted earning per share is based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the financial year.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 30. Dividend per share

	As at 31 March	
Calculation of dividend per share;	**2020**	**2019**
Proposed/final dividend - 2019/2020	Nil	-
Final dividend - 2017/2018	-	59,167
	-	**59,167**
Number of ordinary shares	236,667	236,667
Dividend paid per share	**-**	**0.25**

Note 31. 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	
	2020	**2019**
Approved and not contracted for	152,903	178,563
	152,903	**178,563**

Note 32. Contingent liability

	As at 31 March	
	2020	**2019**
Bank guarantees		
Lotus Renewable Energy (Private) Limited	25,000	-
Janatha Estate Development Board	6,600	4,800
Sri Lanka Estate Plantation Corporation	18,000	12,000
	49,600	**16,800**

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 33. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations.

	Notes	Year ended 31 March 2020	2019
Net loss before taxation		(129,232)	(117,802)
Adjustments for:			
- Depreciation charge	6, 7 & 8	**166,809**	201,913
- Profit on sale of property, plant and equipment	24	**(17,310)**	(11,591)
- Assets write-off	7	**7,654**	-
- Disposal of bearer plants - nurseries	8	**205**	-
- Disposal of consumable biological assets - nurseries	9.1	**75**	-
- Opening balance adjustment		**-**	2,317
- Timber fair valuation gain	25	**(21,446)**	(9,082)
- Biological assets-produce crop valuation loss	25	**5,358**	5,279
- Provision for retirement benefit obligations	18	**190,085**	200,228
- Amortisation of leasehold right to assets	5	**8,373**	4,075
- Amortisation of capital grants	19	**(6,268)**	(6,269)
- Gain on disposal of equity investments	10	**(2,649)**	-
- Gain on settlement of liability	16	**(13,367)**	-
- Fair value adjustment of concessionary loan	16	**2,490**	-
- Finance income	28	**(24,691)**	(16,072)
- Finance expenses	28	**25,347**	34,266
- Interest paid to government and other on lease	28	**49,872**	44,194
Changes in working capital			
- Inventories		**84,335**	238,088
- Trade and other receivables		**62,369**	(39,540)
- Trade and other payables		**(71,969)**	(174,828)
Cash generated from operations		**316,040**	**355,176**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Note 34. Related party transactions

The Company is a subsidiary of Lotus Renewable Energy (Private) Limited which owns 87.93% of ordinary shares of the Company's shares. The remaining ordinary shares are widely held. The ultimate Parent Company of the Company is Lotus Renewables (Singapore) Pte Ltd.

(a) Directors' Interest in Contracts

(i) Messrs. G.D. Seaton, A.U.A.M. Athukorala, G.S. Krishnamoorthy, W.M.A. Indrajith Fernando, Hiro Bhojwani and U. H. Palihakkara who are Directors of the Company are also Directors of Lotus Hydropower PLC.

(ii) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of Lotus Renewable Energy (Private) Limited.

(iii) Mr. A.U.A.M. Athukorala who is a Director of the Company is also a Director of Origin Tea Exports (Private) Limited.

(iv) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of Zyrex Power Company Limited.

(b) Recurrent transactions with other related companies

The following transactions occurred with related parties;

(i) Included in the revenue and other sources of income

			As at 31 March		
			2020		2019
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Hydropower PLC	Common Directors	Sales	70		-
Lotus Renewable Energy (Private) Limited	Common Directors	Interest income	2,601		-
		Sales	88		-
Origin Tea Exports Pvt Ltd	Common Directors	Sales	255	0.01%	-
Waltrim Hydropower Private Limited*		Rental income	549		12,214
		Sales	2		26
Upper Waltrim Hydropower (Private) Limited*		Rental income	537		10,668
Watawala Tea Ceylon Limited*		Sales	14,359	0.34%	45,196
		Rental income	401		1,230
Sunshine Tea (Private) Limited*		Sales	-		518
Sunshine Healthcare Lanka Limited*		Sales	-		13
Watawala Plantations PLC*		Sales of assets	19,000		1,600
		Settlement of Loan	13,500		-
Watawala Dairy Limited*		Vehicle rental	100		-

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

(ii) Included in the cost of sales and other expenses

			As at 31 March		
			2020		2019
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Hydropower PLC	Common Directors	Rental expenses	195		-
		Service Cost	100		-
Origin Tea Exports (Private) Limited	Common Directors	Rental expenses	325		-
		Utility bill expenses	547		-
Zyrex Power Company Limited	Common Directors	Rental expenses	582		-
		Utility bill expenses	38		-
Sunshine Tea (Private) Limited*		Building rent	1,130		5,677
		Sales	-		518

(iii) Recurrent Transactions with the parent and ultimate parent company

			As at 31 March		
			2020		2019
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Common Directors	Service Cost	15,000		-

* *Watawala Plantations PLC, Watawala Dairy Limited, Sunshine Healthcare Lanka Limited, Sunshine Tea (Private) Limited, Watawala Tea Ceylon Limited, Upper Waltrim Hydropower (Private) Limited, Waltrim Hydropower Private Limited and Sunshine Tea (Private) Limited ceased to be a related party w.e.f. 29 May 2019 upon the acquisition by Lotus Renewable Energy (Private) Limited*

(iv) Non-recurrent Transactions with the parent and ultimate parent company

			As at 31 March		
			2020		2019
Nature of the company	Relationship	Nature of transaction	Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Common Directors	Short term lending	45,000		-
		Loan recovery	26,600		-

(c) Amounts due from related companies

	As at 31 March	
	2020	2019
Lotus Renewable Energy (Private) Limited	20,986	-
Watawala Dairy Limited*	-	6,729
Waltrim Hydropower Private Limited*	-	10,833
Upper Waltrim Hydropower (Private) Limited*	-	3,334
	20,986	**20,896**

* *Watawala Dairy Limited, Upper Waltrim Hydropower (Private) Limited and Waltrim Hydropower Private Limited ceased to be a related party w.e.f. 29 May 2019 upon the acquisition by Lotus Renewable Energy (Private) Limited*

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

(d) Amounts due to related companies

	As at 31 March	
	2020	**2019**
Lotus Hydropower PLC	57	-
Lotus Renewable Energy (Private) Limited	19	-
Origin Tea Exports (Private) Limited	14	-
Zyrex Power Company Limited	22	-
	112	**-**

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.

(e) 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	
	2020	**2019**
Salaries and other short term employee benefits	3,400	4,489
	3,400	**4,489**

Note 35. 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.

Exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

	2020	**% of total loans**	**2019**	**% of total loans**
Variable rate borrowings	315,646	93%	108,370	74%
Other borrowings	22,712	7%	38,448	26%
	338,358	**100%**	**146,818**	**100%**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Sensitivity

Profit or loss is sensitive to interest rates on its floating rate financial instruments, being the currencies in which the Company has historically obtained debt.

	Increase/(decrease) on post tax profit	
	2020	**2019**
Interest rate - increase by 1%	1,559	2,100
Interest rate - decrease by 1%	(1,559)	(2,100)

(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.

Sensitivity

The table below summarises the impact of increases/decreases of tea auction price on the company's post-tax profit for the period. The analysis is based on the assumption that the price had increased by 1% or decreased by 1%, with all other variables held constant.

	Increase / (decrease) on post tax profit	
	2020	**2019**
Auction price - increase by 1%	44,931	40,400
Auction price - decrease by 1%	(44,931)	(40,400)

(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.

(i) Impairment of financial assets

The Company have three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Cash at bank and short-term bank deposits.

	Rating	As at 31 March 2020	2019
Cash at bank			
- Hatton National Bank PLC	AA-	84,045	28,907
- Commercial Bank of Ceylon PLC	AA	920	3,627
- Nations Trust Bank PLC	A	359,694	94
- Seylan Bank PLC	A-	628	151,987
- State Bank of India	BBB-	15,713	-
		461,000	**184,615**
Unrated			
- Cash in hand		1,072	609
Cash and cash equivalents		**462,072**	**185,224**

Trade and other receivables

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 other receivable.

To measure the expected credit losses, trade receivables and other receivable have been grouped based on shared credit risk characteristics and the days past due. 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 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.

	Notes	As at 31 March 2020	2019
Existing customers with no default history	13	3,585	83,382
Related parties **	13	20,986	20,896
Other third parties	13	57,451	62,079
		82,022	**166,357**

** *None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically.*

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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

On that basis, the loss allowance as at 31 March 2020 and 31 March 2019 was determined as follows for both trade receivables:

	Current	More than 30 days past due	Total
31 March 2019			
Expected loss rate	0%	0%	
Gross carrying amount – trade receivables	83,382	-	**83,382**
Related parties	20,896	-	**20,896**
Other third parties	62,079	-	**62,079**
Loss allowance	**-**	**-**	**-**
31 March 2020			
Expected loss rate	0%	0%	
Gross carrying amount – trade receivables	3,585	-	**3,585**
Related parties	20,986	-	**20,986**
Other third parties	57,451	-	**57,451**
Loss allowance	**-**	**-**	**-**

(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

	Notes	With in one year	2-3 years	4-5 years	More than 5 years	Total
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	96,699	-	-	-	**96,699**
		197,335	**59,259**	**8,718**	**171,228**	**436,540**
31 March 2020						
Lease Liability	17	973	1,240	2,676	210,221	**215,110**
Borrowings	16	141,658	196,700	-	-	**338,358**
Trade and other payables (excluding statutory liabilities)	21	125,714	-	-	-	**125,714**
		268,345	**197,940**	**2,676**	**210,221**	**679,182**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD)*

(all amounts in Sri Lankan Rupees thousands)

Financial assets

	Notes	With in one year	2-3 years	4-5 years	More than 5 years	Total
31 March 2019						
Trade and other receivables	13	166,357	-	-	-	166,357
Equity investment at FVOCI	10	-	-	24,686	-	24,686
Cash and cash equivalents	14	185,224	-	-	-	185,224
		351,581	**-**	**24,686**	**-**	**376,267**

Financial assets

	Notes	With in one year	2-3 years	4-5 years	More than 5 years	Total
31 March 2020						
Trade and other receivables	13	82,022	-	-	-	82,022
Equity investment at FVOCI	10	-	-	17,587	-	17,587
Short term investment in financial assets		135,000	-	-	-	135,000
Cash and cash equivalents	14	327,072	-	-	-	327,072
		544,094	**-**	**17,587**	**-**	**561,681**

(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:

	Notes	As at 31 March 2020	2019
Total borrowings	16	338,358	146,818
Less:			
Cash and cash equivalents	14	327,072	185,224
Net debt		**11,286**	**(38,406)**
Total equity		**1,591,532**	**1,563,687**
Total capital		**1,591,532**	**1,563,687**
Net debt to equity ratio		0.71%	nil

Note 36. Events after the reporting date

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

(a) Impact on COVID-19

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a pandemic. Sri Lankan Government imposed the Island wide curfew from second half of March 2020. As a result, during the latter part of March 2020, there was a restriction on operations of the Company. Accordingly, attendance of workforce gradually reduced resulting 60% drop in production quantity in March 2020. With the declaration of Plantation sector as essential services and relaxation of curfew hours in plantation regions, attendance of workers gradually improved and production was increased accordingly.

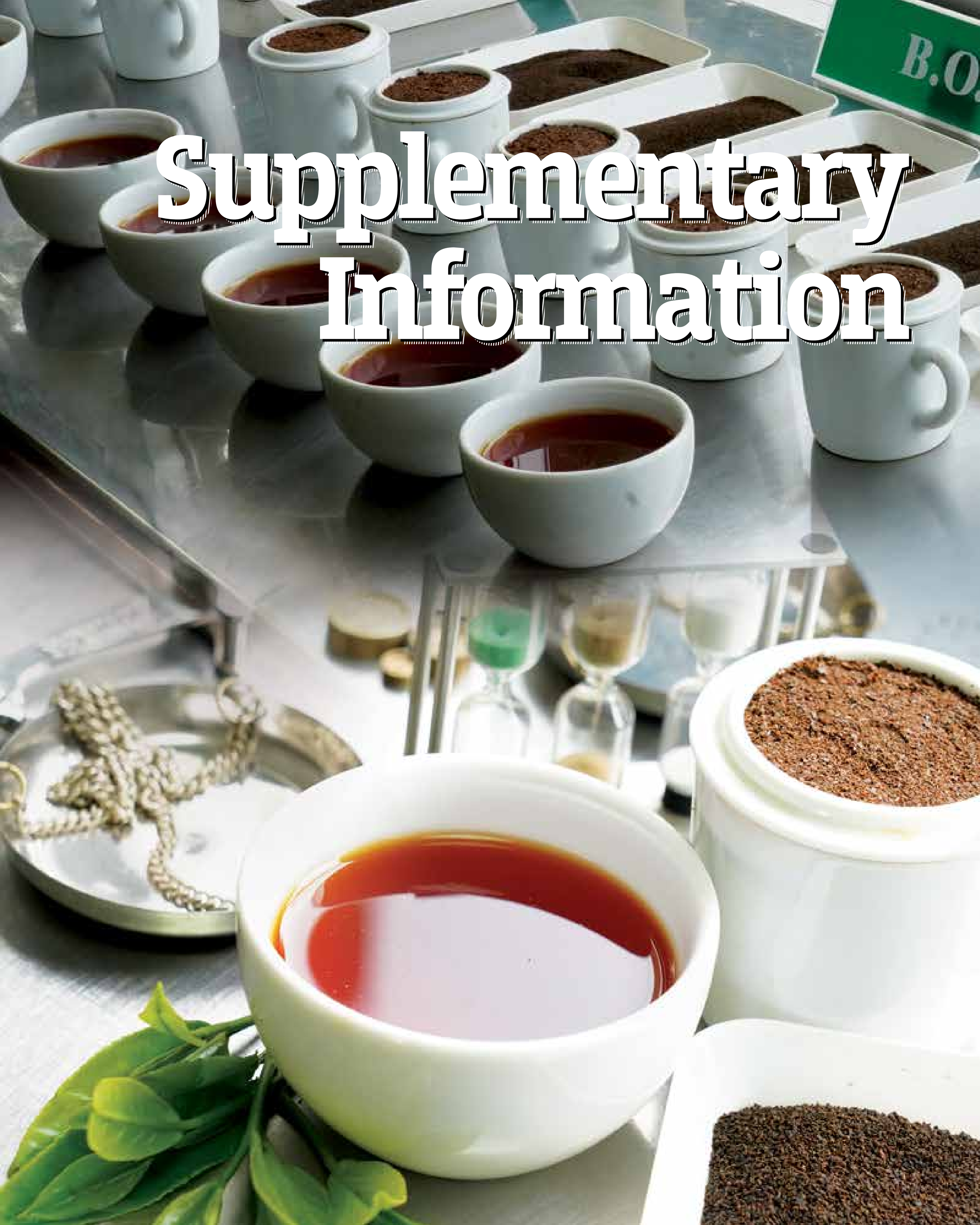
Company's responses on the impact of COVID 19 on the future operations and the financial condition of the company

Plantations workers were provided with stringent measures to keep their health and immunity levels up, among these two rounds of coriander was provided to all estate workers from the Company's expenses. Field and manufacturing operations are being carried out according to the prescribed health and medical practices announced by government authorities to prevent COVID-19. Workforce gathering were kept within the required distances and social gatherings were well under control on our estates. Face masks, hand sanitization liquids, hand wash etc. were provided free of charge from the company to protect workers from the threats of spreading COVID-19.

Plantations workers were well looked after with the implementation of several welfare measures such as providing dry rations with the assistance of Estate Workers Co-operative Society, refund of savings, relaxing of repayments of loans and advances etc.

The Company introduced remote work arrangement for back office employees specially for finance team and regional level management executives. Managing Director and Senior Management were on regular visit and supervision on estates during this period to address essential requirements of workforce and operational issues. Internal auditors and regional level management executives were employed to ensure, monitor, and maintain systems and controls in plantations during this period and are being continued at present. As stated in Note 3.1, under impact on COVID 19 and Going Concern Assessment, The Company operation at present have not been significantly impacted.

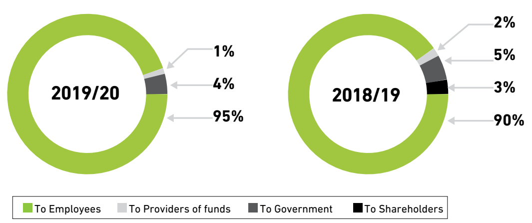
Supplementary Information



VALUE ADDED STATEMENT

	Company			
	2019/20	**%**	**2018/19**	**%**
Revenue	4,184,464		4,039,996	
Other income	133,405		105,372	
Other gains	16,109		3,803	
	4,333,978		4,149,171	
Cost of materials and services obtained	(2,129,153)		(2,211,764)	
Value Addition	**2,204,825**		**1,937,407**	
Value allocated to:				
To Employees				
Salaries,wages and other benefits	2,129,398	97%	1,825,699	94%
To Providers of funds				
Interest to money lenders	25,347	1%	34,266	2%
To Government				
JEDB/SLSPC Lease rental	49,789		48,934	
Value Added Tax	8,080		-	
Nation Bulding Tax	4,145		369	
Economics Service Charges	21,244		26,809	
Stamp Duty	145		159	
Income Tax	8,938		25,810	
	92,341	4%	102,081	5%
To providers of capital				
Dividend paid to shareholders	-	0%	59,167	3%
To Expansion and growth				
Profit retained	(218,692)		(242,754)	
Depreciation & ammotization	175,182		205,988	
Deferred Taxation	1,249		(47,040)	
	(42,261)	**-2%**	**(83,806)**	**-4%**
	2,204,825		**1,937,407**	

	Company		Company	
	2019/20	**%**	**2018/19**	**%**
To Employees	2,129,398	97%	1,825,699	94%
To Providers of funds	25,347	1%	34,266	2%
To Government	92,341	4%	102,081	5%
To Shareholders	-	0%	59,167	3%
To Expansion and growth	(42,261)	-2%	(83,806)	-4%
	2,204,825		**1,937,407**	



HISTORICAL FINANCIAL INFORMATION

STATEMENT OF INCOME

	Year ended 2019/2020	Year ended 2018/2019	Six months ended 2017/2018
Revenue	4,184,464	4,039,996	2,317,027
Cost of sales	(4,275,443)	(3,945,228)	(1,881,238)
Gross (loss)/profit	**(90,979)**	**94,768**	**435,789**
Other operating income	133,405	105,372	52,307
Administrative expenses	(137,239)	(259,357)	(103,661)
Other gains - net	16,109	3,803	32,172
Operating (loss)/profit	**(78,704)**	**(55,414)**	**416,607**
Finance income	24,691	16,072	10,923
Finance costs	(25,347)	(34,266)	(16,105)
Interest paid to government on lease	(49,872)	(44,194)	(20,880)
Net finance costs	**(50,528)**	**(62,388)**	**(26,062)**
(Loss) /profit before income tax	**(129,232)**	**(117,802)**	**390,545**
Income tax expense	7,400	5,213	(149,714)
(Loss) /profit for the year	**(121,832)**	**(112,589)**	**240,831**
Other comprehensive income:			
Changes in the fair value of equity investments at fair value through comprehensive income	1,134	3,041	-
Remeasurements of post-employment benefit obligations	72,515	(254,945)	-
Income tax relating to these items	(10,152)	35,692	-
Total other comprehensive income for the year (net of tax)	**63,497**	**(216,212)**	**-**
Total comprehensive income/(loss) for the year	**(58,335)**	**(328,801)**	**240,831**

Historical financial information *(Contd.)*

STATEMENT OF FINANCIAL POSITION

As at 31st March	2020	2019	2018
ASSETS			
Non-current assets			
Right-of-use assets	**207,471**	106,843	110,918
Immovable estate assets	**42,758**	53,878	62,369
Property, plant and equipment other than bearer plants	**995,555**	1,042,488	1,153,612
Bearer plants	**592,692**	619,528	662,345
Biological assets - consumable	**729,161**	700,140	679,356
Equity investments at fair value through other comprehensive income	**17,587**	24,686	21,645
Total non-current assets	**2,585,224**	**2,547,563**	**2,690,245**
Current assets			
Inventories	**356,016**	440,351	678,439
Biological assets-produce crops on bearer plants	**9,254**	14,612	19,891
Trade and other receivables	**171,297**	233,666	185,688
Short term investment in financial assets	**135,000**	-	-
Cash and cash equivalents	**327,072**	185,224	255,493
Total current assets	**998,639**	**873,853**	**1,139,511**
Total assets	**3,583,863**	**3,421,416**	**3,829,756**
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital	**1,803,400**	1,803,400	1,803,400
Reserve on rearrangement	**-**	-	52,798
Reserve on equity investments at FVOCI	**6,824**	3,041	-
Retained earnings	**(218,692)**	(242,754)	95,457
Total equity	**1,591,532**	**1,563,687**	**1,951,655**
Non-current liabilities			
Borrowings	**196,700**	50,541	151,878
Lease liability	**214,137**	188,664	193,024
Retirement benefit obligation	**1,017,309**	1,011,911	661,290
Deferred capital grants	**121,320**	127,588	133,857
Deferred tax liability	**49,855**	48,606	95,646
Total non-current liabilities	**1,599,321**	**1,427,310**	**1,235,695**
Current liabilities			
Borrowings	**141,658**	96,277	101,824
Lease liability	**973**	4,359	4,191
Trade and other payables	**250,379**	322,348	499,794
Current income tax liability	**-**	7,435	36,597
Total current liabilities	**393,010**	**430,419**	**642,406**
Total liabilities	**1,992,331**	**1,857,729**	**1,878,101**
Total equity and liabilities	**3,583,863**	**3,421,416**	**3,829,756**

Historical financial information *(Contd.)*

CASH FLOW

	Year ended 2019/2020	Year ended 2018/2019	Six months ended 2017/2018
Net cash generated from operating activities	144,402	152,939	488,375
Net cash used in investing activities	(204,237)	(52,965)	(65,122)
Net cash generated from / (used in) financing activities	166,637	(170,243)	(171,494)
Increase / (Decrease) in cash and cash equivalents	106,802	(70,269)	251,759

	2019/2020	2018/2019	2017/2018
OPERATING RATIOS			
Annual turnover growth %	3.6%	-13%	-
Profit Growth %	-8.2%	-123%	-
Turnover per employee (Rs.'000)	635	571	662
FINANCIAL RATIOS			
Return on equity %	-4%	-21%	12%
Current ratio (Times)	2.54	2.03	1.77
Debt equity ratio (Times)	1.25	1.19	0.96
Interest cover (Times)	(3.11)	(0.71)	11.26
Total assets to current liabilities %	11%	13%	17%
Dividend payout ratio	-	-53%	49%
INVESTOR RATIOS			
Annualised earning per share (Rs.)	(0.51)	(0.48)	2.04
Price earning share (Times)	(0.12)	(0.07)	0.26
Dividend per share (Rs.)	-	0.25	0.50
Dividend cover (Times)	-	(1.90)	2.04
Market Capitalization (Rs.'000)	994,000	1,585,667	1,846,000
Net assets value per share (Rs.)	6.72	6.61	8.25

ESTATE HECTARAGE STATEMENT

Area (Ha)	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Tea Mature	4,078.80	4,057.90	4,117.00	4,098.00	4,238.48	4,230.83	4,232.49
Tea Immature	34.29	51.29	64.74	45.29	82.69	82.65	60.05
Tea	**4,113.09**	**4,109.19**	**4,181.74**	**4,143.29**	**4,321.17**	**4,313.48**	**4,292.54**
Fuelwood	1,068.29	1,079.29	1,027.29	1,058.14	1,065.14	1,388.41	1,495.31
Nursery	13.08	12.08	12.08	12.08	12.08	14.58	14.58
Other Cultivated Area	56.69	61.19	45.74	45.74	62.66	59.66	59.66
Other Area	1,955.23	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	**3,093.29**	**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**	**7,206.38**	**7,627.09**	**7,627.09**	**7,629.59**

CROPS AND YIELDS

PRODUCTION (Kg'000)

Region	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea							
Watawala	2,122	1,797	2,073	1,893	2,489	2,754	2,563
Hatton	4,011	3,335	3,749	3,459	4,297	4,402	4,388
Lindula	1,996	1,925	2,088	1,835	2,323	2,881	2,682
Tea	**8,128**	**7,057**	**7,909**	**7,187**	**9,110**	**10,036**	**9,632**

YIELD PER HECTARAGE (kg)

Region	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Tea							
Watawala	1,220	1,221	1,329	1,269	1,373	1,533	1,420
Hatton	1,414	1,469	1,480	1,224	1,441	1,624	1,570
Lindula	1,229	1,217	1,305	1,152	1,444	1,523	1,415
Tea	**1,294**	**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 Bungalow 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 2020 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 2020 – 15,798 (as at 31 March 2019 – 16,046)

PUBLIC SHARE HOLDING

The Percentage of shares held by the public: 12.07% (2019 – 24.35%) held by 15,796 ordinary shareholders (2019-16,043).

	Option	Float adjusted market capitalization	Public holdling Percentage	No of public shareholders
Listing rule 7.13.1	2	Less than LKR 2.5 Bn	10.00%	500
Compliance by HPL		LKR 0.12 Bn	12.07%	15,796

A). DISTRIBUTION OF SHAREHOLDING

Shareholdings	Residents				Non Residents				Total			
	No of Shareholders	Percentage (%)	No of Shares	Percentage (%)	No of Shareholders	Percentage (%)	No of Shares	Percentage (%)	No of Shareholders	Percentage (%)	No of Shares	Percentage (%)
1 to 1,000	8,337	52.77	3,796,409	1.60	10	0.06	4,514	0.00	8,347	52.84	3,800,923	1.61
1,001 to 5,000	7,148	45.25	13,297,561	5.62	7	0.04	18,300	0.01	7,155	45.29	13,315,861	5.63
5,001 to 10,000	174	1.10	1,337,014	0.56	3	0.02	17,600	0.01	177	1.12	1,354,614	0.57
10,001 to 50,000	84	0.53	1,906,067	0.81	3	0.02	129,644	0.05	87	0.55	2,035,711	0.86
50,001 to 1,000,000	25	0.16	4,009,395	1.69	3	0.02	215,378	0.09	28	0.18	4,224,773	1.79
Over 1,000,000	3	0.02	210,296,238	88.86	1	0.01	1,638,551	0.69	4	0.03	211,934,789	89.55
Total	**15,771**	**99.83**	**234,642,684**	**99.14**	**27**	**0.17**	**2,023,987**	**0.86**	**15,798**	**100.00**	**236,666,671**	**100.00**

B). CATEGORIES OF SHAREHOLDERS

Shareholdings	Institutional				Non Institutional				Total			
	No of Shareholders	Percentage (%)	No of Shares	Percentage (%)	No of Shareholders	Percentage (%)	No of Shares	Percentage (%)	No of Shareholders	Percentage (%)	No of Shares	Percentage (%)
1 to 1,000	38	0.24	15,593	0.01	8,309	52.60	3,785,330	1.60	8,347	52.84	3,800,923	1.61
1,001 to 5,000	31	0.20	105,770	0.04	7,124	45.09	13,210,091	5.58	7,155	45.29	13,315,861	5.63
5,001 to 10,000	19	0.12	158,467	0.07	158	1.00	1,196,147	0.51	177	1.12	1,354,614	0.57
10,001 to 50,000	14	0.09	338,357	0.14	73	0.46	1,697,354	0.72	87	0.55	2,035,711	0.86
50,001 to 1,000,000	6	0.04	1,305,413	0.55	22	0.14	2,919,360	1.23	28	0.18	4,224,773	1.79
Over 1,000,000	3	0.02	209,738,844	88.62	1	0.01	2,195,945	0.93	4	0.03	211,934,789	89.55
Total	**111**	**0.70**	**211,662,444**	**89.43**	**15,687**	**99.30**	**25,004,227**	**10.57**	**15,798**	**100.00**	**236,666,671**	**100.00**

SHARE TRADING INFORMATION FROM 1 APRIL TO 31 MARCH

	2020	2019
Highest during the period	8.30	8.70
Lowest during the period	3.80	6.50
Closing price	4.20	6.70
No. of transactions	1,469	2,412
No. of Shares traded	158,263,173	29,781,902
Value of Shares traded (LKR)	1,306,297,185	222,773,319

Shareholders' and Investors' Information *(Contd.)*

TWENTY (20) LARGEST SHAREHOLDERS

		31st March 2020		31st March 2019	
		No of Shares held	% of the holding	No of Shares held	% of the holding
01	National Development Bank Plc/Lotus Renewable Energy (Private) Limited	179,034,370	75.65	-	-
02	Lotus Renewable Energy (Private) Limited	29,065,923	12.28	-	-
03	Mr. K.C. Vignarajah	2,195,945	0.93	2,195,945	0.93
04	Deustche Bank Ag Singapore A/C 02	1,638,551	0.69	1,638,551	0.69
05	Alpex Marine (Private) Limited	559,356	0.24	550,750	0.23
06	Mrs. N. Muljie	552,900	0.23	552,900	0.23
07	Mr. M.I. Abdul Hameed	350,000	0.15	350,000	0.15
08	Mrs. S. Vignarajah	262,824	0.11	262,824	0.11
09	Union Investments (Private) Limited	262,000	0.11	262,000	0.11
10	Mr. M.M.A. Ameen	170,000	0.07	162,000	0.07
11	C M Holdings PLC	170,000	0.07	170,000	0.07
12	Best Real Invest Co Services (Private) Limited	160,757	0.07	160,757	0.07
13	Mr. S. Vasudevan	156,388	0.07	156,388	0.07
14	Mr. M.M. Hashim	151,900	0.06	151,900	0.06
15	Mrs. K.G.M. Pieris	125,900	0.05	125,900	0.05
16	Mr. D.C.D.L.S.D. Perera	115,000	0.05	115,000	0.05
17	Mr. D.W.G. Ponweera	107,873	0.05	80,139	0.03
18	Al-Haj S.M.M. Hussain Charitable Trust	100,000	0.04	100,000	0.04
19	Mr. M.M. Hashim	100,000	0.04	100,000	0.04
20	Mr. A. E. X. Vanderlaan	93,209	0.04	-	-
Sub total		**215,372,896**	**91.00**	**7,135,054**	**3.00**
Others		**21,293,775**	**9.00**	**229,531,617**	**97.00**
Grand total		**236,666,671**	**100.00**	**236,666,671**	**100.00**

SHARE TRADING INFORMATION-LAST THREE YEARS

	2020	2019	2018
Highest during the year	8.30	8.70	10.70
Lowest during the year	3.80	6.50	6.70
As at 31 March	4.20	6.70	7.80
No. of shares	236,666,671	236,666,671	236,666,671

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
Earnings before interest, tax, depreciation and amortisation.

VALUE ADDITIONS
The quantum of wealth generated by the activities of the company and its application.

EARNINGS 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 shareholders 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 - HATTON PLANTATIONS PLC

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of Hatton Plantations PLC has decided to hold the third (3rd) Annual General Meeting (AGM) as a Virtual Meeting at the Hatton Plantations PLC Head Office building located at No. 168, 2nd floor, Negombo Road, Peliyagoda, on Wednesday, the 30th December 2020 at 10.00 a.m., in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the third (3rd) Annual General Meeting of the Company will be held by way of electronic means on 30th December 2020 at 10.00 a.m. 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 31st March 2020 with the report of the Auditors thereon.
2. To propose the following resolution as an ordinary resolution for the reappointment of Mr. Uditha Palihakkara who has reached the age of 77 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. U H Palihakkara who has reached the age of 77 years prior to this Annual General Meeting and that he be reappointed"

3. To re-elect Mr. Gary Seaton as per Article 28(2) of the Articles of Association.
4. To re-elect Mr. Menaka Athukorala as per Article 28(2) of the Articles of Association.
5. To re-elect Mr. Gowri Shankar as per Article 28(2) of the Articles of Association.
6. To re-elect Mr. Hiro Bhojwani as per Article 28(2) of the Articles of Association.
7. To re-elect Mr. Indrajith Fernando as per Article 28(2) of the Articles of Association.
8. To re appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) and authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine contributions to Charities.

By order of the Board

Corporate Advisory Services (Pvt) Ltd
Secretaries, Hatton Plantations PLC
Colombo
04 December 2020

Notes:

1. Below mentioned documents can be now downloaded via the corporate website **http://hattonplantations.lk/financial-data/HPL_AGM_2019-2020.pdf** and the CSE website visit **https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=HPL.N0000** and click on the announcements tab.
   a. Notice of Meeting
   b. Circular to shareholders
   c. Form of Proxy
   d. Guideline and Registration Process to join the AGM virtually
   e. Registration Form for the AGM
   f. Request Form for the printed copy of the Annual Report
2. A Shareholder entitled to attend and vote at the above virtual meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
3. A proxy need not be a Shareholder of the Company.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process which can be downloaded as above.

FORM OF PROXY - HATTON PLANTATIONS PLC

I/We...of...being a member / members of Hatton Plantations PLC, hereby appoint:

....of ....
....or failing him, Mr. Gary Seaton (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 third (03rd) Annual General Meeting of the Company to be held on 30th December 2020 at 10.00 a.m. 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 31st March 2020 with the report of the Auditors thereon.	◯	◯
2.	To pass an ordinary resolution to re-appoint Mr. Uditha Palihakkara who has reached the age of 77 years, as a Director.	◯	◯
3.	To re-elect Mr. Gary Seaton as per Article 28(2) of the Articles of Association.	◯	◯
4.	To re-elect Mr. Menaka Athukorala as per Article 28(2) of the Articles of Association.	◯	◯
5.	To re-elect Mr. Gowri Shankar as per Article 28(2) of the Articles of Association.	◯	◯
6.	To re-elect Mr. Hiro Bhojwani as per Article 28(2) of the Articles of Association.	◯	◯
7.	To re-elect Mr. Indrajith Fernando as per Article 28(2) of the Articles of Association.	◯	◯
8.	To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company and authorize the Directors to determine their remuneration.	◯	◯
9.	To authorize the Directors to determine contributions to Charities.	◯	◯

Dated this ....day of 2020

....
Signature of Shareholder

(a) A proxy need not be a member of the Company
(b) Instructions regarding completion appear overleaf.

Shareholders NIC ....

Proxy holders NIC ....

INSTRUCTION AS TO COMPLETION OF THE FORM OF PROXY

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed form of Proxy should be deposited with the Company Registrars, Secretaries & Financial Services (Pvt) Ltd, 158, Stanley Thilakarathna Mawatha, Nugegoda. or emailed to Info@sfslanka.lk & hulangamuwacooray@gmail.com to be received by the Company Registrar not later than 48 hours before the time appointed for the Meeting, ie: before 28th December 2020. In forwarding the completed and duly signed Proxy form to the Company Registrars, please follow the Guidelines and Registration Process in the Company website

3. The Proxy shall –

(a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed form of Proxy if it has not already been registered with the Company.

(b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer/s on behalf of the Company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Notes

Notes

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
14th September 2017

COMPANY REGISTRATION NO.
PB 5414 PQ

FINANCIAL PERIOD
31ST March

DIRECTORS
Mr. Gary Seaton
Chairman
(Appointed as a Director on 17th July 2019 and as the Chairman on 23rd July 2019)

Mr. Menaka Athukorala
Managing Director
(Appointed as a Director on 17th July 2019 and as the Managing Director on 23rd July 2019)

Mr. Gowri Shankar
Non Executive Director
(Appointed on 17th July 2019)

Mr. Hiro Bhojwani
Non Executive Director
(Appointed on 23rd July 2019)

Mr. Indrajith Fernando
Non Executive/ Independent Director
(Appointed on 17th July 2019)

Mr. Uditha Palihakkara
Non Executive/ Independent Director
(Appointed on 30th July 2019)

Mr. Visvanathamoorthy Govindasamy
Non Executive/Non-Independent Director
(Resigned on 1st January 2020)

Mr.Sajad Mawzoon
Non-Executive/Non-Independent Director
(Resigned on 1st January 2020)

Mr. Sunil Wijesinha
Non-Executive/Independent Director
(Resigned on 19th July 2019)

Mr. Govindasamy Sathasivam
Non-Executive/Non-Independent Director
(Resigned on 19th July 2019)

Mr. Nirmal Fernando
Non-Executive/Independent Director
(Resigned on 19th July 2019)

Mr. Lallith Ramanayake
Non-Executive/Independent Director
(Resigned on 19th July 2019)

Mr. Nissanka Weerasekera
Non-Executive/Independent Director
(Resigned on 19th July 2019)

Mr. Pratheepan Karunagaran
Non-Executive/Non-Independent Director
(Alternate – T. Siddique)
(Resigned on 19th July 2019)

REGISTERED OFFICE
No. 168, 2nd Floor,
Negombo Road, Peliyagoda.
Tel. Nos. +94 11 453 7700
Fax No. +94 11 453 7701
Email : info@hattonplantations.lk
Web : www.hattonplantations.lk

BUSINESS OFFICE
No. 168, 2nd Floor,
Negombo Road,
Peliyagoda.

SECRETARIES
Corporate Advisory Services (Pvt) Ltd.
No. 47, Alexandra Place,
Colombo 07.
Tel; +94 11 269 5782
Fax : +94 11 269 5410

REGISTRARS
Secretaries & Financial Services (Pvt) Ltd
No. 158, Stanley Thilakarathna
Mawatha, Nugegoda.
Tel : +94 11 282 2129
Fax : +94 11 209 9828

AUDITORS
PricewaterhouseCoopers (Chartered Accountants)
No. 100, Braybrooke Place,
Colombo 02.
Tel : +94 11 771 9700
Fax : +94 11 230 3197

TAX CONSULTANTS
KPMG, Chartered Accountants.
No.32A, Sir Mohamed Macan Markar Mw,
Colombo 03.
Tel : +94 11 542 6426
Fax : +94 11 244 5872

BANKERS
Nations Trust Bank PLC
State Bank of India
Hatton National Bank PLC
Commercial Bank PLC
Seylan Bank PLC

Designed and produced by
'C+' designs

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