Hatton Plantations PLC

ANNUAL REPORT 2020/21

Optimism

A Positive Future

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

Optimism

A Positive Future

"We strongly believe that every challenge brings with it, new opportunities. We are ready to take on the challenges faced locally and globally and pursue new opportunities which will add value to all our stakeholders."

Contents

The Company recorded a turnover of Rs. 5,635.9 million which is a 34.7% growth over the previous year turnover of Rs. 4,184.5 million. Due focus was given to optimise the factory capacity utilization and.....

Page 07

ABOUT THIS REPORT

OVERVIEW

We are pleased to present our fourth Annual Report of Hatton Plantations PLC for the 12 months financial period ended 31st March 2021, 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 discusses in different sections how we propose 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 2021 and where relevant is supported by comparable data relating to the previous period information pertaining to the year ended 31st March 2020. Unless otherwise mentioned, the boundary for all material aspects reported in this Report is the Company.

There has been no restatement of information from the 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 the 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 2020/21 on 25th August 2021 for release to shareholders.

QUERIES

We welcome your comments or inquiries on this Annual Report 2020/21. Please contact:

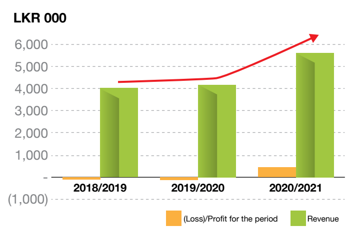
Mrs. Annemarie Outschoorn - Chief Financial Officer

Phone: +94 76 026 0589/+94 11 453 7703

email: anne@hattonplantations.lk

HIGHLIGHTS

		Year ended 2020/2021	Year ended 2019/2020	Variance %
EARNINGS HIGHLIGHTS AND RATIOS				
Revenue	LKR Mn	**5,635.9**	4,184.5	34.7%
Results from operating activities	LKR Mn	**535.9**	(78.7)	>100%
Profit / (loss) before tax	LKR Mn	**502.4**	(129.2)	>100%
Profit / (loss) after tax	LKR Mn	**441.2**	(121.8)	>100%
Dividends	LKR Mn	**118.3**	Nil	100%
Basic earning / (loss) per share	LKR	**1.86**	(0.51)	>100%
BALANCE SHEET HIGHLIGHTS AND RATIOS				
Total assets	LKR Mn	**4,173.2**	3,583.9	16.4%
Total debt	LKR Mn	**229.9**	338.4	-32.1%
Total shareholders' funds	LKR Mn	**2,225.9**	1,591.5	39.9%
Net assets per share	LKR	**9.4**	6.7	39.9%
Debt/equity	%	**10.3**	21.3	-51.6%
Debt/total assets	%	**5.5**	9.4	-41.5%
MARKET/SHAREHOLDER INFORMATION				
Market price of share as at 31 March (actual)	LKR	**8.70**	4.20	>100%
Market capitalisation as at 31 March	LKR Mn	**2,059**	994	>100%
Enterprise value	LKR Mn	**2,150.5**	1,220.3	76.2%
Dividend per share	LKR/share	**0.50**	Nil	100%
Dividend yield	%	**5.3**	Nil	100%

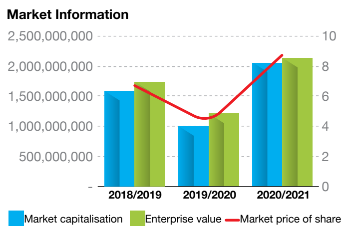


Revenue

LKR **5.64** Bn | 34.70%

EPS

LKR **1.86** | >100%



NAPS

LKR **9.4** | 39.90%

Market capitalisation

LKR **2.06** Bn | >100%

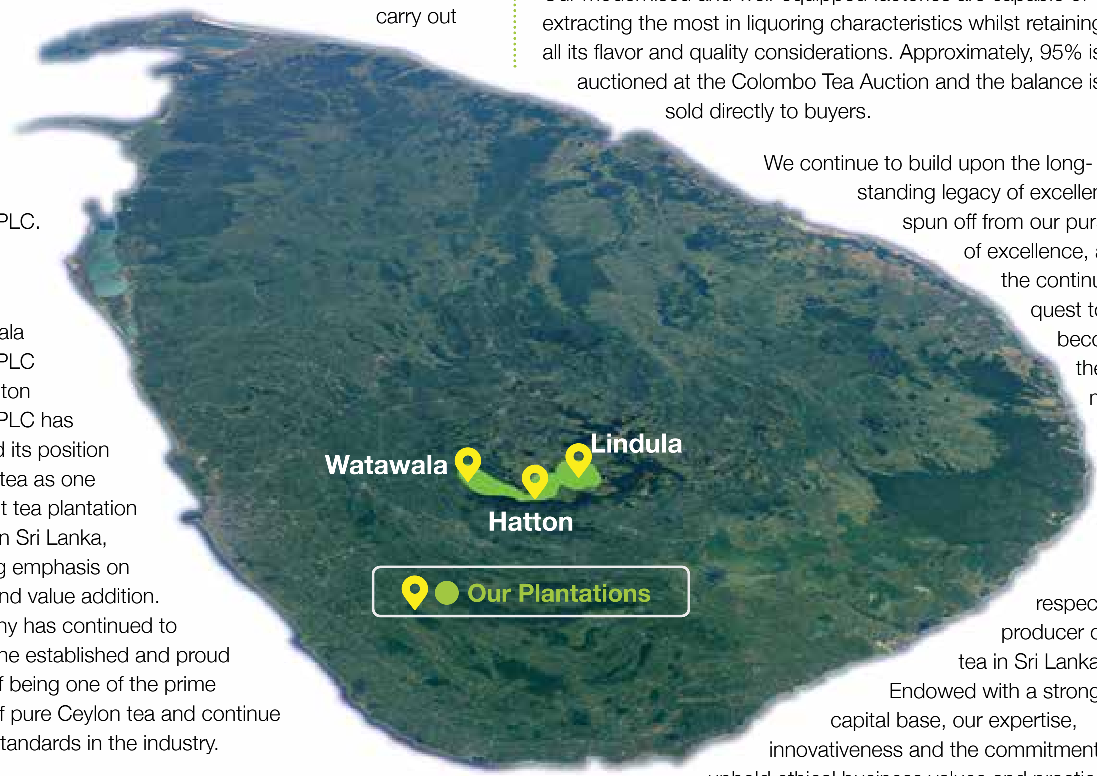
ABOUT HATTON PLANTATIONS PLC

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 Agripractices 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.

It is our prime responsibility and pride to look after an employee base of 5,738, their families, estate communities, customers and the environment with due care to national economy in a sustainable manner.

OUR ESTATES AND FACTORIES

	LAND EXTENT				PRODUCTION					EMPLOYEES	
Name of Estate	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	674,506	29	378
Carolina	892.42	220.25	266.07	486.32	Western Medium Grown	Tea	CTC	960	1,423,265	27	270
Wigton	667.58	152.45	137.55	290.00	Western Medium Grown	Tea	-		181,705	15	240
Shannon	262.04	192.76	8.41	201.17	Western High Grown	Tea	Ortho/RV	1372	620,334	27	210
Sub Total	**2,422.90**	**840.07**	**610.78**	**1,450.85**					**2,899,810**	**98**	**1,098**
Hatton Region											
Abbotsleigh	427.46	307.38	54.87	362.25	Western High Grown	Tea	CTC	1330	2,089,631	36	416
Dickoya	629.59	361.54	122.12	483.66	Western High Grown	Tea	Ortho/RV	1292	1,066,102	33	519
Vellaioya	840.00	361.03	200.65	561.68	Western Medium Grown	Tea	Ortho/RV	1331	760,172	41	668
Strathdon	644.39	311.76	195.61	507.37	Western Medium Grown	Tea	CTC	1112	994,141	31	494
Sub Total	**2,541.44**	**1,341.71**	**573.25**	**1,914.96**					**4,910,045**	**141**	**2,097**
Lindula Region											
Waltrim	578.25	400.92	16.25	417.17	Western High Grown	Tea	Ortho/RV	1400	661,442	38	690
Henfold	540.00	410.60	44.45	455.05	Western High Grown	Tea	Ortho/RV	1381	545,401	29	608
Tangakelle	367.79	291.56	28.37	319.93	Western High Grown	Tea	Ortho/RV	1472	439,665	25	461
Agrakande	228.75	156.25	49.25	205.50	Western High Grown	Tea	Ortho/RV	1369	222,239	11	310
Ouvahkelle	527.25	311.42	109.45	420.87	Western High Grown	Tea	Re-processing	1573	281,820	28	474
Sub Total	**2,242.04**	**1,570.75**	**247.77**	**1,818.52**					**2,150,567**	**131**	**2,543**
Grand Total	**7,206.38**	**3,752.53**	**1,431.80**	**5,184.33**					**9,960,422**	**370**	**5,738**

CHAIRMAN'S MESSAGE

TURNOVER

Rs. 5,635.9 million

TURNOVER GROWTH

34.7%

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 2021. I welcome you all to the 4th Annual General Meeting of Hatton Plantations PLC.

Performance of the year 2020/21 was achieved despite many unexpected challenges in global and Sri Lankan economies. During this turbulent year of operation, Hatton Plantations PLC was able to record a profit after tax of Rs. 441.2 million as against the loss of Rs. 121.8 million Mn previous year 2019/2020. The achievement is remarkably the highest recorded profit since formation of the Company in 2018. The 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 year 2020/21 was a transformative year for the global economy as well as for the tea industry with many unforeseen challenges and opportunities forced by COVID-19 pandemic. World tea production (6,012 Mn Kg) decreased by 2.2% in 2020 compared to 2019 attributed to the mixed weather conditions and the rapid spread of COVID-19 pandemic globally. Except Kenya, South India and Turkey, all other tea producing nations reported a decrease in tea production volumes.

China, producing 2,740 million kilograms of the total global tea, continued to be the largest tea producer representing 45.6% of the total global tea output in 2020 despite a marginal fall in production compared to 2019. India retains second place producing 1,255.6 million kilograms of tea, while Kenya is placed third with a total production of 570.5 million kilograms in 2020.

Turkey producing 280 million kilograms secured at the fourth position surpassing Sri Lanka for the first time in history.

The total tea production of Sri Lanka slumped to 278.8 million kilograms in 2020 for the third consecutive year from 2017 at 307.7 million kilograms. The decline was 21.2 million kilograms, a notable decline of 7.1% compared to previous year 2019. Tea production in 2020 faced many challenges arising from the prolonged drought season in the first two months of the first quarter of the year, hindering crop and fertilizer applications. Thereafter, the COVID-19 pandemic which forced lockdowns caused many operational disruptions and work stoppage resulting in lower production in the second quarter of the year. The third quarter contributed towards narrowing the negative gap in first half and this turnaround continued into the fourth quarter of the year.

The global market share of Sri Lankan tea production continues to further decline from a market share of 21.1% in 1960 to 4.63% in 2020 and 5% in 2019. This remains a key concern to be addressed by authorities as the country faces stiffer global competition.

Global Tea export recorded a decline in 2020 by 3% with a lower volume of 75.6 million kilograms being exported mainly due to the impact of the COVID-19 pandemic. The depreciating US dollar together with other macroeconomic developments adversely impacted the currency values of many tea importing nations, as well as the Sri Lankan rupee during 2020. This impacted the low export volumes due to the lower buying power of many importing nations, especially Turkey and Russia whose currencies were the most affected throughout 2020. The low demand for petroleum products due to global economic closures resulting in an unseen slowdown in travel and transport across countries in response to the COVID-19 pandemic resulted in a global downturn in crude oil prices hence curtailing the buying power of tea importing nations.

World auction centres were compelled to adopt an online digital auction platform which is the most significant development for world tea auctions in 2020 as a precautionary measure to manage the COVID-19 pandemic.

Among World Tea Auction Centres, tea prices continued its upward trend in 2020 except Chittagong, Mombasa, and Malawi recording a marginal drop. The Colombo Tea Auction reported a price increase of US$ 0.35 and highest reported by Siliguri Tea Auction being US$ 0.72. The cumulative average tea price in 2020 was Rs. 628.21 per kilogram for the period January to December 2020, increased by Rs. 83.67 per kilogram compared to Rs. 544.54 per kilogram achieved in 2019. We need to believe and keep on producing **'Finest Quality Teas'** certainly to fetch a significant premium price consistently among World Auction Centres throughout.

Cost of producing a kilo of tea in Sri Lanka is amongst the highest in the tea producing countries. Growing scarcity of labour and escalating cost of labour accounted for 67 % of cost of production, rising input costs, declining productivity, age profile in tea bushes and high social costs have led to higher cost of production against counterparts such as Kenya and India. 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. These trends emphasise the importance of improving productivity and efficient resource usage by adopting modern Technologies and Geographic Information Systems in the agriculture sector. Therefore, global competitiveness of 'Ceylon Teas' will largely depend on how quickly the industry addresses these vital issues.

COMPANY PERFORMANCE

The Company recorded a turnover of Rs. 5,635.9 million which is a 34.7% growth over the previous year turnover of Rs. 4,184.5 million. Due focus was given to optimise the factory capacity utilization and hence sale volume increased by 17.7 %. Further, favourable tea market prices in the Colombo Tea Auction evolved to increase our sale average by Rs. 73.17 per kg which is an increase of 14.8% compared to tea prices obtained in previous year 2019/20.

Cost of sales increased by 17.8% due to increase in quantity sold in similar proportion by 17.7%. The Company was able to maintain cost of production well below 1.9% over the previous year with our stringent measures adopted to control all outgaining expenditure.

Other operating income has come down by 29.0% with limited sales from sale of trees due to COVID-19 pandemic situation in the country and net finance cost significantly reduced by 33.0% due to maximising interest income and sourcing the working capital and capital expenses through internally generated operational cashflows. Administration expenses shows an increase of Rs. 48.6 million (35.4%) due to reversal of over provision during the previous year 2019/20.

During the reporting year, the Company was able to secure a profit after tax of Rs. 441.2 million as against the loss of Rs. 121.8 million in year 2019/20. Shareholders' funds retained at Rs. 2,225.9 million which is a significant increase of 39.0% over the previous year of Rs. 1,591.5 million.

The Board of Directors declared an interim dividend of Rs. 0.50 cents per share during the financial year ended 31st March 2021.

CHANGES TO THE BOARD OF DIRECTORS

On 17th December 2020, Hatton Plantations PLC's parent company, Lotus Renewable Energy (Private) Limited divested 12.28% of its controlling stake to Regency Teas (Pvt) Ltd and following directors were newly appointed to the Board on behalf of Regency Teas (Pvt) Ltd.

Mr. Damascene Perera - Non-Executive Director (Appointed on 15th January 2021)

Mr. Lucille Wijewardena - Non-Executive Director (Appointed on 15th January 2021)

No directors resigned from the Board during the financial year under review.

GOOD GOVERNANCE

The Board continues to maintain overall sight 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, participates 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.

We welcome Mr. Damascene Perera to the Board as Non-Executive Director who would bring a wealth of experience of over 43 years in tea trade and marketing and Mr. Lucille Wijewardena as Non-Executive Director who possesses a wealth of experience of over 35 years in plantation management.

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 124.1 million (117.9 million – 2019/20) 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. COVID-19 pandemic situation continued during the year and 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 from the company. We extended our financial assistance together with the assistance of Government Authorities by way of special wage advances and rations.

LOOKING FORWARD

There is no doubt that 2021/22 too will be a challenging year. The coronavirus (COVID-19) pandemic is affecting the lives of most of the world's population. Many are experiencing adverse health effects, disruptions in their livelihoods, food-insecurity and unemployment. It is our prime responsibility in strengthening health and social protection systems of the plantation communities on the above line for smooth functioning of agriculture and manufacturing operations on estates.

COVID-19 pandemic will certainly continue to bring 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.

Our tea industry is traditionally dependent on labour intensive agricultural and manufacturing practices. The Gazette notification of the Wages Board to effect daily wages of plantation workers at Rs. 1000/= with effect from 5th of March 2021 is significant and an unbearable additional cost to the plantation industry. We need to deploy prudent cost management models rewarding workers' earnings driving through productivity improvements.

Further, Government restrictions on chemical fertiliser and agro-chemicals in the absence of viable alternatives are adversely impacting the cost of production, production volumes and quality of teas manufactured. We need to devise immediate alternate strategies to minimise these adverse impacts.

Mechanisation and innovation of our agriculture and production processes and consolidation of administrative functions of Estate are key for long term sustainability of our estates.

The Company will continue for opportunities of crop and product diversifications strategy to minimise dependency risks of particular or single crop and product mix to harness long term sustainability of our plantations. Under crop diversification we have already commenced large scale replanting programme with Coffee, Cinnamon, and forestry with low labour intensity. The trend for healthy drinks, especially green and herbal tea varieties and growing trend for carbonated tea drinks will continue to have a positive impact on the growth of the tea industry. We are in the process of expanding our product portfolio into green tea production as green tea commands a higher price and growth compared to black tea.

APPRECIATIONS

I wish to extend my gratitude to the present Board of Directors for their consistent support, and guidance during this challenging year. I warmly welcome Mr. Damascene Perera and Mr. Lucille Wijewardena who were newly appointed to the board of directors of Hatton Plantations PLC and expect their leadership and strategic direction 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 pandemic 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
23rd June 2021

MANAGING DIRECTOR'S REVIEW

At the onset of unprecedented COVID-19 pandemic in mid-March 2020, extending into every corner of the global economy, plantation industry in the country became resilient to re-gain its growth momentum and no exception to Hatton Plantations PLC. With the declaration of Plantation sector as essential services and relaxation of the lockdown and the curfew in Plantation Regions, normal operations are being continued and the above adverse impacts on the operations were able to be mitigated to a greater extent with our prudent strategic operational management commitments and decisions.

Disruptions to supply chain in competitor countries, low production and export volumes in main tea producing countries and depreciating Rupee value helped domestic tea exporters to attract a comparably higher price at the Colombo Tea Auction during the year. I am pleased to report that the Company was able to record a commendable revenue growth of Rs. 1,451.5 million (34.7%) over the previous year due to highest made tea quantity sold and a profit after tax of Rs. 441.2 million with strong financial position to maximize shareholder wealth since formation of the Company in 2018.

I am confident that with strategic guidance of the Board, the Company will be a sustainable business model for future growth for all stakeholders with a great ambition to face challenges such as uncertainties of COVID-19 pandemic, set back of Tea industry due to significant wage increase at Rs. 1,000/= mandated by the Wages Board and Government restrictions on chemical fertilizer and agro-chemicals that we face today.

FINANCIAL PERFORMANCE

During the year, the Company recorded a profit after tax of Rs. 441.2 million as against the loss after tax of Rs. 121.8 million in the year 2019/20. As the Chairman's Message depicts, the achievement is remarkably the highest recorded profit since formation of the Company in 2018. The Company's performance for the reporting year 2020/21 is commendable and a milestone in terms of revenue, production volume and sales volume despite overall drop in production and export volume of the country. 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 sound financial management systems and strategic growth in market share ensured to maintain a healthy working capital position and to fulfill our responsibility and commitments to employees, suppliers, banks, statutory dues, government lease payment and all other service providers in a timely manner.

Annual Averages in Colombo Tea Auction recovered an increase for all three elevations in 2020 from its sharp decline in 2019. The average prices of Ceylon Tea increased by Rs. 83.67 per kilo in Colombo Auction in 2020 compared to the year 2019 partly compounded by low production and a short period of panic buying due to uncertainties of COVID- 19 pandemic. In the year 2020/21, the Company's sale average increased by Rs. 73.17 per kg over and above the year 2019/20, with an additional volume increase of 2.36 million kilos compared to the year 2018/19, which is a recorded increase on top line since the formation of the Company in 2018.

The Company's revenue was Rs. 5,635.9 million during the year as against Rs. 4,184.5 million in year 2019/20, which is a commendable revenue growth of 34.7% over the previous year. Our sale average increase from Rs. 494.62 (year 2019/20) to Rs. 567.79 (year 2020/21), an increase of Rs. 73.17 per kg (14.79%). As in the previous year, once again we were able to achieve year on year sale volume increase of 1.34 million kilos.

Despite many disruptions for traditional work routines and practices on our estates due to the precautionary and containment measures taken to combat the spread of COVID-19 pandemic, we were able to maintain harvesting and production of tea in a well planned manner and increased our production to 9.96 million kilos in year 2020/21 from 7.06 million kilos in year 2018/19 and 8.13 million kilos in year 2019/20 and optimizing our factory capacity utilization. The Company Yields were improved with sound agricultural practices, timely inputs to fields and careful supervision of field operations. Yield per hectare was

1,371 per hectare in 2020/21 which is an increase of 77 kilos per hectare compared to the previous year 2019/20.

Cost of sale at 536.74 per kg was an increase by Rs. 25.27 per kg over the previous year due to the fall in tea auction prices. However, we were able to keep our cost of production at Rs. 10.17 below the previous year with our careful monitoring and stringent cost control measurements. Administration expenses shows an increase of Rs. 48.6 million (35.4%) due to reversal of over provision during the previous year 2019/20. Net finance cost significantly reduced by 33.0% due to maximizing interest income and sourcing working capital expenses through internally generated operational cashflows. With our efficient cash flow management and low interest rates in financial institutions, finance expenses were significantly reduced by 44.8% (Rs. 11.36 million) and additional interest income was generated by another Rs.7.3 million compared to the year 2019/20.

Our short-term investment and cash and cash equivalent increased to Rs. 606.86 million at the end of the reporting year as against Rs. 462.07 million in previous year 2019/20. Current ratio indicate marginal reduction of 2.33 times in year 2020/21 compared to 2.54 times in the previous year. Debt equity ratio decrease from 1.25 times (2019/20) to 0.87 times (2020/21). Total equity of shareholders increased to Rs. 2,225.9 million in year 2020/21 as against Rs. 1,591.5 million in the previous year 2019/20. Therefore, Net Assets value per share increased to Rs. 9.41 in 2020/21 as against Rs. 6.72 in the previous year 2019/20. We were able to generate an operational cash flow surplus of Rs. 556.8 million during the reporting year and finally end up with Rs. 357.0 million cash surpluses which is an outstanding operational and financial performance for the year 2020/21.

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. 207.6 million (Rs. 114.6 – 2019/20), an 81% increase over previous year investments, of which Rs. 102.1 million was invested in replanting and maintenance of immature Tea fields and Commercial Timber planting. The balance capital expenditure amounting to Rs. 105.5 million was invested in factory buildings and factory machineries for upgrading and efficiency and productivity improvements, transportation, modernize technical equipments, furniture & fittings, water sanitation etc. Our ultimate strategic objective is to develop and improve the total asset base of the Company to long term sustainability of the plantations for its dependent community at large.

CORPORATE SOCIAL RESPONSIBILITY

Our company over the years 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 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 for the sustainability of its plantations. Some of these initiatives during the year include the use of underutilized land to plant Coffee, Cinnamon, 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, SAFETY AND WELFARE ACTIVITIES OF ESTATE COMMUNITIES

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 continuously focused on uplifting the living conditions of Plantation workers.

We continue our stringent precautionary measures throughout commencing in mid-March 2020. Plantation workers were provided with stringent measures to improve their health and immunity levels. Field and manufacturing operations are being carried out according to the prescribed health and medical practices announced in accordance with the public health advice of the Government Authorities to prevent COVID-19. Workforce gathering and social distancing on our estates were conducted as per the health and safety guidelines. Guidance for personal healthcare practices, face masks, hand sanitization liquids, hand wash etc., were provided free of charge by the company to protect workers from the threats of COVID-19. Close supervision and necessary assistance are being arranged to COVID- 19 affected employees to undertake quarantine process with the guidance of Estate Medical Officers and Reginal MOHs with the directives of Government Health Authorities.

We continued to extend financial assistance to Plantation workers and their families 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 extended wage advances to meet their financial requirements.

We have adequately facilitated the necessary infrastructure for those who work from home and our remote work arrangements are being continued successfully for back-office employees specially for administration and finance teams and regional level management executives. Senior Management and I are on regular supervision visits to estates during this period to address essential requirements of workforce and operational issues without any delay and committed to do so in the future.

PROSPECTS AND LOOKING FORWARD

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 in order to minimize supply shocks such as restrictions on labour movements, transport and logistic restrictions and supply of input materials.

The Non-productivity related wage structure of Rs. 1000/= per day mandated by Wages Board will escalate production cost significantly due to inherited labour intensity and lower-level mechanization of our agriculture and production. High cost of production will further impact global competitiveness of Ceylon Tea in the world market. We need to negotiate with plantation workers for amicable work models for cost management perspective and rewarding workers' earnings driving through productivity improvements and also expedite mechanization of agriculture and production processes.

Government restrictions on chemical fertilizer and agro-chemicals in the absence of viable alternatives are adversely impacting the cost of production, production volumes and quality of teas manufactured. We expect that authorities will devise immediate alternate strategies and amicable solutions to minimize adverse impact to the plantation industry.

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.

Despite the black tea segment continuing to dominate the market with stagnated growth and prices, the green and herbal/flavored teas are expected to achieve a higher growth and commands a higher price as consumers continue to be gradually adopting healthier food and drink consumption lifestyles. The world green tea market, in particular, is expected to grow at a faster rate than black tea. Therefore, we are in the process of expanding our tea products portfolio into new opportunities in the global green tea market.

We are focusing to reduce our dependency on outside bought leaf in medium to long term through the best and timely agriculture practices, soil management, timely inputs to fields to enhance field productivity and commenced a large scale Tea replanting programme.

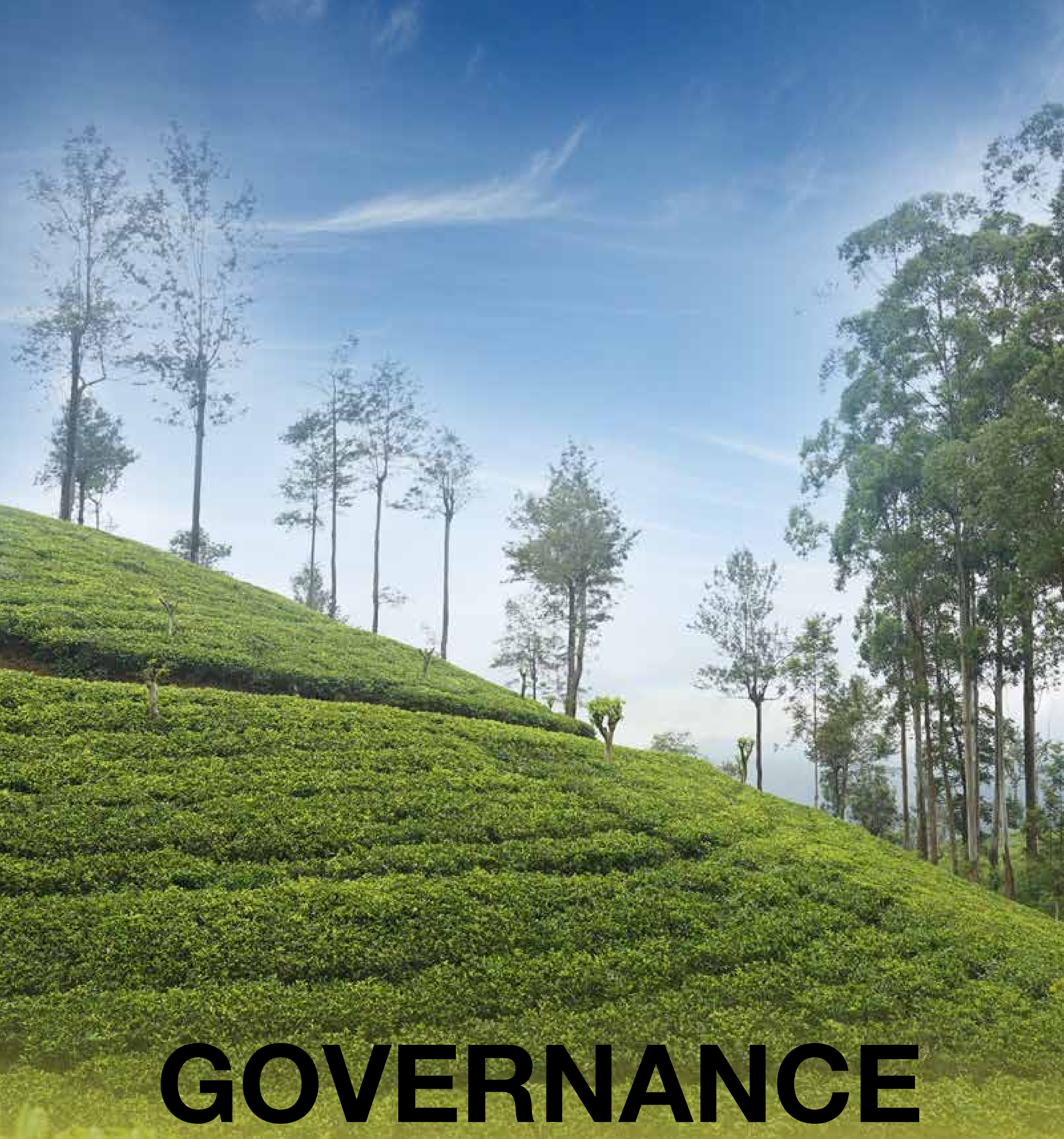
We have initiated a Coffee, Cinnamon and commercial timber planting programme under product diversification to minimize our top line revenue risk. Timber nurseries have already been established. We are in the process of evaluating leafy grade manufacturing possibility to moderate our produce mix of teas 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 direction, guidance and support extended during the year under review. I also acknowledge the hard work and dedication of our executive management team and all employees for their commendable performance in taking the Company forward during this volatile and unpredictable period.

I appreciate and thank our Shareholders, Buyers, Brokers, Suppliers, Banks, Government Authorities, External Auditors 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. I am hopeful that this support will be extended to navigate in challenging years ahead as well.

Mr. Menaka Athukorala
Managing Director
23rd June 2021



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, Sri Bio Tech Lanka (Pvt) Ltd and G & G Agro Commodities (Private) Limited.

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 is presently the Chief Operating Officer and Country Manager 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, Sri Bio Tech Lanka (Private) Limited and G & G Agro Commodities (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 Bachelor 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 Accountant (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

Mr. Uditha Harilal Palihakkara, a leading accounting and finance personality holding membership in many recognized professional institutions- Accounting, Banking, Corporate Secretarial and Economics, has been the President of the three leading accountancy professional bodies in Sri Lanka: The Institute of Chartered Accountants of Sri Lanka (ICASL), CIMA Sri Lanka and ACCA Sri Lanka. In 2010, he was elected President of the Organisation of Professionals Association of Sri Lanka. (OPA) a multi-disciplinary professionals institution comprising of 52 member associations.

He has held leadership positions in several Public and Private Sector establishments including the Ceylon Electricity Board, Development Finance Corporation, People's Merchant Bank, Merchant Bank of Sri Lanka, Acland Insurance Services Ltd, Securities Council of Sri Lanka, National Enterprise Development Authority, Postgraduate Institute of Management etc., and served as a Financial Management Specialist in the Commonwealth Secretariat (CFTC).

After a successful career in investment banking, he expanded his outreach by engaging in many projects and programmes of the World Bank, Asian Development Bank, African Development Bank , International Fund for Agricultural Development ,European Development Bank , International Labour Organization etc.. In 2015, he the President of Sri Lanka, on the recommendation of the Constitution al Council appointed him as the Chairman of the Finance Commission of Sri Lanka.

In appreciation of dedicated services, he was inducted into the Hall of Fame of ICASL, in 2014. In 2016, OPA presented him with the National Apex Award in recognition of his outstanding contribution to the profession and the nation.

In June 2017 he was conferred the "People Leader – Finance 2017, by the Institute of Personnel Management (IPM), in recognition of his contribution in promoting sound and vibrant people management practices in the world of work. In September 2017, he was honoured with a Recognition Award for his outstanding leadership and contribution and service to CIMA Sri Lanka.

A Director of a few companies , Mr. Palihakkara is a Trustee of the of the Organisation of Professionals Association of Sri Lanka and,the President of the Sri Lanka China Business Cooperation Council and is an Independent Non- Executive Director Lotus Hydro Power PLC.

MR. DAMASCENE PERERA | Non- Executive Director | 15 January 2021

Mr. Damascene Perera counts 43 years in the Tea Trade specializing in Warehousing, Marketing, Trading and Management. He started his career in 1978 at Janatha Estates Development Board (JEDB) and progressed to being an Assistant Manager. After serving JEDB for 13 years he joined its sister organization Sri Lanka State Plantations Corporation for one year as Deputy Director Warehousing. With the privatization of state owned plantations, he joined Hayleys Plantation Services as Marketing Manager and also served Hayleys Produce Marketing Ltd as a Director. In 1997 he formed his own value-added tea exporting company, Regency Teas (Pvt) Ltd, and he currently serves as its Chairman / Managing Director. He is also a Director of Melfort Green Teas (Pvt) Ltd and Yarl Hotels (Pvt) Ltd.

MR. LUCILLE WIJEWARDENA | Non- Executive Director | 15 January 2021

Mr. Lucille Wijewardena is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Master's Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayawardenapura.

In his career spanning 35 years he has held many Senior Management positions in areas of Finance and General Management. He served as the Managing Director of Hayleys Plantations, Talawakelle Plantations Ltd and Pussellawa Plantations Ltd. He also held the post of Chairman of the Sri Lanka Tea Board, Chairman of Mahaweli Marine Cement Company Ltd and Group Chief Accountant of Carson Cumberbatch and Company Ltd.

Currently he is the Chairman of Softlogic Stockbrokers (Pvt) Ltd, Director and Chairman of the Audit Committee of Softlogic Capital PLC and Managing Director of Anuga Holdings (Pvt) Ltd. He also serves on the Press Complaint Commission of Sri Lanka as a member of the Dispute Resolution Committee.

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
Mr. Damascene Perera ....Non Executive Director
Mr. Lucille Wijewardena ....Non Executive Director

Senior Executive Management Team - Head Office

Mrs. Annemarie Outschoorn...........Chief Financial Officer
Mr. Anandh Vaithylingam.................General Manager Plantations
Mr. Waruna Fernando ....Assistant General Manager Administration & Forestry
Mr. Somasundaram Nanadakumar ..Senior Manager Corporate Affairs
Mr. Saliya Plevian............................Finance Manager

Functional Managers - Head Office

Mr. Kapila Sumanrathne..................Senior Manager
Mr. Uditha Karunaratne...................Manager - Marketing
Mr. Roy Samuel ....Manager - Management & Production
Mr. Asitha De Costa........................Head of Special Projects & Diversification of Crops
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.........................Assistant Manager - Internal Audit
MR. Suppudorai Youvarajah ....Assistant Manager - Management & Production
Mrs. Sriyani Kulawansa...................Assistant Manager - HR and Administration

Estate Managers

Mr. Suranga Dela..........................Senior Group Manager ....Abbotsleigh Estate
Mr. Tharanga Senaratne ....Group Manager - Administration -Lindula Region ....Tangakelle Estate
Mr. Prasanna Premachandra ....Senior Manager..Strathdon Estate
Mr. Rasanja Perera ....Senior Manager..Kenilworth Estate
Mr. Kusal Weerasuriya ....Senior Manager..Henfold Estate
Mr. Lalindra Abeywardena ....Senior Manager..Carolina Estate
Mr. Tharaka Wijerathne..................Manager...Ouvahkelle/Lippakelle Re-processing Factory
Mr. Renny Ramanathan ....Manager...Waltrim Estate
Mr. Shan Cooray ....Manager...Vellaioya Estate
Mr. Hiran Herath ....Manager...Dickoya Estate
Mr. Sujiva Godage ....Manager...Ouvahkelle /Lippakelle Estate
Mr. Pathum Bulathsinhala ....Acting Manager..Shannon Estate
Mr. Dhanushka Wickramasekera......Deputy Manager - Incharge...Agrakande Estate
Mr. Chandika Fernando ....Deputy Manager - Incharge...Wigton Estate

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.

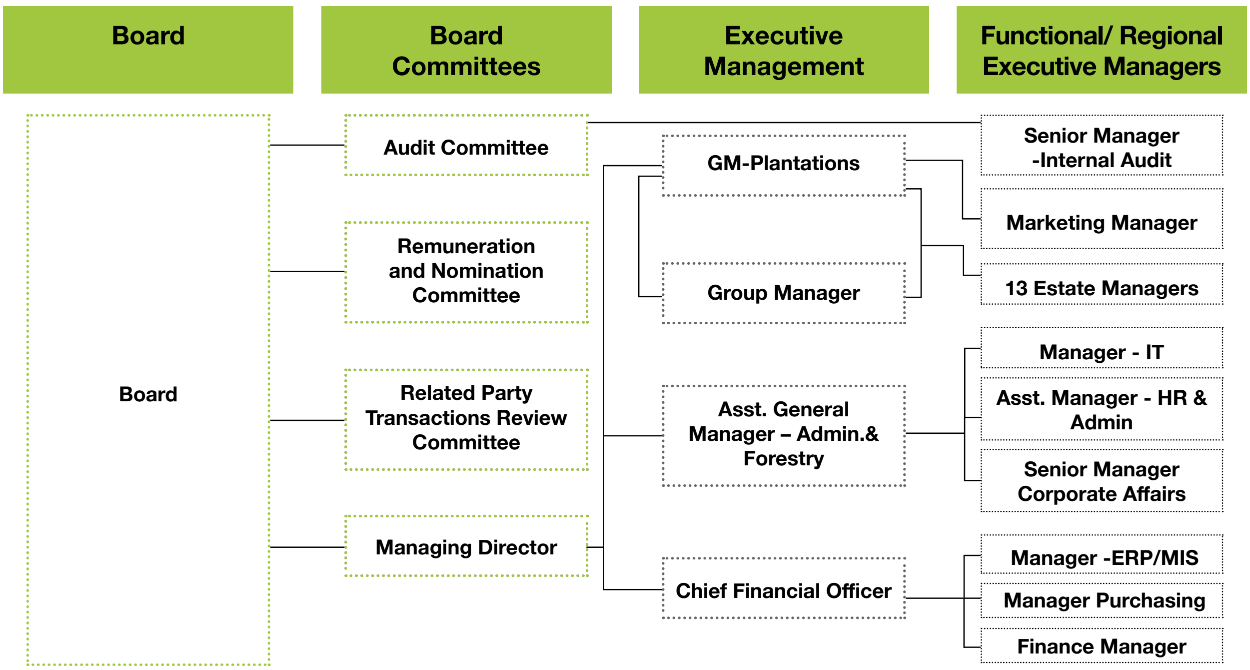
As the highest decision-making authority, the Board sets the tone at the top through the Hatton Plantations PLC's Charter for the Board of Directors and guidelines for Corporate Governance. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and 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. 24 of 2017

GOVERNANCE STRUCTURE



BOARD COMPOSITION

The Board comprises eight Directors of which six 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 16 to 19.

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	4
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 with expertise
Business management	8
Financial and management accounting	6
Plantation management	3
Marketing	1
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 organized along the structure of the Code of Best Practice on Corporate Governance as graphically summarized 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 eight Directors of which two are Executives and two are Non-Executive Independent Directors, four Directors are Non-Executive Non-Independent.

A 1.1 FREQUENCY OF BOARD MEETINGS

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

Estate Management, Regional Executive Committee and the Corporate Management Committee meet 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 Meeting	Audit committee	Nominations & Remuneration Committee	Related Party Transactions Review Committee
Mr. Gary Seaton	3/3	N/A	N/A	N/A
Mr. Menaka Athukorala	3/3	N/A	N/A	N/A
Mr. Gowri Shankar	3/3	5/6	1/1	4/5
Mr. Hiro Bhojwani	3/3	N/A	N/A	N/A
Mr. Indrajith Fernando	3/3	6/6	1/1	5/5
Mr. Uditha Palihakkara	3/3	6/6	1/1	5/5
Mr. Damascene Perera **	1/1	N/A	N/A	N/A
Mr. Lucille Wijewardena **	1/1	N/A	N/A	N/A

** Appointed to the Board w.e.f. 15th January 2021.

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 discuss new strategies and the methods prior to recommending same to the Board of Directors for discussion. The Estate Managers and Departmental 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 Departmental 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 32 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 21 of this Report list down the laws (in the best possible manner) applicable to the organisation and its compliance.

The Board also obtains professional advice from outside parties whenever necessary 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. Six of the eight 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 three times during the period as reported on page 23 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 member 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 Accountant and Chartered Management Accountants namely,

Mr. Indrajith Fernando – FCA, FCMA, MBA

Mr. Uditha Palihakkara – FCA, FCMA, MBA

Mr. Lucille Wijewardena - FCA, MBA

PRINCIPLE A 5

BOARD BALANCE

The Board comprises six Non-Executive Directors which constitutes 75% of the Board of Directors of which two are Independent.

Following are Non-Executive Directors of the Company.

Mr. Gowri Shankar
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

Mr. Damascene Perera
Non-Executive Non-Independent Director

Mr. Lucille Wijewardena
Non-Executive Non-Independent Director

The two 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 16 to 19.

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. Mr. Damascene Perera and Mr. Lucille Wijewardena were newly appointed during the current Financial Year. Details of the current Board of Directors are given on pages 16 to 19 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 16 to 19 of this Report.
- Related party transactions are disclosed on pages 107 to 109 of this Report.
- The details of Board meetings attended are on page 23.
- Board Committees that the Directors serve on and their attendance is on page 23.

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 48 of this report.

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

The Directors' remuneration is disclosed in Note 27 of the Financial Statement and the Management Staff remuneration is described on page 101 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 48 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 101 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 make themselves physically present at this meeting. The annual General Meeting of the Company will be held on the 24th September 2021.

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.

First quarter	14 August 2020
Second quarter	13 November 2020
Third quarter	12 February 2021
Fourth quarter	31 May 2021

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 43 to 45 of this Report.
- Report on Going Concern is on page 43.
- A comprehensive risk assessment is on pages 33 to 42.
- Industrial Structure and Developments, opportunities and threats are stated in the Chairman's and Managing Directors report on pages 7 to 14.
- The responsibility of the Board regarding the presentation of Financial Statements together with the Auditors Statement have been presented on page 52 and pages 54 to 57 respectively.

- Directors Report on page 43 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 Accountant of Sri Lanka.

Mr. Uditha Palihakkara

Non-Executive Independent Director. He was a past President of the Institute of Chartered Accountant of Sri Lanka (ICA), the Chartered Institute of Management Accountant of Sri Lanka (CIMA), the Chartered Association of Certified Accountant 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 PricewaterhouseCoopers 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 46 to 47.

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 48.

Rule No.	Requirement	Compliance	Reference in this Report
7.10.6	**Audit Committee (AC)** The Company shall have an AC.	✓	Principle D3 and Audit Committee Report on pages 46 to 47
7.10.6 (a)	**Composition of Audit Committee** Shall comprise of NEDs a majority of whom will be Independent A NED shall be appointed as the Chairman of the Committee. Managing Director and Chief Financial Officer (CFO) should attend AC meetings. The Chairman of the AC or one member should be a member of a professional accounting body.	✓	Corporate Governance and the Board Committee Reports
7.10.6 (b)	**Audit Committee Functions** Overseeing of the – Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards. Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. Assessment of the independence and performance of the external auditors. Make recommendations to the Board pertaining to appointment, 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 2021

	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 31st December 2020	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	4th December 2020	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.

Mrs. Annemarie Outschoorn
Chief Financial Officer

Mr. 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.

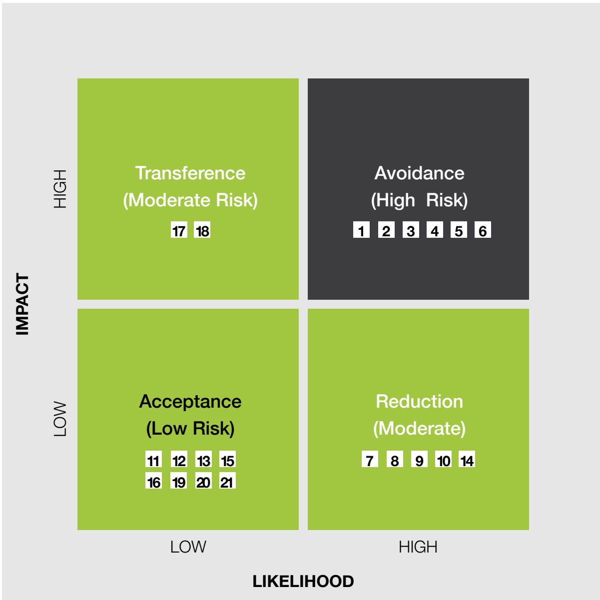
The Board of Directors: The Board is responsible to ensure effective risk management at corporate level. Our Board comprises of diverse expertise locally and globally in diversified fields which sets out our risk management framework effectively. Major risks are conveyed to the Board by comprehensive 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.

Corporate Management Team: The corporate management team is 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.

Graph below depicts linking control activities to the risk response.



The key risk factors that Hatton Plantations PLC is exposed to, 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			
01. Wage Structure			
The Government Wages Board announced an increase of daily wage rate from Rs. 750/- to Rs. 1000/- w.e.f 5th March 2021, which is not linked to productivity of estates.	• Substantial impact on high cost of production, low profitability and loss of global cost competitiveness as tea industry is highly labour intensive. • Low productivity estates become unviable and uneconomical to be maintained. • Unbearable impact on gratuity liability due to longer service period of work force. • Working capital deficits. • Lack of funds for capital expansion. • Noncompliance to the regulatory wage structure and pressure on statutory payments.	• Collective lobbying for wage structure in line with productivity. Court action in progress. • 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.	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
02. Business Disruption due to Pandemics			
Spreading of COVID-19 pandemics is on rise affecting negative impacts on the business continuity locally and globally.	• Loss in crop, production and revenue. • Loss of profitability. • High operational expenditure. • Preasure and adverse impact on working capital management	• 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.	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
		• Keep buffer stocks of input materials for uninterrupted production process. • Maintain excess working capital funds and banking facilities. • Online and remote working facilities to staff and executives. • Connection with banks and suppliers through digital medias.	
03. Unavilability of Agro Chemical and Fertiliser			
The Government imposed its policy decision to restrict usage of agro chemicals and fertilizer in agriculture.	• Low yields, crop and revenue. • Additional labour cost on manual weeding resulting higher cost of production. • Deployment of more labour on manual weeding resulting low deployment of labour on plucking, hence low productivity and crop losses. • High cost on bio fertiliser and composting resulting high cost of production.	• Collective lobbying to the government. • Use of alternative and suitable organic fertilizer with the assistance of agriculture experts. • Encourage estates to establish own low cost organic composting projects. • Mechanization of plucking and weeding operations. • Outsourcing/ contracting of manual weeding operation.	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**
04. 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.	• 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**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
05. 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 (Low Grown type) and Green Tea 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**
06. Product Portfolio			
Over 95% of revenue is generated from Tea revenue and operation is highly dependent on Tea.	• 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.	• Diversification into forestry. • Initiative to Coffee and Cinnamon planting.	Overall rating: **High** Probability of occurrence: **High** Severity of impact: **High**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
Operational Risk			
07. Dependence on Bought Leaf			
Approximately 40% of production is from outside bought leaf which maximises the factory capacity and revenue.	• Drop in product quality due to substandard raw material and hence drop in market price. • Low made tea output and production cost increase. • Increased bargaining power of bought leaf suppliers 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.	• 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. • 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 make best action of disposal of tea stock to maximise sale average to reduce loss on bought leaf at reducing market trend. • Purchasing bought leaf from individuals rather than large scale intermediate collectors. • Internal Audit and Estate Manager check and verify the compliance to Tea Board regulations.	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**
08. 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**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
09. 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 monthly monitored and settled on due dates.	Overall rating: **Moderate** Probability of occurrence: **High** Severity of impact: **Low**
10. 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**
11. 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**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
12. 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 dedicated 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**
13. 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. • 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**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
14. 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**
15. 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**
16. 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**

RISK FACTOR	POTENTIAL IMPACT	RISK MANAGEMENT STRATEGY	RISK RATING
17. 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			
18. 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 evaluated in Management Committee and Board Meeting prior to undertaking and obtain Board approval. • Close monitoring of the progress periodically to ensure project deliverables are achieved with 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
19. 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 developments and growth prospect. • 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**
20. 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 keep to 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			
21. 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 2021 which covers business strategy, strategic imperatives, Audited Financial Statements, share-related information and reviews on risk management, governance and sustainability.

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

PRINCIPAL ACTIVITIES

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 developments of the Company's business segments are discussed in the Chairman's report on pages 7 to 10 and Managing Director's review on pages 11 to 14.

These reports together with the Audited Financial Statements (pages 58 to 114) 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 2021 duly signed by the Chief Financial Officer, two of the Directors of the Company are given on pages 58 to 114 which form an integral part of the Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Company to represent a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Financial Reporting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 52 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 2021 and the report on those Financial Statements is given on pages 54 to 57 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are stated on pages 63 to 76.

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 5,635.9 Mn (2019/2020 – LKR 4,184.5 Mn). An analysis of income is given in Note 24 to the Financial Statements.

FINANCIAL RESULT

The Company's profit for the period amounted to LKR 441.2 Mn (2019/2020 – LKR (121.8) Mn).

The Company's Income Statement for the period is on page 59. Details of transfer to/from reserves in respect of the Company are shown in the Statement of Changes in Equity on page 61.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31 March 2021 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 2021 amounts to LKR 1,803.4 Mn (2019/2020 - LKR 1,803.4 Mn) and LKR 422.5 Mn (2019/2020 – LKR (211.9) Mn), respectively.

DIVIDEND ON ORDINARY SHARE

An Interim Dividend of LKR 118 Mn (LKR 0.5 per share) was paid in February 2021 (2019/2020 – Nil).

CORPORATE DONATIONS

During the period 2020/21 Company has made donations amounting to LKR 3.9 Mn (2019/2020 – 2.3 Mn).

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. Other operating income is liable at 24%.

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

Information on the income tax expense and the deferred taxes of the Company is given in Note 29 and 21 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 2021 amounts to LKR 105.5 Mn (2019/2020 – LKR 86.0 Mn) and LKR 102.1 Mn (2019/2020 – LKR 28.5 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 2021 amounts to LKR 984.2 Mn (2019/2020 – LKR 995.6 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 38.

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 36 to the Financial Statements.

SHAREHOLDING

As at 31 March 2021, there were 15,817 registered shareholders. Information on the distribution of shareholding, categories of shareholders and the percentage holding of Twenty Largest Shareholders is indicated on pages 122 and 123.

EQUITABLE TREATMENT TO SHAREHOLDERS

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

DIRECTORS' INTEREST IN TRANSACTIONS

The Directors of the Company made the general disclosures provided for in Section 192 (2) of the Companies Act No. 07 of

2007. Note 36 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 2021	No of shares
Mr. Gary Seaton	Nil
Mr. Menaka Athukorala	Nil
Mr. Gowri Shankar	Nil
Mr. Hiro Bhojwani	Nil
Mr. Indrajith Fernando	Nil
Mr. Uditha Palihakkara	Nil
Mr. Damascene Perera	200,000
Mr. Lucille Wijewardena	Nil

DIRECTORS' EMOLUMENTS

Directors' emoluments, in respect of the Company for the financial period ended 31 March 2021 are given in Note 27 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 2021, the Board of Directors of Hatton Plantations PLC consisted of eight members. Names of the Directors and their brief profiles appear on pages 16 to 19 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 2.1 Mn (2019/2020 – LKR 1.9 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 21 to 29.

ENVIRONMENTAL PROTECTION

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

DIRECTORS' MEETINGS

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 24th September 2021 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 126 for and on behalf of the Board.

Mr. Gary Seaton
Chairman

Mr. Menaka Athukorala
Managing Director

Corporate Advisory Services (Pvt) Ltd.
Secretaries, Hatton Plantations PLC
23 June 2021

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 16 to 19 Corporate Advisory Services (Private) Limited function as the Secretaries to the Audit Committee.

MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met six (06) times during the year. The attendance of the members at these meetings is as follows:

Name of the Director	Status	Attendance
Mr. Indrajith Fernando	Independent Non-Executive	6 of 6
Mr. Uditha Palihakkara	Independent Non-Executive	6 of 6
Mr. Gowri Shankar	Non-Independent Non-Executive	5 of 6

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 one Committee meeting. 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 31st March 2021.

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 AND RISK MANAGEMENT AND INTERNAL AUDIT

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 33 to 42.

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 summarizing 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 2022 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
23 June 2021

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 two Directors namely –

- Mr. Indrajith Fernando (Non-Executive, Independent)
- Mr. Uditha Palihakkara (Non-Executive, Independent)

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 behaviour to optimize 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 27 to the Financial Statements.

On behalf of the Remuneration Committee,

Mr. Indrajith Fernando
Chairman – Remuneration Committee
23 June 2021

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 five (5) times during the year. Attendance of the Committee members at each of these meetings is as follows.

Name of the Director	Status	Attendance
Mr. Indrajith Fernando	Independent Non-Executive	5 of 5
Mr. Uditha Palihakkara	Independent Non-Executive	5 of 5
Mr. Gowri Shankar	Non-Independent Non-Executive	4 of 5

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 36 to the Financial Statements.

On behalf of the Board,

Mr. Indrajith Fernando
Chairman
23 June 2021

FINANCIAL CALENDAR

First quarter	14th August, 2020
Second quarte	13th November, 2020
Third quarter	12th February, 2021
Fourth quarter	31st May, 2021
Publishing of annual accounts	30th August, 2021
Annual general meeting	24th Sepetember, 2021

FINANCIAL REPORTS

STATEMENTS OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditor's Statement of their responsibilities set out in Auditor's 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 58 to 114 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 of 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 54 to 57 sets 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. Gary Seaton
Chairman

Mr. Menaka Athukorala
Managing Director
23 June 2021

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

The Financial Statements of Hatton Plantations PLC as at 31 March 2021 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 recognised in weighing the assurance provided by any system of internal controls and accounting.

The Financial Statements of the Company were audited by Messrs PricewaterhouseCoopers, Chartered Accountants and their report is given on pages 54 to 57 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
23 June 2021

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 2021, 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 2021;
- 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 Accounting Policy Note 3.2 and Note 8 to the financial statements. The carrying value of bearer plants in the statement of financial position as at 31 March 2021, was LKR 630.6 Mn. Bearer plants mainly include mature and immature tea plants in identified fields of the plantation. As per the industry practice, at the date of commencement of commercial harvesting the cost of immature plants is transferred to cost of mature plants. The duration taken to start commercial harvesting depends on factors such as the soil condition, weather patterns and plant breed.	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 2021 and traced these balances to the general ledger maintained at the Head Office. - Compared the actual costs transferred to mature plants from immature plants, to budgeted costs included in board approved annual budgets and assessed whether the actual costs are consistent with management expectations at the beginning of the financial year.

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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
We have focused on this area due to the involvement of management judgement regarding the point at which the transfer is to be made from immature plantations to mature plantations. The date of transfer from immature to mature plants has a significant impact on the carrying value of the bearer plants and the reported results of the Company as capitalisation of costs to immature plants transferred will cease from the date of transfer and the plants transferred as mature plants will be subject to depreciation over the estimated useful lives of the plants.	• Obtained the immature to mature cost transfer worksheet for a sample of estates and checked whether the amounts transferred during the year was consistent with the Company policy and industry norms. • Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations. Based on the above procedures, the transfer of 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 Accounting Policy Note 3.3.1 and Note 9.1 to the financial statements. The carrying value of consumable biological assets in the statement of financial statement at year end was LKR 768.1 Mn. The timber trees, on estates managed by the Company, are classified as consumable biological assets and are measured at each reporting date at fair value less cost to sell. The trees less than 5 years are carried at cost less impairment as the fair value cannot be reliably measured. Timber trees include both immature and mature 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 valuer's valuation report 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 estate, 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 mathematical accuracy of the consumable biological assets valuation. • Performed a physical verification of a sample of trees during estate visits to assess the girth and height of the respective trees and compared with estate management records. 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. • 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 prices taken for the valuation of mature trees of timber.

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Key audit matter	How our audit addressed the Key audit matter
Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumable biological assets of the Company as at 31 March 2021. We considered the valuation of consumable biological assets as a key audit matter due to the significant judgement and assumptions/estimates involved in the process of valuation. These included the following: - Estimation of height and girth of trees to arrive at the volume of timber - Value of timber per cubic meter - Discount rates	- 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 and determined the consistency with market information. Based on our work, the judgement and assumptions used by the external valuer in determining the value of consumable biological assets as at 31 March 2021 appropriately reflect the market information and conditions.

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

pwc

in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number - 1581

COLOMBO

23 June 2021

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

		As at 31 March	
	Notes	**2021**	**2020**
ASSETS			
Non-current assets			
Right-of-use assets	5	202,264	207,471
Immovable estate assets	6	31,638	42,758
Property, plant and equipment other than bearer plants	7	984,239	995,555
Bearer plants	8	630,626	592,692
Biological assets - consumable	9.1	768,158	729,161
Equity investments at fair value through other comprehensive income	10	32,057	17,587
Total non-current assets		**2,648,982**	**2,585,224**
Current assets			
Inventories	12	590,550	356,016
Biological assets-produce crops on bearer plants	9.2	18,920	9,254
Trade and other receivables	13	307,909	171,297
Short term investment in financial assets	14	249,843	135,000
Cash and cash equivalents	15	357,017	327,072
Total current assets		**1,524,239**	**998,639**
Total assets		**4,173,221**	**3,583,863**
EQUITY AND LIABILITIES			
Capital and reserves			
Stated Capital	16	1,803,400	1,803,400
Reserve on equity investments at FVOCI		21,294	6,824
Retained earnings		401,198	(218,692)
Total equity		**2,225,892**	**1,591,532**
Non-current liabilities			
Borrowings	17	128,717	196,700
Lease liabilities	18	217,495	214,137
Retirement benefit obligations	19	744,725	1,017,309
Deferred capital grants	20	115,051	121,320
Deferred tax liability	21	88,105	49,855
Total non-current liabilities		**1,294,093**	**1,599,321**
Current liabilities			
Borrowings	17	101,138	141,658
Lease liabilities	18	1,245	973
Trade and other payables	22	506,619	250,379
Current income tax liability	23	44,234	-
Total current liabilities		**653,236**	**393,010**
Total liabilities		**1,947,329**	**1,992,331**
Total equity and liabilities		**4,173,221**	**3,583,863**
Net assets per share (LKR)		9.4	6.7

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

Mrs. 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.

Mr. Menaka Athukorala
Managing Director
23 June 2021

Mr. Indrajith Fernando
Director

The accounting policies and notes on pages 63 to 114 form an integral part of these financial statements.
Independent auditor's report - pages 54 - 57.

STATEMENT OF INCOME

(all amounts in Sri Lankan Rupees thousands)

	Notes	Year ended 31 March 2021	2020
Revenue	24	5,635,888	4,184,464
Cost of sales		(5,035,614)	(4,275,443)
Gross profit / (loss)		**600,274**	**(90,979)**
Other income	25	94,134	133,426
Gain on change in fair value of biological assets	26	27,380	16,088
Administrative expenses		(185,866)	(137,239)
Operating profit / (loss)		**535,922**	**(78,704)**
Finance income	28	32,030	24,691
Finance expenses	28	(13,989)	(25,347)
Interest paid to government and other on lease	28	(51,531)	(49,872)
Net finance costs		**(33,490)**	**(50,528)**
Profit / (loss) before income tax		**502,432**	**(129,232)**
Income tax expense	29	(61,259)	7,400
Profit / (loss) for the period		**441,173**	**(121,832)**
Profit / (loss) per share for profits /(losses) attributable to the ordinary equity holders of the Company (expressed in LKR per share)			
- Basic earning / (loss) per share	30.1	1.86	(0.51)

The accounting policies and notes on pages 63 to 114 form an integral part of these financial statements.

Independent auditor's report - pages 54 - 57.

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

		Year ended 31 March	
	Notes	**2021**	**2020**
Profit / (loss) for the period		441,173	(121,832)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Changes in the fair value of equity investments at fair value through other comprehensive income	10	14,470	1,134
- Remeasurements of post-employment benefit obligations	19	345,406	72,515
- Income tax relating to these items	29	(48,356)	(10,152)
Total other comprehensive income for the year (net of tax)		**311,520**	**63,497**
Total comprehensive income/(loss) for the period		**752,693**	**(58,335)**

The accounting policies and notes on pages 63 to 114 form an integral part of these financial statements.

Independent auditor's report - pages 54 - 57.

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lankan Rupees thousands)

	Notes	Stated capital	Reserve on equity instruments at FVOCI	Accumulated profits/ (losses)	Total equity
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 period		-	-	(121,832)	(121,832)
Other comprehensive income		-	1,134	62,363	63,497
Total comprehensive income for the period		**-**	**1,134**	**(59,469)**	**(58,335)**
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	2,649	(2,649)	-
Balance at 31 March 2020		**1,803,400**	**6,824**	**(218,692)**	**1,591,532**
Profit for the period		-	-	441,173	441,173
Other comprehensive income		-	14,470	297,050	311,520
Total comprehensive income for the period		**-**	**14,470**	**738,223**	**752,693**
Transactions with owners of the company					
Dividend	31	-	-	(118,333)	(118,333)
Balance at 31 March 2021		**1,803,400**	**21,294**	**401,198**	**2,225,892**

The accounting policies and notes on pages 63 to 114 form an integral part of these financial statements.

Independent auditor's report - pages 54 - 57.

STATEMENT OF CASH FLOWS

(all amounts in Sri Lankan Rupees thousands)

		Year ended 31 March	
	Notes	**2021**	**2020**
Cash flows from operating activities			
Cash generated from operations	35	713,419	285,368
Finance expenses	28	(16,715)	(25,347)
Interest paid to government and other on lease	28	(51,531)	(49,872)
Payment of ESC / income tax	23	(27,131)	(8,938)
Retirement benefit obligations paid	19	(93,258)	(112,172)
Interest received	28	32,030	24,691
Net cash generated from operating activities		**556,814**	**113,730**
Cash flows from investing activities			
Additions to bearer plants	8	(80,797)	(20,399)
Additions to consumable biological assets	9.1	(21,283)	(8,151)
Additions to property, plant and equipment	7	(105,547)	(86,044)
Proceeds from sale of property, plant and equipment		15,243	34,245
Proceeds from sale of consumable biological assets		8,958	30,902
Proceeds from sale of financial assets at fair value through other comprehensive income		-	10,882
Short term investments		(114,843)	(135,000)
Net cash used in investing activities		**(298,269)**	**(173,565)**
Cash flows from financing activities			
Dividend paid	31	(118,333)	-
Proceeds from borrowings	17	25,000	268,007
Repayment of borrowings	17	(99,243)	(100,636)
Repayment of Government lease principal	18.1	(177)	(136)
Repayment of other lease principal	18.2	(801)	(598)
Net cash (used in) / generated from financing activities		**(193,554)**	**166,637**
Increase in cash and cash equivalents		**64,991**	**106,802**
Movement in cash and cash equivalents			
At the beginning of period		292,026	185,224
Increase for the period		64,991	106,802
At end of period	**15**	**357,017**	**292,026**

The accounting policies and notes on pages 63 to 114 form an integral part of these financial statements.

Independent auditor's report - pages 54 - 57.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

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 Notes to the financial statements for the period ended 31st March 2021.

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 23 June 2021.

1.4 Responsibility for Financial Statements.

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

Note 02. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of financial position, Statement of income, Statement of comprehensive income, Statement of changes in equity, Statement of cash flows together with the 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.; and
- 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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 periods commencing 1 April 2020:

i. Definition of Material – Amendments to LKAS 1 and LKAS 8;

ii. Revised Conceptual Framework for Financial Reporting; and

iii. Covid-19-related Rent Concessions – Amendments to SLFRS 16.

Amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(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 Sri Lanka 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)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 April 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised

Framework.

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

(iii) Covid-19-related Rent Concessions – Amendments to SLFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. According to the amendment to SLFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

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

2.4.2 New standards and amendments but not adopted in 2020

The following standards and interpretations had been issued but not mandatory for annual reporting period ended 31 March 2021.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

(i) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an exposure draft proposing to defer the effective date of the amendments to 1 January 2023.

(ii) Property, Plant and Equipment: Proceeds before intended use – Amendments to LKAS 16

The amendment to LKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(iii) Onerous Contracts – Cost of Fulfilling a Contract Amendments to LKAS 37

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

(iv) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.
- LKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under LKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

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 the 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 which is being continued at present, resulting in significant adverse impacts on economics, social and health status across the World.

Sri Lankan Government imposed lockdowns and curfew island wide and selectively in some of the regions to mitigate the spread of the novel coronavirus (COVID-19), which prevented functionality of business operations. With the declaration of Plantation sector as essential services and relaxation of the lockdown and the curfew in Plantation Regions, normal operations were continued during the reporting period.

The primary revenue source (TEA) of the Company had a considerable positive growth in terms of production, demand and price despite the lockdowns and curfew during the reporting period in view of the current situation and the regulatory requirements of the Government.

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 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 plants

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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	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	20
- Coffee	20

Leasehold assets (remaining useful life time)

Improvements to land	6
Vested other assets	6
Roads and bridges	16
Bearer plants	
- Tea	10

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

(all amounts in Sri Lankan Rupees thousands)

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

3.5.3 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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 37 (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.

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 37.

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

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;

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date 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 that option, 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 receive.
- 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.

(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 contributions
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 19 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

expected lives of the related assets.

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

3.19 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 recognized.

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 38.

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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 19.

Estimated useful lives of property, plants and equipment

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

Provisions

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

Consumable biological assets

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

Bearer plants

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

As per the industry practice, at the point of commencement of commercial harvesting the cost of immature plants 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 a 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.

(all amounts in Sri Lankan Rupees thousands)

Note 05. RIGHT-OF-USE ASSETS

		As at 31 March	
	Notes	**2021**	**2020**
Right-of-use asset-land	5.1	197,568	201,523
Right-of-use asset-building	5.2	4,696	5,948
Closing Balance		**202,264**	**207,471**

5.1 Right-of-use asset-land

	As at 31 March	
Cost	**2021**	**2020**
As at 1 April	209,583	112,956
Impact in due to initial application of SLFRS 16	-	96,627
Remeasurement of lease liabilities	4,608	-
Closing balance	**214,191**	**209,583**
Accumulated amortisation		
As at 1 April	8,060	6,113
Impact due to initial application of SLFRS 16	-	(6,113)
Amortisation for the year	8,563	8,060
Closing balance	**16,623**	**8,060**
Carrying value		
Closing balance	**197,568**	**201,523**

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.

“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.

The Company remeasured the lease liability to reflect changes to the subsequently lease payments and recognised the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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, is 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 2021 are as follows:

Corresponding lease liability is given in the note 18 to the Financial Statements.

	As at 31 March	
Cost	**2021**	**2020**
As at 1 April	6,261	-
Additions	-	6,261
Closing balance	**6,261**	**6,261**
Accumulated depreciation		
As at 1 April	313	-
Charge for the year	1,252	313
Closing balance	**1,565**	**313**
Carrying value		
Closing balance	**4,696**	**5,948**

(all amounts in Sri Lankan Rupees thousands)

Note 06. IMMOVABLE ESTATE ASSETS

Cost	**Improvements to lands**	**Other vested assets**	**Bearer plants**	**Roads and bridges**	**Total**
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**
As at 1 April 2020	354	1,319	64,755	187	66,615
As at 31 March 2021	**354**	**1,319**	**64,755**	**187**	**66,615**
Accumulated depreciation					
As at 1 April 2019	108	54	12,557	18	12,737
Depreciation for the year	82	422	10,603	13	11,120
As at 31 March 2020	**190**	**476**	**23,160**	**31**	**23,857**
As at 1 April 2020	190	476	23,160	31	23,857
Depreciation for the year	81	420	10,606	13	11,120
As at 31 March 2021	**271**	**896**	**33,766**	**44**	**34,977**
Carrying value					
As at 31 March 2020	164	843	41,595	156	42,758
As at 31 March 2021	**83**	**423**	**30,989**	**143**	**31,638**

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

Note 07. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
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**
						-			
Cost									
As at 1 April 2020	578,982	22,140	62,870	486,426	21,340	5,136	9,841	94,707	1,281,442
Additions	23,372	9,485	37,059	23,465	6,076	1,339	2,219	2,532	105,547
Disposals	-	-	(1,988)	-	-	-	-	-	(1,988)
As at 31 March 2021	**602,354**	**31,625**	**97,941**	**509,891**	**27,416**	**6,475**	**12,060**	**97,239**	**1,385,001**
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**
Accumulated depreciation									
As at 1 April 2020	44,680	-	30,868	163,959	10,833	2,481	3,370	29,696	285,887
Charge for the year	18,889	-	21,085	64,277	4,313	990	1,265	4,171	114,990
Disposals	-	-	(115)	-	-	-	-	-	(115)
As at 31 March 2021	**63,569**	**-**	**51,838**	**228,236**	**15,146**	**3,471**	**4,635**	**33,867**	**400,762**
Carrying value									
As at 31 March 2020	534,302	22,140	32,002	322,467	10,507	2,655	6,471	65,011	995,555
As at 31 March 2021	**538,785**	**31,625**	**46,103**	**281,655**	**12,270**	**3,004**	**7,425**	**63,372**	**984,239**

(a) Cost of fully depreciated assets still in use as at 31 March 2021 amounts to LKR 308,670,748 (2020 - LKR 276,316,626).

(b) Depreciation expense of LKR 101,811,197 (2020 - LKR. 98,225,210) has been charged in cost of goods sold and LKR 13,178,853 (2020 - LKR. 10,162,790) in administrative expenses.

(all amounts in Sri Lankan Rupees thousands)

Note 08. BEARER PLANTS

Cost	**Nurseries**	**Immature plants**	**Mature plants**	**Total**
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**
As at 1 April 2020	8,551	42,965	662,621	714,137
Additions	6,439	74,358	-	80,797
Borrowing costs capitalisation	-	2,726	-	2,726
Transfers from nursery to immature plants	(4,147)	4,147	-	-
Transfers from immature plants to mature plants	-	(20,752)	20,752	-
Disposal	(1,036)	-	-	(1,036)
As at 31 March 2021	**9,807**	**103,444**	**683,373**	**796,624**
Accumulated depreciation				
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**
As at 1 April 2020	-	-	121,445	121,445
Charge for the year	-	-	44,553	44,553
As at 31 March 2021	**-**	**-**	**165,998**	**165,998**
Carrying value				
As at 31 March 2020	8,551	42,965	541,176	592,692
As at 31 March 2021	**9,807**	**103,444**	**517,375**	**630,626**

(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.

(c) Specific borrowings have been obtained to finance the planting expenditure. Hence, borrowing costs of LKR 2,726,261, were capitalized during the period under Immature Plantations (2019/20 - Nil).

(d) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity’s specific borrowings during the year, in this case 8.08% (2019/20 – Nil).

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 2019	1420	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**
As at 1 April 2020	1,197	118,559	609,405	729,161
Additions	7963	13,320	-	21,283
Transfers from nursery to immature plants	(1,174)	1,174	-	-
Transfers from immature plants to mature plants	-	(25,749)	25,749	-
Gain arising from changes in fair value less cost to sell	-	-	17,714	17,714
As at 31 March 2021	**7,986**	**107,304**	**652,868**	**768,158**

(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	2021	2020
Expected rate of return	14.5% p.a	14.5% p.a
Maturity for harvesting	25 years	25 years
Number of trees valued	57,457	58,346

(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	2021	2020
Sale price - increase by 5%	685,511	639,874
Sale price - value as stands	652,868	609,405
Sale price - decrease by 5%	618,592	578,933

(all amounts in Sri Lankan Rupees thousands)

(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	2021	2020
Discount rate - increase by 1%	646,443	603,580
Discount rate - value as stands	652,868	609,405
Discount rate - decrease by 1%	659,728	615,576

9.2 Produce crops on bearer plants

As at 31 March	2021	2020
As at 1 April	9,254	14,612
Movement of fair value	9,666	(5,358)
Closing balance	18,920	9,254

The volume of produce crops 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 crops 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.

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	2021	2020
Total gain / (loss) for the period recognised in profit or loss		
Biological assets – consumable (Note 9.1)	17,714	21,446
Biological assets – produce crops on bearer plants (Note 9.2)	9,666	(5,358)
	27,380	**16,088**

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 TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

	Notes	Level 1	Level 2	Level 3	Total
31 March 2020					
Biological assets – consumable	9.1	-	-	609,405	609,405
Biological assets – produce crops on bearer plants	9.2	-	-	9,254	9,254
		-	**-**	**618,659**	**618,659**
31 March 2021					
Biological assets – consumable	9.1	-	-	652,868	652,868
Biological assets – produce crops on bearer plants	9.2	-	-	18,920	18,920
		-	**-**	**671,788**	**671,788**

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).

c. Valuation inputs and relationships to fair value

Description	Fair value of mature plants / growing crop as at 31 March		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2021	2020		2021	2020	
Biological assets - Consumable	652,868	609,405	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 - produce crops on bearer plants	18,920	9,254	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.

(all amounts in Sri Lankan Rupees thousands)

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	
	2021	**2020**
Unit Energy Lanka (Private) Limited	32,057	17,587
Closing balance	**32,057**	**17,587**

Hatton Plantations PLC holds 1,076,300 (5%) ordinary shares of Unit Energy Lanka (Private) Limited.

	Unit Energy Lanka (Private) Limited	Waltrim Hydro Power (Private) Limited	Total
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**
As at 1 April 2020	17,587	-	17,587
Change in fair value of equity investments	14,470	-	14,470
As at 31 March 2021	**32,057**	**-**	**32,057**

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

There were no any disposal of equity investments during the year.

Amounts recognised other comprehensive income

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

	As at 31 March	
	2021	**2020**
Gains recognised in other comprehensive income		
- Related to equity investments in Unit Energy Lanka (Private) Limited	14,470	1,134
	14,470	**1,134**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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 2020				
Equity investment at FVOCI	-	-	17,587	17,587
	-	**-**	**17,587**	**17,587**
31 March 2021				
Equity investment at FVOCI	-	-	32,057	32,057
	-	**-**	**32,057**	**32,057**

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.

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
	2021	2020		2021	2020	
Equity investment at FVOCI	32,057	17,587	Average price to book value ratio	1.94	1.44	The higher the price to book value ratio, the higher the fair value

(d) Sensitivity variation unobervable input (using 5% estimated variation)

	As at 31 March	
	2021	2020
unobervable input - increase by 5%	33,660	18,466
unobervable input - value as stands	32,057	17,587
unobervable input - decrease by 5%	30,454	16,707

(all amounts in Sri Lankan Rupees thousands)

Note 11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company holds the following financial instruments:

Financial assets		**As at 31 March**	
	Notes	**2021**	**2020**
Financial assets at amortised cost			
-Trade and other receivable excluding pre-payments	13	168,960	50,076
-Amount due from related party	13	30,039	20,986
-Short term investment in financial assets	14	249,843	135,000
-Cash and cash equivalents	15	357,017	327,072
Financial assets at fair value through other comprehensive income (FVOCI)			
Equity investments at fair value through other comprehensive income	10	32,057	17,587
		837,916	**561,681**

The Company's exposure to various risks associated with the financial instruments is discussed in note 37. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial liabilities		**As at 31 March**	
	Notes	**2021**	**2020**
Liabilities at amortised cost			
Borrowings (excluding finance lease liability)	17	229,855	338,358
Finance lease liabilities	18	218,740	215,110
Trade and other payables excluding non-financial liabilities	22	234,079	125,714
		682,674	**679,182**

Note 12. INVENTORIES

	As at 31 March	
	2021	**2020**
Produce stock	521,937	316,970
Input materials, spares and consumables	68,613	39,046
Closing balance	**590,550**	**356,016**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

Note 13. TRADE AND OTHER RECEIVABLES

		As at 31 March	
	Notes	**2021**	**2020**
Trade receivables (a)	37 (c)	135,209	3,585
Loss allowance	37 (c)	-	-
Amounts due from related party	37 (c)	30,039	20,986
Other receivables (b)	37 (c)	33,751	46,491
Financial assets at amortised cost		**198,999**	**71,062**
Tax receivables		7,806	36,413
Employee advances		42,478	46,773
Prepayments		1,693	1,616
Advance paid to creditors		56,933	15,433
Closing balance		**307,909**	**171,297**

(a) Fair values of trade receivables

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

(b) Other receivables

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

(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 37 (c).

Note 14. SHORT TERM INVESTMENT IN FINANCIAL ASSETS

	As at 31 March	
	2021	**2020**
Fixed Deposits	249,843	135,000
Closing balance	**249,843**	**135,000**

Note 15. CASH AND CASH EQUIVALENTS

	As at 31 March	
	2021	**2020**
Cash at bank	121,103	101,306
Cash in hand	1,916	1,072
Short term bank deposit	233,998	224,694
Closing balance	**357,017**	**327,072**

(all amounts in Sri Lankan Rupees thousands)

(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	
	2021	**2020**
Balances as above	357,017	327,072
Bank over draft	-	(35,046)
Balance as per cash flow statement	**357,017**	**292,026**

Note 16. STATED CAPITAL

	Number of shares	Value (LKR)
As at 31 March 2020	236,666,671	1,803,400
As at 31 March 2021	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 to the Company by the Janatha Estate Development Board/Sri Lanka State Plantation Corporation.

(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 17. BORROWINGS

	As at 31 March	
Repayable after one year	**2021**	**2020**
Term loan	128,717	196,700
	128,717	**196,700**
Repayable within one year		
Tea Board	-	22,712
Term loan	101,138	83,900
Bank overdrafts	-	35,046
	101,138	**141,658**
Closing balance	**229,855**	**338,358**

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

	Tea board	Term loan	Total
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**
As at 01 April 2020	22,712	280,600	303,312
Addition during the period	-	25,000	25,000
Repaid during the period	(23,498)	(75,745)	(99,243)
Fair value adjustment of concessionary loan	786	-	786
As at 31 March 2021	**-**	**229,855**	**229,855**

(a) As per the buying negotiations, Watawala Plantations PLC had settled the Tea Board loan on behalf of Company in 2019/2020 at the time of takeover by the Lotus Renewable Energy (Private) Limited

(all amounts in Sri Lankan Rupees thousands)

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	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**
Term loan	101,138	128,717	-	-	229,855
As at 31 March 2021	**101,138**	**128,717**	**-**	**-**	**229,855**

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 2021		As at 31 March 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Tea Board loan I	-	-	4,457	4,417
Tea Board loan II	-	-	19,042	18,295
	-	**-**	**23,499**	**22,712**

Particulars about loan facilities

(a) Seylan Bank PLC

Purpose : For working capital financing

			Outstanding liability 2020 / 2021			
Year	**Original amount**	**Interest rate % p.a.**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2021**	**Repayment term**
2015/16	310,000	AWPLR + 0.5%	15,310	-	15,310	60 equal monthly instalments commencing from December 2015
As at 31 March 2021			**15,310**	**-**	**15,310**	

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

Security - No assets have been pledged as security.

(b) Nations Trust Bank

Purpose : For working capital financing

			Outstanding liability 2020 / 2021			
Year	**Original amount**	**Interest rate % p.a.**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2021**	**Repayment term**
2019/20	6,700	AWPLR + 0.2%	2,562	-	2,562	9 equal monthly instalments commencing from January 2020
2020/21	25,000	AWPLR + 2%	16,666	4,167	20,833	18 equal monthly instalments commencing from January 2021.
As at 31 March 2021			**19,228**	**4,167**	**23,395**	

Security - Machinary has been pledged as security for loan amounting to 6.7 Mn.

(c) State Bank of India

Purpose : For the replanting activities

			Outstanding liability 2020 / 2021			
Year	**Original amount**	**Interest rate % p.a.**	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2021**	**Repayment term**
2019/20	230,000	AWPLR - 2.25%	66,600	124,550	191,150	48 equal monthly instalments commencing from March 2020
As at 31 March 2021			**66,600**	**124,550**	**191,150**	

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

Note 18. LEASE LIABILITIES

		As at 31 March	
	Notes	**2021**	**2020**
Lease liability on Right-of-Use asset- Land	18.1	213,878	209,447
Lease liability on Right-of-Use asset- Building	18.2	4,862	5,663
Closing balance		**218,740**	**215,110**

(all amounts in Sri Lankan Rupees thousands)

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

	As at 31 March	
	2021	**2020**
As at 1 April	209,447	193,023
Impact due to initial application of SLFRS 16	-	16,560
Remeasurement of lease liabilities	4,608	-
Interest charges for the year	50,701	49,653
Settlement of liability	(50,878)	(49,789)
Closing balance	**213,878**	**209,447**

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

	As at 31 March	
	2021	**2020**
As at 1 April	5,663	-
Additions	-	6,261
Interest charges for the year	830	219
Settlement of liability	(1,631)	(817)
Closing balance	**4,862**	**5,663**

18.3 Detailed analysis of lease liabilities

	As at 31 March 2021			As at 31 March 2020		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Lease liability on Right-of-Use asset- Land	213,656	222	213,878	209,275	172	209,447
Lease liability on Right-of-Use asset- Building	3,839	1,023	4,862	4,862	801	5,663
Net liability to lessor	217,495	1,245	218,740	214,137	973	215,110

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

18.4 Lease liabilities can be analysed as follows (maturity period):

	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**
As at 31 March 2021				
a) Lease liability on Right-of-Use asset- Land				
Interest on lease liability	(101,253)	(100,961)	(804,958)	(1,007,172)
Settlement of liability	101,754	101,754	1,017,542	1,221,050
Net liability	**501**	**793**	**212,584**	**213,878**
b) Lease liability on Right-of-Use asset- Building				
Interest on lease liability	(1,196)	(321)	-	(1,517)
Settlement of liability	3,508	2,871	-	6,379
Net liability	**2,312**	**2,550**	**-**	**4,862**

(all amounts in Sri Lankan Rupees thousands)

Note 19. RETIREMENT BENEFIT OBLIGATIONS

	As at 31 March	
	2021	**2020**
Post-employment benefits (gratuity)	744,725	1,017,309
	744,725	**1,017,309**

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	
	2021	**2020**
Opening balance as at 1 April	1,017,309	1,011,911
Current service cost	49,090	68,656
Interest cost	116,990	121,429
Total amount recognised in profit or loss	**166,080**	**190,085**
Remeasurements		
-Gain from change in actuarial assumptions	(345,406)	(72,515)
Total amount recognised in other comprehensive income	(345,406)	(72,515)
Benefits paid	(93,258)	(112,172)
Closing balance	**744,725**	**1,017,309**

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2021 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".

According to the actuarial valuation report issued by the Actuarial and Management Consultants (Private) Limited as at 31 March 2021, the actuarial present value of promised retirement benefits amounted to LKR.744,725,314 /-. If the Company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been LKR. 956,909,387 /-.

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

	2021	**2020**
(i) Rate of interest	9 % p.a.	11.5 % p.a.
(ii) Rate of salary increase		
tea estate workers	5.68 % 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	6,184	6,587

The weighted average durations of the defined benefit obligation at end of the reporting period are 10.20 years and 9.17 years for staff and workers respectively. (2020 – 9.43 years and 11.10 years for staff and workers).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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

	Within the next 12	Between 2 and 5 years	Beyond 5 years	Total
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**
As at 31 March 2021				
Staff	6,923	26,114	62,679	95,716
Workers	66,689	163,132	419,191	649,009
	73,609	**189,246**	**481,870**	**744,725**

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 2021, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

	Salary / wage escalation rate	Present value of defined benefit obligation		
Discount rate		**Staff-LKR**	**Workers-LKR**	**Total**
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
As at 31 March 2021				
Increase by 1%	As given above	87,351	597,789	685,140
Decrease by 1%	As given above	105,466	708,169	813,635
As given above	Increase by 1%	105,407	711,915	817,322
As given above	Decrease by 1%	87,241	593,845	681,086
Staff turnover rate				
As at 31 March 2020				
Increase by 1%		72,758	944,121	1,016,879
Staff turnover rate - value as stands		72,599	944,710	1,017,309
Decrease by 1%		72,432	945,313	1,017,745
As at 31 March 2021				
Increase by 1%		95,557	652,240	747,797
Staff turnover rate - value as stands		95,716	649,009	744,725
Decrease by 1%		95,878	645,679	741,557

(all amounts in Sri Lankan Rupees thousands)

Note 20. DEFERRED CAPITAL GRANTS

	As at 31 March	
	2021	**2020**
Capital grants		
As at 1 April	121,320	127,588
Amortisation	(6,269)	(6,268)
Closing balance	**115,051**	**121,320**

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 21. DEFERRED INCOME TAX LIABILITY

	As at 31 March	
	2021	**2020**
Deferred tax assets (i)	(150,992)	(190,999)
Deferred tax liabilities (ii)	239,097	240,854
Net deferred Income Tax Liability *	**88,105**	**49,855**

*** 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	
	2021	**2020**
Opening balance at 1 April	49,855	48,606
Income statement (released) / charged		
to profit or loss	(10,106)	(8,903)
to other comprehensive income	48,356	10,152
Closing balance	**88,105**	**49,855**

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 2021 and 31 March 2020 are as follows:

	As at 31 March	
	2021	**2020**
The balance comprises temporary differences attributable to:		
Lease liabilities	(30,623)	(30,115)
Tax loss	-	(1,475)
Retirement benefit obligation	(104,262)	(142,424)
Capital grants	(16,107)	(16,985)
	(150,992)	**(190,999)**

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 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)**
At 1 April 2020	(30,115)	(1,475)	(16,985)	(142,424)	(190,999)
Income statement charge / (release)					
- to profit or loss	(508)	1475	878	(10,194)	(8,349)
- to other comprehensive income	-	-	-	48,356	48,356
Closing balance at 31 March 2021	**(30,623)**	**-**	**(16,107)**	**(104,262)**	**(150,992)**

(ii) Deferred tax liabilities

The analysis of each type of taxable temporary differences as at 31 March 2021 and 31 March 2020 are as follows:

	As at 31 March	
	2021	**2020**
The balance comprises temporary differences attributable to:		
Right-of-use assets	28,317	29,046
Property plant and equipment	95,764	103,095
Bearers plants	88,328	82,977
Consumable biological assets	26,688	25,736
	239,097	**240,854**

(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 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
Closing balance at 31 March 2020	29,046	103,095	82,977	25,736	240,854
At 1 April 2020	29,046	103,095	82,977	25,736	240,854
Income statement (release) / charge					
-to profit or loss	(729)	(7,331)	5,351	952	(1,757)
Closing balance at 31 March 2021	**28,317**	**95,764**	**88,328**	**26,688**	**239,097**

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 22. TRADE AND OTHER PAYABLES

	As at 31 March	
	2021	**2020**
Trade payables	197,467	98,104
Employee related dues	195,097	85,148
Provisions and accruals	77,443	39,517
Other payables	36,612	27,610
	506,619	**250,379**

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 23. CURRENT INCOME TAX LIABILITY

	As at 31 March	
	2021	**2020**
As at 1 April	-	7,435
Charged for the period	71,365	-
Adjustment for under provisions	-	1,503
Setoff against ESC	(27,131)	(8,938)
	44,234	**-**

Note 24. REVENUE

	Year ended 31 March	
Revenue	**2021**	**2020**
- Tea	5,635,888	4,184,464
	5,635,888	**4,184,464**

Note 25. OTHER INCOME

		Year ended 31 March	
	Notes	**2021**	**2020**
Amortisation of capital grants	20	6,269	6,268
Hydro power income		52,440	43,235
Dividends		5,016	1,722
Bunglow rental		155	2,954
Sales of trees		8,958	30,672
Tower/building rent		5,323	8,856
Profit on disposal of investment		-	2,649
Profit on sale of property, plant and equipment		15,015	17,310
Net foreign exchange gains		9	21
Net sundry income		949	19,739
		94,134	**133,426**

(all amounts in Sri Lankan Rupees thousands)

Note 26. GAIN ON CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS

		Year ended 31 March	
	Notes	**2021**	**2020**
Gain on fair valuation - consumable biological assets	9.1	17,714	21,446
Gain/(loss) on fair valuation - growing crops on bearer plants	9.2	9,666	(5,358)
		27,380	**16,088**

Note 27. PROFIT BEFORE TAXATION

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

		Year ended 31 March	
	Notes	**2021**	**2020**
Auditors' remuneration			
- Audit		2,106	1,950
- Non audit		-	-
Depreciation and amortisation			
- Right to use of land	5	9,815	8,373
- Immovable leased assets	6	11,120	11,120
- Property, plant and equipment	7	114,990	108,388
- Biological assets - bearer	8	44,553	47,301
Directors' emoluments		3,700	3,400
Staff costs			
- Wages and salaries		2,046,454	1,803,098
- Defined contribution plan		191,959	182,455
- Defined benefit plan	19	166,080	190,085
- Workers' profit share bonus		20,975	3,580
Cost of inventories sold		2,513,993	1,938,806
Other expenses		95,735	114,126
Total cost of sales and administrative expenses		**5,221,480**	**4,412,682**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

Note 28. FINANCE INCOME AND COSTS - NET

	Year ended 31 March	
	2021	**2020**
Finance income:		
- Interest income on short-term bank deposits	32,030	24,691
Finance income	**32,030**	**24,691**
Finance costs:		
Interest expense for borrowings		
- Interest on term loans	(13,791)	(18,734)
- Interest on bank overdrafts	(2,924)	(6,613)
	(16,715)	**(25,347)**
Less - amount capitalised (a)	2,726	-
Interest cost for borrowings expensed	**(13,989)**	**(25,347)**
Interest and finance charges paid/payable for lease liabilities	(51,531)	(49,872)
Total finance costs	**(65,520)**	**(75,219)**
Net finance costs	**(33,490)**	**(50,528)**

(a) Capitalised borrowing costs

The Company has obtained the specific term loan for the replanting purpose and the capitalization rate used to determine the amount of borrowing costs to be capitalized, is the weighted average interest rate applicable to the entity's specific borrowings during the year, in this case 8.08% (AWPLR+2.25).

Note 29. INCOME TAX EXPENSE

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

		Year ended 31 March	
	Notes	**2021**	**2020**
Current tax			
- Current income tax on profits for the year	23	71,365	-
- Adjustments for current tax of prior periods	23	-	1,503
Total current tax expense		**71,365**	**1,503**
Deferred income tax			
- (Decrease) / increase in deferred tax liability	21	(1,757)	32,718
- Increase / (decrease) in deferred tax assets	21	40,007	(31,469)
Total deferred tax expense		**38,250**	**1,249**
Income tax expense		**109,615**	**2,752**

Income tax expense is attributable to:

	Notes	Year ended 31 March 2021	2020
Income tax expense (released) / charged:			
To profit or loss			
- Deferred tax attributable to profit or loss	21	(10,106)	(8,903)
- Current income tax on profits for the year	23	71,365	1,503
		61,259	**(7,400)**
To other comprehensive income			
- Deferred tax attributable to other comprehensive income	20	48,356	10,152
Income tax expense		**109,615**	**2,752**
Reconciliation between current tax expenses and the accounting profit:			
Accounting profit / (loss) before tax		502,432	(129,232)
Tax at effective rates of 14% (2020 – 14%)		**70,340**	**(18,092)**
Expenses not deductible for tax purposes		58,355	50,876
Expenses deductible for tax purposes		(19,080)	(31,535)
Adjustment for prior year over provisions		-	1,503
Income tax expense		**109,615**	**2,752**

Note 30. EARNINGS PER SHARE

30.1 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 2021	2020
Net profit / (loss) attributable to shareholders	441,173	(121,832)
Weighted average number of ordinary shares in issue (thousands)	236,667	236,667
Basic earnings/(loss) per share (LKR)	1.86	(0.51)

30.2 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 31. DIVIDEND PER SHARE

Calculation of dividend per share;	As at 31 March	
	2021	**2020**
Interim Dividend for 2020/2021	118,333	-
	118,333	**-**
Number of ordinary shares (thousands)	236,667	236,667
Dividend paid per share	**0.50**	**-**

Note 32. ASSETS PLEDGED AS COLLATERALS

The following assets of the Company have been pledged as collaterals for overdraft facility and loan obtained by the Company to respective financial institution concerned.

Name of the financial institution	Nature of the facility	Facility granted	Balance as at 31 March 2021	Securities pledge
Nations Trust Bank PLC	Overdraft	235,500	-	Mortgage over fixed deposit
Nations Trust Bank PLC	Term loan	12,000	2,562	Mortgage over machinery

Note 33. COMMITMENTS

(a) Financial commitments

	As at 31 March	
Bank guarantees	**2021**	**2020**
Lotus Renewable Energy (Private) Limited	-	25,000
Elkaduwa Plantations LTD	3,000	-
Janatha Estate Development Board	-	6,600
Sri Lanka Estate Plantation Corporation	18,000	18,000
	21,000	**49,600**

(all amounts in Sri Lankan Rupees thousands)

(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	
	2021	**2020**
Approved and not contracted for	193,596	152,903
	193,596	**152,903**

Note 34. CONTINGENT LIABILITY

Wage nagotiation

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of LKR 1,000/- comprising of a minimum daily wage of LKR 900/- and a budgetary relief allowance of LKR 100/- for workers in tea and rubber growing and manufacture trade and gazetted its decision on 5th March 2021.

However, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. The matter was taken for argument at the Court of Appeal on 5th May 2021, counsel for RPCs conducted his oral submission. The matter was postponed due to the pending outcome of the court decision.

As this matter is under the purview of the Court of Appeal at the time of approval of these financial statements, the Board of Directors of the Company concurred with the independent legal experts and decided to continue using the same daily wage rate used in the previous year for the estimation of the benefits to be paid as gratuity at retirement in the calculation of Retirement Benefit Obligations as at 31st March 2021.

In the event Court of Appeal issues an unfavorable judgement to RPCs, the retirement Benefit obligation as at 31st March 2021 may be increased by LKR 231,905,856 resulting in an additional charge of LKR 62,814,994 to the profit or loss and an additional charge of LKR 169,090,862 to the other comprehensive income for the year ended 31st March 2021. No provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

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 35. CASH GENERATED FROM OPERATIONS

Cash generated from operations

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

		Year ended 31 March	
	Notes	**2021**	**2020**
Net profit / (loss) before taxation		502,432	(129,232)
Adjustments for:			
- Depreciation charge	6, 7 & 8	170,663	166,809
- Profit on sale of property, plant and equipment	25	(15,015)	(17,310)
- Profit on sale of trees		(8,958)	(30,672)
- Assets write-off	7	-	7,654
- Disposal of bearer plants - nurseries	8	1,036	205
- Disposal of consumable biological assets - nurseries	9.1	-	75
- Timber fair valuation gain	26	(17,714)	(21,446)
- Biological assets-produce crop valuation (gain) / loss	26	(9,666)	5,358
- Provision for retirement benefit obligations	19	166,080	190,085
- Amortisation of leasehold right to assets	5	9,815	8,373
- Amortisation of capital grants	20	(6,269)	(6,268)
- Gain on disposal of equity investments		-	(2,649)
- Gain on settlement of liability	17	-	(13,367)
- Fair value adjustment of concessionary loan	17	786	2,490
- Finance income	28	(32,030)	(24,691)
- Finance expenses	28	13,989	25,347
- Interest paid to government and other on lease	28	51,531	49,872
Changes in working capital			
- Inventories		(234,534)	84,335
- Trade and other receivables		(136,611)	62,369
- Trade and other payables		257,884	(71,969)
Cash generated from operations		**713,419**	**285,368**

(all amounts in Sri Lankan Rupees thousands)

Note 36. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Lotus Renewable Energy (Private) Limited which owns 75.65% (2019/2020-87.93%) 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.

(v) Messrs. G.D. Seaton, A.U.A.M. Athukorala and G.S. Krishnamoorthy, who are Directors of the Company are also Directors of G & G Agro Commodities (Private) 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

Name of the Company	Relationship	Nature of transaction	As at 31 March		
			2021		2020
			Value of transactions	% of net revenue / income	Value of transactions
Lotus Hydropower PLC	Affiliate	Sales	36	0.00%	70
Lotus Renewable Energy (Private) Limited	Parent	Interest income	5,148	0.09%	2,601
		Sales	-		88
Origin Tea Exports Pvt Ltd	Affiliate	Sales	1,314	0.02%	255

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

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

Name of the Company	Relationship	Nature of transaction	As at 31 March		
			2021		2020
			Value of transactions	% of net revenue / income	Value of transactions
Lotus Hydropower PLC	Affiliate	Rental expenses	-		195
		Service Cost	603	0.01%	100
		Utility bill expenses	252	0.00%	-
Lotus Renewable Energy (Private) Limited	Parent	Utility bill expenses	39	0.00%	-
Origin Tea Exports (Private) Limited	Affiliate	Rental expenses	730	0.01%	325
		Utility bill expenses	-		547
Zyrex Power Company Limited	Affiliate	Rental expenses	-		582
		Utility bill expenses	135	0.00%	38

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

Name of the Company	Relationship	Nature of transaction	As at 31 March		
			2021		2020
			Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Parent	Service Cost	18,700	0.33%	15,000

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

Name of the Company	Relationship	Nature of transaction	As at 31 March		
			2021		2020
			Value of transactions	% of net revenue / income	Value of transactions
Lotus Renewable Energy (Private) Limited	Parent	Short term lending	119,000	2.11%	45,000
		Loan recovery	111,823	1.98%	26,600

(c) Amounts due from related companies

	As at 31 March	
	2021	2020
Lotus Renewable Energy (Private) Limited	30,020	20,986
Lotus Hydropower PLC	15	-
Origin Tea Exports (Private) Limited	4	-
	30,039	**20,986**

(d) Amounts due to related companies

	As at 31 March	
	2021	2020
Lotus Hydropower PLC	-	57
Lotus Renewable Energy (Private) Limited	-	19
Origin Tea Exports (Private) Limited	-	14
Zyrex Power Company Limited	-	22
	-	**112**

(all amounts in Sri Lankan Rupees thousands)

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	
	2021	**2020**
Salaries and other short term employee benefits	3,700	3,400
	3,700	**3,400**

(f) Terms and conditions

The loans to parent company is generally for periods of 6 months, repayable in monthly instalments at interest rates of 8% per annum.

Goods were sold to other related parties during the year based on the auction price and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

Note 37. 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:

	2021	**% of total loans**	**2020**	**% of total loans**
Variable rate borrowings	229,855	100%	315,646	93%
Other borrowings	-	-	22,712	7%
	229,855	**100%**	**338,358**	**100%**

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	
	2021	**2020**
Interest rate - increase by 1%	1,203	1,559
Interest rate - decrease by 1%	(1,203)	(1,559)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

(iii) Price risks

Exposure

The Company is not exposure to equity securities price risk arises from investments held by the Company due to the Company's equity investments are not publicly traded and classified in the balance sheet either as at fair value through other comprehensive income (FVOCI).

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	
	2021	**2020**
Auction price - increase by 1%	56,359	44,931
Auction price - decrease by 1%	(56,359)	(44,931)

(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 (ii) 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 2021	As at 31 March 2020
Cash at bank			
- Hatton National Bank PLC	AA- (lka)	99,490	84,045
- Commercial Bank of Ceylon PLC	AA- (lka)	3,479	920
- Nations Trust Bank PLC	A (lka)	492,318	359,694
- Seylan Bank PLC	A (lka)	640	628
- State Bank of India	BBB- (lka)	9,017	15,713
		604,944	**461,000**
Unrated			
- Cash in hand		1,916	1,072
Cash and cash equivalents		**606,860**	**462,072**

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 2021	As at 31 March 2020
Existing customers with no default history	13	135,209	3,585
Related parties **	13	30,039	20,986
Other third parties	13	33,751	46,491
		198,999	**71,062**

*** 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.

On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 was determined as follows for both trade receivables:

	Current	More than 30 days past due	Total
31 March 2020			
Expected loss rate	Nil	Nil	
Gross carrying amount – trade receivables	3,585	-	3,585
Related parties	20,986	-	20,986
Other third parties	46,491	-	46,491
Loss allowance	**-**	**-**	**-**
31 March 2021			
Expected loss rate	Nil	Nil	
Gross carrying amount – trade receivables	135,209	-	135,209
Related parties	30,039	-	30,039
Other third parties	33,751	-	33,751
Loss allowance	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

(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 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.:

Contractual maturities of financial liabilities.

	With in one year	2-3 years	4-5 years	More than 5 years	Total contractual cash flows	Carrying amount liabilities
31 March 2020						
Lease Liabilities	51,414	103,071	102,435	995,638	1,252,558	215,110
Borrowings	141,658	196,700	-	-	338,358	338,358
Trade and other payables (excluding statutory liabilities)	125,714	-	-	-	125,714	125,714
	318,786	**299,771**	**102,435**	**995,638**	**1,716,630**	**679,182**
31 March 2021						
Lease Liabilities	52,590	105,433	102,741	966,665	1,227,429	218,740
Borrowings	101,138	128,717	-	-	229,855	229,855
Trade and other payables (excluding statutory liabilities)	234,079	-	-	-	234,079	234,079
	387,807	**234,150**	**102,741**	**966,665**	**1,691,363**	**682,674**

(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 the 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	
		2021	**2020**
Total borrowings	17	229,855	338,358
Less:			
Cash and cash equivalents	15	(357,017)	(327,072)
Net debt		(127,162)	11,286
Total equity		2,225,892	1,591,532
Total capital		2,225,892	1,591,532
Net debt to equity ratio		Nil	0.71%

Note 38. EVENTS AFTER THE REPORTING DATE

No material events have occurred since the date of the Statement of financial position which require adjustment or disclosure in the financial statements, other than the following.

(a) Wage negotiation

The Government of Sri Lanka has issued Extraordinary Gazette No. 2217/37 dated 5 March 2021 in relation to the increase of wagers of the plantation workers. Refer note 34, “Contingent liability” for the relevant impact to the Statement of income, Statement of comprehensive income and Statement of financial position.

(b) Share purchase agreement

The Company has made an offer to purchase 95.43% of the shares of Mark Marine Services (Private) Limited (“MMSPL”), a hydro power generation company, on 21 June 2021 at a consideration of LKR 108.84 per share amounting to LKR 455,000,000. The Sellers have decided to accept the offer made by the Company and have entered into a Share Sale and Purchase Agreement with the Company on 21 June 2021. The Company paid an advance payment of LKR 250,000,000 on 21 June 2021 to shareholders of MMSPL and an announcement was published in the Colombo Stock Exchange on 21 June 2021.

Note 39. MANAGEMENT’S ASSESSMENT OF THE IMPACT OF COVID 19 OUTBREAK

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a pandemic which is being continued at present, resulting in significant adverse impacts on economics, social and health status across the World.

Sri Lankan Government imposed the lockdowns and curfew from time to time Island wide and selectively in some of the regions to mitigate the spreading of the novel coronavirus (COVID-19), which prevented functionality of business operations and restrictions on operations of the Company.

Accordingly, irregular attendance of workforce, supply chain disruptions and limits on Tea Action were continued during the reporting period. However, with the declaration of Plantation sector as essential services and relaxation of the lockdown and the curfew in Plantation Regions, normal operations are being continued and the above adverse impacts on the operations were able to be mitigated to a greater extent.

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

We continue our stringent precautionary measures throughout as started in mid-March 2020. Plantation workers were provided with stringent measures to keep their health and immunity levels up. Field and manufacturing operations are being carried out according to the prescribed health and medical practices announced in accordance with the public health advice of the Government Authorities to prevent COVID-19. Workforce gathering and Social distancing were kept within the required distances and social gatherings were well under control on our estates. Guidance for personal healthcare practices, face masks, hand sanitization liquids, hand wash etc., were provided free of charge by the company to protect workers from the threats COVID-19. Close supervision and necessary assistance are

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(all amounts in Sri Lankan Rupees thousands)

being arranged to COVID- 19 affected employees to undertake quarantine process with the guidance of Estate Medical Officers and Reginal MOHs with the directives of Government Health Authorities.

We continued to extend financial assistance to Plantation workers and their families 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 extended wage advances to meet their financial requirements.

We have adequately facilitated the necessary infrastructure for those who work from home and our remote work arrangements are being continued successfully for back-office employees specially for administration and finance teams and regional level management executives.

Managing Director and Senior Management are on regular supervision visits to 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.

Buffer stock levels are being maintained for input materials such as fertilizer, chemicals, packing materials etc., to meet possible disruptions in supply. Debt moratoriums introduced by Central Bank of Sri Lanka and the downward trend in interest rates are positively assisting the treasury management of the Company.

As stated in Note 3.1, under impact on COVID 19 and Going Concern Assessment, the Company operations at present have not been significantly impacted.

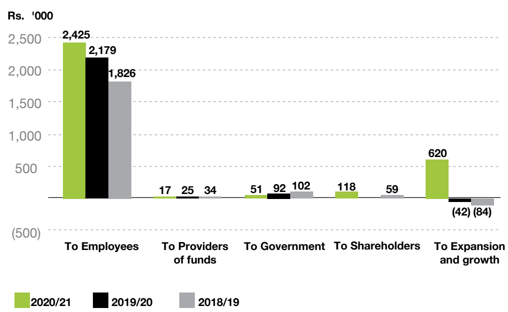
Since the situation is still ongoing, it is difficult to fully quantify the future impact of COVID 19 on our business operations. However, the Company will continue to monitor the impact on its business operations and proactively take measures to ensure the business continues as seamlessly as possible.

SUPPLEMENTARY INFORMATION

VALUE ADDED STATEMENT

	Company					
	2020/21	**%**	**2019/20**	**%**	**2018/19**	**%**
Revenue	5,635,888		4,184,464		4,039,996	
Other income	94,134		133,426		105,372	
Gain on change in fair value of biological assets	27,380		16,088		3,803	
	5,757,402		**4,333,978**		**4,149,171**	
Cost of materials and services obtained	(2,526,102)		(2,079,333)		(2,211,764)	
Value Addition	**3,231,300**		**2,254,645**		**1,937,407**	
Value allocated to:						
To Employees						
Salaries,wages and other benefits	2,425,468	75%	2,179,218	97%	1,825,699	94%
To Providers of funds						
Interest to money lenders	16,715	1%	25,347	1%	34,266	2%
To Government						
JEDB/SLSPC Lease rental	50,701		49,789		48,934	
Value Added Tax	-		8,080		-	
Nation Bulding Tax	-		4,145		369	
Economics Service Charges	-		21,244		26,809	
Stamp Duty	157		145		159	
Income Tax	-		8,938		25,810	
	50,858	**2%**	**92,341**	**4%**	**102,081**	**5%**
To providers of capital						
Dividend paid to shareholders	118,333	4%	-	0%	59,167	3%
To Expansion and growth						
Profit retained	401,198		(218,692)		(242,754)	
Depreciation & Ammotization	180,478		175,182		205,988	
Deferred Taxation	38,250		1,249		(47,040)	
	619,926	**19%**	**(42,261)**	**-2%**	**(83,806)**	**-4%**
	3,231,300		**2,254,645**		**1,937,407**	

	Company					
	2020/21	**%**	**2019/20**	**%**	**2018/19**	**%**
To Employees	2,425,468	75%	2,179,218	97%	1,825,699	94%
To Providers of funds	16,715	1%	25,347	1%	34,266	2%
To Government	50,858	2%	92,341	4%	102,081	5%
To Shareholders	118,333	4%	-	0%	59,167	3%
To Expansion and growth	619,926	19%	(42,261)	-2%	(83,806)	-4%
	3,231,300		**2,254,645**		**1,937,407**	



HISTORICAL FINANCIAL INFORMATION

Statement of income

	Year ended 2020/2021	Year ended 2019/2020	Year ended 2018/2019	Six months ended 2017/2018
Revenue	5,635,888	4,184,464	4,039,996	2,317,027
Cost of sales	(5,035,614)	(4,275,443)	(3,945,228)	(1,881,238)
Gross (loss)/profit	**600,274**	**(90,979)**	**94,768**	**435,789**
Other income	94,134	133,426	105,372	55,602
Gain on change in fair value of biological assets	27,380	16,088	3,803	28,877
Administrative expenses	(185,866)	(137,239)	(259,357)	(103,661)
Operating (loss)/profit	**535,922**	**(78,704)**	**(55,414)**	**416,607**
Finance income	32,030	24,691	16,072	10,923
Finance costs	(13,989)	(25,347)	(34,266)	(16,105)
Interest paid to government on lease	(51,531)	(49,872)	(44,194)	(20,880)
Net finance costs	**(33,490)**	**(50,528)**	**(62,388)**	**(26,062)**
Profit/(Loss) before income tax	**502,432**	**(129,232)**	**(117,802)**	**390,545**
Income tax expense	(61,259)	7,400	5,213	(149,714)
Profit/(Loss) for the year	**441,173**	**(121,832)**	**(112,589)**	**240,831**
Other comprehensive income:				
Changes in the fair value of equity investments at fair value through comprehensive income	14,470	1,134	3,041	-
Remeasurements of post-employment benefit obligations	345,406	72,515	(254,945)	-
Income tax relating to these items	(48,356)	(10,152)	35,692	-
Total other comprehensive income for the year (net of tax)	**311,520**	**63,497**	**(216,212)**	**-**
Total comprehensive income/(loss) for the year	**752,693**	**(58,335)**	**(328,801)**	**240,831**

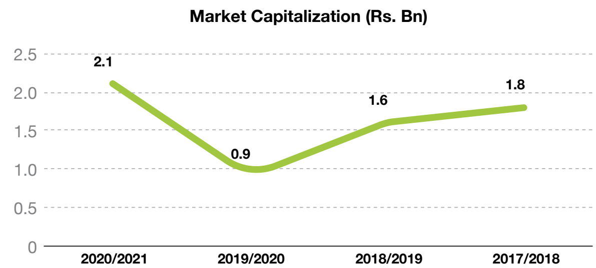
Statement of financial position

	As at 31st March			
	2021	**2020**	**2019**	**2018**
ASSETS				
Non-current assets				
Right-of-use assets	202,264	207,471	106,843	110,918
Immovable estate assets	31,638	42,758	53,878	62,369
Property, plant and equipment other than bearer plants	984,239	995,555	1,042,488	1,153,612
Bearer plants	630,626	592,692	619,528	662,345
Biological assets - consumable	768,158	729,161	700,140	679,356
Equity investments at fair value through other comprehensive income	32,057	17,587	24,686	21,645
Total non-current assets	**2,648,982**	**2,585,224**	**2,547,563**	**2,690,245**
Current assets				
Inventories	590,550	356,016	440,351	678,439
Biological assets-produce crops on bearer plants	18,920	9,254	14,612	19,891
Trade and other receivables	307,909	171,297	233,666	185,688
Short term investment in financial assets	249,843	135,000	-	-
Cash and cash equivalents	357,017	327,072	185,224	255,493
Total current assets	**1,524,239**	**998,639**	**873,853**	**1,139,511**
Total assets	**4,173,221**	**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	1,803,400
Reserve on rearrangement			-	52,798
Reserve on equity investments at FVOCI	21,294	6,824	3,041	-
Retained earnings	401,198	(218,692)	(242,754)	95,457
Total equity	**2,225,892**	**1,591,532**	**1,563,687**	**1,951,655**
Non-current liabilities				
Borrowings	128,717	196,700	50,541	151,878
Lease liability	217,495	214,137	188,664	193,024
Retirement benefit obligation	744,725	1,017,309	1,011,911	661,290
Deferred capital grants	115,051	121,320	127,588	133,857
Deferred tax liability	88,105	49,855	48,606	95,646
Total non-current liabilities	**1,294,093**	**1,599,321**	**1,427,310**	**1,235,695**
Current liabilities				
Borrowings	101,138	141,658	96,277	101,824
Lease liability	1,245	973	4,359	4,191
Trade and other payables	506,619	250,379	322,348	499,794
Current income tax liability	44,234	-	7,435	36,597
Total current liabilities	**653,236**	**393,010**	**430,419**	**642,406**
Total liabilities	**1,947,329**	**1,992,331**	**1,857,729**	**1,878,101**
Total equity and liabilities	**4,173,221**	**3,583,863**	**3,421,416**	**3,829,756**

Cash flow

	Year ended 2020/2021	Year ended 2019/2020	Year ended 2018/2019	Six months ended 2017/2018
Net cash generated from operating activities	556,814	113,730	152,939	488,375
Net cash used in investing activities	(298,269)	(173,565)	(52,965)	(65,122)
Net cash generated from / (used in) financing activities	(193,554)	166,637	(170,243)	(171,494)
(Decrease) / increase in cash and cash equivalents	64,991	106,802	(70,269)	251,759

	2020/2021	2019/2020	2018/2019	2017/2018
OPERATING RATIOS				
Annual turnover growth %	34.7%	3.6%	-13%	0
Profit Growth %	>100%	-8.2%	(>100%)	0
Turnover per employee (Rs.'000)	911	635	571	662
FINANCIAL RATIOS				
Return on equity %	33.8%	-4%	-21%	12%
Current ratio (Times)	2.33	2.54	2.03	1.77
Debt equity ratio (Times)	0.87	1.25	1.19	0.96
Interest cover (Times)	8.18	(1.05)	(0.71)	11.26
Total assets to current liabilities %	16%	11%	13%	17%
Dividend payout ratio	27%	0%	-53%	49%
INVESTOR RATIOS				
Annualised earning per share (Rs.)	1.86	(0.51)	(0.48)	2.04
Price earning share (Times)	4.67	(8.24)	(13.96)	3.82
Dividend per share (Rs.)	0.50	-	0.25	0.50
Dividend cover (Times)	3.73	-	(1.90)	2.04
Market Capitalization (Rs.'000)	2,059,000	994,000	1,585,667	1,846,000
Net assets value per share (Rs.)	9.41	6.72	6.61	8.25



ESTATE HECTARAGE STATEMENT

Area (Ha)	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Tea Mature	4,027.14	4,078.80	4,057.90	4,117.00	4,098.00	4,238.48	4,230.83	4,232.49
Tea Immature	29.95	34.29	51.29	64.74	45.29	82.69	82.65	60.05
Tea	**4,057.09**	**4,113.09**	**4,109.19**	**4,181.74**	**4,143.29**	**4,321.17**	**4,313.48**	**4,292.54**
Fuelwood	991.47	1,068.29	1,079.29	1,027.29	1,058.14	1,065.14	1,388.41	1,495.31
Nursery	12.08	13.08	12.08	12.08	12.08	12.08	14.58	14.58
Other Cultivated Area	123.69	56.69	61.19	45.74	45.74	62.66	59.66	59.66
Other Area	2,022.05	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	**3,149.29**	**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**	**7,206.38**	**7,627.09**	**7,627.09**	**7,629.59**

CROPS AND YIELDS

Production (Kg'000)

Region	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Tea								
Watawala	2,900	2,122	1,797	2,073	1,893	2,489	2,754	2,563
Hatton	4,910	4,011	3,335	3,749	3,459	4,297	4,402	4,388
Lindula	2,151	1,996	1,925	2,088	1,835	2,323	2,881	2,682
Tea	**9,960**	**8,128**	**7,057**	**7,909**	**7,187**	**9,110**	**10,036**	**9,632**

Yield per hectarage (kg)

Region	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Tea								
Watawala	1,448	1,220	1,221	1,329	1,269	1,373	1,533	1,420
Hatton	1,514	1,414	1,469	1,480	1,224	1,441	1,624	1,570
Lindula	1,207	1,229	1,217	1,305	1,152	1,444	1,523	1,415
Tea	**1,371**	**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 2021 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 2021 – 15,817 (as at 31 March 2020 – 15,798).

Public Share Holding

The Percentage of shares held by the public: 11.99% (2019/2020 – 12.07%) held by 15,814 ordinary shareholders (2019/2020-15,796).

	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 0.247 Bn	11.99%	15,814

A). Resident/Non Resident Holders - (Manual) & (CDS)

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	8,363	52.87	3,782,452	1.60	10	0.06	4,514	0.00	8,373	52.94	3,786,966	1.60
1,001 to 5,000	7,128	45.07	13,234,006	5.59	8	0.05	20,300	0.01	7,136	45.12	13,254,306	5.60
5,001 to 10,000	174	1.10	1,326,332	0.56	3	0.02	17,600	0.01	177	1.12	1,343,932	0.57
10,001 to 50,000	95	0.60	2,080,568	0.88	4	0.03	143,473	0.06	99	0.63	2,224,041	0.94
50,001 to 1,000,000	26	0.16	3,898,367	1.65	2	0.01	147,000	0.06	28	0.18	4,045,367	1.71
Over 1,000,000	3	0.02	210,373,508	88.89	1	0.01	1,638,551	0.69	4	0.03	212,012,059	89.58
Total	**15,789**	**99.82**	**234,695,233**	**99.17**	**28**	**0.18**	**1,971,438**	**0.83**	**15,817**	**100.00**	**236,666,671**	**100.00**

B). Institutional/Non Institutional Holders - (Manual) & (CDS)

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	36	0.23	12,600	0.01	8,337	52.71	3,774,366	1.59	8,373	52.94	3,786,966	1.60
1,001 to 5,000	32	0.20	103,874	0.04	7,104	44.91	13,150,432	5.56	7,136	45.12	13,254,306	5.60
5,001 to 10,000	18	0.11	143,219	0.06	159	1.01	1,200,713	0.51	177	1.12	1,343,932	0.57
10,001 to 50,000	12	0.08	249,956	0.11	87	0.55	1,974,085	0.83	99	0.63	2,224,041	0.94
50,001 to 1,000,000	6	0.04	809,456	0.34	22	0.14	3,235,911	1.37	28	0.18	4,045,367	1.71
Over 1,000,000	3	0.02	209,738,844	88.62	1	0.01	2,273,215	0.96	4	0.03	212,012,059	89.58
Total	**107**	**0.68**	**211,057,949**	**89.18**	**15,710**	**99.32**	**25,608,722**	**10.82**	**15,817**	**100.00**	**236,666,671**	**100.00**

Share Trading Information from 1 April to 31 March

	2021	2020
Highest during the period	12.30	8.30
Lowest during the period	3.50	3.80
Closing price	8.70	4.20
No. of transactions	3,990	1,469
No. of Shares traded	35,184,619	158,263,173
Value of Shares traded (LKR)	347,018,312	1,306,297,185

Twenty (20) largest shareholders

		31st March 2021		31st March 2020	
		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	179,034,370	75.65
02	Regency Teas (Pvt) Ltd	29,065,923	12.28	-	-
03	Mr. K.C. Vignarajah	2,273,215	0.96	2,195,945	0.93
04	Deutsche Bank Ag Singapore A/C 2	1,638,551	0.69	1,638,551	0.69
05	Mrs. N. Muljie	552,900	0.23	552,900	0.23
06	Mr. M.I. Abdul Hameed	350,000	0.15	350,000	0.15
07	Mr A.V. Emmanuel	269,689	0.11	-	-
08	Mrs. S. Vignarajah	262,824	0.11	262,824	0.11
09	Union Investments Private Ltd	262,000	0.11	262,000	0.11
10	Mr. H.D.A.D. Perera	200,000	0.08	-	-
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. M.M. Hashim	151,900	0.06	151,900	0.06
14	Mr. M.N.M. Rifkan	140,755	0.06	74,828	0.03
15	Mr. H.H. Gamage	126,214	0.05	-	-
16	Mrs. K.G.M. Pieris	125,900	0.05	125,900	0.05
17	Mr. D.C.D.L.S.D. Perera	115,000	0.05	115,000	0.05
18	Mr. D.W.G. Ponweera	113,858	0.05	107,873	0.05
19	Al-Haj S.M.M. Hussain Charitable Trust	100,000	0.04	100,000	0.04
20	Mr. M.M. Hashim	100,000	0.04	100,000	0.04
	Sub total	**215,213,856**	**90.91**	**185,402,848**	**78.33**
	Others	**21,452,815**	**9.09**	**51,263,823**	**21.67**
	Grand total	**236,666,671**	**100.00**	**236,666,671**	**100.00**

Share trading information-last three years

	2021	2020	2019
Highest during the year	12.30	8.30	8.70
Lowest during the year	3.50	3.80	6.50
As at 31 March	8.70	4.20	6.70
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

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 fourth (4th) 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 Friday, the 24th September 2021 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 fourth (4th) Annual General Meeting of the Company will be held by way of electronic means on 24th September 2021 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 2021 with the report of the Auditors thereon.
2. To propose the following resolution as an ordinary resolution for the appointment of Mr. U H Palihakkara who has reached the age of 78 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 78 years prior to this Annual General Meeting and that he be re-appointed"

3. To re-elect Mr. G D Seaton as per Article 30(1) of the Articles of Association.
4. To re-elect Mr. H D A D Perera as per Article 28(2) of the Articles of Association.
5. To re-elect Mr. W L P Wijewardena as per Article 28(2) of the Articles of Association.
6. To re appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) and authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine contributions to Charities.

By order of the Board

Corporate Advisory Services (Pvt) Ltd
Secretaries, Hatton Plantations PLC
Colombo
25th August 2021

Notes:

1. Below mentioned documents can be now downloaded via the corporate website **http://hattonplantations.lk/financial-data/HPL_AGM_2020-2021.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

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

………of ……………………………………………………………………………………………………or failing him, Mr. G D 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 fourth (04th) Annual General Meeting of the Company, to be held on 24th September 2021 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 2021 with the report of the Auditors thereon.	◯	◯
2. To pass an ordinary resolution to re-appoint Mr. U H Palihakkara who has reached the age of 78 years, as a Director.	◯	◯
3. To re-elect Mr. G D Seaton as per Article 30(1) of the Articles of Association.	◯	◯
4. To re-elect Mr. H D A D Perera as per Article 28(2) of the Articles of Association.	◯	◯
5. To re-elect Mr. W L P Wijewardena as per Article 28(2) of the Articles of Association.	◯	◯
6. To re-appoint Messrs. PricewaterhouseCoopers (Chartered Accountants) as Auditors of the company authorize the Directors to determine their remuneration.	◯	◯
7. To authorize the Directors to determine contributions to Charities.	◯	◯

Dated this …………………..day of ………………………2021

……………………………......
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 22nd September, 2021. 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.

CORPORATE INFORMATION

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 5414PQ

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 Jul 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. Damascene Perera - Non-Executive Director
(Appointed on 15th January 2021)

Mr. Lucille Wijewardena - Non-Executive Director
(Appointed on 15th January 2021)

REGISTERED OFFICE
No. 168, 2nd Floor, Negombo Road, Peliyagoda.
Tel. Nos. +94 11 4537700
Fax No. +94 11 4537701
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 2695782, Fax : +94 11 2695410

REGISTRARS
Secretaries & Financial Services (Pvt) Ltd
No. 158, Stanley Thilakarathna Mawatha, Nugegoda.
Tel : +94 11 2822129, Fax : +94 11 2099828

AUDITORS
PricewaterhouseCoopers (Chartered Accountants)
No. 100, Braybrooke Place, Colombo 02.
Tel : +94 11 7719700, Fax : +94 11 2303197

TAX CONSULTANTS
KPMG, Chartered Accountants.
No.32A,, Sir Mohamed Macan Markar Mw, Colombo 03.
Tel : +94 11 5426426, Fax : +94 11 2445872

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

Hatton Plantations PLC

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