

Good to
grow



HORANA PLANTATIONS PLC
ANNUAL REPORT 2020/21



At Horana Plantations we are driven by undeterred determination and remarkable resilience; inherent values that enabled us to achieve commendable performance and growth even as we faced the debilitating impact of the pandemic on the agriculture sector.

In the year under review, your Company realigned systems and processes to maintain steady operations through time-tested principles within a competitive and fast-changing business environment.

As we move forward with hopes of empowering and enriching the lives of many, this report is a testament to how we are positioned to grow as we step into a future of infinite possibilities. Today as we welcome many new challenges that lie ahead — we are confident that we will continue to stand the test of time through any eventuality.

Horana Plantations — we're ready for the future, we're good to grow.

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About Horana Plantations



Incorporated in 1992, Horana Plantations PLC (HPL) was listed on the main board of the Colombo Stock Exchange in 1996. Since then the Company has grown to be one of Sri Lanka's premier Plantation Companies and has diversified into a broad-based agribusiness entity specialized in production, processing and marketing.

The Company manages 15 estates covering over 6,519 hectares of land primarily cultivated with Tea and Rubber on land leased by the Government of Sri Lanka for a period of 53 years. More recently the company diversified into Oil Palm and at present is in the process of commercially increasing its foot print on the plantation of coconuts. We provide direct employment to 4,837 workers in our plantations and cares for over 29,706 people.

The Company's fifteen estates are spread primarily in Nuwara Eliya and Kalutara districts of Sri Lanka. Horana Plantations has an annual production of 3 Mn Kg of Tea, 1 Mn Kg of Rubber and 1.5 Mn Kg of Oil Palm.

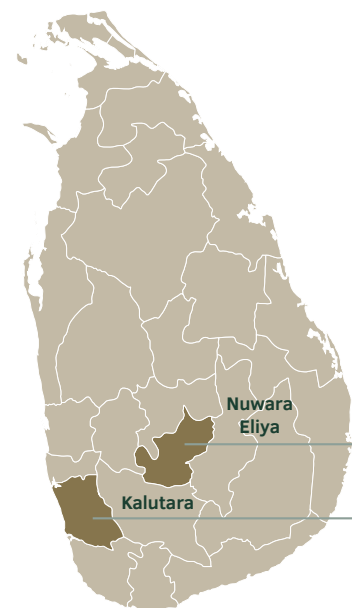
HPL's six ISO 2200:2018 FSMS certified Tea processing centres are situated in the high elevations of the central hills, renowned for its unique character and flavour and is sought after by many tea connoisseurs around the world. Our processing centre in the low country produces orthodox leafy low grown tea and is sought after by a selected clientele.

Reinforcing our commitment to be a world class producer of sustainable Rubber, our two sole crepe processing centres are ISO 9001:2015 Quality Management Systems, Forest Stewardship Council TM and Fair Rubber certified and produce coloured sole crepe to niche shoe producers.

HPL has benched marked many international and locally acclaimed best practices for its sustainability. Plantations have been certified with Rainforest Alliance, Ethical Tea Partnership, Fair Trade, ISO 14001: 2015 Environment management systems, GHG Inventory verification (carbon foot print), and we are honoured by the gold status of climate neutral now initiatives by UNFCCC.

Horana Plantations PLC is a public quoted limited liability company and its shares are listed in the Colombo Stock Exchange bearing the stock symbol HOPL. The Company is a subsidiary of Vallibel Plantation Management Ltd.

The Company is managed by Hayleys PLC, the most diversified and largest listed business conglomerate in Sri Lanka.



Non Financial Highlights

NEW REVENUE STREAMS	
274 Ha Oil Palm	519 Ha Timber Forestry
135 Ha Cocount	185 Ha Other Crops



EMPLOYEES BY GENDER
2,849 Female
2,046 Male



PRODUCTION VOLUME

2,551,709 Kg Tea
872,552 Kg Rubber



EXISTING REVENUE STREAMS
1,991 Ha Tea
1,166 Ha Rubber



6,519 Ha	
NUMBER OF ESTATES	
15	
8 Up Country	7 Low Country



RESIDENT POPULATION
29,706

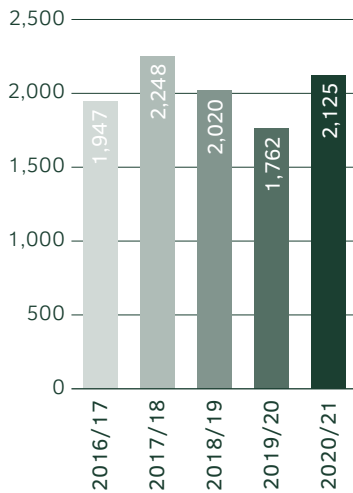
Total Extent

29.4 Mn Litres Effluent Discharged	2.3 Mn Kwh Energy Consumed	3,331 Tonnes of Co _{2e} GHG Emission from Operation
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Financial Highlights

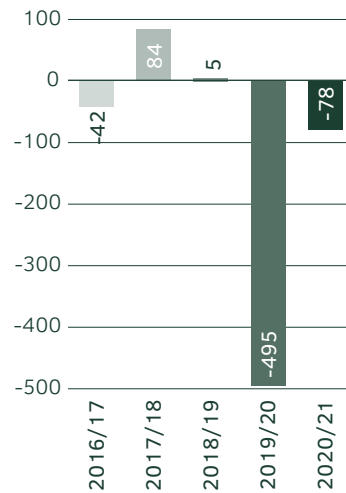
REVENUE

Rs Millions



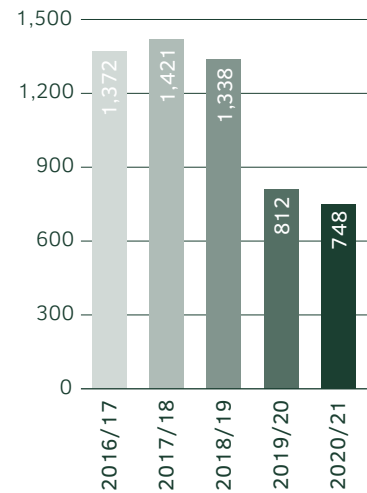
PROFIT AFTER TAX

Rs Millions



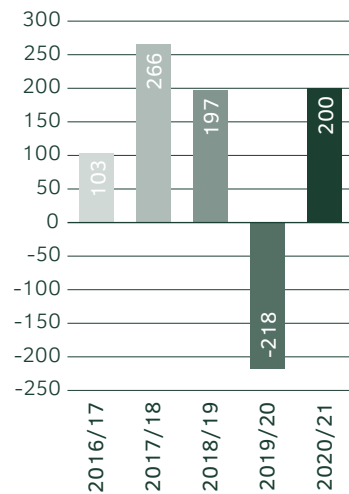
SHAREHOLDERS' FUNDS

Rs Millions



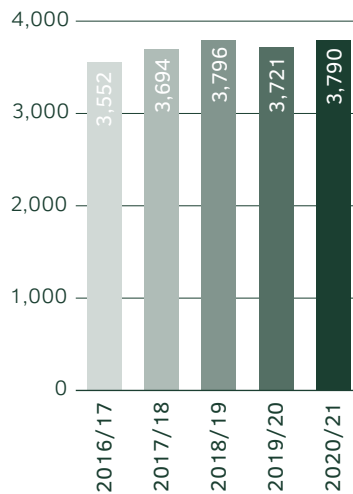
GROSS PROFIT

Rs Millions



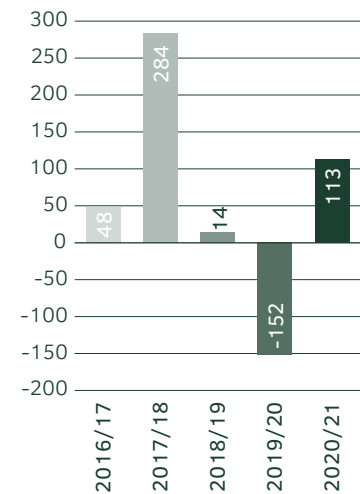
TOTAL ASSETS

Rs Millions



OPERATING CASH FLOW

Rs Millions



Rs. **2,125** Mn

Revenue



Rs. **200** Mn

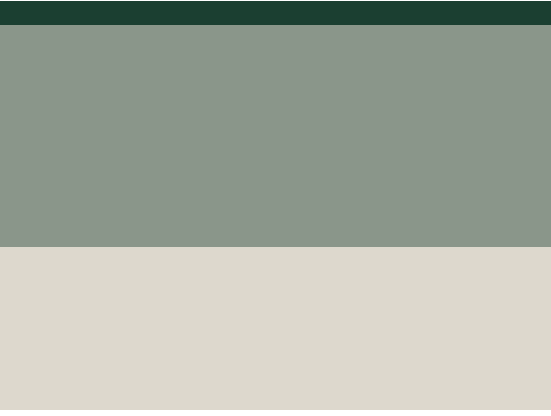
Gross Profit



Rs. **3,790** Mn

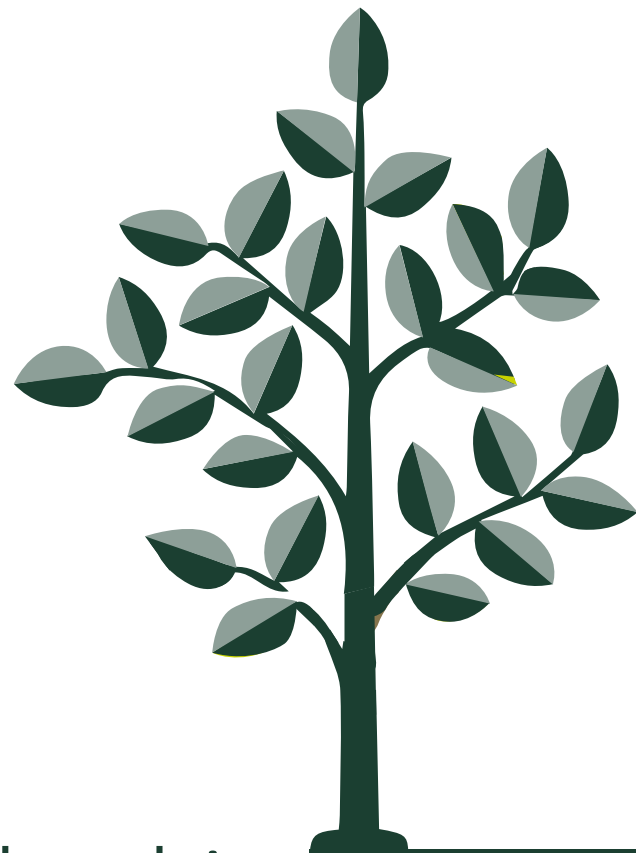
Total Assets

For the Year ended 31st March	2021	2020	Change
	Rs'000	Rs'000	%
Financial Performance			
Revenue	2,125,306	1,762,154	20.6
Gross Profit	200,455	(217,542)	<100
Profit from Operations	60,830	(324,002)	<100
Net Finance Expenses	(136,960)	(146,373)	6.4
Loss before Taxation	(76,130)	(470,375)	83.8
Tax Expense	(1,742)	(24,494)	92.9
Loss after Taxation	(77,872)	(494,868)	84.3
Other Comprehensive Income/(Expense)	10,833	(18,155)	<100
Total Comprehensive Income/(Expense)	(67,039)	(513,023)	86.9
Financial Position			
Shareholders' Funds	747,810	811,578	(7.9)
Borrowings	1,786,861	1,694,579	(5.4)
Total Liabilities (excluding Borrowings)	1,254,865	1,215,237	(3.3)
Total Assets	3,789,536	3,721,394	1.8
Cash Flows			
Operating Activities	113,363	(152,283)	<100
Investing Activities	(173,706)	(160,955)	(7.9)
Financing Activities	375,350	99,219	<100
Total Net Cash Inflow/(Outflow)	315,007	(214,019)	<100
Cash & Cash Equivalents at the end	(269,613)	(584,619)	53.9
Key Indicators per Ordinary Share			
Loss per Share (Rs.)	(3.11)	(19.79)	84.3
Market Value per Share (Rs.)	23.20	17.00	36.5
Dividend per Share (Rs.)	-	-	-
Net Assets per Share (Rs.)	29.91	32.46	(7.8)
Price-Earnings Ratio (times)	(7.45)	(0.86)	<100
Earnings Yield (%)	(13.43)	(116.44)	88.5
Key Ratios			
Current Ratio (times)	0.43	0.27	59.26
Interest Cover (times covered)	0.44	(2.21)	<100
Revenue to Capital Employed (times)	0.84	0.70	19.3
Property, Plant & Equipment to Shareholders' Funds (times)	0.48	0.43	11.6
Gross Profit Margin	9.43	(12.35)	<100
Operating Profit Margin	2.86	(18.39)	<100
Net Profit Margin	(3.66)	(28.08)	87.0
Return on Equity (%)	(10.41)	(60.98)	82.9
Return on Capital Employed (%)	2.40	(12.93)	<100
Gearing (%)	70.50	67.62	(4.3)
Equity to Total Assets (%)	19.73	21.81	(9.5)



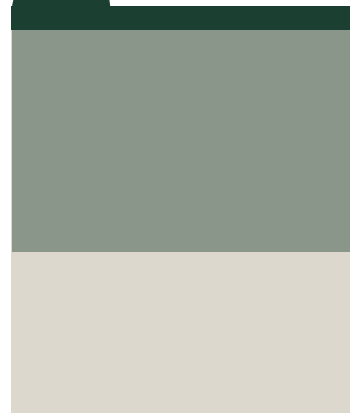
MADE TO MEASURE





Leadership

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Chairman's Message



As I look back on the financial year 2020/21, I see that it was one of the toughest years in the course of recent times, not only for us at Horana Plantations (HPL), but also for the entire nation in view of the COVID – 19 pandemic and a confluence of other prevailing challenges.

This financial year tested our resilience and the ability to withstand overwhelming odds that occurred in the form of periodical lockdowns, the spread of the virus that threatened our manpower, continued impacts of climate change and industrial disputes. These challenges called for strength and strategic impetus from your company to seek growth. However, timely and appropriate innovative mitigating measures that we adapted, enabled the Company to

The Company's revenue from Rubber increased by

Rs. 134 Mn,

due to enhanced production volume and higher auction prices. ▶

reinstated an upward growth trajectory during the year under review. As such, your company is placed in an ideal position to pursue value creation for all stakeholders, as indicated by the theme of this year's Annual Report 'Good to Grow'.

As we conclude this challenging financial year, I am pleased to recap the financial and non-financial details of the year, and present the future direction of your company.

Financial Performance

During the year under review, HPL's overall revenue increased by Rs 363 Mn recording a growth of 21 percent in comparison to the previous financial year in view of increased tea and rubber prices as well as the Company's value added rubber crop, which largely contributed to increasing revenue from rubber. The Company's gross profit increased by Rs 418 Mn recording a growth of 192 percent

2020/21

The Company recorded a GP growth of

192%

compared to the previous financial year, as a result of enhanced labour productivity and prudent cost controls.



The Company actively sought viable solutions to environmental and socioeconomic challenges.



Timely and appropriate innovative technologies enabled the Company to reinstate an upward growth trajectory.

compared to the previous financial year as a result of enhanced labour productivity and prudent cost controls. The Company's loss before tax stood at Rs 76 Mn as at March 31, 2021, resulting in a decrease by Rs 417 Mn, indicating a decline of 84 percent in comparison to the previous financial year.

The Impact of COVID – 19

The impact of COVID -19 pandemic on the Company remains multi-faceted. The countrywide lockdown that took place in the first quarter of the year 2020/21, mandated social distancing measures, and restrictions on local travel and closing of borders internationally, had a converging negative impact on the Company. Pandemic restrictions hampered production in the rubber sector and the tea sector, to a lesser extent.

Moreover, decreased economic activities worldwide due to pandemic affected export order volume. The restrictions on public transport along with lockdowns that were imposed on different localities in the country complicated allocation and hiring of workers, which in turn affected production. As some of our plantations were located in areas that came under lockdown restrictions from time to time, we were forced to halt operations for the duration of travel restrictions, which adversely affected our production volume.

Meanwhile, we took appropriate measures to ensure the safety of employees across all levels of the organization. The Company implemented COVID – 19 safety protocol at all organizational workplaces including plantations in line with guidelines stipulated by local authorities as well as the World Health Organization. The Company's human resources strategy continues to increase awareness amongst

employees and provide necessary amenities to curtail the spread of the virus.

Challenging Year

In addition to the challenges brought forth through the prevailing global pandemic, we faced numerous other industrial challenges during the year under review.

Effects of Climate Change continued to negatively impact the Company's production capacity. Erratic weather patterns hampered both rubber and tea cultivation.

While the combination of low production, and short lived panic buying drive propelled by the pandemic had a positive impact on average prices, currency devaluation, fall in crude oil prices and low economic activities in most tea importing countries contributed to a decrease in tea export earnings.

Nevertheless, the Company's revenue from tea increased by Rs 165 Mn indicating a 12 percent growth in comparison to the previous financial year. Gross Profit from tea increased by Rs 333 Mn indicating a growth of 179 percent.

'The leaf fall' disease, caused by a fungus commonly known as PESTA negatively impacted the rubber industry. However,

the Company's revenue from rubber increased by Rs 134 Mn indicating a growth of 51 percent compared to the previous financial year. Gross profit from rubber increased by Rs 67 Mn, recording a growth of 133 percent in comparison to the previous financial year.

During the year under review, HPL gradually diverted into the process of adding value to its rubber production. The Company succeeded in re-establishing a preferred and extensive client base with the re- introduction of manufacturing many variants of sole crepe and smoked rubber sheets, after a lapse of over ten years and by maintaining diversity of value added certified processed rubber, a fact that augurs well for viable growth in the rubber sector.

Even though, we witnessed certain policy changes that required the cessation of oil palm cultivation during the latter part of the year, the Company's revenue from oil palm increased by Rs 23 Mn, indicating a growth of 51 percent when compared to the previous financial year.

Building a Sustainable Business

Remaining true to HPL's sustainability endeavours, we continued to invest in our core crops, replanting, and mechanization of harvesting and automation of processing tea. In view of the market upturn of rubber, we revisited

“We are focused on diversifying our crops, increasing employee productivity, improving technological capacity and performing in-depth research into sustainable growth tools.”

Chairman's Message

consolidating our revenue generation and profitability through closely managing and monitoring productivity and enhancing production with higher yield techniques; such as rain guards to protect the rubber tapping process.

Moreover, we invested in coconut, a lucrative product in the local market. We also looked in to increasing our exposure in timber along with cinnamon and other minor crops. The Company engaged with the Community by way of joint ventures to replant coconut.

The Company's investments in training and development will contribute to reducing cost of labour in the short, medium and long term.

Consolidating Sustainability

In spite of the uncertainty that prevailed and numerous obstacles, your company continued its consolidation on sustainability of operations and resources. In line with this priority, we actively sought viable solutions to environmental and socioeconomic challenges. HPL bases its environmental model on a strong foundation of regulatory compliance and adaptation of industry best practices in agro-management systems. Accordingly, the Company has obtained key international certification from renowned international environmental bodies including the Rain Forest Alliance, Forest Stewardship Council™, Fairtrade and International standard Organization. At present, the Company has succeeded in obtaining 14 environmental and quality certificates from recognized global institutes.

Moreover, we conduct ongoing programmes to involve employees and communities in managing and protecting

natural resources, and preserving the pristine environment of all plantations.

As such, we remain committed to maintaining a scientific approach to habitat enrichment to potentially enhance the integrity of biodiversity, environmental and economic value of all plantations.

Future Outlook

The plantation industry faces a daunting task in maintaining its sustainability of operations and viability in face of the newly enforced mandatory estate worker wage increments without any link to productivity.

Even at the global level, the plantation industry is currently going through a paradigm shift. The dawning new age calls for innovation, adaptation of new strategies, and increased reliance on technology. As such, we will continue to focus on the crop diversification strategy, increasing employee productivity, improving technological capacity and in depth research into sustainable growth tools.

As we operate in a heavily labour dependent industry, HPL considers social capital along with natural capital to be fundamental driving forces of long-term success. Mindful of this fact, HPL will increase focus on nurturing both social and natural capital in the near future.

Overall, HPL's growth strategy fundamentally pivots on understanding market realities, comprehending the challenges of climate change and adopting pertinent strategies. And, we have already laid the groundwork to act accordingly and evolve with the changing tides.

Acknowledgment

Mr. L J A Fernando resigned from the Director Board on May 19, 2020. I take this opportunity to express my gratitude to him for his service to the Company, and wish him all the best in his future endeavours. Mr. S M Liyanage was appointed to the Board as a Non-Executive Director on May 19, 2020. I wish him all the best in his new role.

The year 2020 proved to be one of the most challenging years that HPL had to navigate. The Company proved to be resilient amidst even overwhelming obstacles. The success that we achieved during the year would not have been possible without the commitment, skills and strong work ethics of our people. As such, I wish to express my sincere gratitude to the Board of Directors for their prudent and inspiring guidance. I would also like to express my heartfelt gratitude to our management team, estate managers and employees for their perseverance, enthusiasm and support. I am sincerely grateful to our shareholders for their consistent trust and support.

Let us continue to grow in the same spirit of resilience and strategic thinking that served us well during this year.



A M Pandithage
Chairman

04th May 2021

Managing Director’s Review



“Climate change, a pandemic and economic uncertainties affected the plantation industry immensely. However the Company is adopting market sensitive, futuristic and sustainable strategies.”

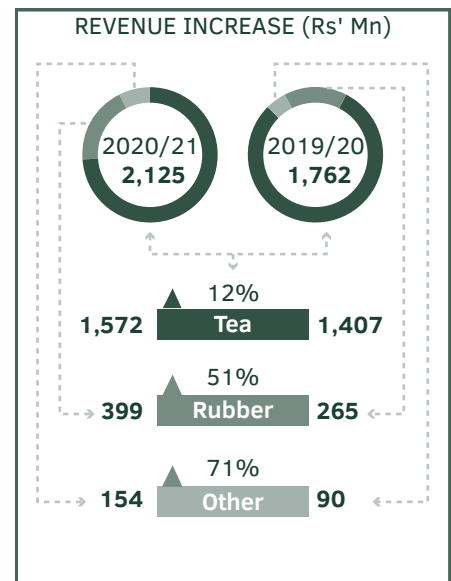
The financial year 2020/21 presented a complex set of challenges, which required Horana Plantations PLC (HPL) to revisit strategies, intensify focus on innovation and diversification and remain resilient in the face of unprecedented challenges.

The year under review will go down in recent history as one of the toughest in view of multiple obstacles including the COVID – 19 pandemic to begin with and the year ended with a pay rise for workers.

Repercussion of climate change, currency devaluation, adhoc policy changes, shifting market trends and spillover effects of low economic activities in most importing nations were additional issues that the industry had to navigate. Nevertheless, during the year under review, Horana Plantations PLC prevailed against all odds, armed with far-sighted strategies and timely adaptation of business practices to build a strong foundation to ensure sustainable growth.

Company Performance

During the year under review, HPL recorded an increase in revenue by Rs 363 Mn, indicating a growth of 21 percent year on year. HPL’s Gross Profit grew by Rs 418 Mn indicating a rise of 192 percent. The Company’s profit from operation (EBIT) increased by Rs 385 Mn illustrating a growth rate of 119 percent year on year. The Company succeeded in decreasing loss before tax by Rs 417 Mn, marking a decline of 84 percent. HPL’s loss before tax for the year 2020/21 stood at Rs 76 Mn against the previous year’s loss of Rs 470 Mn.



The strategic drive adopted during the past year as well as prudent business approaches implemented within the year under review, propelled this commendable performance, laying a robust foundation for future growth, in line with the theme of this year’s Annual Report ‘Good to Grow’.

Managing Director’s Review

Tea Sector Performance

HPL’s tea sector increased revenue by Rs 165 Mn, indicating a year on year growth of 12 percent. Gross Profit from the tea sector increased by Rs 333 Mn illustrating a growth of 179 percent when compared to the previous year. A combination of factors contributed to the strong performance, including the rise of tea prices at the Colombo Tea Auctions which recorded the highest ever national average for the year at Rs 631.56. In addition, the Company’s own strategic drive which resulted in increased productivity, effective cost management, automation of factories, mechanization of harvesting and high level of training provided during the year further contributed to revenue growth and resilient performance.

The Company’s tea volume rose by 110,096 Kgs indicating an increase of 5 percent in comparison to the previous financial year, while tea yield increased by 63 kg per hectare, a rise of 5 percent year on year, in spite of the obstacles faced.

Net Sales Average (NSA) of tea rose by Rs. 93/- per kg illustrating a growth of 18 percent in comparison to the previous financial year, while the cost of production

(COP) declined by Rs 15 per kg, recording an improvement of 3 percent year on year.

HPL’s tea sector achieved this praiseworthy performance amidst a myriad of industrial and socio-economic challenges. Sri Lanka’s tea industry shifted from the traditional tea auctioning practice to a system driven digital platform on 04 April 2020 in response to the island wide lockdown. The first few online auctions had challenges. However, through continued improvement and adjustments from all parties involved, the system proved to be a success that not only solved the issue of safety and well-being of participants but also ushered the industry into the era of an industrial revolution.

Driven by climate change, unpredictable weather patterns however posed and continue to pose more dire challenges not only to the tea sector but also to the plantation industry. During the year under review, prolonged droughts experienced in early 2020 negatively impacted tea production volumes.

Currency values of a number of tea importing countries experienced adverse impacts of the depreciation of the US dollar along with other macroeconomic developments. Export volume of tea in turn experienced a downturn further aggravated by the lower buying power of some importing countries.

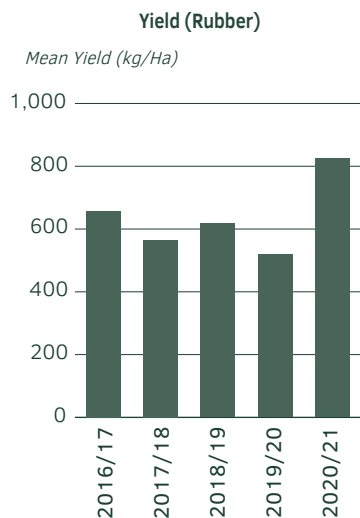
Rubber Sector Performance

HPL’s rubber sector recorded a revenue growth by Rs 134 Mn indicating a rise of 51 percent in comparison to the previous financial year. Gross profit from rubber increased by Rs 67 Mn, illustrating a growth of 133 percent. The increase in revenue generation occurred in view

of higher auction prices driven by the increase in the production of rubber based products in Sri Lanka such as gloves and tyres. In addition, the Company’s own initiatives to increase production volume and offer value added rubber products played an integral role in the strong performance that occurred during the year.

During the year under review, the Company intensified focus on harvesting and invested in rain guards to continue rubber tapping even in rainy weather. This contributed to an increase of volume in rubber production by 279,045 kg, indicating a growth of 47 percent. Rubber yield for the year increased by 306 kg per hectare ending the year with a yield of 825 kg per hectare, posting a growth of 59 percent in comparison to the previous financial year.

HPL strategically diverted from selling raw latex rubber and started adding value to its rubber production by maximizing its available resources. Accordingly, the Company manufactured an array of sole crepe, pale crepe and ribbed smoke



sheets to order from many reputed buyers. This allowed the company to increase NSA by Rs 76 per kg, indicating a growth of 27 percent year on year. Meanwhile, with many cost saving initiatives set in motion, the production cost in the rubber sector dropped by Rs 96 per kg, marking an improvement of 18 percent over the previous year.

The lockdown implemented during March and April of 2020 disrupted the rubber sector, while the subsequent regional lockdowns too hindered production. Coupled with these challenges stemming from the pandemic situation, the rubber sector experienced yet another setback in the shape of the PESTA ‘leaf fall’ disease.

Nevertheless, the Company successfully managed both challenges in a timely and pragmatic manner to pursue growth.



Oil Palm Sector Performance

Revenue from the Company’s Oil Palm sector increased by Rs 23 Mn recording a growth of 51 percent compared to the previous year. Oil Palm sector yielded gross profits amounting Rs 35 Mn recording an increase by Rs 18 Mn (97 percent). The volume of Oil Palm

production increased by 273,750 kg, indicating a growth of 26 percent in comparison to the previous financial year. The strong performance in the Oil Palm sector stemmed from high market prices as well as yield improvement experienced within the year.

Annual yield from Oil Palm increased by 1,122 kg per hectare marking a growth of 11 percent year on year. The Nest Sales Average (NSA) of Oil Palm increased by Rs 9 per kg recording a growth of 20 percent in comparison to the previous financial year.

The ban on Oil Palm cultivation has created a problematic status quo to the entire plantation industry. The government, industry stakeholders and civil society should seek to arrive at a more fact-based, viable solution to the current dilemma.

Diversified Crop Sector Performance

HPL’s diversified sector continued to yield positive results with revenue from coconut increasing by Rs 4 Mn from the previous financial year, indicating a growth of 52 percent. The Company’s promising performance in coconut cultivation during the year stemmed by low crop due to unfavourable weather conditions.

Revenue from cinnamon increased by Rs 1.5 Mn recording a growth of 36 percent in comparison to the previous financial year.

HPL invests in diversified crops in line with the Company’s drive to create long term value for stakeholders through responding prudently to current market and climate change realities. HPL has taken a strategic decision to reinforce focus on coconut cultivation, a lucrative crop with local

demand. Accordingly, the Company planted coconut plants in 30 hectares of land, in spite of pandemic restrictions.

Meanwhile, HPL earned revenue of Rs 58 Mn from the sale of trees during the year under review, posting an increase of Rs 39 Mn (200 percent) in comparison to the previous financial year. Gross profit from the sale of trees stood at Rs 18 Mn recording an increase by 16 Mn, indicating a growth of 601 percent year on year. The Company also invested Rs 9 Mn on managed forests during the year.



Biological Assets

The Company made substantial investments to the biological asset base during the year under review. HPL’s biological assets make up 74 percent of the Company’s total assets.

A large number of tree species amongst the Company’s consumable biological assets consist of Eucalyptus grandis, Robusta, Alstonia, Acacia, Mahogany and Albizia. A lesser number of consumable biological assets consist of Toraliana, Tuna, and Micro trees.

In addition to maintaining tea immature areas, the Company replanted an extent covering 5 hectares of land.

As such, during the year under year, HPL invested Rs 17 Mn on tea, while the investment on rubber stood at Rs 27 Mn. The Company invested Rs 71 Mn on diversified crops.

Managing Director’s Review



Coconut Planting - Neuchatel Estate

Gearing to Tackle Challenges

As discussed in the beginning, the plantation industry is at a critical juncture of evolution. Climate change, COVID – 19 pandemic, global scale economic uncertainties, pressure from inconsistent policy changes will continue to test HPL’s ability to withstand challenges. As such, preparing the groundwork to adopt a market sensitive, futuristic and ultimately sustainable strategy is of the utmost importance.

Working Towards Sustainable Growth

Imminent threat from climate change and changing consumer perceptions are two key reasons besides our own ethical concerns which call the entire plantation industry to pave the way for a more environmentally, economically and socially sustainable future.

In view of this, HPL is well geared to address ongoing and future challenges.

The Company adheres to an environmental model that complies with national environmental regulations and follows best practices in international standards and agro management systems.

HPL continues to ally with renowned and respected international bodies as the Rain Forest Alliance, Forest Stewardship

Council, Fair Trade, Fair Rubber and International Standard Organization to ensure environmental sustainability.

HPL’s upcountry tea estates are certified under Rainforest Alliance. Accordingly, the Company’s upcountry tea estates remain committed to preserving and enhancing tropical biodiversity within the plantations. HPL’s habitat restoration project nurtures a number of environment preservation action steps; including protecting existing forest patches, diversification of forestry patches, re-vegetation of underutilized and unutilised lands, developing home gardens as a refuge for native flora and fauna and establishment of habitat corridors along river banks.

In addition, HPL together with 5 other nearby plantations maintain a peak ridge forest corridor to connect two prongs of the peak wilderness forest reserve to protect leopards that inhabit the upcountry tea region.

HPL’s low country estates follow Forest Stewardship Council (FSC) principles, in line with the Company’s commitment to protecting the natural ecosystem in the region.

HPL focuses on food safety of its products by ensuring Good Agricultural Practices and Good Manufacturing Practices, whilst being an ethical business partner in the industry. Moreover, the Company obtained ISO 22000: 2018/HACCP FSMS accreditations for its tea processing centres.

Further, HPL follows sustainable guidelines stipulated by Fair Trade Certification (FLO), and maintain sound, eco-friendly farm management practices.

During the year under review, Neuchatel and Frocester Estates received the ISO 9001:2015 /QMS Certification, which provides international standard guidelines to uplifting the quality management process.



The mark of responsible forestry



GHG Inventory Verification (Carbon Footprint)

During the year under review, HPL Obtained GHG Inventory verification certificate for its upcountry tea estates from Sri Lanka Climate Fund managed by the Ministry of Environment. Accordingly, HPL became the first regional plantation Company in Sri Lanka to obtain carbon emission verification for 2020/21. The Company develops and improves the carbon management strategy and identify new opportunities for carbon reduction. The total GHG emission of Horana Plantations upcountry estates for the year 2020 was 3,331 tones CO2/year.

The Company plans to reduce 5% of carbon emission by next financial year by practicing following strategies;

- Installing roof top Solar PV systems on Factories
- Switching to LED bulbs
- Reduction of Chemical Fertilizer Usage
- Reopening the Hydropower project at Fairlawn Estate
- Installing of Variable Frequency Drivers (VFD) to withering troughs
- Rainwater Harvesting projects

ISO 14001:2015/ Environmental Management Systems Certification

HPL's Gouravilla Tea Processing Centre obtained ISO 14001: 2015 Certification during the year via the UKAS Accreditation services, effectively becoming the first HPL estate to possess accreditation for Environment Management Systems.



Compost Project - Bambrakelly Estate



Rain Water Harvesting - Alton Estate



Vermicast - Mahanilu Estate

GREENHOUSE GAS VERIFICATION OPINION
 Sri Lanka Climate Fund
 Ministry of Environment

Organization Name: (Client) Horana Plantations PLC
 No. 400, Deans Road, Colombo 10.

Compliance with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance.

Opinion No: SLCF/01/04/19
 Date of Issue: 29.03.2020
 Period of Assessment: 01.01.2020 - 31.12.2020
 Selected Boundary: Operationally controlled business operations of Gouravilla, Suburban, Alton, Fairlawn, Mahanilu, Bambrakelly, Fikson Hill and Tillyclay estates.

Direct GHG Emissions: 1,268 tonnes of CO₂ equivalent
 Indirect GHG Emissions: 1,461 tonnes of CO₂ equivalent
 Total GHG Emissions: 2,729 tonnes of CO₂ equivalent

SLCF Executive Officer
 Sri Lanka Climate Fund

Certificate of Registration

The certificate has been awarded to:

Gouravilla Tea Factory, Horana Plantations PLC
 Gouravilla Estate, Uppuwa, Mahaleya, 22071, Sri Lanka.

In recognition of the organization's performance, it is registered to the following:

ISO 14001:2015

The scope of activities covered by this certificate is defined below:

Manufacture of Black Teas

Code of Unit of Measurement	Value	Unit of Measurement	Quantity
Number of Units	1	Number of Units	1
Number of Units	1	Number of Units	1
Number of Units	1	Number of Units	1

The valid registration for the above activities is subject to the organization's compliance with the requirements of the standard.

Issued by: UKAS
 Issued on: 29.03.2020
 Valid until: 28.03.2023



Managing Director’s Review



Tree Planting Programme with School Children

In addition to ensuring environmental sustainability, HPL continues to develop human capital through providing periodical and timely training and skill development opportunities. Further, the Company works tirelessly towards ensuring the health and safety of all employees including plantation workers and their families.

curtailing the spread of the virus within plantations. The Company monitors the situation closely and takes appropriate measures in a timely manner to further ensure the well-being of all stakeholders.



Awareness Programme



Social Distance of work place

In response to the COVID – 19 pandemic, HPL introduced a number of measures designed to curtail the spread of the disease and protect its employees. The Company’s prudent decision to allow plantation workers and their families to stay within the safety of their communities, while the Company provided necessities in compliance with COVID safety regulations, proved to be useful in



Sanitization Programme



Providing Dry Ration



Covid-19 Preventive Team

3 GOOD HEALTH AND WELL-BEING



Human Capital Development

All employees including plantation workers are a pivotal aspect of growth. Mindful of this fact, the Company consistently invests in its people and their well-being. HPL practices an accommodating and non-discriminatory HR policy framework. The Company strives to maintain a gender diverse employee base and refrains from employing anyone who is under-age.

Aiming to ensure employee well-being across the plantations, HPL conducts periodical committee meetings with worker representatives to understand and address issues and complaints. The meetings provide insights into

performance records of estate workers and allow the Company to maintain an up to date registration base of all workers.

Further, HPL uses 5 key value drivers namely; 'zero anemia', '100% attendance', 'creating a better future for families', 'healthy lifestyle and better nutrition', and 'clean homes and workplaces' to enhance estate worker well-being and develop Human Capital. The Company is at present engaged in a drive to implement the 5 values across the organization. HPL also provides transport to all employees during any emergency situation. In line with the Company's overall focus on employee well-being, HPL operates Child Development Centres (CDCs) to provide

safe spaces for young children of workers. Adults in families are encouraged to join the workforce and all estate workers are protected through a robust framework of HR policies designed in line with the Company's sustainable business model.

HPL's Human Capital development model falls in tandem with its sustainable development goals. As part of this agenda, HPL consistently works towards improving the quality of life of all employees. The Company maintains segregated restrooms (male and female) across all divisions and factories. The Company manages social clubs for children, elders and the youth which serves to impact their lives in a positive manner. In addition, those that already receive a pension payment are encouraged to earn additional income by working for payment as tea harvesters.

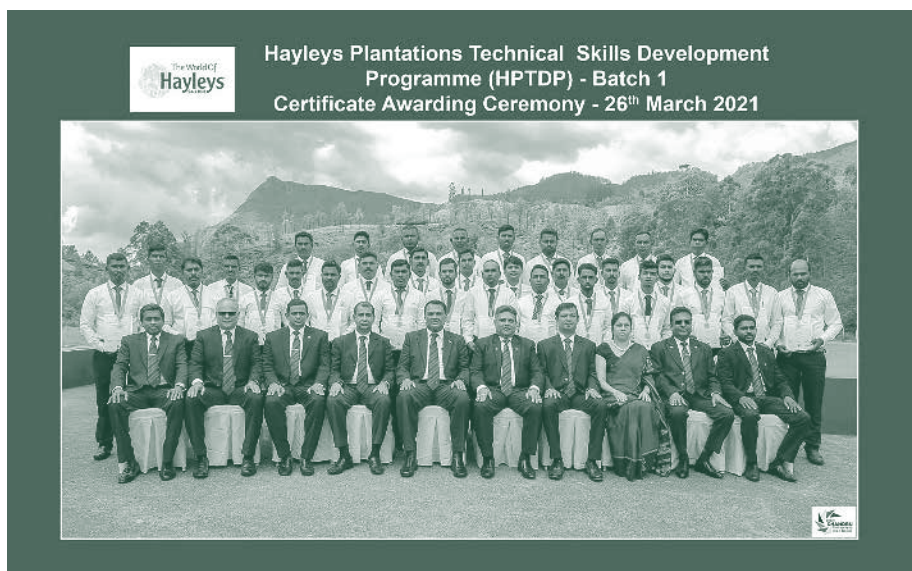
HPL's Revenue Share Model (RSM) encourages tea pluckers to harvest in designated blocks to improve their Monthly Income. RSM was initially introduced by Hayleys Plantations Management, while HPL implemented this model. RSM has been well-received by workers resulting in improved productivity and healthy employee earnings.

During the year under review, HPL focused on the 'Home for every worker' initiative. At present, 64 percent of workers have become homeowners. Each year, HPL releases land towards 'Worker Housing Projects' and coordinates all processes from land selection, selection of beneficiaries, to handing over the houses to selected families.

Managing Director’s Review

Employee Training & Development

Training and development of employees remain a key priority in the Company’s sustainable development drive, as evidenced by the increased productivity experienced during the year under review as a result of training provided. HPL collaborated with organizations such as JESTICA, NIPM, ETP to provide training in Management, Motivational and Skill Development for Executives and Non-Executives. The Company also provided training for estate workers on Tapping, Plucking, Oil Palm and Export Based Agri Products as well as In House and Operational skills improvement.



Child Protection and Development

Addressing an innate challenge in the plantation industry, HPL upholds a Child Protection Policy in collaboration with the ‘Ministry of Women and Child Affairs’ and ‘Save the Children’ organization. The need for such a policy emerged from the need to provide a safe and secure environment for children within the estate sector.

All of HPL’s divisions maintain Child Protection Focal Points and run a mobile monitoring application to ensure that Child Protection protocols are adhered to at all times. The Company adheres to the Child Rights and Business Principles Framework introduced by the UN Global Compact and HPL’s Corporate Social Responsibility framework is structured to ensure a safe working environment

especially for mothers and children. This falls in line with HPL’s commitment towards engaging in ethical and socially responsible business practices that develop, empower and transform communities, while safeguarding children from violence, exploitation, abuse and neglect. Every mother and child across the organization is under the protection of key Child Protection Focal Points (CFFP).

Enabling Child Protection contributes to developing the Company’s Social Capital.



Child Development Centre - Tillicoultry Estate

Community Health Activities

As part of the Company’s commitment towards employee well-being and social capital development, HPL conducts multiple social programmes annually, including medical camps (eye checkups), health screening programmes (dengue and hemoglobin levels). In addition, HPL conducts periodical analyses to establish the quality of drinking water available

across plantations. The Company also conducts regular awareness events to educate workers on numerous topics that affect their health such as 'betel chewing', 'excessive alcohol consumption', 'better nutrition and food practices', to name a few. The Company encourages worker families to maintain a healthy and a clean environment.

Nurturing the Company's natural, human and social capital will contribute to the long-term value creation and growth. Mindful of this fact, HPL will continue to take an insightful approach to market, social and environmental realities and implement practical strategies to forge ahead with confidence. Moreover, the way forward not only for HPL but also for the entire industry hinges on investments in technology and digitalization.

Acknowledgement

During the year under review, there were two changes within HPL's Director Board. Mr. L J A Fernando resigned from his role on May 19, 2020, while Mr. S M Liyanage was appointed to the Board as a Non-Executive Director on May 19, 2020. I wish them both all the best in their endeavours.

In spite of the challenging macro context, HPL ended the financial year 2020/21 on a positive note, having performed well during the year. This achievement belongs to the Company's management, employees and workers, whose dedication and admirable work ethics made this feat possible. I would like to express my sincere gratitude to the workforce for their contribution to helping the Company pursue success. HPL's Chairman and Board of Directors lead the Company with their inspirational leadership and visionary guidance. I am thankful to them for their unwavering commitment. I also wish to express my gratitude to the Company's shareholders, buyers, suppliers and other business partners for remaining with us steadfastly. Let us continue to grow together.



Dr. Roshan Rajadurai
Managing Director

04th May 2021

Board of Directors

Mr. A M Pandithage

Executive Chairman

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Appointed to the Board of Horana Plantations PLC in March 2017.

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Honoured with Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping.

Mr. Dhammika Perera

Deputy Chairman

Mr. Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

Dr. Roshan Rajadurai

Managing Director

Appointed as Managing Director of Horana Plantations PLC and as Director of Vallibel Plantation Management Limited effective March 2017.

Dr. Roshan Rajadurai is the Managing Director of Hayleys Plantation Sector comprising of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. A member of the Hayleys Group Management Committee. Since 1993 -2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 – 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008 – 2012.

He holds a B.Sc Honours in Plantation Management, an MBA and an MSc. In Agriculture and Plantation Crops from the Post Graduate Institute of Agriculture, University of Peradeniya. He has a Ph.D in Management and a D.Sc in Agriculture.

He had been the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka. He is the Chairman of the Sustainability Working Group and the Co-Chairman of the Sri Lanka Tea Road Map Strategy 2030. He serves in the Standing Committee on Agriculture of University Grants Commission.

Mr. Johann A Rodrigo

Director/Chief Executive Officer

Appointed as Director/Chief Executive Officer of Horana Plantations PLC on 1st April 2020. He counts over 35 years of experience in the Plantation Sector having joined as a Planter/ Management Trainee under the Janatha Estates Development Board. With the privatisation of the estates in 1992, he joined Kelani Valley Plantations PLC in the Hayleys Group, and held the position of Director Corporate Affairs.

He serves as a Director at the Ceylon Tea Museum, the Plantation Human Development Trust and a committee member of the Ceylon Planters Provident Society, the Estate Staff Provident Society. He was a Director of the Chamber of Commerce in Nuwara Eliya.

Mr. A N Wickremasinghe

Independent Non-Executive Director

Appointed to Horana Plantations PLC in December 2013. He was previously a Director of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC. He is also the Chairman of Virtus Capital (Pvt) Ltd.

Until early 2012, Mr. Wickremasinghe was General Manager of Finlay Tea Estates Sri Lanka PLC – an integral part of a most respected business conglomerate in Sri Lanka, which commenced operations in 1893. It is owned by the global Swire Group, which has tea estate holdings in Kenya and Sri Lanka.

Mr. Wickremasinghe has extensive senior management experience and technical expertise in the plantation sector in Sri Lanka. His specialized training includes logging and harvesting trees in Germany's Black Forest; Plant breeding at the Ravi Shankar University in Raipur, India and in Sloping Agriculture Land Technology in Mindanao Philippines.

Mr. S C Ganegoda

Independent Non-Executive Director

Rejoined Hayleys in March 2007. Appointed to the Hayleys Group Management Committee in July 2007. Appointed to the Board of Hayleys PLC in September 2009. Fellow Member of CA Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Worked for Hayleys Group between 1987 and 2002, ultimately as an Executive Director. Subsequently, held several senior management positions in large private sector entities in Sri Lanka and overseas. Has responsibility for the Strategic Business Development Unit, Group Information Technology of Hayleys PLC and appointed as the Deputy Chairman of Alumex PLC in October 2020. He serves on the Boards of Unisyst Engineering PLC, Dipped Products PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC.

Mr. K D G Gunaratne

Independent Non-Executive Director
Alternate Director

Mr. Gunaratne presently serves as Chairman of Lanka Hotels and Residencies Pvt Ltd (Sheraton Colombo), Board Member of Swisstek Ceylon PLC, Regnis Lanka PLC, Singer Industries (Ceylon) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Hayleys PLC and SLIIT International (Private) Limited.

Previously he has served as Vice Chairman of National Water Supply and Drainage Board.

Mr. S S Sirisena

Independent Non-Executive Director

Mr. Sirisena joined the Sri Lanka Administrative Service (SLAS) in July 1982.

He has held several positions in the administrative service including the positions of Director General Telecommunications Regulatory Commission of Sri Lanka, Member Public Service Commission of Sri Lanka Former Secretary of the Ministry of Education and the Ministry of Internal Trade and Chairman National Savings Bank.

Board of Directors

Mr. L N de S Wijeyeratne

Independent Non-Executive Director

Mr. Wijeyeratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 35 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is currently an Independent Non -Executive Director of several Listed Companies. He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd, Zambia Consolidated Copper Mines Ltd.

He also served as a Director of DFCC Bank PLC and LB Finance PLC. Mr. Wijeyeratne was a Former Member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as the Accounting Standards and Monitoring Board of Sri Lanka.

Mr. S M Liyanage

Non-Executive Director

Mr. Liyanage is a respected professional with over 10 years' experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group.

He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from University of Colombo. He currently serves as the Group Director Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies. He currently serves on the Board of Directors of Royal Ceramic Lanka PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramics PLC, Swisstek Aluminium Limited and Uni Dil Packaging Limited. He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo. Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

Management Team

CORPORATE MANAGEMENT TEAM

Dr. Roshan Rajadurai

Managing Director

Johann A. Rodrigo

Executive Director/Chief Executive Officer

U. K. Navaratne

Deputy Chief Executive Officer

B. C. Gunasekara

Director Plantations

N. A. A. K. Nissanka

General Manager – Finance

P. S. Samarakoon

General Manager – Corporate Affairs

B. L. W. Gunawardene

Regional General Manager – Upcot Region

S. Jegathesan

Regional General Manager – Lindula Region

J. R. Gunathilake

Manager – Finance

T. I. Wijekulasooriya

Accountant

D. M. C. D. Gunathillake

Manager – Forestry & Ancillary Crops

D. Chamika Jeewantha

Manager – Accounts cum Business Analyst

J. Wijesinghe

Manager – Information Technology

ESTATE MANAGEMENT TEAM

Upcot Cluster:

Alton Estate	S. Narayanan	Estate Manager
Fairlawn Estate	C. D. W. Kirinda	Senior Estate Manager
Gouravilla Estate	B. L. W. Gunawardene	Regional General Manager
Mahanilu Estate	A. J. M. L. Mangalaratne	Estate Manager
Stockholm Estate	C. P. De Arthur	Estate Acting Manager

Lindula Cluster:

Bambrakelly Estate	S. Jegathesan	Regional General Manager
Eildon Hall Estate	M. C. Dunusinghe	Estate Manager
Tillicoultry Estate	K. I. Jayarathna	Estate Manager

Low Country Cluster:

Millakanda Estate	G. Perera	Senior Estate Manager
Halwatura Estate	K. A. I Silva	Estate Manager
Hillstream Estate	C. Kumarasingha	Deputy Estate Manager
Kobowella Estate	S.H.M. Gunawardena	Senior Estate Manager
Neuchatel Estate	L. Sanjeewa	Estate Manager
Mirishena Estate	N. Nuwan	Estate Acting Manager
Frocester Estate	S.H.M. Gunawardena	Senior Estate Manager

Statement of Corporate Governance

The Board of Directors of Horana Plantations PLC values the guiding principles of good corporate governance to adopt best practices and maintain high standards of business ethics and integrity in all our activities. The Company complies with standards of sound business and accounting codes, which conform to the best practices set out by the Institute of Chartered Accountants of Sri Lanka and Securities & Exchange Commission of Sri Lanka.

Board of Directors

The Company's Board consists of ten (10) Directors, of whom three (03) are Executive Directors, two (02) Non – Executive Directors and five (05) are Independent Non – Executive Directors.

Independence of Non-Executive Directors

Independence of the Directors is determined by the Board based on the annual declarations submitted by the Non-Executive Directors in accordance with the Listing Rules of the Colombo Stock Exchange. Directors are able to exercise their independent judgement as they do not participate in day-to-day management nor have any business relationships with the Company.

Mr. A N Wickremasinghe, Mr. S C Ganegoda, Mr. S S Sirisena, Mr. K D G Gunaratne and Mr. L N de S Wijeyeratne qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

An Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as Board Sub

Committees. The composition of the said Committees is as follows:

Audit Committee

Mr. S C Ganegoda - Chairman
Mr. K D G Gunaratne
Mr. S S Sirisena
Mr. L N de S Wijeyeratne

Remuneration Committee

Mr. K D G Gunaratne - Chairman
Mr. S C Ganegoda
Mr. S S Sirisena

Related Party Transactions Review Committee

Mr. S C Ganegoda - Chairman
Mr. K D G Gunaratne
Mr. S S Sirisena

The Board meetings are held on a regular basis and have a formal schedule of matters reserved to it. The Board is supplied with full and timely information to enable it to discharge its responsibilities, effectively.

During the past year the Board held six (06) scheduled meeting and the attendance at these meeting is given below:-

Name of the Director	Attendance
Mr. A M Pandithage	6/6
Mr. Dhammika Perera	3/6
Dr. Roshan Rajadurai	6/6
Mr. Johann A Rodrigo	6/6
Mr. A N Wickremasinghe	5/6
Mr. S C Ganegoda	6/6
Mr. S S Sirisena	6/6
Mr. K D G Gunaratne	6/6
Mr. L N de S Wijeyeratne	5/6
Mr. S M Liyanage	5/5

Corporate Management

The management of the business of the Company have been contracted to the Managing Agent of the Company, Hayleys PLC. The Board has delegated the primary authority to Managing Director to implement and adopt policies and the strategic objectives of the Company in line with the policies and objectives of the Hayleys Plantations Sector. He is assisted by Chief Executive Officer, Deputy Chief Executive Officer, Director Plantations, General Manager – Finance and General Manager - Corporate Affairs. Management committee meetings are held monthly to ensure that the Company's strategies and plans are carried out effectively to the satisfaction of the Board.

Managing Director, Chief Executive Officer and the Management committee are responsible for the establishment and monitoring financial controls on operations, annual budgets monthly operational reviews, capital expenditure proposals and quarterly performance appraisals, prior to recommending to the Board.

Disclosure of information and compliance

The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange.

PW Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company advise the Board on appropriate procedures for the management of its meetings and duties, as well as the compliance of Corporate Governance in the Company.

Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on Corporate Governance are given in the following table:-

Section	Subject	Applicable Rule	Compliance Status	
7.10.	(a)	Compliance with Corporate Governance Rules	Publishing a statement in the Annual Report for the financial year confirming compliance with the Corporate Governance Rules.	Complied
	(b)	Relevant Affirmative Statements on complying with Corporate Governance Rules	Giving an affirmative statement in the Annual Report with regard to complying with Corporate Governance Rules or vice versa.	Complied
7.10.1	(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied
7.10.2	(a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be Independent.	Complied
	(b)	Independent Director's Declaration	Each Non-Executive Director should submit a declaration of independence / non- independence in the prescribed format.	Complied
7.10.3	(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied
	(b)	Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied
	(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied
	(d)	Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Complied
7.10.4	(a) to (h)	Defining Independence	Criteria for defining independence	Complied
7.10.5		Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied
	(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied
	(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied
	(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors	Complied

Statement of Corporate Governance

Section	Subject	Applicable Rule	Compliance Status
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied
(a)	Composition of Audit Committee	<ul style="list-style-type: none"> a) Shall comprise of Non-Executive Directors a majority of whom will be Independent b) One Non- Executive Director shall be appointed as Chairman of the Committee c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body 	Complied
(b)	Audit Committee Functions	<p>Functions shall include:</p> <ul style="list-style-type: none"> a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards. b) Overseeing of the compliance with financial reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements. c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d) Assessment of the independence and performance of the External Auditors. e) 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 Auditors. 	Complied
(c)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> a) Names of Directors comprising the Audit Committee. b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions. 	Complied

Section	Subject	Applicable Rule	Compliance Status
9.2.1 & 9.2.3	Related Party Transactions (RPT) Review Committee	<p>To review in advance all proposed related party transactions of the group 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.</p> <p>Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.</p> <p>Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.</p> <p>To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</p> <p>To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders</p> <p>Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.</p> <p>To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</p> <p>To review the economic and commercial substance of both recurrent/non recurrent related party transactions</p> <p>To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.</p> <p>As per the Listing Rules of the CSE this is mandatory from 1 January 2016. If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.</p>	Complied

Statement of Corporate Governance

Section	Subject	Applicable Rule	Compliance Status
9.2.2	Composition	02 Independent Non-Executive Directors and 01 Executive Director	Complied
9.2.4	RPT Review Committee Meetings	Shall meet once a calendar quarter	Complied
9.3.2	RPT Review Committee Disclosure in the Annual Report	a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower. b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts c) Report by the Related Party Transactions review Committee d) A declaration by the Board of Directors	Complied

By Order of the Board
Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
04th May 2021

Risk Management

The Board of Directors places special emphasis on management of business risks together with the management committee ensures that the sound system of controls including financial operational and compliance are in place to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls. The following are some of the major risk factors and actions implemented reduced to eliminate risk.

Operational Risk

A sound internal control system is a key factor in safeguarding tangible and intangible assets. The Company has satisfactory system of internal control in place and periodic checks are carried out at estate level and regular reviews are undertaken to ensure the Company's assets are safeguarded and to minimize financial losses. The Company has designed internal control and training programmes for employees at all levels. The Company has implemented a centralized purchasing policy in order to get the best advantage of the cost benefit. The Company strives to produce high quality Tea and Rubber products whilst maintaining internationally accepted certifications to retain competitive positioning in the market. Crop diversification in to Coconut and other ancillary crop has mitigated the risk of dependency on rubber sector.

Interest Rate Risk

Adverse effect on fluctuating interest rates need to be minimized as it has a significant impact on profitability and cash flow. Company manages and mitigates interest rate risk by utilizing concessionary and advantageous lending rates.

Liquidity Risk

Availability of sufficient funds is crucial as the industry is cyclical and the returns are long term. In order to mitigate the risk Company borrowings are suitably structured to ensure the availability of sufficient liquidity to meet debt commitments and other operational requirements.

Weather

The Company's product portfolio being Tea and Rubber in equal proportion has mitigated the adverse effects on climatic changes. The Company adopts prudent agricultural practices such as TRI recommended clones and also rain guards for Rubber trees in order to minimize the loss on crop due to adverse weather conditions.

Legal And Regulatory Risk

Legal risks are those risks resulting from legal consequences causing financial losses. The Company with the assistance of its legal advisers and secretaries ensures compliance of all legislative and regulatory requirements including corporate governance, labour relations and requirements of Securities and Exchange Commission and Colombo Stock Exchange. The Company also obtain expert advice from Auditors, Tax consultants, Actuaries and advisory services of the Tea Research Institute and Rubber Research Institute.

Reputation Risk

Reputation is considered as most valuable asset of the Company as non-compliance may lead to loss of reputation and

financial loss. The Company's systems and procedures cover the areas such as maintenance of quality, health and safety and environmental issues and ensure that best practices are followed. The Company maintains international standardization accreditations such as Rainforest Alliance, Fairtrade, GHG Inventory Verification, ISO 22000:2018, ISO 22000 : 2005, ISO 14001: 2015, ISO 9000:2015, Forest Stewardship Council (FSC TM) and Fair Rubber.

Human Resource

The Plantation sector employs a large workforce and they are highly unionised. In order to mitigate the risk of industrial disputes and work stoppages a collective agreement is signed between the Trade Unions and the Employers' Federation of Ceylon, which our Company is a member. The Company considers Human resource management is vital for the business continuity. Training, Development and performance management, motivation and empowerment are practiced to reduce the impact.

Information Risk

Accurate and timely information is vital for decision-making and control. The Company has a fully integrated information system with our estates and head office in order to produce accurate and reliable information. The system integrity is reviewed constantly and maintained by the software provider and uses licensed software.

Business Disruption

Good practices of health and safety, disaster recovery management help to minimize the business disruptions due to pandemic, natural disasters, human involved activities.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Horana Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2021.

General

Horana Plantations PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 on 22nd June 1992, and re-registered as per the Companies Act, No.7 of 2007 on 18th March 2008 and bears registration number PQ 126. Accordingly, the name of the Company has changed to Horana Plantations PLC.

Principal activities of the Company and Review of Performance During the Year

The principal activity of the Company, which is cultivation and processing of Tea and Rubber, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained on the Chairman's Review and the Managing Director's Review (pages 10 to 21).

This report together with the Financial Statements reflect the state of affairs of the Company.

Financial Statements`

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 44 to 110.

Summarized Financial Results

	31st March 2021	31st March 2020
	Rs'000	Rs'000
Revenue	2,125,306	1,762,154
Total Comprehensive Income for the year	(67,039)	(513,023)
Retained Earnings	497,810	491,578

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 44 to 48.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the policies adopted thereof are given on pages 55 to 66.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 22 to 24.

Executive Directors

Mr. A M Pandithage - Executive Chairman

Dr. Roshan Rajadurai - Managing Director

Mr. Johann A Rodrigo - Executive Director / Chief Executive Officer

Non - Executive Directors

Mr. Dhammika Perera - Deputy Chairman*

Mr. S M Liyanage - Director (Appointed w.e.f 19/05/2020)

Independent Non - Executive Directors

Mr. L J A Fernando -Director (Resigned w.e.f. 19/05/2020)

Mr. A N Wickremasinghe - Director

Mr. S C Ganegoda - Director

Mr. S S Sirisena - Director

Mr. K D G Gunaratne - Director

Mr. L N de S Wijeyeratne - Director

* Mr. K D G Gunaratne - Alternate Director to Mr. Dhammika Perera

Mr. K D G Gunaratne retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 92 of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the re-appointment of Mr. A N Wickremasinghe, Mr. L N de S Wijeyeratne, Mr. S S Sirisena and Mr. A M Pandithage who are all over 70 years of age as Directors of the Company; and accordingly, resolutions will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the said re-appointments.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2021 as recorded in the Interests Register are given in this Report under Directors' Shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under transactions with key management personnel in Note 33.3 to the Financial Statements on page 98.

Directors' Interests in Contracts

Directors' interests in contracts with the Company are stated in Note 33.2 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 33.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities:-

Vallibel Plantation Management Ltd
 Uni-Dil Packaging Ltd.
 Uni-Dil Paper Solutions Ltd
 Royal Ceramics Lanka PLC
 Lanka Ceramic PLC
 The Kingsbury PLC
 Hayleys Agriculture Holdings Limited
 Hayleys Agro Fertilizer (Pvt) Ltd
 Hayleys PLC
 Hayleys Business Solutions International (Pvt) Ltd
 Logiwiz Limited
 NYK Lanka (Pvt) Ltd
 Singer Sri Lanka PLC
 Kelani Valley Plantations PLC
 Talawakelle Tea Estates PLC
 Delmage Forsyth & Co.,Ltd
 Diesel & Motor Engineering PLC
 Hayleylines Ltd
 Yusen Logistics Lanka Ltd.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 36.

Auditors

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than as Auditors.

The audit fee payable to the Auditors for the year under review is Rs. 2,600,000/-.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 04th May 2021 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Independence of Auditors

Based on the declaration provided by Messrs KPMG Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of Auditors) or interest in, the Company, which in the opinion of the Board, may reasonable be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Stated Capital

The Stated Capital of the Company is Rs.250,000,010/- divided into Twenty Five Million (25,000,000) Ordinary Shares and One (01) Golden Share.

Annual Report of the Board of Directors on the Affairs of the Company

Directors' Shareholding

The relevant interests of Directors in the shares of the Company are as follows;

	Name of Directors	31 March 2021		31 March 2020	
		No. of Shares	%	No. of Shares	%
1	Mr. A M Pandithage	-	-	-	-
2	Mr. Dhammika Perera	-	-	-	-
3	Dr. Roshan Rajadurai	1000	0.004	1000	0.004
4	Mr. Johann A Rodrigo	-	-	-	-
5	Mr. L J A Fernando (Retired w.e.f 19 May 2020)	-	-	-	-
6	Mr. A N Wickremasinghe	-	-	-	-
8	Mr. S C Ganegoda	-	-	-	-
8	Mr. S S Sirisena	-	-	-	-
9	Mr. L N de S Wijeyeratne	-	-	-	-
10	Mr. K D G Gunaratne (Alternate Director to Mr. K D D Perera)	-	-	-	-
11	Mr. S M Liyanage (Appointed w.e.f 19 May 2020)	-	-	-	-

Major Shareholders, Distribution Schedule and Other Information

Information on the distribution of shareholding, analysis of shareholders, twenty largest shareholders of the Company and percentage of shares as per the Listing Rules of the Colombo Stock Exchange are given on page 114 to 116 under Share Information. Market values per share, earnings, dividends and net assets per share are given on page 113.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race or religion.

As at 31st March 2021 4,895 persons were in employment (5,176 persons as at 31st March 2020).

Reserves

The reserves of the Company with the movements during the year are given in Note 20 to 22 to the Financial Statements on pages 81 to 82.

Land holdings

The Company does not own any freehold property.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 15 to the Financial Statements on pages 78 to 79.

Capital Expenditure

The total capital expenditure during the year including the capitalization of borrowing cost amounted to Rs 177.720 Million compared to Rs.165.200 Million incurred in the previous year.

Dividends

No dividends were declared during the period under review.

Donations

Donation of Rs. 0.2 Mn made during the year ended 31.03.2021 towards Covid-19 Assistance Program (31.03.2020 - Nil) by the Company.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on page 31.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note 30 to the Financial Statements on pages 93 and 94, there were no material Contingent Liabilities as at the Balance Sheet date.

Events Occurring After the Balance Sheet Date

Except for the matters disclosed in Note 32 to the Financial Statements on page 94 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls

ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 26 to 30 explains the measures adopted by the Company during the year.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows:-

Audit Committee

Mr. S C Ganegoda - Chairman
Mr. K D G Gunaratne
Mr. S S Sirisena
Mr. Lalit N de S Wijeyeratne

Remuneration Committee

Mr. K D G Gunaratne - Chairman
Mr. S C Ganegoda
Mr. S S Sirisena

Related Party Transaction Review Committee

Mr. S C Ganegoda - Chairman
Mr. K D G Gunaratne
Mr. S S Sirisena

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2021.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 19 to 21 of this Report.

Annual General Meeting

The Notice of the Twenty Eighth (28th) Annual General Meeting appears on page 120.

This Annual Report is signed for and on behalf of the Board of Directors by



A M Pandithage
Chairman



Dr. Roshan Rajadurai
Managing Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
04th May 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board
Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

04th May 2021

Report of the Remuneration Committee

The Remuneration Committee appointed by the Board of Directors comprises of three (03) Independent Non-Executive Directors as follows:

Mr. K D G Gunaratne - Chairman

Mr. S C Ganegoda

Mr. S S Sirisena

The Remuneration Policy on remuneration packages is to attract and retain the best professionals and an experienced workforce and motivate, encourage high levels of performance in a competitive environment bearing in mind the business performance and stakeholder expectations.

The Committee met once during the year. The meetings were for the purpose of examining the remuneration package of Director/ Chief Executive Officer and the Management Staff, their respective performances and deciding on appropriate remuneration packages for them; as well as determining incentives based on Company performance for all management staff.

The Committee also reviewed data concerning remuneration packages among comparable Companies. Managing Director/ Chief Executive Officer assists the Committee by providing all relevant information with regard to compensation package. Performance Evaluation method to compensate employees is in place and succession plans have been defined.



K D G Gunaratne

Chairman – Remuneration Committee

Colombo

04th May 2021

Related Party Transactions Review Committee Report

Adoption of the Code of Best Practices on Related Party Transactions

The Board of Directors of Horana Plantations PLC (HPL) adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee (RPTRC) in March 2016.

Purpose of the Committee

The purpose of the RPTRC of HPL is to conduct an independent review approval and oversight of all related party transactions of HPL and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

Composition of the Committee

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. S S Sirisena

PW Corporate Secretarial (Pvt) Ltd, the Company Secretary functions as the Secretary to the Committee.

The Chairman & Chief Executive, Group Chief Financial Officer of Hayleys PLC, Managing Director, Director/ Chief Executive Officer, General Manager Finance attend the meeting of the Committee by invitation.

Meetings

The Committee held four (04) meetings during the year under review. All the members attended the meeting and the minutes of the Committee meeting were tabled at Board meeting, for the review of the Board.

Name of the Member	19.05.2020	09.07.2020	20.10.2020	25.01.2021	Total
Mr. S C Ganegoda	✓	✓	✓	✓	4/4
Mr. K D G Gunaratne	✓	✓	✓	✓	4/4
Mr. S S Sirisena	✓	✓	✓	✓	4/4

Responsibilities of the Related Party Transactions Review Committee

The following are key responsibilities have been set out in the Charter for RPTRC;

- Ensure that the Company complies with the rules set out in the Code.
- Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed. related party transactions
- Perform other activities related to the Charter as requested by the Board.
- Have meetings every fiscal quarter and report to the Board on the Committee's activities.
- Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.
- Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

Procedures for Reporting RPT's

The Director / Chief Executive Officer is responsible for reporting to the Committee, for its review and approval the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the code. Moreover, on a quarterly basis, the Director / Chief Executive Officer is required to report to the Committee on the approved related party transactions actually entered into by the Company.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2020/2021 and has communicated the comments and observations to the Board of Directors. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on

related party transactions, there were no non-recurrent related party transactions entered into during the course of the financial year aggregative value of which exceeds the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 2021, the aggregate value of which exceeded 10% of the revenue.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the Report of the Board of Directors on pages 32 to 35 of this Annual Report.



S C Ganegoda

Chairman - Related Party Transactions
Review Committee

Colombo
04th May 2021

Audit Committee Report

In accordance with the Corporate Governance Guidelines, the Board of Directors appointed the Audit Committee. The Audit Committee is empowered by the Board of Directors to oversee the financial reporting, legal, and regulatory compliance, internal controls, risk management and assessment of independence and performance of external auditors.

Composition of the Committee

The Audit Committee comprises of four (04) Independent Non – Executive Directors chaired by a Chartered Accountant. Present Audit Committee is as follows:

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. S S Sirisena

Mr. L N de S Wijeyeratne

Brief profiles of each member are given on pages 23 & 24 of this report. Individually and collectively financial knowledge, business acumen and independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's preview.

The Company Secretary acts as the secretary of the Committee. The Chairman & Chief Executive, Group Chief Financial Officer of Hayleys PLC, Head – Hayleys Group Management Audit & System Review, Managing Director, Director/ Chief Executive Officer, General Manager Finance attend the meeting of the Committee by invitation.

The Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make

sure that new developments relating to the function of the Committee. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance under listing rules of the Colombo Stock Exchange on Corporate Governance, 'Code of Best Practice on Corporate Governance' issued by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, further regulate the composition, roles and functions of the Audit Committee.

Meetings of the Committee

The Audit Committee met five (05) times during the year. The attendance of the members at these meeting is as follows,

Independent Non -Executive Director	19.05.2020	09.07.2020	13.08.2020	20.10.2020	25.01.2021	Total
Mr. S C Ganegoda (Chairman)	✓	✓	✓	✓	✓	5/5
Mr. K D G Gunaratne	✓	✓	✓	✓	✓	5/5
Mr. S S Sirisena	✓	✓	✓	✓	✓	5/5
Mr. L N de S Wijeyeratne	✓	✓	X	✓	✓	4/5

Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognize the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audit

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable

assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

The Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedures in Company that are selected according to the annual audit plan were reviewed. Internal audits are outsourced to leading audit firms in line with an agreed annual audit plan.

During the period under review the internal audit of eight (8) estate locations and internal audit of head office were carried out.

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The

Committee appraised the independence of the Group MA&SRD and other internal auditors, in the conduct of their assignments.

External Audit

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of the Company. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

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

Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, continued as Auditor for the financial ending 31st March 2022 after evaluating the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year 2020/21.

Ethics and Good Governance

The committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle- Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The whistle blower policy

guarantees strict confidentiality of the identity of the Whistle-Blowers.

Sri Lanka Accounting Standards

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Company and made recommendation to the Board of Directors.

Audit Committee Report

The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals. The committee has pursued the support of Messrs KPMG to assess and review the existing SLFRS/LKAS policies and procedures adopted by the Company.

Support to the Committee

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.



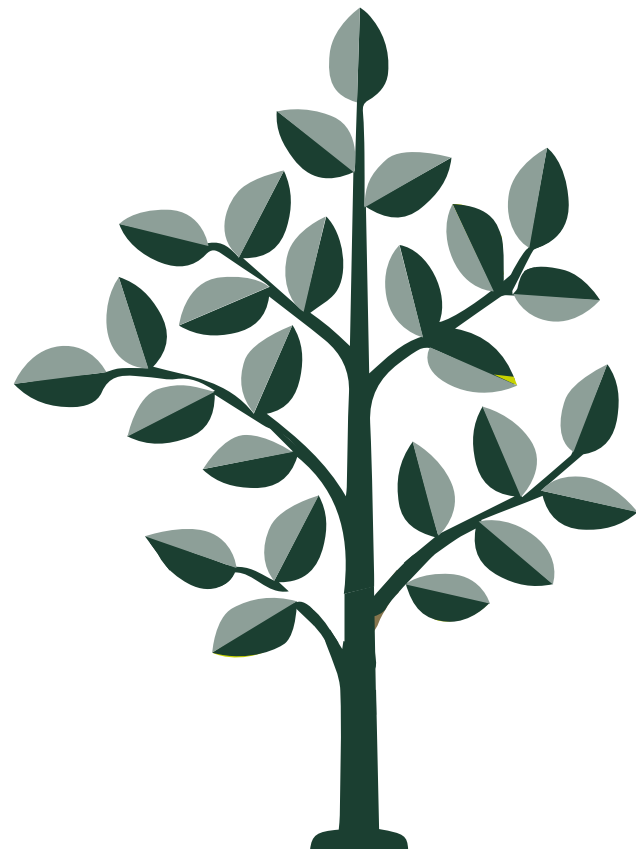
Mr S C Ganegoda
Chairman
Audit Committee

Colombo
04th May 2021

GOOD TO GROW

Financial Calendar

	2020/21	2019/20
Interim Financial Statements:		
Three months ended 30th June	13-Aug-20	31-Jul-19
Six months ended 30th September	20-Oct-20	31-Oct-19
Nine months ended 31st December	25-Jan-21	23-Jan-20
Twelve months ended 31st March	04-May-21	19-May-20
Annual Report		
28th Annual General Meeting	30-Jun-21	
27th Annual General Meeting		27-Jul-20



Financial Reports

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Independent Auditors' Report



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(Chartered Accountants)
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TO THE SHAREHOLDERS OF HORANA PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Horana Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 55 to 110.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Measurement of Biological Assets

(Refer to Note 3.2.3 significant accounting policies and explanatory Note 14 to the financial statements).

Risk Description	Our response
The Company has reported bearer biological assets amounting to Rs. 2,156 Million and consumable biological assets amounting to Rs. 631 Million as at 31st March 2021. The Biological assets represents 74% of the total assets as at 31st March 2021.	<p>Our audit procedures included among others;</p> <p>Bearer Biological Assets</p> <p>— Assessed the processes and controls in place to ensure; proper capitalization of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis.</p>

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M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajin FCA
A.M.R.P. Aishakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
V.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCPA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K.Sumanasekara FCA, W.A.A. Weerasekara CPA, ACMA, MRICS

Bearer biological assets mainly include mature and immature tea, rubber and other trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported losses as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations fields to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.

The Consumer Biological assets are carried at fair value less cost to sell whereas the bearer biological assets are carried at the cost less accumulated depreciation and impairment loss.

The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber quantity could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. The Management has used an external valuation expert to assist in determining the fair value of the consumable biological assets at the reporting date.

We considered the measurement of biological assets as a key audit matter due to the magnitude of the amounts involved and significant management judgment involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of consumable biological assets involved significant judgment exercised by the management and external valuation expert and were subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer of bearer biological asset require management to exercise their judgment in determining the point at which a plant is deemed ready for commercial harvesting.

- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year was consistent with the company accounting policy and industry norms.
- Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies.

Consumable Biological Assets

- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare and evaluating the appropriateness of those assumptions.
- Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert engaged by the Company.
- Comparing the average market price to historical data and market available data.
- Verifying the mathematical accuracy of the consumable biological asset valuation.
- Assessing the adequacy of the related disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.

Independent Auditors' Report



Recoverability of deferred tax assets

(Refer to Note 3.4.9.2 significant accounting policies and explanatory Note 11.4 to the financial statements).

Risk Description	Our response
<p>The Company has recognized deferred tax asset of Rs. 254 Million on temporary differences which include deferred tax asset recognition of Rs. 173 Million in respect of accumulated tax losses of Rs. 1,236 Million as at 31st March 2021. The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and existing future taxable temporary differences. The Company has considered the availability of qualifying taxable temporary differences and the probable taxable profits for the foreseeable future for the purpose of recognizing deferred tax assets.</p> <p>We considered this as a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</p>	<p>Our audit procedures included among others;</p> <ul style="list-style-type: none"> — Evaluating the assumptions used by the management in the preparation of revised forecast of future taxable profits of the Company with our understanding of the business and the industry based on internal and external sources of information. — Assessing the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets by comparing the consistency of management profit forecasts with those included in the financial budgets approved by the board of directors. — Evaluating the adequacy of the related disclosures in the financial statements in accordance with the relevant Accounting Standards.

Valuation of Retirement benefit obligation

(Refer to Note 3.3.1.1 significant accounting policies and explanatory Note 25 to the financial statements).

Risk Description	Our response
<p>The retirement benefit obligation of the Company as at 31st March 2021 amounting to Rs. 549 Million is significant in the context of the total liabilities of the Company as well as the significant judgement and estimation involved. The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. The Management has used an independent actuary to assist them in the computation of retirement benefit obligation at the reporting date.</p> <p>We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the liability.</p>	<p>Our audit procedures included among others;</p> <ul style="list-style-type: none"> — Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company. — Testing the samples of the employees' details used in the computation to the human resource records. — Evaluating the reasonableness of the total annual salaries used in the computation by comparing to the historical data — Challenging the other key assumptions used in the valuation, in particular the discount rate, inflation rate, mortality rates and future salary increases — Comparing the discount rate, inflation rate, mortality rate and future salary increases to market available data. — Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation. — Assessing the adequacy of the related disclosures made in the financial statements including sensitivity analysis.



Other Information

Management is responsible for the other information. The other information comprises the information included in 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 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level

of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Independent Auditors' Report



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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 3544.

A handwritten signature in cursive script, appearing to read 'Kpulle'.

Chartered Accountants
Colombo, Sri Lanka

04th May 2021

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31st March		2021	2020
	Note	Rs'000	Rs'000
Revenue	4	2,125,306	1,762,154
Cost of Sales		(1,924,851)	(1,979,696)
Gross Profit/(Loss)	5	200,455	(217,542)
Other Operating Income	6	7,446	6,900
Change in Fair Value of Biological Assets	7	40,089	56,693
Administrative Expenses		(174,949)	(170,053)
Management Fees	8	(12,211)	-
Profit/(Loss) from Operations		60,830	(324,002)
Net Finance Expenses	9	(136,960)	(146,373)
Loss before Tax	10	(76,130)	(470,375)
Tax Expense	11.1	(1,742)	(24,493)
Loss for the year		(77,872)	(494,868)
Other Comprehensive Income:			
Items that will not be reclassified to Profit or Loss			
Actuarial Gain/(Loss) on Retirement Benefit Obligations	25.2	12,597	(21,110)
Tax (Expense)/Reversal on Other Comprehensive Income	11.4.1	(1,764)	2,955
Other Comprehensive Income for the year, net of tax		10,833	(18,155)
Total Comprehensive Income for the year		(67,039)	(513,023)
Loss per Share (Rs.)	12	(3.11)	(19.79)

The accounting policies and explanatory notes set out on pages 55 to 110 form an integral part of these Financial Statements
 Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Note	2021 Rs'000	2020 Rs'000
ASSETS			
Non-Current Assets			
Right of Use Assets	13	214,372	193,448
Bearer Biological Assets	14.1	2,155,964	2,208,942
Consumable Biological Assets	14.2	630,578	632,177
Property, Plant & Equipment	15	362,035	349,998
Total Non-Current Assets		3,362,949	3,384,565
Current Assets			
Non-harvested Produce on Bearer Biological Assets	14.5	7,999	3,361
Inventories	16	255,625	184,678
Advance Company Tax (ACT) Recoverable	17	19,185	27,285
Trade and Other Receivables	18	128,636	84,919
Holding Company Receivable	33.1.1	654	14,257
Other Related Companies Receivables	33.1.1	747	7,439
Cash and Cash Equivalents	19.1	13,741	14,890
Total Current Assets		426,587	336,829
Total Assets		3,789,536	3,721,394
EQUITY & LIABILITIES			
Equity			
Stated Capital	20	250,000	250,000
Sinking Fund	21	-	35,000
Development Reserve	22	-	35,000
Retained Profits		497,810	491,578
Total Equity		747,810	811,578
Non-Current Liabilities			
Interest bearing Borrowings	23.1	1,081,523	735,490
Lease Liabilities	24	186,648	158,542
Retirement Benefit Obligations	25	548,770	542,506
Deferred Income	26	118,995	122,829
Deferred Tax Liability	27	110,527	125,293
Total Non-Current Liabilities		2,046,463	1,684,660

As at 31st March	Note	2021 Rs'000	2020 Rs'000
Current Liabilities			
Trade and Other Payables	28	259,278	238,382
Related Companies Payables	33.1.2	21,345	25,681
Interest bearing Borrowings	23.1	381,984	295,881
Lease Liabilities	24	9,302	2,004
Short Term Borrowings	29	323,354	663,208
Total Current Liabilities		995,263	1,225,156
Total Liabilities		3,041,726	2,909,816
Total Equity and Liabilities		3,789,536	3,721,394

The accounting policies and explanatory notes set out on pages 55 to 110 form an integral part of these Financial Statements
Figures in brackets indicate deductions.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



N A A K Nissanka
General Manager - Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board of Directors of Horana Plantations PLC.



A M Pandithage
Chairman



Dr. Roshan Rajadurai
Managing Director

Colombo
04th May 2021

Statement of Changes in Equity

For the Year ended 31st March	Stated Capital	Sinking Fund	Develop- -ment Reserve	Retained Earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 1st April 2019	250,000	35,000	35,000	1,004,601	1,324,601
Total Comprehensive Expenses for the year					
Loss for the year	-	-	-	(494,868)	(494,868)
Other Comprehensive Income	-	-	-	(18,155)	(18,155)
Total Comprehensive Expenses for the year	-	-	-	(513,023)	(513,023)
Balance as at 31st March 2020	250,000	35,000	35,000	491,578	811,578
Adjustment on Unclaimed Dividend	-	-	-	3,271	3,271
Adjusted Balance as at 1st April 2020	250,000	35,000	35,000	494,849	814,849
Total Comprehensive Expense for the year					
Loss for the year	-	-	-	(77,872)	(77,872)
Other Comprehensive Income	-	-	-	10,833	10,833
Transferred to Retained Earnings	-	(35,000)	(35,000)	70,000	-
Total Comprehensive Income/(Expenses) for the year	-	(35,000)	(35,000)	2,961	(67,039)
Balance as at 31st March 2021	250,000	-	-	497,810	747,810

Note - Since the purposes of having Sinking Fund and Development Reserves are already fulfilled, they have been transferred to Retained Earnings during the period.

The accounting policies and explanatory notes set out on pages 55 to 110 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year ended 31st March		2021	2020
	Note	Rs'000	Rs'000
Cash Flows from Operating Activities			
Loss before Taxation		(76,130)	(470,375)
Adjustments for non-cash items :			
Change in Fair Value of Consumable Biological Assets	14.2.2 & 14.5	(75)	(39,824)
Depreciation and Amortisation	10	190,713	187,691
Provision for Retirement Benefit Obligations	25.3	92,941	91,779
Provision for Obsolete Inventories	16.1	159	3,460
(Reversal)/Provision for Impairment of Trade & Other Receivables	18.1	(460)	595
Finance Expenses	9	111,828	128,642
Finance Income	9	(402)	(241)
Lease Interest	9	26,045	22,012
Profit on Disposal of Property, Plant and Equipment	6	(60)	(100)
Amortisation of Capital Grants	6	(7,386)	(6,800)
Field Development/Other Capital Expenditure written-off	14.1, 14.2 & 15	43,145	14,877
Operating Profit/(Loss) before Working Capital Changes		380,318	(68,287)
(Increase)/Decrease in Trade & Other Receivables		(53,616)	6,412
(Increase)/Decrease in Inventories		(67,745)	115,454
Decrease in Related Companies Receivables		20,295	21,383
Decrease in Related Companies Payables		(4,336)	(9,324)
Increase/(Decrease) in Trade and Other Payables		32,393	(4,879)
Cash Generated from Operations		307,309	60,760
Interest paid	9	(118,539)	(125,132)
Payments made for Retirement Benefits Obligations	25	(75,448)	(78,218)
Refund/(Payment) of Taxes		41	(9,695)
Net Cash Inflow/(Outflow) from Operating Activities		113,363	(152,285)

Statement of Cash Flows

For the Year ended 31st March	Note	2021 Rs'000	2020 Rs'000
Cash Flows from Investing Activities			
Purchase/Construction of Property, Plant and Equipment	15	(54,619)	(10,211)
Expenditure incurred on Biological Assets	14.1.1 & 14.2.1	(123,101)	(154,989)
Capital Grants and Subsidies received	26	3,550	3,904
Proceeds on Disposal of Property, Plant and Equipment	6	60	100
Interest Income	9	402	241
Net Cash Outflow from Investing Activities		(173,706)	(160,954)
Cash Flows from Financing Activities			
Receipt of Project Loans	23.4	600,000	200,000
Repayment of Project Loans	23 & 29.2.1	(20,770)	(148,070)
Receipts of Other Term Loans	23.6 & 29.2.1	112,688	240,000
Repayment of Other Term Loans	23 & 29.2.1	(283,481)	(163,486)
Payment of Lease Rentals	24	(33,087)	(29,225)
Net Cash Inflow from Financing Activities		375,350	99,219
Net Increase/(Decrease) in Cash and Cash Equivalents during the Year		315,007	(214,020)
At the beginning of the Year		(584,620)	(370,600)
At the End of the Year	19	(269,613)	(584,620)

The accounting policies and explanatory notes set out on page 55 to 110 form an integral part of these Financial Statements

Figures in brackets indicate deductions.

Significant Accounting Policies

1. REPORTING ENTITY

1.1. Domicile and Legal Form

Horana Plantations PLC (hereafter mentioned as “the Company”), is a Public Limited Liability Company, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 (the Company re-registered under the Companies Act No.07 of 2007), in terms of the Public Corporation of Government Owned Business Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is situated at No 400, Deans Road, Colombo 10, and the plantations are situated in the planting districts of Nuwara Eliya, Kalutara and Ratnapura.

1.2. Principal Activities and Nature of Operations

During the year, the principle activities of the Company were the cultivation, manufacturing and sale of tea, rubber and other agricultural produce.

1.3. Immediate and Ultimate Parent Enterprise

The Company’s immediate parent undertaking is Vallibel Plantation Management Limited, which is incorporated in Sri Lanka. The Company’s ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The financial statements of the Company such comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with Sri Lanka

Accounting Standards (LKASs and SLFRSs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with requirements of the Companies Act No.07 of 2007.

2.2. Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors on 04th May 2021.

2.3. Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Bearer Biological Assets and Property, Plant and Equipment, which have been measured as more fully described in Note 14 & 15.
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for retirement benefit obligation is recognized at the present value of the retirement benefit obligation based on actuarial valuation as per LKAS 19 - Employee Benefits.
- Non harvested produce on bearer biological assets are measured at fair value as per LKAS 41 – Agriculture

2.4. Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Company’s functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

2.5. Presentation of Financial Statements

The assets and liabilities of the Company presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.6. Going Concern

The Directors have made an assessment of the Company’s ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading. (LKASs and SLFRSs).

2.7. Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1- Presentation of Financial Statements.

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

2.8. Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires the management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgemental decisions.

Significant Accounting Policies

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions that are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes.

Critical Accounting Estimate / Judgment	Disclosure Reference	
	Note	Page
Biological Assets	14	73-77
Inventories	16	80
Income Tax Expense	11	69
Deferred Tax Assets / Liabilities	11.4	70-71
Retirement Benefit Obligation	25	88-90

2.9. Fair Value Measurement

'Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the

determination of fair values, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair Value of Non-Financial Assets

The fair value used by the Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market that is accessible by the Company for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been applied consistently to all periods presented in these financial statements. Unless otherwise indicated.

3.1. Foreign Currency

3.1.1. Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rates of exchange prevailing at the date of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated into local currencies at the rates of exchange prevailing at the reporting date while non-monetary items are reported at the rates prevailing at the date of the transactions were affected.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

3.2. Assets and Bases of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are Cash and Bank balances and those which are expected to be realized in cash during, the normal operating cycle of the Company's business, or within one year from the reporting date whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

3.2.1. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

3.2.1.1. Right of Use Asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right of use assets are subsequently depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-

use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

If ownership of the leased asset transferred to the Company at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease

Significant Accounting Policies

payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short Term Leases

The Company has elected not to recognize right of use assets and lease liabilities for short term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight – line basis over the lease term.

3.2.2. Property, Plant and Equipment

3.2.2.1. Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work in progress is transferred to the respective asset accounts when the assets are available for use.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.2.2.2. Subsequent Expenditure

The Cost of replacing part of an item of Property, Plant and Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of Property, Plant and Equipment are recognized in Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.2.2.3. Capital Work in Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work in progress transferred to the respective asset accounts at the time of first utilization or at the time of the asset is commissioned.

3.2.2.4. De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognized on disposal; or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized in Statement of Profit or Loss and Other Comprehensive Income.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in Statement of Profit or Loss and Other Comprehensive Income.

3.2.2.5. Permanent Land Development Cost

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.3. Biological Assets

Biological assets are classified as Bearer Biological Assets and Consumable Biological Assets. Bearer Biological Assets include tea, rubber, oil palm and other diversify crops

those that are not intended to be sold or harvested but are however used to grow for harvesting agricultural produce from such Biological Assets. Consumable Biological Assets include managed timber trees those that are to be sold as Biological Assets.

Biological assets are further classified in to Mature Biological Assets and Immature Biological Assets. Mature Biological Assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

3.2.3.1. Recognition and Measurement

The Company recognizes the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The expenditure incurred on bearer biological asset fields, which are bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment as per the option provided by the ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair

value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.2.3.2. Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.3.3. Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalized are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

3.2.3.4. Growing Crop Nurseries

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

3.2.3.5. Consumer Biological Assets

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition.

Variable	Comment
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in Profit or Loss and Other Comprehensive Income for the period in which it arises.

3.2.3.6. Borrowing Cost

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

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

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

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

3.2.4. Depreciation and Amortization

a) Amortization of Assets on JEDB / SLSPC Lease

The leasehold rights to JEDB/SLSPC are amortized in equal amounts over the

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following years since 1992. (Lower of lease period and economic useful life)

Asset Category	No. of Years	Rate
Bare Land	53	1.9%
Mature Plantations	30	3.3%
Permanent Land	30	3.3%
Development Cost		
Buildings	25	4.0%
Plant and Machinery	15	6.7%

b) Amortization of Other Mature Plantations (Re-planting and New Planting)

Asset Category	No. of Years	Rate
Mature Plantations (Tea)	33	3%
Mature Plantations (Rubber)	20	5.00%
Mature Plantations (Oil Palm)	20	5.00%
Mature Plantations (Coconut)	50	2.00%
Mature Plantations (Cinnamon)	15	6.67%
Mature Plantations (Coffee & Pepper)	4	25.00%

Amortization 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 de-recognized.

Amortization methods, useful lives and residual values are re-assessed at the reporting date. Mature plantations are amortized over their useful lives or unexpired lease period, whichever is lower.

c) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful economic

life of such assets based on the cost or re-valued amount of all Property, Plant and Equipment. Assets are depreciated over the shorter of the lease term or their useful lives.

Description	No. of Years	Rate
Buildings	40	2.50%
Permanent Land	40	2.50%
Development Costs		
Plant and Machinery	13	7.50%
Equipment	10, 8, 5	10%, 12.5%, 20%
Furniture and Fittings	10	10.00%
Motor Vehicles	5, 4	20.00%, 25.00%
Computer Hardware and Software	8, 4	12.50%, 25.00%

The remaining lease period as at Statement of Financial Position date is 24 years.

3.2.5. Intangible Assets

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably. Such items with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses.

a) Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of Property, Plant & Equipment.

b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

a) Amortization

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is as follows:

	No. of Years	Rate
Computer Software	4	25.00%

3.2.6. Non-Harvested Produce on Bearer Biological Assets

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 - Agriculture and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered.

3.2.7. Inventories

Agricultural Produce Harvested from Biological Assets

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

Agricultural Produce after Further Processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making do allowance for obsolete and slow-moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at lower of Cost or Net Realizable Value (NRV).

3.2.8. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize inclusive of provisions for bad and doubtful debts. Other receivables and dues from related parties are

recognized at amortized cost less provision for bad and doubtful receivables.

3.2.9. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

3.3. Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.3.1. Employee Benefits

3.3.1.1. Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by LKAS19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs Actuarial and Management Consultants (Private) Limited as at 31st March 2021. The liability is not externally funded.

3.3.1.2. Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/ Estate Staff's Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

3.3.2. Contingent Liabilities

Contingent Liabilities are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

3.3.3. Trade and Other Payables

Trade and other payables are stated at their amortized costs.

3.3.4. Deferred Income

Grants and Subsidies

Government grants are recognized where there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants relate to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Government Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the

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related Property, Plant and Equipment, more fully mentioned in Note 26 to the Financial Statements.

Grants related to income are recognized in the Statement of Profit or Loss in the year which it is receivable.

Unconditional grants received for Consumer Biological Assets measured at fair value less cost to sell are recognized in the Statement of Profit or Loss and Other Comprehensive Income when, and only when such grants become receivable.

3.3.5. Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12 - Income Taxes.

3.4. Financial Instruments

3.4.1. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.2. Classification and Subsequent Measurement

3.4.2.1. Financial Assets

On initial recognition, a financial asset is classified as measured at; amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL;

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL;
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business Model Assessment:

The Company makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for

derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

b) Assessment whether contractual cash flows are solely payment of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers;

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and
- Terms that limits the Company's claim to cash flows from specific assets (e.g. non-recourse features)

The prepayment feature is consistent with the solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable addition compensation for early termination of the contract.

c) Subsequent measurement and gains and losses:

Financial assets at amortised cost
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3.4.2.2. Financial Liabilities

3.4.2.2.1. Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3.4.3. Derecognition

3.4.3.1. Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers

the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3.4.3.2. Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.4.4. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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3.4.5. Impairment – Financial Assets

Non-derivative Financial Assets

3.4.5.1. Financial Instruments

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and the financial year end, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

3.4.5.2. Measurement of Expected Credit Losses (ECLs)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

3.4.5.3. Credit-impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental

impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

3.4.5.4. Write-off

The gross carrying amount of financial assets is written-off when the Company has known reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An Asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired

and is written down to its' recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations are recognized in the Statement of Profit or Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive income the Directors are of the opinion that function of expenses method presents fairly the elements of the Company is performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 in Presentation of Financial Statements.

3.4.6. Revenue and Income Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control to a customer

The Company generates revenue primarily from the sale of tea, rubber and other agricultural produce. The revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. The Company recognizes revenue when it transfers control over good or service to a customer. The Company considers sale of tea, rubber and other agricultural produce as one performance obligation and recognizes revenue when it transfers control to the customer.

Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's revenue comprises only service income coming from parent Company and no disaggregation is required.

3.4.6.1. Gain and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within 'other operating income' in the Statement of Profit or Loss.

3.4.6.2. Interest Income

Interest Income is recognized as the interest accrued (taking into account the effective yield on the asset) unless collectability is in doubt.

3.4.6.3. Other Income

Other income is recognized on an accrual basis.

3.4.6.4. Deferred Income

Grants related to assets are recognized as income in the Statement of Profit or Loss over the related assets' useful life so as to match them with the related costs which they are intended to compensate. Other grants are set-off against related expenses and the net amount is reflected in the Statement of Profit or Loss. Grants relating to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as Deferred Income.

3.4.7. Expenditure Recognition

All expenses incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to the Statement of Profit or Loss and Other Comprehensive Income.

For the purpose of the presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expenses method presents fairly the elements of the enterprise's performance; hence such presentation method is adopted.

3.4.8. Net Finance Income / Expense

Interest income is recognized as it accrues, using the effective interest method

Finance costs comprise interest expense on borrowings, impairment losses recognized on financial assets and borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset. These are recognized in profit or loss using the effective interest method.

3.4.9. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

3.4.9.1. Current Tax

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act. No. 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date. Relevant details are disclosed in Note 11 to the Financial Statements.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

3.4.9.2. Deferred Taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts and tax bases used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

The principal temporary differences arise from depreciation on Property, Plant & Equipment, tax losses carried forward and provisions for defined benefit obligations.

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A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.5. Segmental Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Managing Director and the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.6. Related Party Transactions

Disclosure has been made in respect of the transaction in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

A detailed Related Party Transaction analysis is presented in Note 33.

3.7. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as operating cash flows, interest and dividends received and government grants received are classified as investing cash flows while dividends paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

3.8. Events Occurring After the Reporting Period

Events after the reporting period are those events, favourable and unfavourable, occurring between the end of the reporting period and the date when the Financial Statements are authorized for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments or disclosures are made in the Financial Statements, where necessary.

3.9. Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 30 to the Financial Statements. Commitments are disclosed in Note 31 to the Financial Statements.

3.10. New Accounting Standards Issued but not Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1st January 2022. Accordingly, the Company has not applied the following new standards in preparing these Financial Statements.

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

Amendments to Classification of Liabilities as Current or Non-current, which will become effective for reporting periods beginning on or after 1st January 2022. Companies will need to consider the impacts of these amendments and revisit their loan agreements, as more debt could be classified as current.

Notes to the Financial Statements

For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
4.	REVENUE		
	Segmental Analysis of Revenue:		
	Main Sectors - Tea	1,572,860	1,407,775
	- Rubber	399,513	265,120
		1,972,373	1,672,895
	Diversified Crops	89,255	65,268
	Sale of Timber Trees	58,432	19,495
	Other Operating Revenue	5,246	4,496
		2,125,306	1,762,154
4.1	Timing of Revenue Recognition		
	Services transferred at point in time	2,125,306	1,762,154
	Total Revenue	2,125,306	1,762,154
4.2	Contract Balances		
	The following table provides information about receivables from contracts with customers.		
	Receivables, which are included in "trade and other receivables"	50,694	16,044
For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
5.	GROSS PROFIT/(LOSS)		
	Segmental Analysis of Gross Profit/(Loss) :		
	Main Sectors - Tea	146,261	(186,252)
	- Rubber	16,561	(50,037)
		162,822	(236,289)
	Diversified Crops	13,969	11,624
	Sale of Timber Trees	18,418	2,626
	Other Operating Revenue	5,246	4,496
		200,455	(217,542)
Segmental Revenue, Expenses, Assets and Liabilities are morefully described in Note 37 to the Financial Statements.			
For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
6.	OTHER OPERATING INCOME		
	Profit on Disposal of Property, Plant & Equipment	60	100
	Amortisation of Capital Grants (Refer Note No.26)	7,386	6,800
		7,446	6,900

Notes to the Financial Statements

For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
7.	CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS		
	Change in Fair Value of Consumable Biological Assets (Managed Timber Plantations) (Refer Note No.14.2)	32,090	53,332
	Gain on Fair Value of Bearer Biological Assets (Non-harvested Crop) (Refer Note No.14.5)	7,999	3,361
		40,089	56,693

For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
8.	MANAGEMENT FEES		
	Management Fee	11,306	-
	Value Added Tax on Management Fee (Unclaimed)	905	-
		12,211	-

The Management Agreement signed between Vallibel Plantations Management Ltd and its Subsidiary Company, Horana Plantations PLC. (HPL) on 15th July 2005 has been cancelled with effect from 31st March 2018, and has entered into a new Management Agreement with Hayleys PLC with effect from 1st April 2018. The Terms and conditions as per the previous agreement remain same. Accordingly, the basis of computing management fee is on Earnings Before Interest Received/Paid, Corporate Tax, Depreciation, Amortisation and Management Fees (EBIDTA). The rate applicable for the year under review is 5% of EBIDTA or Rs.15 Mn, whichever is lower. However, the Management fees for the Previous Year was nil due to the negative EBITDA.

For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
9.	NET FINANCE EXPENSES		
	Finance Expenses :-		
	Project Loan Interest	78,644	104,015
	Term Loan Interest	21,389	22,026
	Bank Overdraft Interest	50,675	55,242
	Interest on Short Term Advances	1,818	5,440
	Interest on Government Lease & Other Finance Leases	25,534	17,972
	Stamp Duty and Other Finance Charges	868	1,678
	Sub-Total	178,928	206,373
	Capitalisation of Borrowing Costs on Immature Plantations	(41,390)	(59,732)
	Total Finance Expense	137,538	146,641
	Finance Income :-		
	Interest Income	(402)	(241)
	Foreign Exchange Gain	(176)	(27)
	Net Finance Expenses	136,960	146,373

For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
10.	LOSS BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING		
	Auditors Fees -Statutory Audit	2,600	2,600
	Secretarial Fees and Expenses	519	539
	Legal Fees and Expenses	6,290	10,435
	Donations	571	135
	Depreciation and Amortisation:-		
	- Right of Use Assets	21,522	14,476
	- Bearer Biological Assets	129,879	128,503
	- Property, Plant & Equipment	39,312	44,712
	Total	190,713	187,691
	Personnel Costs include:-		
	Provision for Retirement Benefit Obligations :-		
	- Current Service Cost	38,691	36,260
	- Interest Cost	54,251	55,519
	Defined Contribution Plan Costs (Provident Funds & ETF)	149,933	149,013
	Other Staff Costs	1,071,726	1,047,388
For the Year ended 31st March		2021	2020
		Rs'000	Rs'000
11.	TAX EXPENSE		
11.1	Current Taxes on Continuing Operations:		
	Income Tax for the year (Refer Note No.11.2)	-	-
	Deferred Tax (Reversal)/Charge (Refer Note No.11.4.1)	(16,530)	11,893
	Economic Service Charge (non-claimable)	10,172	12,600
	Provision for Advanced Company Tax (ACT)	8,100	-
	Tax Expense on Profit or Loss	1,742	24,493
11.2	Reconciliation between (Loss) / Profit before Tax and		
	Current Tax Expense:		
	Loss before Tax	(76,130)	(470,375)
	Add: Disallowable expenses	353,137	340,521
	Less: Allowable expenses	(310,716)	(374,821)
	Taxable Loss for the year	(33,709)	(504,675)
	Taxable Loss from Agro Farming	(27,444)	-
	Taxable Loss from Agro Processing	(6,265)	-
		(33,709)	-

Notes to the Financial Statements

11. TAX EXPENSE (CONTD.)

For the Year ended 31st March	2021	2020
Tax Rates Applicable - Agro Farming	Exempt	Exempt
Tax Rates Applicable - Agro Processing	14%	14%
Tax Rates Applicable - Other Income	24%	28%
Current Income Tax Expense	-	-
For the Year ended 31st March	2021	2020
	Rs'000	Rs'000

11.3 Accumulated Tax Losses:

Tax Losses Brought Forward	2,219,672	1,715,238
Adjusted Tax Loss due to Exempted Income (Agro Farming)	(385,611)	-
Loss incurred during the year (Agro Processing)	6,265	504,675
Investment Income claimed	(3,807)	(241)
Tax Loss Carried Forward	1,836,519	2,219,672

Gains and profits earned or derived from the sale of produce of an undertaking for agro farming without subjecting such produce to any process of production or manufacture are exempted within the period of five years of assessment commenced on April 1, 2019. Further, Agro Processing and Other Income liable at the rates of 14% and 24% respectively.

For the Year ended 31st March	2021		2020	
	Temporary Differences	Tax Effect	Temporary Differences	Tax Effect
	Rs'000	Rs'000	Rs'000	Rs'000
11.4 Deferred Tax				
On Property, Plant & Equipment	281,543	39,416	275,453	38,563
On Bearer Biological Assets	1,857,073	259,990	2,208,941	309,252
On Consumable Biological Assets	444,101	62,174	632,175	88,505
On Net Lease Liabilities	18,421	2,579	-	-
On Retirement Benefit Obligation	(575,533)	(80,574)	(570,636)	(79,889)
On Tax Loss Carried Forward	(1,236,129)	(173,058)	(1,650,984)	(231,138)
	789,476	110,527	894,950	125,293
Tax Rates Applicable (Refer Note 11.4.2)		14.00%		14.00%
(Reversal)/Provision of Deferred Tax (Refer Note 27)		(14,766)		8,938
11.4.1 On Profit or Loss		(16,530)		11,893
On Other Comprehensive Income		1,764		(2,955)
		(14,766)		8,938

11.4.2 Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset/(liability) has been computed taking into consideration the effective tax rate, which is 14% (2019/20 - 14%) for the Company.

The deferred tax asset has been recognised in the Financial Statements to the extent that it is probable that future taxable profit will be available against which the accumulated tax losses can be utilized. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st March 2021. The unutilised tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs. 84,054,541/- has not been recognised in respect of unutilised tax losses of Rs. 600,389,581/- as at 31st March 2021.

12. LOSS PER SHARE

Loss per Share has been calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. There were no potentially diluted shares outstanding at any time during the year. Therefore, the diluted loss per share are equal to the basic loss per share.

For the Year ended 31st March	2021	2020
Loss for the year -Rs'000	(77,872)	(494,868)
Weighted Average Number of Ordinary Shares in issue during the year -Numbers (in Thousands)	25,000	25,000
Loss per Share (Basic & Diluted) -Rs.	(3.11)	(19.79)

As at 31st March	2021	2020
	Rs'000	Rs'000

13. RIGHT OF USE ASSETS

Right of Use Land (Note 13.1)	153,463	156,261
Right of Use Immovable Estate Assets (Note 13.2)	25,258	32,627
Right of Use Building (Note 13.3)	32,494	-
Right of Use Other Assets (Note 13.4)	3,157	4,560
	214,372	193,448

13.1 Right of Use Land

Capitalised Value : As at 22.06.1992	204,931	204,931
Net book value carried forward as at 1st April	156,261	101,385
Remeasurement of leasehold right on initial application of SLFRS 16	-	54,342
Adjusted Net book value as at 1st April	156,261	155,727
Remeasurement of leasehold right as at 1st July	3,495	6,659
	159,756	162,386
Amortization		
Charge for the year	6,293	6,125
Amortisation as at 31st March	6,293	6,125
Carrying Amount as at 31st March	153,463	156,261

The Right of Use Asset of Lands consist of the lease rights on Janatha Estates Development Board / Sri Lanka State Plantations Corporation Estates and Land located in Dumbara Estate. This right to use asset is amortized over the remaining lease period of 25 years from 01 April 2020.

Notes to the Financial Statements

13. RIGHT OF USE ASSETS (CONTD.)

	Bearer Biological Assets (Mature) Rs'000	Permanent Land Development Costs Rs'000	Buildings Rs'000	Plant & Machinery Rs'000	Total as at 31.03.2021 Rs'000	Total as at 31.03.2020 Rs'000
13.2 Right of Use Immovable Estate Assets						
Capitalised Value :						
As at 22.06.1992	214,810	4,014	47,173	6,818	272,815	272,815
At the end of the year	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation :						
Opening Balance	182,611	3,585	47,173	6,818	240,188	232,889
Charge for the year	7,228	141	-	-	7,369	7,299
At the end of the year	189,839	3,726	47,173	6,818	247,557	240,188
Carrying Amount :						
As at 31.03.2021	24,971	288	-	-	25,258	
As at 31.03.2020	32,199	428	-	-		32,627

13.3 Right of Use Building

As at 31st March	2021 Rs'000	2020 Rs'000
As at 1st April 2020	-	-
Recognition of Right of Use Asset	28,110	-
Remeasurement of leasehold right as at 1st December 2020	10,840	-
As at 31st March 2021	38,950	-
Amortisation		
As at 1st April 2020	-	-
Amortisation charge for the year	6,456	-
As at 31st March 2021	6,456	-
Carrying Value as at 31 March 2021	32,494	-

Horana Plantations PLC's Head Office occupying a building under an agreement with Hayleys PLC (Managing Agent).

As at 31st March	2021 Rs'000	2020 Rs'000
13.4 Right of Use Other Assets		
Leasehold Machinery		
Cost :		
Balance as at 1st April	14,980	9,368
Transfers (from)/to	-	5,612
Balance as at 31st March	14,980	14,980
Depreciation :		
Balance as at 1st April	10,420	9,368
Charge for the year	1,403	1,052
Balance as at 31st March	11,823	10,420
Carrying Value as at 31 March	3,157	4,560

14. BIOLOGICAL ASSETS

14.1 Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- fication	Total as at 31.03.2021	Total as at 31.03.2020
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
14.1.1 Immature Plantations						
Cost :						
At the beginning of the year	97,210	180,563	122,290	122,993	523,056	519,828
Additions	17,477	26,527	34,602	35,763	114,369	145,175
Transfers to Mature	(27,000)	(81,436)	(75,471)	(23,336)	(207,243)	(128,124)
Write off during the year	-	(11,618)	(17,028)	(7,512)	(36,159)	(13,823)
At the end of the year	87,687	114,036	64,393	127,908	394,023	523,056

Notes to the Financial Statements

14. BIOLOGICAL ASSETS (CONTD.)

	Tea	Rubber	Oil Palm	Diversi- fication	Total as at 31.03.2021	Total as at 31.03.2020
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
14.1.2 Mature Plantations						
Cost :						
At the beginning of the year	841,897	1,462,471	116,537	95,623	2,516,528	2,401,743
Transfers from Immature	27,000	81,436	75,471	23,336	207,243	128,124
Disposal During the Year	-	(19,760)	-	-	(19,760)	(6,437)
Write off during the year	-	-	-	-	-	(6,902)
At the end of the year	868,897	1,524,147	192,008	118,959	2,704,011	2,516,528
Amortisation :						
At the beginning of the year	239,700	555,002	14,492	21,448	830,642	714,641
Charge for the year	30,830	81,237	5,827	11,985	129,879	128,503
Disposal During the Year	-	(18,450)	-	-	(18,450)	(6,313)
Write off during the year	-	-	-	-	-	(6,189)
At the end of the year	270,530	617,789	20,319	33,433	942,070	830,642
Carrying Amount	598,367	906,359	171,689	85,526	1,761,941	1,685,886
14.1.3 Total Bearer Biological Assets	686,054	1,020,396	236,082	213,434	2,155,964	2,208,942

These are investments in immature/mature plantations since the formation of the company. The assets (including plantations) taken over by way of estate leases are set out in Note 13.1 and 13.2. Further investments in the immature plantations taken over by way of these leases are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when fields become mature.

14.2 Consumable Biological Assets

As at 31st March	2021	2020
	Rs'000	Rs'000
14.2.1 Immature Plantations		
Cost :		
At the beginning of the year	44,273	36,212
Additions during the year	8,730	9,814
Transfers to Mature	(1,135)	(1,734)
Charged to Statement of Profit or Loss	(2,404)	(19)
At the end of the year	49,464	44,273
14.2.2 Mature Plantations		
Cost :		
At the beginning of the year	587,904	549,707
Decrease due to Harvest	(40,014)	(16,869)
Increase due to new plantations	1,135	1,734
Change in Fair Value less costs to sell	32,090	53,332
At the end of the year	581,114	587,904
14.2.3 Total Consumable Biological Assets	630,578	632,177

14.2.4 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2021 comprised approximately 308 hectares.

Managed trees which are less than five (05) years old are considered to be immature consumable biological assets, amounting Rs.49.464 Million as at 31st March 2021. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature , the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr. A.A.M.Fathihu- Proprietor of FM Valuers for 2020/21 using Discounted Cash Flow (DCF) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Notes to the Financial Statements

14. BIOLOGICAL ASSETS (CONTD.)

Key assumptions used in valuation are:-

14.2.4.1 The prices adopted are net of expenditure

14.2.4.2 Discounted rates used by the Valuer are within the range of 14%-16%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

14.2.5 The Company is exposed to the following risks relating to its timber plantation:-

14.2.5.1 Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

14.2.5.2 Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

14.2.5.3 Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

14.3 Sensitivity Analysis

14.3.1 Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

	-5%		5%
Managed Timber (Rs'000)	552,059	581,114	610,170

14.3.2 Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

	-1%		1%
Managed Timber (Rs'000)	604,488	581,114	560,326

14.4 Capitalisation of Borrowing Costs

Borrowing costs amounting to Rs.41.390 Million (Rs.59.732 Million in 2019/20) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 9.15% (12.72% in 2019/20).

As at 31st March	2021 Rs'000	2020 Rs'000
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14.5 Non-harvested Produce on Bearer Biological Assets

At the beginning of the year	3,361	5,845
Gain on Fair Value of Non-harvested Produce	7,999	3,361
Charged to Profit or Loss	(3,361)	(5,845)
At the end of the year	7,999	3,361

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows :-

Tea -three days crop (50% of 6 days cycle), Oil Palm -five days crop (50% of 10 days cycle), Rubber -one day crop (50% of 2 days cycle), Coconut -one month crop (50% of 2 month cycle), and Cinnamon -three months crop (50% of 6 months cycle).

Produce that grows on mature bearer plantations are measured at fair value less cost of harvesting and transport. The fair value of the unharvested green leaves is measured using the using the bought leaf formula recommended by the Sri Lanka Tea Board, the fair value of the unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the using the Bought Mill Price and the Rubber crop is fair valued using 95% of RSS 1 Price. Coconut and Cinnamon is fair valued using 50% of Farm Gate Price.

Notes to the Financial Statements

15. PROPERTY, PLANT & EQUIPMENT

	Infrastructure and Buildings	Plant & Machinery	F & F / Equipment	Computer Software	Motor Vehicles (Freehold)	Motor Vehicles (Leasehold)	Capital Work in Progress	Total
			Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost :								
Balance as at 1st April 2019	363,101	384,970	105,463	16,158	171,890	15,274	19,354	1,076,210
Additions	46	4,488	2,945	-	750	-	1,982	10,211
On disposals	-	-	(490)	-	(8,081)	-	-	(8,571)
Transfers (from)/to	358	-	-	-	7,438	(7,438)	(5,970)	(5,612)
Balance as at 31st March 2020	363,505	389,458	107,918	16,158	171,997	7,836	15,366	1,072,238
Depreciation :								
Balance as at 1st April 2019	119,612	282,725	87,263	16,158	165,336	14,807	-	685,901
Charge for the year	11,702	21,844	4,769	-	5,930	467	-	44,712
On disposals	-	-	(292)	-	(8,081)	-	-	(8,373)
Transfers (from)/to	-	-	-	-	7,438	(7,438)	-	-
Balance as at 31st March 2020	131,314	304,569	91,740	16,158	170,623	7,836	-	722,240
Cost :								
Balance as at 1st April 2020	363,505	389,458	107,918	16,158	171,997	7,836	15,366	1,072,238
Additions	-	1,707	11,153	-	15,800	-	25,958	54,618
On disposals	-	-	-	-	-	-	(3,269)	(3,269)
Transfers (from)/to	8,017	19,622	311	375	7,836	(7,836)	(28,326)	-
Balance as at 31st March 2021	371,522	410,787	119,382	16,533	195,633	-	9,729	1,123,587
Depreciation :								
Balance as at 1st April 2020	131,314	304,569	91,740	16,158	170,623	7,836	-	722,240
Charge for the year	11,801	20,742	4,479	-	2,290	-	-	39,312
On disposals	-	-	-	-	-	-	-	-
Transfers (from)/to	-	-	-	-	7,836	(7,835)	-	-
Balance as at 31st March 2021	143,115	325,311	96,219	16,158	180,748	-	-	761,552
Carrying Amount :								
As at 31.03.2021	228,407	85,476	23,163	375	14,884	-	9,729	362,035
As at 31.03.2020	232,190	84,889	16,178	-	1,374	-	15,366	349,998

- (a) These Property, Plant and Equipment are those movable assets vested in the company by Gazette Notification on the date of formation of the company (i.e.22nd June 1992), and all investment in tangible assets(both movables and immovables) by the Company since its formation, other than plantation improvements.
- (b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the year end is Rs. 400.122 Million (2019/20-Rs.371.304 Million).
- (c) Details of assets pledged as mortgage are morefully described under Note No 23 "Interest Bearing Borrowings".

15.1 Extents, Locations, Valuations and Number of Buildings of the Company's Land Holdings

Location	Planting District	Leasehold Lands		Buildings			Total Rs'000
		Extents Hectares.	Valuation*	Numbers	Leasehold Valuation* Rs'000	Freehold Cost Rs'000	
Upcot/Maskeliya							
Alton	Nuwara Eliya	350	12,914	269	4,368	22,393	26,761
Fairlawn	Nuwara Eliya	448	17,132	228	3,754	22,550	26,303
Gouravilla	Nuwara Eliya	381	13,912	770	7,700	24,005	31,704
Mahanilu	Nuwara Eliya	236	9,058	145	4,923	11,280	16,203
Stockholm	Nuwara Eliya	305	11,393	521	5,034	26,613	31,647
Regional Total		1,720	64,409	1,933	25,779	106,841	132,618
Lindula							
Bambrakelly	Nuwara Eliya	591	19,728	357	4,347	23,524	27,870
Eildon Hall	Nuwara Eliya	162	6,301	303	2,941	18,113	21,054
Tillicoultry	Nuwara Eliya	377	13,807	691	3,608	11,787	15,395
Regional Total		1,130	39,836	1,351	10,895	53,424	64,319
Up-Country Total		2,850	104,245	3,284	36,674	160,265	196,937
Ingiriya/Bulathsinghala							
Millakande	Kalutara	387	14,822	177	1,680	17,857	19,537
Halwatura	Kalutara	612	16,110	80	1,198	12,517	13,716
Hillstream	Kalutara	400	12,317	24	561	3,483	4,044
Kobowela	Kalutara	217	8,187	38	821	13,476	14,297
Neuchatel	Kalutara	902	20,172	105	1,361	32,100	33,461
Mirishena	Kalutara	487	12,908	152	1,376	10,161	11,537
Frocester	Kalutara	664	16,171	102	2,249	15,276	17,525
Low-Country Total		3,669	100,687	678	9,245	104,870	114,116
Total		6,519	204,932	3,962	45,919	265,135	311,054

* Capitalised Values of the Lands and Building as at 22.06.1992.

Notes to the Financial Statements

As at 31st March		2021	2020
		Rs'000	Rs'000
16.	INVENTORIES		
	Harvested Crops (Tea, Rubber and Other Diversified Crops)	206,306	153,484
	Input Materials	82	82
	Consumables and Spares	52,827	34,670
	Shading Tree Nurseries	128	1
		259,343	188,237
	Less: Provision for Obsolete/Slow Moving Inventories (Refer Note 16.1)	(3,718)	(3,559)
		255,625	184,678
16.1	Provision for Obsolete/Slow Moving Inventories		
	Balance as at 1st April	3,559	99
	Provisions made during the Year	159	3,460
	Balance at the end of the Year	3,718	3,559
As at 31st March		2021	2020
		Rs'000	Rs'000
17.	ADVANCE COMPANY TAX (ACT) RECOVERABLE		
	At the beginning of the year	27,285	27,285
	Less : Provision for Advance Company Tax (ACT)	(8,100)	-
	At the end of the year	19,185	27,285
As at 31st March		2021	2020
		Rs'000	Rs'000
18.	TRADE AND OTHER RECEIVABLES		
	Trade Receivables	50,694	16,044
	Staff Debtors	32,627	28,503
	Income/Value Added Tax Recoverable (ESC & VAT)	11,612	21,989
	Other Receivables	5,978	2,563
	Deposits, Advances and Prepayments	29,271	17,828
		130,184	86,927
	Less: Provision for Doubtful Debts	(1,548)	(2,008)
		128,636	84,919
18.1	Provision for Doubtful Debts		
	Balance as at 1st April	2,008	1,413
	(Reversal)/Provision made during the Year	(460)	595
	Balance at the end of the Year	1,548	2,008

As at 31st March		2021	2020
		Rs'000	Rs'000
19.	CASH AND CASH EQUIVALENTS		
19.1.	Favourable Balances		
	Short Term Monetary Investments	8,509	12,185
	Cash at Bank and in Hand	3,409	840
	Cash in Transit	1,823	1,865
	Cash and Cash Equivalents shown in the Statement of Financial Position	13,741	14,890
19.2.	Unfavourable Balances		
	Less : Bank Overdrafts (Refer Note No.29.1)	(283,354)	(599,510)
	Cash and Cash Equivalents shown in the Statement of Cash Flows	(269,613)	(584,620)

As at 31st March		2021	2020
		Rs	Rs
20.	STATED CAPITAL		
	Issued and Fully Paid :-	250,000,000	250,000,000
	25,000,000 Ordinary Shares	10	10
	1 Golden Share held by Secretary to the Treasury (Refer Note 20.1)	250,000,010	250,000,010

20.1. Rights of the Golden Shareholder :

The concurrence of the Golden Shareholder will be required for the Company to sub-lease any of the estate lands/to be leased to the company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation.

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.

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.

The Company will be required to submit a detailed quarterly 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.

The Golden Shareholder can request the Board of Directors of the Company to meet with him/his nominee, once every quarter to discuss issues of interests to the Government relating to the Company's operations.

The Golden Share must be owned either directly by the Government or by a 100% Government owned public company.

Notes to the Financial Statements

21. SINKING FUND

Sinking Fund represents the amount set a side by the Directors for general application.

22. DEVELOPMENT RESERVE

Development Reserve represents the amount set a side by the Directors for capital expenditure.

Since the purpose of having Sinking Fund and Development Reserve are already fulfilled, they have been transferred to Retained Earnings during the period.

23. INTEREST BEARING BORROWINGS

As at 31st March	2021	2020
	Rs'000	Rs'000
At the beginning of the year	1,031,371	906,625
Loans obtained during the year	615,000	350,000
Less: Repayment during the year	(182,864)	(225,254)
At the end of the year	1,463,507	1,031,371

23.1 Payable as follows:-

Amount repayable within one year	381,984	295,881
Amount repayable more than one year	1,081,523	735,490
Total Payable	1,463,507	1,031,371

23.2 Project Loans repayable in seventy two (72) after twenty four (24) months/*forty eight (48) monthly instalments, after a twelve (12) months grace period:

Purpose	Date of Receipt	Hatton National Bank PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)		
Replanting of Main & Minor Crops	23-Jan-13	150,000	AWPLR + 1.00%	19,800	21,900
Replanting of Main & Minor Crops	4-Sep-13	200,000	AWPLR + 1.00%	50,150	50,150
Replanting of Main & Minor Crops	19-May-14	200,000	AWPLR + 0.75%	72,350	73,280
Replanting of Main & Minor Crops	24-Mar-17	250,000	AWPLR + 2.00%	187,600	192,800
Replanting of Main & Minor Crops	30-May-18	200,000	AWPLR + 1.75%	195,800	200,000
Replanting of Main & Minor Crops	31-Dec-20	250,000*	AWPLR + 1.25%	250,000	-
		1,250,000		775,700	538,130

Security Offered :

Primary Floating Mortgage for Rs.550 Million, over leasehold rights of Frocester Estate.

Primary Floating Mortgage for Rs.400 Million, over leasehold rights of Bambrakelly Estate.

23.3 Project Loans repayable in seventy two (72) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Main Crops	7-Sep-17	100,000	AWPLR + 2.00%	81,930	90,270
		100,000		81,930	90,270

Security Offered :

Primary Floating Mortgage for Rs.120 Million, over the leasehold rights land and buildings of Stockholm Estate.

23.4 Project Loans repayable in seventy two (72) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Sampath Bank PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Oil Palm	31-Jul-19	200,000	Monthly AWPLR + 1.80%	200,000	200,000
		200,000		200,000	200,000

Security Offered :

Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate.

23.5 Project Loans repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Tea, Rubber, Coconut and Other Crops	26-Mar-21	350,000	Fixed Rate 8.50%	350,000	-
		350,000		350,000	-

Security Offered :

Primary Mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (Pvt) Ltd and John Keels PLC.

23.6 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Hatton National Bank PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Borrowing Restructure Facility	19-Oct-15	100,000	AWPLR + 0.75%	26,860	28,240

Security Offered :

Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester Estates.

Notes to the Financial Statements

23. INTEREST BEARING BORROWINGS (CONTD.)

23.7 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Hatton National Bank PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Financing Working Capital	21-Nov-19	150,000	AWPLR + 1.25%	-	150,000

Security Offered :

Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester Estates.

23.8 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Hatton National Bank PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Relief Package Scheme for Tea Sector introduced by the Government	16-Nov-15	130,114	AWPLR + 1.50%	17,352	17,352

Security Offered :

Primary mortgage over leasehold rights of Bambarakelly Estate.

23.9 Term Loan, repayable in thirty six (36) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Sri Lanka Tea Board		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
To finance payment of Labour Interim Allowance	27-Jul-16	33,000	AWPLR + 1.00% (AWPLR -Review as at 1st of August of every year and fixed for one year)	-	4,583

Security Offered :

No security has been offered for this loan.

23.10 Term Loan, repayable in thirty six (36) monthly instalments:

Purpose	Date of Receipt	Sri Lanka Tea Board		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Industry Distress Financing Facility	28-Apr-17	46,935	5.00%	-	2,796

Security Offered :

No security has been offered for this loan.

23.11 Term Loan, repayable in twenty four (24) monthly instalments:

Purpose	Date of Receipt	Seylan Bank PLC		2021	2020
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
COVID-19 Facility for Working Capital	31-Jul-20	15,000	4.00%	11,665	-

Security Offered :

No security has been offered for this loan.

Total Payable				1,463,507	831,371
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23.12 Maturity Analysis :

Financial Institution	Within 1 Year	Between 1Year & 2 Years	Between 2 Years & 5 Years	Over 5 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Hatton National Bank PLC (Refer Note 23.2)	19,800	-	-	-	19,800
	33,300	16,850	-	-	50,150
	33,300	33,300	5,750	-	72,350
	62,400	62,400	62,800	-	187,600
	50,400	50,400	95,000	-	195,800
	15,624	62,496	171,880	-	250,000
Commercial Bank of Ceylon PLC (Refer Note 23.3)	16,680	16,680	48,570	-	81,930
Sampath Bank PLC (Refer Note 23.4)	37,800	50,400	111,800	-	200,000
Commercial Bank of Ceylon PLC (Refer Note 23.5)	70,008	70,008	209,984	-	350,000
Hatton National Bank PLC (Refer Note 23.6)	16,560	10,300	-	-	26,860
Hatton National Bank PLC (Refer Note 23.8)	17,352	-	-	-	17,352
Seylan Bank PLC (Refer Note 23.12)	8,760	2,905	-	-	11,665
Total	381,984	375,739	705,784	-	1,463,507

24. LEASE LIABILITIES

As at 31st March	2021			2020		
	Payable Within One Year	Payable After One Year	Total	Payable Within One Year	Payable After One Year	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Lease Liabilities - Land (Refer Note 24.1)	815	158,217	159,032	696	155,616	156,312
Lease Liabilities - Building (Refer Note 24.2)	6,983	27,008	33,991	-	-	-
Lease Liabilities - Other Leased Assets (Refer Note 24.3)	1,503	1,423	2,926	1,308	2,926	4,234
	9,302	186,648	195,950	2,004	158,542	160,546

Notes to the Financial Statements

24. LEASE LIABILITIES (CONTD.)

24.1 Lease Liabilities - Land

As at 31st March	2021			2020		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
24.1.1 Movement :-						
As at 1st April	556,056	(399,744)	156,312	141,227	(53,161)	88,066
Initial remeasurement of lease liability as at 1st April	-	-	-	418,538	(350,877)	67,661
Adjusted balance as at 1st April 2019	556,056	(399,744)	156,312	559,765	(404,038)	155,727
Interim remeasurement of right-of-use asset as at 1st July	12,158	(8,664)	3,494	23,697	(17,037)	6,660
	568,214	(408,408)	159,806	583,462	(421,075)	162,387
Repayments during the year	(22,593)	-	(22,593)	(27,406)	-	(27,406)
Interest Expense for the year	-	21,819	21,819	-	21,331	21,331
As at 31st March	545,621	(386,589)	159,032	556,056	(399,744)	156,312
24.1.2 Payable as follows :-						
Payable within One Year						
Payable by due dates	22,593	(21,778)	815	22,107	(21,411)	696
	22,593	(21,778)	815	22,107	(21,411)	696
Payable after One Year :-						
Payable within Two to Five Years	90,910	(85,635)	5,276	88,965	(84,585)	4,380
Payable after Five Years	432,118	(279,176)	152,941	444,984	(293,748)	151,236
	523,028	(364,811)	158,217	533,949	(378,333)	155,616
Total Payable	545,621	(386,589)	159,032	556,056	(399,744)	156,312

The weighted average incremental borrowing rate applied to the lease liabilities was 14.44% (01 April 2019).

The rental payable under the JEDB/SLSPC lease is Rs. 5.648 Million per quarter until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflation. The future liability will be remeasured annually based on the inflated annual lease rental.

The expected rental payable under the Dumbara lease is Rs. 134,125/- per annum from 2022 onwards with an increment of 5% in every five years.

24.2 Lease Liabilities - Building

As at 31st March	2021		
	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000
24.2.1 Movement :-			
As at 31 March 2020	-	-	-
Initial Recognition of Lease Liability	37,951	(9,841)	28,110
Remeasurement of leasehold right as at 01st December 2020	14,096	(3,256)	10,840
Accretion of Interest	-	3,716	3,716
Payments during the year	(8,675)	-	(8,675)
Balance as at 31 March 2021	43,373	(9,382)	33,991
24.2.2 Payable as follows :-			
Payable within One Year	10,843	(3,860)	6,983
Payable after One Year (Two to Five Years)	32,530	(5,522)	27,008
Total Payable	43,373	(9,382)	33,991

The weighted average incremental borrowing rate applied to the lease liabilities was 12.51%.

24.3 Lease Liabilities - Other Leased Assets

As at 31st March	2021			2020		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
24.3.1. Movement :-						
As at 1st April	5,154	(920)	4,234	6,973	(1,601)	5,372
Repayments	(1,819)	-	(1,819)	(1,819)	-	(1,819)
Interest Expense for the year	-	511	511	-	681	681
As at 31st March	3,335	(409)	2,926	5,154	(920)	4,234
24.3.2. Payable as follows :-						
Payable within One Year	1,819	(316)	1,503	1,819	(511)	1,308
Payable after One Year :-						
Payable within Two to Five Years	1,516	(93)	1,423	3,335	(409)	2,926
	1,516	(93)	1,423	3,335	(409)	2,926
Total Payable	3,335	(409)	2,926	5,154	(920)	4,234

Notes to the Financial Statements

24. LEASE LIABILITIES (CONTD.)

Following are the amounts recognized in statement of profit or loss and other comprehensive income and statement of cash flows related to all the leases of the Company as of the reporting date.

As at 31st March	2021	2020
	Rs'000	Rs'000
Amounts recognized in Statement of Profit or Loss and Other Comprehensive Income		
- Interest on lease liability	26,045	22,012
Amounts recognized in Statement of Cash Flows		
- Total cash outflows for leases	33,087	29,225

25. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	2021	2020
	Rs'000	Rs'000
Balance as at 1st April	570,636	535,965
Provision made during the Year	80,345	112,889
Payments made during the Year	(75,448)	(78,218)
Balance at the end of the Year	575,533	570,636
Payable for retired employees included under current liabilities (Refer Note 28)	(26,763)	(28,130)
Present Value of Obligation as at 31st March	548,770	542,506

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2021 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits".

25.1. The amount recognised in the Statement of Financial Position is as follows:-

As at 31st March	2021	2020
	Rs'000	Rs'000
Present Value of Unfunded Obligation	548,770	542,506
Present Value of Funded Obligation	-	-
Total Present Value of Obligation	548,770	542,506
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	548,770	542,506
Unrecognised Actuarial (Gain)/Losses	-	-
Recognised liability for Defined Benefit Obligation	548,770	542,506

25.2. Movement in the Present Value of Defined Benefit Obligation :-

As at 31st March	2021 Rs'000	2020 Rs'000
Liability for Defined Benefit Obligation as at 1st April	542,506	504,717
Actuarial Gain - due to experience adjustments	(64,612)	(53,208)
Actuarial Loss - due to changes in financial assumptions	52,016	74,318
Benefit payable by the Plan	(74,081)	(75,100)
Current Service Cost	38,691	36,260
Interest Cost	54,251	55,519
Liability for Defined Benefit Obligation as at 31st March	548,770	542,506

25.3. Expenses recognised in Statement of Profit or Loss and Other Comprehensive Income:-

As at 31st March	2021 Rs'000	2020 Rs'000
Current Service Cost	38,691	36,260
Interest Cost	54,251	55,519
Actuarial (Gain)/Loss during the year	(12,597)	21,110
	80,345	112,889

25.4. The Key Assumptions used by the actuary include the following:-

	2021	2020
25.4.1. Rate of Interest	- 8% per annum	-10.00% per annum
25.4.2. Rate of Salary Increase		
- Workers	- 5.68% per annum	-15.00% for every two years beyond
- Estate Staff	- 8.00% per annum	-12.50% for first three years & 2.00% per annum beyond
- Head Office Staff	- 8.00% per annum	-10.00% per annum beyond
25.4.3. Retirement Age		
- Workers	- 60 years	-60 years
- Estate Staff	- 60 years	-60 years
- Head Office Staff	- 55 years	-55 years
25.4.4. The Company will continue as a going concern.		

The Actuarial Present Value of all benefits accrued to the existing employees of the scheme based on the current labour wage rate as at 31st March 2021, was Rs.548.770 Million (31st March 2020 -Rs.542.506 Million).

Notes to the Financial Statements

25. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

25.5. Sensitivity Analysis:-

The following sensitivity analysis shows the significance of the change in liability of Present Value of the Defined Benefit Obligation due to change in salary/wage escalation rate and discount rate assumed in this valuation, for all employees as at 31st March 2021 :-

Discount Rate	Salary Escalation Rate	Impact to Present Value of the Defined Benefit Obligation Rs '000
Increase of 1%	As per Note No.25.4.2.	54,291
Decrease of 1%	As per Note No.25.4.2.	(47,510)
As per Note No.25.4.1.	Increase of 1%	(44,594)
As per Note No.25.4.1.	Decrease of 1%	51,711

25.6. Maturity Profile of the Defined Benefit Obligation :-

Future Working Life Time	Present Value of the Defined Benefit Obligation Rs'000
Within the next 12 months	54,146
Between 1 - 5 years	138,165
Between 5 -10 years	133,737
Beyond 10 years	222,722
Total	548,770

26. DEFERRED INCOME

As at 31st March	2021 Rs'000	2020 Rs'000
26.1. Deferred Capital Grants & Subsidies		
26.1.1. Movement :		
Grant Received :		
At the beginning of the year	203,876	199,972
Received during the year	3,550	3,904
At the end of the year	207,426	203,876
Accumulated Amortisation :		
At the beginning of the year	81,047	74,245
Amortisation for the year	7,386	6,802
At the end of the year	88,433	81,047
Net Grants	118,995	122,829

The amounts spent are included under the relevant category of Property, Plant & Equipment and Biological Assets and the grant received for such is reflected under Deferred Income. When the Company complies with the conditions attached to the grants and subsidies, the grants will be credited to the Statement of Profit or Loss over the useful life of the respective assets.

26.1.2. Category wise details on Deferred Capital Grants & Subsidies:-

Granted By	Purpose of the Grant	Amount Received (to-date) Rs'000	Basis of Amortisation	Balance as at 31-Mar-20 Rs'000	Received During the Year Rs'000	Amortised During the Year Rs'000	Balance as at 31-Mar-21 Rs'000
Sri Lanka Tea Board	Tea Factory Modernization	756	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	315	-	(57)	258
	Tea Replanting Subsidy	2,105	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	5,766	1,600	(374)	6,992
Plantation Development Project (PDP) -Asian Development Bank (ADB)	Improvement of workers living environment	31,588	Rate of Depreciation applicable to Buildings (2.50% p.a.)	15,444	-	(1,128)	14,316
Plantation Human Development Trust (PHDT)	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	25,537	-	(1,600)	23,937
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	253	-	(17)	236
Plantation Development Project (PDP) -ADB/JBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	13,182	-	(716)	12,466
	Internal Road Development and Boundary Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	3,134	-	(165)	2,969
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	6,930	-	(361)	6,569
Rubber Development Department (RDD)	Rubber Replanting Subsidy	51,311	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	52,130	1,950	(2,945)	51,135
	Rubber Factory Development	675	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	8	-	(8)	-
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	76	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	130	-	(11)	119
		166,915		122,829	3,550	(7,386)	118,995

Notes to the Financial Statements

27. DEFERRED TAX LIABILITY

As at 31st March	2021	2020
	Rs'000	Rs'000
At the beginning of the year	125,293	116,355
(Reversal)/Charged during the period (Refer Note 11.4.1)	(14,766)	8,938
Balance at the End	110,527	125,293

28. TRADE AND OTHER PAYABLES

As at 31st March	2021	2020
	Rs'000	Rs'000
Trade and Service Creditors	37,031	45,220
Retiring Benefit Obligations (Current) (Refer Note 25)	26,763	28,130
Bank Interest Payable	2,813	9,525
Other Payables and Accrued Charges (Refer Note 28.1)	192,671	155,507
	259,278	238,382

28.1 Other Payables and Accrued Charges :

Staff Creditors	86,615	30,255
Government Departments and Statutory Bodies	27,708	41,020
Others including Provisions and Accrued Charges	78,348	84,232
	192,671	155,507

29. SHORT TERM BORROWINGS

29.1 Bank Overdrafts (Secured) :

The following facilities were granted to the Company, during the year under review :-

Financial Institution	Type of Securities	Rate of Interest	Facility Available	2021	2020
				Rs'000	Rs'000
Seylan Bank PLC Millennium Branch Colombo 3	Mortgage over leasehold rights of Mahanilu Estate, including land and buildings, fixed and floating assets.	Monthly AWPLR + 2% (With the Floor Rate of 8.5%)	100,000	11,355	100,971
Commercial Bank of Ceylon PLC Foreign Branch Colombo 3	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	Weekly AWPLR + 0.5%	200,000	123,744	246,286
Hatton National Bank PLC Dehiwala	Mortgage over leasehold rights of Frocester Estate and Eildon Hall Estate, including buildings, fixed and floating assets.	Weekly AWPLR + 0.75%	150,000	142,355	151,298
Sampath Bank PLC	Primary Mortgage Bond for Rs.100 Million over leasehold rights of Gouravilla Estate.	Monthly AWPLR + 1.8%	100,000	5,900	100,955
			550,000	283,354	599,510

29.2 Other Short Term Loans (Secured) :

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000	2021	2020
				Rs'000	Rs'000
Seylan Bank PLC Millennium Branch Colombo 3	Mortgage over leasehold rights of Mahanilu Estate, including land and buildings, fixed and floating assets.	Monthly AWPLR + 2% (With the Floor Rate of 8.5%)	60,000	-	33,698
		Monthly AWPLR + 1.75%	30,000	-	30,000
Seylan Bank PLC Millennium Branch Colombo 3		Monthly AWPLR + 2%	40,000	40,000	-
Total Other Short Term Loans (Refer Note 29.2.1)				40,000	63,698
Total Short Term Borrowings				323,354	663,208

29.2.1 Other Short Term Loans**Movement**

At the beginning of the year	63,698	60,000
Loans obtained during the year	97,689	90,000
Less: Repayment during the year	(121,387)	(86,302)
At the end of the year	40,000	63,698

30. CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at the year end except for the following:

30.1 Legal Proceedings on Labour and Other Disputes: -

Several legal cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested /prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

30.2 Contingent Liability on Retirement Benefit Obligation wage rate change: -

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 Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 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 Honourable 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 is to be taken up for argument at the Court of Appeal on 5th May 2021 and 17th May 2021.

Notes to the Financial Statements

30. CONTINGENT LIABILITIES (CONTD.)

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 unfavourable judgement to RPCs, the retirement Benefit obligation as at 31st March 2021 may be increased by Rs. 142,435,779 resulting in an additional charge of Rs. 11,573,045 to the profit or loss and an additional charge of Rs. 130,862,734 to the other comprehensive income for the year ended 31st March 2021. However, no provisions have been made in the financial statements for the year ended 31st March 2021 in this regard.

31. COMMITMENTS

31.1 Financial Commitments:-

There are no material Financial Commitments other than the JEDB/SLSPC. Lease Rentals Payable to the Secretary to the Treasury as explained in Note 24.1. 'Lease Liabilities - Land'

31.2 Capital Commitments:-

There were no capital commitments outstanding as at the year end.

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No material event has occurred subsequent to the Reporting Period, which require adjustments to or disclosures in the Financial Statements.

33. RELATED PARTY TRANSACTIONS AND BALANCES

As at 31st March		2021	2020
		Rs'000	Rs'000
33.1	The following balances were outstanding as at the year end: -		
33.1.1	Amounts due from Related Companies:		
	Holding Company:-		
	Vallibel Plantation Management Limited	654	14,257
	Other Related Companies:-		
	Royal Ceramics Lanka PLC	-	2
	Lanka Ceramic PLC	19	4
	Lanka Tiles PLC	455	455
	Uni-Dil Packaging Limited	-	707
	Uni-Dil Packaging Solution Limited	-	130
	Hayleys Agriculture Holdings Limited	-	391
	Hayleys Agro Fertilizer (Pvt) Limited	223	76
	Kelani Valley Plantations PLC	-	1,500
	Talawakelle Tea Estates PLC	-	49
	Singer Sri Lanka PLC	-	152
	The Kingsbury PLC	-	40
	Delmage Forsyth & Co., Limited	50	3,933
		747	7,439
33.1.2	Related Companies Payables		
	Uni-Dil Packaging Limited	740	781
	Uni-Dil Packaging Solutions Limited	2,736	1,703
	Hayleys PLC -Shared Services	1,148	3,156
	Hayleys PLC -Management Fee	12,211	16,336
	Hayleys Agriculture Holdings Limited	1,269	472
	Hayleys Agro Fertilizer (Private) Limited	645	2,519
	Hayleys Business Solutions International (Private) Limited	13	-
	The Kingsbury PLC	-	16
	Kelani Valley Plantations PLC	2,350	652
	Talawakelle Tea Estates PLC	217	-
	Puritas (Private) Limited	13	19
	Logiwiz Limited	3	-
	Diesel & Motor Engineering PLC	-	27
		21,345	25,681

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

33.2 Transactions with Related Companies:

As per the Para 23 of Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure", a disclosure shall be made stating that related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.

The transactions carried out in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure". The details of which are reported below:-

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2021	2020
				Rs'000	Rs'000
Vallibel Plantation Management Ltd Immediate Parent	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr. Johann A. Rodrigo	Executive Chairman Managing Director Director	Reimbursement of Expenses	(1,188)	(19,000)
			Settlement of Expenses	15,150	-
Uni-Dil Packaging Ltd. Affiliate	Mr. A.M.Pandithage	Chairman	Sale of Tea Purchase of Packing Materials	(240) 351	(525) 507
Uni-Dil Paper Solutions Ltd Affiliate	Mr. A.M.Pandithage	Chairman	Purchase of Packing Materials	10,261	11,630
Lanka Ceramic PLC Affiliate	Mr. Dhammika Perera Mr. K.D.G.Gunaratne	Chairman Director	Sale of Tea	(38)	(52)
Royal Ceramics Lanka PLC Affiliate	Mr. Dhammika Perera Mr. L. N. De S. Wijeyeratne	Chairman Director	Purchase of Tiles	51	-
The Kingsbury PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda Mr. L. N. De S. Wijeyeratne	Executive Chairman Co-Chairman Director Director	A.G.M. Expenses	-	108
			Sale of Coconuts	(4)	(76)
Hayleys PLC Managing Agent	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Finance & Group Executive Director	Management Fees Office Premises Rentals & Related Services	11,216 8,749	- 4,699
			Office Premises Reimbursement of Expenses	1,771	741
Hayleys Business Solutions International (Pvt) Ltd Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Salary Processing Fee	167	152
Hayleys Aventura(Pvt) Ltd Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Office Premises Related Services	-	164
Logiwiz Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Document Storage Rental	40	24
NYK Lanka (Pvt) Ltd Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Office Premises Related Services	179	477
				(15)	-

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2021	2020
				Rs'000	Rs'000
Hayleys Agriculture Holdings Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Chemicals & Machinery	3,207	3,352
Hayleys Agro Fertilizer (Pvt) Ltd Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Fertilizer	24,231	36,139
Singer Sri Lanka PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Equipment	404	23
Puritas (Pvt) Ltd Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Maintenance of Water Purification Plant	-	73
Dipped Products PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Sale of Latex	-	(23,619)
Kelani Valley Plantations PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Dr. Roshan Rajadurai Mr. S. C. Ganegoda Mr. L. N. De S. Wijeyeratne	Executive Chairman Co-Chairman Managing Director Director Director	Reimbursement of Management Expenses	1,140	141
			Purchase of Chemicals/Materials	-	(105)
Talawakelle Tea Estates PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Dr. Roshan Rajadurai Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Managing Director Director	Reimbursement of Management Expenses	3,347	-
Delmage Forsyth & Co.,Ltd Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera	Executive Chairman Chairman Director	Reimbursement of Management Expenses	862	261
Diesel & Motor Engineering PLC Affiliate	Mr. A.M.Pandithage	Director	Sale of Tea	(33,153)	(42,703)
Hayleylines Ltd Affiliate	Mr. A.M.Pandithage	Executive Chairman	Reimbursement of Expenses	220	151
			Office Premises Related Services	(25)	-
Yusen Logistics Lanka Ltd. Affiliate	Mr. A.M.Pandithage	Executive Chairman	Reimbursement of Expenses	28	-
				(20)	-

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

33.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24, "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly members of the Board of Directors (including Executive and Non-Executive Directors) has been classified as Key Management Personnel of the Company.

For the year ended 31st March	2021	2020
	Rs'000	Rs'000
Fees paid to Directors	13,326	14,863

33.4 Related Party Transactions

There are no Non-recurrent Related Party Transactions where aggregate value exceeds 10% of the equity or 5% of the Total Assets and Recurrent Related Party Transactions where aggregate value exceeds 10% Gross revenue/income.

34. DISCLOSURE OF THE MANAGEMENT ASSESSMENT ON IMPACT OF COVID-19

Outbreak of COVID -19 in late December 2019 and the Subsequent proclamation made by World Health Organization declaring Covid-19 outbreak as a pandemic, Sri Lankan government declared a state of emergency on the third week of March 2020. The uncertainty of the impact of the virus, created a total collapse of the economy and with the imposed lockdowns, majority of the businesses were stranded with no clear guidelines dispensed. Many of the Government institutes too ceased, creating a vacuum for the continuity of any business atmosphere in the short term.

The government's established task force on Covid-19, declared the plantations as an essential service and laid specific preventive safety measures and a code of conduct to follow for the plantations to operate at a reduced scale based on curfew timelines in certain zones. The protocols were monitored by the Health officials and the plantation management resulting with positive outcomes for the Company.

Considerable investments have been directed towards preventive health and safety measures in following all recommended health such as work-place safety and sanitation protocols recommended by the Authorities, labours and Staff have been trained to adhere to very strict precautionary standards including social distancing and implementation of work from home program on a rotational basis for a significant group of administrative employees as well as employees in sales and procurement departments. Several welfare measures such as providing dry rations, cash advances to maintain livelihood of our estate employees during this period were undertaken.

Though the plantations continued to operate, the spread of the virus around the world and within Sri Lanka showcased uncertainty on the buyers and the trades on the Tea "out-cry" auction system as close contact was unavoidable. A mechanism to continue the disposal of the commodity with minimum human interaction for the continuity of the Tea auctions was envisaged. As a result, the Colombo Tea Traders' Association (CTTA) introduced an e-auction in a short span of two weeks enabling the Tea buyers to continue with their business whilst working from Home.

As Sri Lanka was one of the few countries to continue its business in Tea, when all other major produces were in lock down mode or affected with the virus in some form, the overseas buyers had a continued supply of Tea from Sri Lanka and a price hike was seen in the immediate aftermath on the month of April and May 2020. In addition, with the belief of an anti-viral property in black tea, particularly in Ceylon Tea which has a relatively high level of Polyphenol resulted in higher demand given the current prevalence for healthy beverages which has antidotal properties. As a result, the Company's Tea prices for the month April 2020 and May 2020 are higher than the average tea prices for the year ended 31st March 2020. The Management expects a continuity in high demand and high price for further months. The Rubber prices continue to remain at the same level as it was before the Covid-19 pandemic, but it is expected that demand will increase because of the increased requirement for health and safety related products.

With the declaration of plantations as an essential service, the management has been able to manage the supply chain and continue the operations without an interruption at estates to furnish the demand during the pandemic. Accordingly, there are no impairment indications identified on bearer biological assets or the inventories as at the reporting date.

The Credit risk of the trade receivables are minimal since majority of sales are made through auctions to reputed international buyers and CTTA ensure the recoverability of the receivables through the produce brokers.

The Company manages its liquidity risk and ensure that it meets the working capital requirement effectively with undrawn credit facilities, daily cash inflow from sales and cost controlling mechanisms to overcome the risk of rising cost of production. The Company has applied for Covid-19 debt moratoriums introduced by the Central Bank of Sri Lanka for existing term loans.

The valuation of consumable biological assets requires key assumptions such as discount rate, value per cubic meter and available timber quantity. Changes in those could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. The Management has assessed the impact on those assumptions with the latest available economic conditions due to the Covid-19 outbreak and has not identified a significant impact on the valuation of consumable biological assets other than a short-term interruption in scheduled trees to be harvested due to the imposed lockdowns.

The Management is closely monitoring and developing mitigating factors for potential downside risks to the business due to Covid-19 pandemic and will continue to invest in the health and safety to ensure the health security of our large work force to continue the business operations without any disruption.

As per the management's preliminary assessment over future business plan after incorporating the potential impact of Covid-19 outbreak and is of the view that the range of possible outcomes considered at arriving this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the business continuity of the Company.

35. FINANCIAL RISK MANAGEMENT

35.1 Overview :

The Company has exposure to the following risks from its use of financial instruments:-

- * Credit risk
- * Liquidity risk
- * Market risks (Including currency risk and interest rate risk)

This note present qualitative and quantitative information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing those risks.

35.1.1 Risk Management Framework

The Company's risk management policies are established on identify and analyses the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the Group's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Notes to the Financial Statements

35. FINANCIAL RISK MANAGEMENT (CONTD.)

35.2 Credit Risk :

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the company's receivables from customer, investment securities etc.

The Company is exposed to credit risk from its operating activities (Primarily trade receivables), other advances including loans and advances to staff/workers, and from its financing activities, including deposits with banks and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following figures show maximum risk positions.

As at 31st March	2021	2020
	Rs'000	Rs'000
Advance Company Tax Recoverable	19,185	27,285
Trade and Other Receivables	130,184	86,927
Amount Due From Related Companies	1,401	21,696
Cash and Cash Equivalents	13,741	14,890
	164,510	150,798

35.2.1 Management of Credit Risk

Trade Receivables

The company's exposure to credit risk is influenced by the individual characteristics of each customer. The company's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before company's standard payment and delivery terms and conditions are offered. Company review includes external ratings when available and in some cases, bank references, purchase limit etc., which also subject to under review on quarterly basis. The past experience of the management is considered when revisions are made to terms and conditions.

The company has a minimal credit risk of its trade receivables from Produce Brokers, as the repayment is guaranteed within seven days by the Tea and Rubber Auction systems.

Credit Quality of Financial Assets

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31st March 2021 is as follows:

As at 31st March	Carrying value	
	2021	2020
	Rs'000	Rs'000
Below 30 days	50,694	16,044
30 - 45 days	-	-
46 - 60 days	-	-
61 - Over	-	-
Less: provision made	-	-
	50,694	16,044

The movement in the provision for other receivables during the year was as follows.

As at 31st March	Impairment	
	2021 Rs'000	2020 Rs'000
Balance as 1 April 2020	2,008	1,413
(Reversal)/Provision made during the Year	(460)	595
Balance as 31 March 2021	1,548	2,008

Provision for impairment loss recognised

The company believes that the unimpaired amounts that are past due by more than 45 days are still to be collected in full. Based on the Company's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Amounts due from related companies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each related Company.

The Company does not require a provision for impairment in respect of Amounts Due From Related Companies.

35.2.2 Cash & Cash Equivalents

The Company held cash and cash equivalents of Rs. 13.741 Mn at 31 March 2021 (2020: Rs.14.890 Mn.), which represents its maximum credit exposure on these assets.

35.3 Liquidity Risk :

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

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its short-and medium-term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected capital cash flows from operations.

Notes to the Financial Statements

35. FINANCIAL RISK MANAGEMENT (CONTD.)

35.3.1 Liquidity Risk Management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

The mixed approach combines elements of the cash-flow-matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows, plus other inflows that can be generated through the sale of assets or other secured borrowings.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments.

As at 31 March 2021	Current		Non Current		
	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Above 5 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Bank overdrafts	283,354	-	-	-	-
Interest bearing borrowings	40,000	381,984	375,667	705,856	-
Lease liabilities	-	9,302	14,607	19,099	152,941
Total	323,354	391,286	390,274	724,955	152,941

As at 31 March 2020	Current		Non Current		
	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Above 5 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Bank overdrafts	599,510	-	-	-	-
Bank borrowings	63,698	295,881	239,940	351,230	144,320
Lease liabilities	-	2,004	3,177	4,129	151,236
Total	663,208	297,885	243,117	355,359	295,556

35.4 Market Risk :

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates and etc; will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns.

35.4.1 Interest Rate Risk :

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates. The Company has borrowings with AWPLR interest rate which would affect the Company's cash flow/profit as the amount of interest paid would be changed depending on market interest rate.

At the end of the reporting period the interest rate profile of the company's interest bearing financial instruments as reported to the management of the company was as follows :-

As at 31 March	Nominal Amount	
	2021	2020
	Rs'000	Rs'000
Variable Rate Instruments		
Financial Assets		
Short term investments	8,509	12,185
Financial Liabilities		
Long Term Bank Borrowings	1,463,507	1,023,992
Long Term Other Borrowings	-	7,379
Other Short Term Bank Borrowings	40,000	63,698
Bank Overdrafts	283,354	599,510
Total	1,786,861	1,694,579

A reasonable change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

As at 31 March	Nominal Amount	
	2021	2020
	Rs'000	Rs'000
Variable Rate Instruments		
100 bp increase	(14,986)	(16,796)
100 bp decrease	14,986	16,796

The above table demonstrates the sensitivity to a reasonable change in interest rates on loans where floating rates are applicable with all other variables held constant.

Constant monitoring of market interest rates is carried out to ensure appropriate steps are taken to maximize the return on financial management and to minimize the cost of borrowings. The Company very strongly negotiates with banks and obtains best possible interest rates for the Company's borrowings. Listed below are steps adopted by the Company to minimize the effect of interest rate risks;

- Entering into loans with interest rate caps and fixed rates.
- Renegotiating with banks on interest rates whenever there are favourable fluctuation in the market rates.

Notes to the Financial Statements

35. FINANCIAL RISK MANAGEMENT (CONTD.)

35.4.2 Capital Management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Company also monitors the level of dividends to ordinary shareholders.

The Company's liabilities to adjusted capital ratio at the end of the reporting period was as follows.

As at 31st March	Nominal Amount	
	2021	2020
	Rs'000	Rs'000
Total Liabilities	3,041,726	2,909,816
Less: cash and cash equivalents	(13,741)	(14,890)
Net debt	3,027,985	2,894,926
Total equity	747,810	811,578
Net debt equity ratio	4.05	3.57

There were no changes in the company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

36. FINANCIAL INSTRUMENTS

36.1 Fair Value Hierarchy for Financial Assets Carried at Fair Value

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices-or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of the valuation technique is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by the market participants acting at arm's length.

Notes to the Financial Statements

36. FINANCIAL INSTRUMENTS (CONTD.)

36.2 Analysis of financial instruments by measurement basis

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

As as 31st March 2021	Note	Mandatory at FVTPL - Others	FVOCI - Equity Instruments	Financial Assets at Amortized Cost	FVOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets							
Trade and other receivables	18	-	-	128,636	-	-	128,636
Amounts due from related companies	33.1.1	-	-	1,401	-	-	1,401
Cash and cash equivalents	19	-	-	13,741	-	-	13,741
Total		-	-	143,777	-	-	143,777

Financial Liabilities							
Interest bearing borrowings	23.1	-	-	-	-	1,463,507	1,463,507
Financial lease liabilities	24	-	-	-	-	195,949	195,949
Trade and other payables	28	-	-	-	-	259,278	259,278
Amounts due to related companies	33.1.2	-	-	-	-	21,345	21,345
Short term bank borrowings	29.2	-	-	-	-	40,000	40,000
Bank overdrafts	29.1	-	-	-	-	283,354	283,354
Total		-	-	-	-	2,263,433	2,263,433

As as 31st March 2020	Note	Mandatory at FVTPL - Others	FVOCI - Equity Instruments	Financial Assets at Amortized Cost	FVOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets							
Trade and other receivables	18	-	-	84,919	-	-	84,919
Amounts due from related companies	33.1.1	-	-	21,696	-	-	21,696
Cash and cash equivalents	19	-	-	14,890	-	-	14,890
Total		-	-	121,505	-	-	121,505

Financial Liabilities							
Interest bearing borrowings	23.1	-	-	-	-	1,031,371	1,031,371
Financial lease liabilities	24	-	-	-	-	160,546	160,546
Trade and other payables	28	-	-	-	-	238,382	238,382
Amounts due to related companies	33.1.2	-	-	-	-	25,681	25,681
Short term bank borrowings	29.2	-	-	-	-	63,698	63,698
Bank overdrafts	29.1	-	-	-	-	599,510	599,510
Total		-	-	-	-	2,119,188	2,119,188

The company does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not material for the disclosure.

36.3 Fair Value Hierarchy for Assets Carried at Fair Value

	Note	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Level 4 Rs'000
As at 31st March 2021					
Consumable biological assets	14.2.2	-	-	581,114	581,114
As at 31st March 2020					
Consumable biological assets	14.2.2	-	-	587,904	587,904

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of consumable biological assets, as well as the significant unobservable inputs used.

	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Consumable Biological assets	Discounted Cash flows	The interest rates used by the company for discounting the cash flows varied between 14% - 16% which were derived as risk free interest rate plus a risk premium.	The fair value decreases/increases when discount rate is increased/decreased.
		An average timber price increment rate of 5.6% is used in the valuation based on the annual inflation rate. The timber price is based on the historical average selling price.	The fair value increased/decreases when price increment rate is increased/decreased.

Notes to the Financial Statements

36. FINANCIAL INSTRUMENTS (CONTD.)

36.4 Financial Assets and Liabilities by fair value hierarchy

As as 31st March 2021		Fair value			
	Note	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial Assets not measured at fair value					
Trade and other receivables	18	-	-	128,636	128,636
Amounts due from related companies	33.1.1	-	-	1,401	1,401
Cash and cash equivalents	19	-	13,741	-	13,741
Total		-	13,741	130,036	143,777
Financial Liabilities					
Interest bearing borrowings	23.1	-	-	1,463,507	1,463,507
Lease liabilities	24	-	-	195,949	195,949
Trade and other payables	28	-	-	259,278	259,278
Amounts due to related companies	33.1.2	-	-	21,345	21,345
Short term bank borrowings	29.2	-	-	40,000	40,000
Bank overdrafts	29.1	-	283,354	-	283,354
Total		-	283,354	1,980,079	2,263,433
As as 31st March 2020		Fair value			
	Note	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial Assets not measured at fair value					
Trade and other receivables	18	-	-	84,919	84,919
Amounts due from related companies	33.1.1	-	-	21,696	21,696
Cash and cash equivalents	19	-	14,890	-	14,890
Total		-	14,890	106,615	121,505
Financial Liabilities					
Interest bearing borrowings	23.1	-	-	1,031,371	1,031,371
Lease liabilities	24	-	-	160,546	160,546
Trade and other payables	28	-	-	238,382	238,382
Amounts due to related companies	33.1.2	-	-	25,681	25,681
Short term bank borrowings	29.2	-	-	63,698	63,698
Bank overdrafts	29.1	-	599,510	-	599,510
Total		-	599,510	1,519,678	2,119,188

37. INFORMATION ON BUSINESS SEGMENTS

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segmental Revenue								
Main Sectors	1,572,860	1,407,775	399,513	265,120			1,972,373	1,672,895
Diversified Crops					89,255	65,268	89,255	65,268
Sale of Timber Trees					58,432	19,495	58,432	19,495
Other Operating Revenue					5,246	4,496	5,246	4,496
	1,572,860	1,407,775	399,513	265,120	152,933	89,259	2,125,306	1,762,154
Segmental Gross Profit	146,261	(186,252)	16,561	(50,037)	37,633	18,747	200,455	(217,542)
Other Operating Income					7,446	6,900	7,446	6,900
Change in Fair Value of Biological Assets					40,089	56,693	40,089	56,693
Administrative Overheads					(174,949)	(170,053)	(174,949)	(170,053)
Management Fees					(12,211)	-	(12,211)	-
Profit from Operations							60,830	(324,002)
Net Finance Expense					(136,960)	(146,373)	(136,960)	(146,373)
Profit before Taxation							(76,130)	(470,375)
Tax Expense					(1,742)	(24,493)	(1,742)	(24,493)
Profit for the year							(77,872)	(494,868)
Other Comprehensive Income:								
Actuarial Gain/(Loss) on Retiring Gratuity					12,597	(21,110)	12,597	(21,110)
Tax (Reversal)/Expense on Other Comprehensive Income					(1,764)	2,955	(1,764)	2,955
Other Comprehensive Income for the year							10,833	(18,155)
Total Comprehensive Income for the year							(67,039)	(513,023)

Notes to the Financial Statements

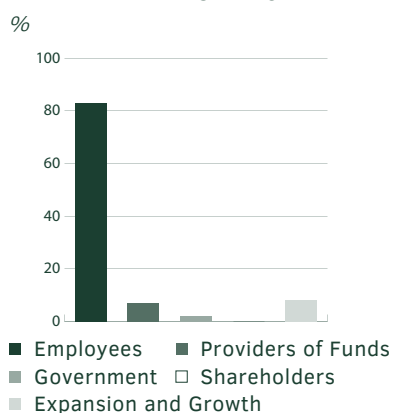
37. INFORMATION ON BUSINESS SEGMENTS (CONTD.)

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
OTHER INFORMATION								
Segmental Assets								
Non-current Assets	1,028,862	1,058,671	1,164,634	1,245,835	1,169,452	1,107,346	3,362,949	3,411,852
Current Assets	250,432	188,720	47,909	37,970	128,246	82,852	426,587	309,542
Total Assets	1,279,294	1,247,391	1,212,543	1,283,805	1,297,698	1,190,198	3,789,536	3,721,394
Segmental Liabilities								
Non-current Liabilities	528,141	524,884	161,283	157,447	1,357,039	1,003,637	2,046,463	1,685,968
Current Liabilities	147,043	113,076	47,687	47,159	800,533	1,063,613	995,263	1,223,848
Total Liabilities	675,184	637,960	208,969	204,606	2,157,572	2,067,250	3,041,726	2,909,816
Capital Expenditure								
	43,267	31,450	27,963	38,308	106,488	95,442	177,720	165,200
Amortisation and Depreciation								
	59,395	64,756	98,136	92,202	33,181	30,733	190,713	187,691
Non-Cash Expenditure other than Amortisation and Depreciation								
	88,852	85,932	26,000	23,474	150,883	104,034	265,735	213,440

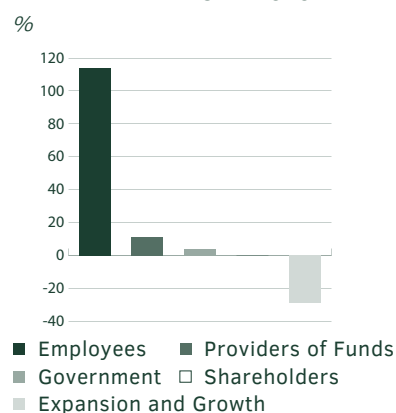
Value Added Statement

For the Year ended 31st March	2021 Rs'000		2020 Rs'000	
Revenue	2,125,306		1,762,154	
Other Income	47,535		63,593	
	2,172,841		1,825,747	
Cost of Materials and Services obtained	(595,583)		(695,054)	
Value Addition	1,577,258		1,130,693	
Distribution of Value Addition:-				
To Employees				
Salaries and Other Benefits	1,314,600	83.3	1,288,180	113.9
To Providers of Funds				
Interest Cost	115,537	7.1	128,401	11.4
To Government				
Income Tax	1,712		21,538	
Lease Interest	21,706		17,972	
	23,448	1.7	39,510	3.5
To Shareholders				
Dividends to Shareholders	-	-	-	-
To Expansion and Growth				
Profit Earned/(Loss incurred)	(67,039)		(513,023)	
Depreciation	190,713		187,625	
	123,674	7.9	(325,398)	(28.8)
	1,577,258	100.0	1,130,693	100.0

DISTRIBUTION OF VALUE
ADDITION - 2021



DISTRIBUTION OF VALUE
ADDITION - 2020



Ten Year Summary

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Operating Results										
Revenue	2,025,043	2,220,225	2,269,092	2,164,859	1,806,106	1,947,278	2,248,463	2,020,360	1,762,154	2,125,306
Gross Profit	200,814	369,330	271,161	141,575	(1,574)	102,743	265,515	196,608	(217,542)	200,455
Profit from Operations	130,585	305,138	212,961	115,827	(35,885)	45,774	191,589	136,970	(324,002)	60,830
Interest	(46,195)	(61,623)	(50,399)	(28,848)	(39,859)	(88,656)	(86,915)	(129,622)	(146,373)	(136,960)
Profit/(Loss) before Tax	84,390	243,515	162,562	86,979	(75,744)	(42,882)	104,674	7,348	(470,375)	(76,130)
Tax Expenses	(459)	(38,652)	(25,325)	(25,003)	2,625	1,160	(20,330)	(2,546)	(24,494)	(1,742)
Profit/(Loss) for the year	83,931	204,863	137,237	61,976	(73,119)	(41,722)	84,344	4,802	(494,868)	(77,872)
Other Comprehensive Income	3,389	19,403	(66,451)	14,709	43,847	27,095	(35,196)	(75,184)	(18,155)	10,833
Total Comprehensive Income	87,320	224,266	70,786	76,685	(29,272)	(14,627)	49,148	(70,382)	(513,023)	(67,039)
Net Assets Employed										
Property, Plant & Equipment	1,951,043	2,153,381	2,408,538	2,580,951	2,600,692	2,661,463	2,748,445	2,738,551	349,998	362,035
Consumable Biological Assets	231,132	246,676	283,928	349,513	453,884	490,535	536,575	585,919	632,177	630,578
Current Assets	356,869	385,338	389,842	420,646	322,531	400,281	408,986	471,655	336,828	426,587
Total Assets	2,539,044	2,785,395	3,082,308	3,351,110	3,377,107	3,552,279	3,694,006	3,796,125	3,721,394	3,789,536
Current Liabilities excluding Borrowings	(247,516)	(312,377)	(290,354)	(248,102)	(230,918)	(272,611)	(332,632)	(286,181)	(266,067)	(289,924)
Non-Current Liabilities excluding Borrowings	(671,561)	(681,612)	(774,366)	(815,835)	(781,233)	(744,576)	(783,239)	(831,931)	(949,170)	(964,940)
	1,619,967	1,791,406	2,017,588	2,287,173	2,364,956	2,535,092	2,578,135	2,678,013	2,506,157	2,534,671
Capital Employed										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	-
Revenue Reserves	836,502	1,035,768	1,056,554	1,104,224	1,066,278	1,051,652	1,100,798	1,017,916	491,578	497,810
Shareholder's Funds	1,156,502	1,355,768	1,376,554	1,424,224	1,386,278	1,371,652	1,420,798	1,337,916	811,578	747,810
Borrowings	463,465	435,638	641,034	862,950	978,679	1,163,440	1,157,336	1,340,097	1,694,579	1,786,861
	1,619,967	1,791,406	2,017,588	2,287,173	2,364,956	2,535,092	2,578,135	2,678,014	2,506,157	2,534,671

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cash Flow										
Net Cash Inflow/(Outflow) from Operating Activities	240,707	358,517	235,388	105,620	111,493	48,366	284,016	14,218	(152,283)	113,363
Net Cash Outflow from Investing Activities	(267,280)	(276,282)	(361,631)	(261,167)	(187,868)	(202,572)	(252,141)	(170,736)	(160,955)	(173,706)
Net Cash Inflow/(Outflow) from Financing Activities	(186,027)	6,228	8,798	147,154	7,992	109,132	(38,353)	64,598	99,219	375,350
Net Increase/(Decrease) in Cash and Cash Equivalents	(212,600)	88,463	(117,445)	(8,393)	(68,383)	(45,074)	(6,478)	(91,920)	(214,019)	315,007
Cash and Cash Equivalents at the beginning	91,229	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)	(370,600)	(584,620)
Cash and Cash Equivalents at the end	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)	(370,600)	(584,619)	(269,613)
Key Indicators										
Earning/(Loss) per Share (Rs.)	4.42	8.19	5.49	2.48	(2.92)	(1.67)	3.37	0.19	(19.79)	(3.11)
Market Value per Share (Rs.)	25.10	26.50	22.90	22.50	16.90	16.50	22.00	17.00	17.00	23.20
Dividend per Share (Rs.)	1.00	2.00	1.00	0.50	-	-	-	0.50	-	-
Net Assets per Share (Rs.)	46.26	54.23	55.06	56.97	55.45	54.87	56.83	53.52	32.46	29.91
Price Earnings Ratio (Times)	5.68	3.23	4.17	9.08	(5.78)	(9.89)	6.52	88.51	(0.86)	(7.45)
Earning Yield (%)	17.61	30.92	23.97	11.02	(17.31)	(10.11)	15.34	1.13	(116.44)	(13.43)
Interest Cover (Times)	3.50	4.95	4.23	4.02	(0.09)	0.52	2.20	1.06	(2.21)	0.44
Dividend Cover (Times)	4.42	4.10	5.49	4.96	-	-	-	0.38	-	-
Dividend Payout (%)	22.62	24.41	18.22	20.17	-	-	-	260.33	-	-
Effective Dividend Rate (%)	10.00	20.00	10.00	5.00	-	-	-	5.00	-	-
Dividend Yield (%)	3.98	7.55	4.37	2.22	-	-	-	2.94	-	-
Current Ratio (Times)	0.76	0.81	0.75	0.84	0.53	0.57	0.52	0.49	0.27	0.43
Revenue to Capital Employed (Times)	1.28	1.24	1.12	0.95	0.76	0.77	0.87	0.75	0.70	0.78
Property, Plant & Equipments to Shareholders' Funds (Times)	1.69	1.59	1.75	1.81	1.88	1.94	1.93	2.05	0.43	0.84
Equity to Total Assets (%)	45.55	48.67	44.66	42.50	41.05	38.61	38.45	35.24	21.81	19.73
Return on Equity (%)	9.56	15.11	9.97	4.35	(5.27)	(3.04)	5.94	0.36	(60.98)	(10.41)
Return on Capital Employed (%)	9.54	17.03	10.56	5.06	(1.52)	1.81	7.43	5.11	(12.93)	2.40
Return on Total Assets (%)	4.35	7.35	4.45	1.85	(2.17)	(1.17)	2.28	0.13	(13.30)	(0.02)
Gearing (%)	28.61	24.32	31.77	37.73	41.38	45.89	44.89	50.04	67.62	70.50

Shareholder and Investor Information

TWENTY (20) MAJOR SHAREHOLDERS AS AT 31ST MARCH 2021

NAME	2021		2020	
	No. of Shares	%	No. of Shares	%
1 Vallibel Plantation Management Limited	12,750,000	51.000	12,750,000	51.000
2 Naratha Ventures Private Limited	2,153,733	8.615	2,153,733	8.615
3 Sampath Bank Plc/ Dr.T.Senthilverl	1,981,113	7.924	1,981,113	7.924
4 Associated Electrical Corporation Ltd	1,421,186	5.685	1,286,186	5.145
5 Seylan Bank Plc/Senthilverl Holdings (Pvt) Ltd	590,017	2.360	821,614	3.286
6 Bank Of Ceylon No. 1 Account	513,000	2.052	513,000	2.052
7 Mrs. U.D.D.N. Perera	244,621	0.978	275,993	1.104
8 Gulf East Finance Limited	222,154	0.889	196,493	0.786
9 Mr. G.M. Weerakoon	213,643	0.855	360,630	1.443
10 Mr. K.C. Vignarajah	196,205	0.785	196,205	0.785
11 J.B. Cocoshell (Pvt) Ltd	145,064	0.580	-	-
12 Mr. H.A.A.H. Algharabally	131,500	0.526	131,500	0.526
13 Mr. P.F. Nandasiri	113,320	0.453	113,320	0.453
14 Mr. A.A. Page	100,000	0.400	100,000	0.400
15 Merchant Bank of Sri Lanka Plc/ J.A.S.Priyantha	77,263	0.309	77,263	0.309
16 East West Properties PLC	71,400	0.286	71,400	0.286
17 Mr. Y.L. Farook	62,980	0.252	84,980	0.340
18 Hatton National Bank Plc/Muhandiramlage Lasantha Kumara Somaratne & Munasinghe Liyana Arachchige Sagari Induka	60,000	0.240	-	-
19 Cocoshell Activated Carbon Company (Private) Limited	55,300	0.221	40,300	0.161
20 Mr. A. Sithampalam	50,000	0.200	50,000	0.200
	21,152,499	84.610	21,203,730	84.815
Others	3,847,502	15.390	3,796,271	15.185
Total	25,000,001	100.000	25,000,001	100.000

SHARE DISTRIBUTION

Shareholding as at 31st March 2021

From	To	No of Holders	No of Shares	%
1	1,000	9,925	1,956,020	7.82
1,001	10,000	256	927,353	3.71
10,001	100,000	53	1,441,072	5.77
100,001	1,000,000	9	2,369,524	9.48
Over 1000000		4	18,306,032	73.22
		10,247	25,000,001	100.00

CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	10,151	4,417,782	17.67
Local Institutions	76	20,188,357	80.75
Foreign Individuals	19	171,708	0.69
Foreign Institutions	1	222,154	0.89
	10,247	25,000,001	100.00

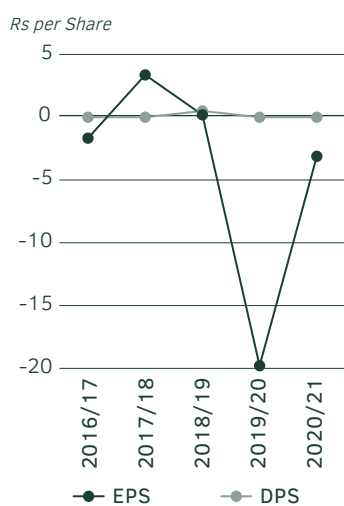
SHARE PRICES FOR THE YEAR

	2021	2020
Market Price per Share		
Highest during the year	Rs. 27.20 (20.10.2020)	Rs. 23.50 (10.12.2019)
Lowest during the year	Rs. 14.40 (13.05.2020)	Rs. 14.10 (02.04.2019)
As at end of the year	Rs. 23.20	Rs. 17.00
Number of Transactions during the year	2,466	812
Number of Shares traded during the year	2,431,841	1,373,702
Value of shares traded during the year (Rs.)	56,782,638	24,907,408

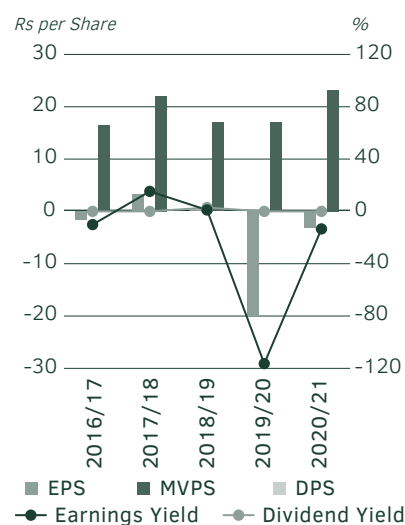
PUBLIC HOLDING

1. Public holding percentage as at 31st March 2021 - 48.996%
2. Number of shareholders representing the above Percentage - 10,245
3. The float adjusted market capitalization as at 31st March 2021 - Rs. 284,176,823.20
4. The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Earnings Per Share Vs Dividend per Share

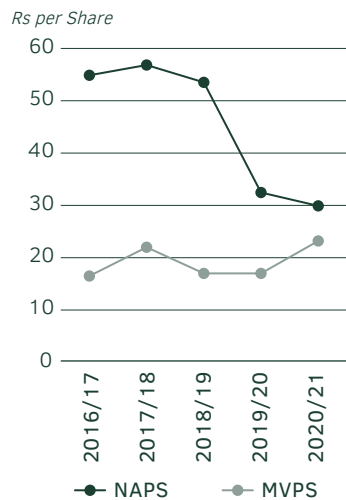


Earnings & Dividend Yield

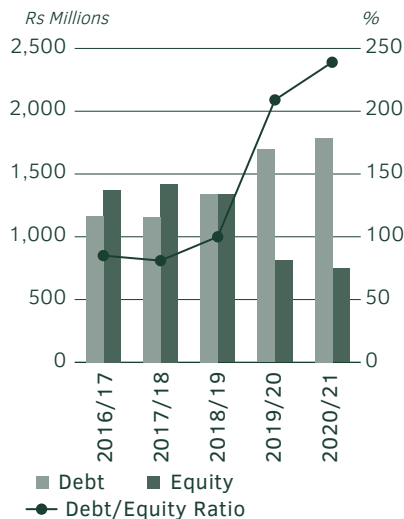


Shareholder and Investor Information

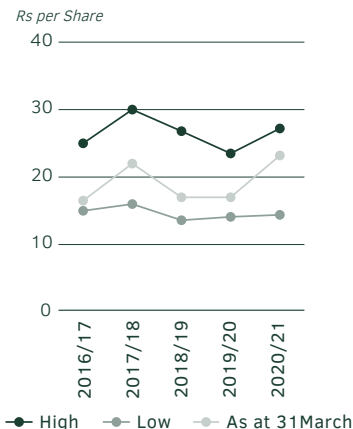
Net Assets per Share Vs. Market Value per Share



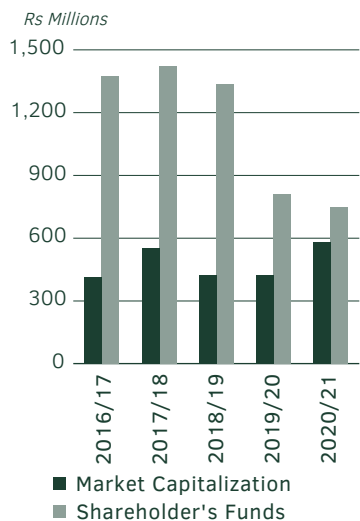
Debt/Equity Ratio



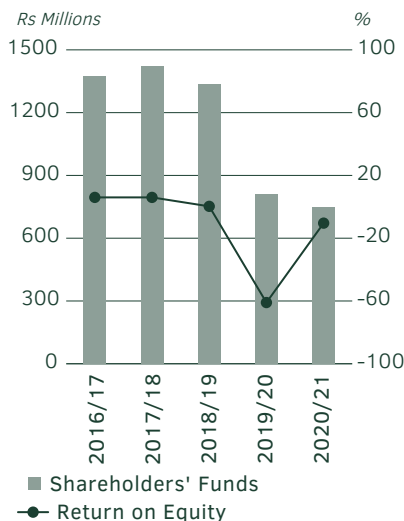
High-Low Market Prices



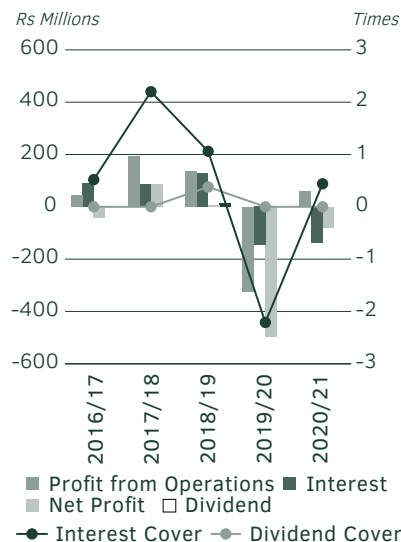
Market Capitalisation Vs. Shareholders' Funds



Return on Equity



Interest & Dividend Cover

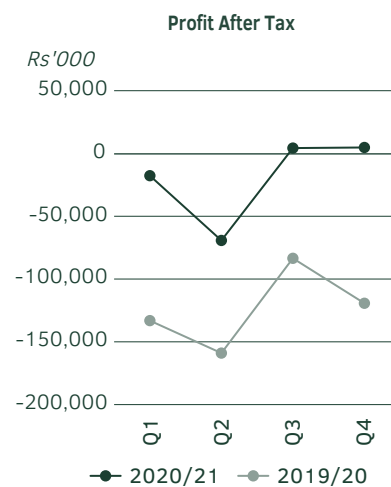
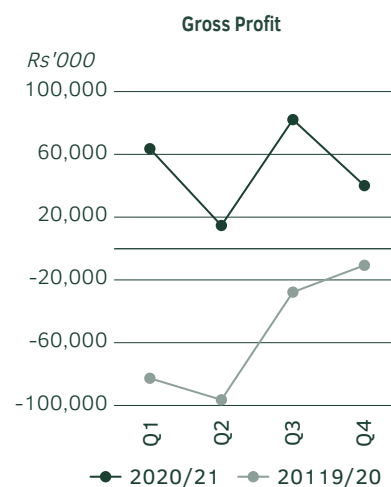
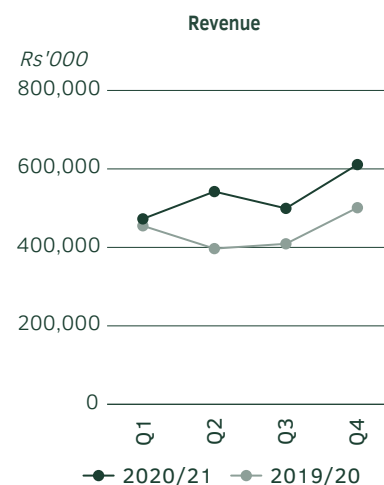


Our Plantations

Estate	Planting District	EXTENTS (Ha)								ELEVATION (ft)	CROP (kg'000)			Employee Strength		
		Tea		Rubber		Oil Palm		Others	Total		Tea	Rubber	Oil Palm	Workers	Staff	Total
		Mature	Immature	Mature	Immature	Mature	Immature									
Upcot/Maskeliya																
Alton	Nuwara Eliya	238	2	-	-	-	-	110	350	4,700-5,550	254	-	-	531	25	556
Fairlawn	Nuwara Eliya	296	-	-	-	-	-	152	448	4,500-4,870	305	-	-	490	23	513
Gouravilla	Nuwara Eliya	267	2	-	-	-	-	112	381	3,600-5,300	439	-	-	642	28	670
Stockholm	Nuwara Eliya	204	3	-	-	-	-	98	305	4,800	253	-	-	455	22	477
Mahanilu	Nuwara Eliya	144	2	-	-	-	-	90	236	4,500-5,000	181	-	-	287	14	301
Regional Total		1,148	9	-	-	-	-	562	1,720	-	1,432	-	-	2,405	112	2,517
Lindula																
Bambrakelly	Nuwara Eliya	326	-	-	-	-	-	264	591	4,200-5,400	448	-	-	600	28	628
Eildon Hall	Nuwara Eliya	128	-	-	-	-	-	34	162	4,430	186	-	-	220	12	232
Tillicoultry	Nuwara Eliya	274	-	-	-	-	-	103	377	4,200-5,000	299	-	-	317	21	338
Regional Total		728	-	-	-	-	-	401	1,129	-	932	-	-	1,137	61	1,198
Up-Country Total		1,876	9	-	-	-	-	964	2,850	-	2,365	-	-	3,542	173	3,715
Ingiriya / Bulathsinghala																
Millakande	Kalutara	105	-	-	-	-	-	282	387	100	187	-	-	154	20	174
Halwatura	Kalutara	-	-	158	27	13	3	412	612	396-825	-	114	149	131	18	149
Hillstream	Kalutara	-	-	106	15	-	-	279	400	429	-	73	-	76	8	84
Kobowela	Kalutara	-	-	91	-	-	-	126	217	310	-	93	-	59	13	72
Neuchatel	Kalutara	-	-	281	36	79	41	466	902	172-495	-	246	851	295	23	318
Mirishena	Kalutara	-	-	150	15	24	66	249	504	246-330	-	123	319	107	14	121
Frocester	Kalutara	-	-	272	16	-	48	311	647	165-330	-	223	-	179	25	204
Low-Country Total		105	-	1,058	108	116	158	2,124	3,669	-	187	873	1,319	1,001	121	1,122
Plantation Total		1,981	9	1,058	108	116	158	3,088	6,519	-	2,552	873	1,319	4,543	294	4,837

Quarterly Results

For the Year ended 31st March	2020/21 Rs'000	2019/20 Rs'000	Change %
Revenue			
1st Quarter	472,660	455,024	4
2nd Quarter	542,233	396,883	37
3rd Quarter	499,394	409,108	22
4th Quarter	611,019	501,138	22
Year	2,125,306	1,762,154	21
Gross Profit/(Loss)			
1st Quarter	63,590	(82,658)	<100
2nd Quarter	14,670	(96,397)	<100
3rd Quarter	82,123	(27,792)	<100
4th Quarter	40,072	(10,695)	<100
Year	200,455	(217,542)	<100
Profit/(Loss) for the period :			
1st Quarter	(17,692)	(133,114)	87
2nd Quarter	(69,263)	(158,978)	56
3rd Quarter	4,304	(83,485)	<100
4th Quarter	4,781	(119,291)	<100
Year	(77,872)	(494,868)	84
Other Comprehensive Income/(Expense)			
1st Quarter	(1,231)	(2,494)	51
2nd Quarter	(1,231)	(2,494)	51
3rd Quarter	(1,231)	(2,494)	51
4th Quarter	14,524	(10,673)	<100
Year	10,833	(18,155)	<100
Total Comprehensive Income/(Expense)			
1st Quarter	(18,923)	(135,608)	86
2nd Quarter	(70,493)	(161,472)	56
3rd Quarter	3,073	(85,979)	<100
4th Quarter	19,304	(129,964)	<100
Year	(67,039)	(513,023)	87



Corporate Information

COMPANY NAME

Horana Plantations PLC

DOMICILE AND LEGAL FORM

Horana Plantations PLC is a Quoted public Company with limited liability, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 in terms of the provisions of the Conversion of Public Corporations of Government Owned Business Undertakings into Public Companies Act No.23 of 1987 and re-registered under the Companies Act No.7 of 2007.

DATE OF INCORPORATION

22nd June 1992

REGISTRATION NUMBER

PQ 126

DIRECTORS

Mr. A. M. Pandithage – Chairman

Mr. Dhammika Perera – Deputy Chairman
(Alternate Director Mr. K.D.G.Gunaratne)

Dr. Roshan Rajadurai –Managing Director

Mr. Johann A. Rodrigo – Director/Chief Executive Officer

Mr. A.N.Wickremasinghe

Mr. S. C. Ganegoda

Mr. S. S. Sirisena

Mr. K. D. G. Gunaratne

Mr. L. N. de. S. Wijeyeratne

Mr. L. J. A. Fernando
(Retired w.e.f 19th May 2020)

Mr. S. M. Liyanage
(Appointed w.e.f 19th May 2020)

REGISTERED OFFICE ADDRESS

No.400 Deans Road,
Colombo 10.

Telephone : 011 2627000,
011 2627301-7322

Facsimile : 011 2627323

E Mail : horanap@hplnet.com

Web : www.horanaplantations.com

PARENT COMPANY

Vallibel Plantation Management Ltd
No.400 Deans Road,
Colombo 10.

ULTIMATE PARENT COMPANY OF THE GROUP

Vallibel One PLC
Level 29, West Tower,
World Trade Centre, Echelon Square,
Colombo 1.

MANAGING AGENT

Hayleys PLC
No.400 Deans Road,
Colombo 10.

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo 8.
Telephone 011 4640360-3

INDEPENDENT AUDITORS

KPMG

Chartered Accountants
No.32A, Sir Mohamed Macan Markar
Mawatha,
Colombo 3.

LEGAL ADVISORS

Nithi Murugesu & Associates
Attorneys-at-Law & Notaries Public
No.28 (Level 2) W.A.D. Ramanayake
Mawatha,
Colombo 2.

TAX ADVISORS

Nanayakkara & Company
Chartered Accountants
3rd Floor, Yathama Building
No.142 Galle Road,
Colombo 3.

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Seylan Bank PLC
Sampath Bank PLC

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of Horana Plantations PLC will be held by way of electronic means on the 30th day of June 2021 at 3.00 p.m centered at the Auditorium of Hayleys PLC, No.400, Deans Road, Colombo 10 and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. K D G Gunaratne who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
3. To pass the ordinary resolution set out below to re- appoint Mr. A N Wickremasinghe who is over 70 years of age, as a Director of the Company;

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. A N Wickremasinghe who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”
4. To pass the ordinary resolution set out below to re- appoint Mr. Lalit N de S Wijeyeratne who is over 70 years of age, as a Director of the Company;

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. Lalit N de S Wijeyeratne who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”
5. To pass the ordinary resolution set out below to re- appoint Mr. S S Sirisena who is over 70 years of age, as a Director of the Company;

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. S S Sirisena who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”
6. To pass the ordinary resolution set out below to re- appoint Mr. A M Pandithage who is over 70 years of age, as a Director of the Company;

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. A M Pandithage who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”
7. To authorise the Directors to determine donations for the ensuing year.
8. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board
Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

04th June 2021
Colombo

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to hopl.pwcs@hplnet.com 48 hours before the time fixed for the meeting.
5. Please refer the Circular to shareholders dated 04th June 2021 and follow the instructions to join the meeting virtually.

Notes

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Notes

A series of horizontal dotted lines for writing notes.

Form of Proxy

I/We the undersigned NIC No

of

being a member/s* of Horana Plantations PLC hereby appoint:

Mr. Abeyakumar Mohan Pandithage	of Colombo or failing him *
Mr. Dhammika Perera	of Colombo or failing him *
Dr. Weerakoon Godfrey Roshan Rajadurai	of Colombo or failing him *
Mr. Johann Arjuna Rodrigo	of Colombo or failing him *
Mr. Anthony Nishantha Wickremasinghe	of Colombo or failing him *
Mr. Sarath Clement Ganegoda	of Colombo or failing him *
Mr. Sunil Shanthakumara Sirisena	of Colombo or failing him *
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him *
Mr. Lalit Nihal de Silva Wijeyeratne	of Colombo or failing him *
Mr. Sameera Madushanka Liyanage	of Colombo or failing him *

.....

of

my/our * Proxy to vote and speak as indicated hereunder for me/us* and on my/our* behalf at the Twenty Eighth Annual General Meeting of the Company to be held on 30th June 2021 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
Resolution 1 To re-elect as a Director Mr. K D G Gunaratne who retires in terms of Article No. 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. A N Wickremasinghe who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. L N de S Wijeyeratne who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. S S Sirisena who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. A M Pandithage who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 To authorise the Directors to determine donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 To re-appoint Messrs. KPMG Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this day of Two Thousand and Twenty One

.....
Signature of Shareholder/s

* Please delete the inappropriate words.

Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION

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 Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed 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 on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to hopl.pwcs@hplnet.com 48 hours before the time fixed for the meeting.

HORANA PLANTATIONS PLC