Udapussellawa Plantations PLC

Annual Report 2020

Finlays
Since 1750

FINLAYS CORPORATE PHILOSOPHY

Vision

To grow Finlays profitably and sustainably by serving as the industry's trusted leader in the supply of tea (in all its wonderful varieties, formats and applications), coffee and botanical extracts to the world's beverage brand owners.

Mission

To Connect Humanity through Natural Beverages.

Combining tradition and innovation to create a healthier, happier and better world by bringing the best from bush to cup.

Values

Trusted **Innovative** **Sustainable**

Contents

FINANCIAL CALENDAR

	Date of release	
Interim Financial Reports	**2020**	**2019**
First Quarter ended 31st March (Unaudited)	31.07.2020	15.05.2019
Second Quarter ended 30th June (Unaudited)	05.08.2020	15.08.2019
Third Quarter ended 30th September (Unaudited)	11.11.2020	15.11.2019
Fourth Quarter ended 31st December (Unaudited)	25.02.2021	27.02.2020

Meetings	
24th Annual General Meeting	27.04.2017
25th Annual General Meeting	27.04.2018
26th Annual General Meeting	19.05.2019
27th Annual General Meeting	30.09.2020
28th Annual General Meeting	30.06.2021

FINANCIAL HIGHLIGHTS

Year ended 31st December

		2020	2019	Variance - %
Performance - year ended 31st December (in LKR '000)				
Revenue		1,875,150	1,629,811	15.05
Profit/(loss) before interest & tax		208,011	(151,475)	237.32
Profit/(loss) after tax		109,457	(346,186)	131.62
Total comprehensive income /(expense)		**178,430**	**(341,983)**	**152.18**
Financial position - as at 31st December (LKR '000)				
Non-current assets		2,203,586	2,048,205	7.59
Current assets		374,335	370,821	0.95
Total assets		2,577,921	2,419,026	6.57
Current liabilities		1,101,599	1,141,240	(3.47)
Shareholders' fund		486,220	307,790	57.97
Stated capital		340,000	340,000	-
Capital employed		2,227,518	2,050,899	8.61
Key financial indicators				
Earning/(Loss) per share	(LKR)	5.64	(17.85)	131.62
Net assets per share	(LKR)	25.06	15.87	57.97
Market price of a share	(LKR)	32.00	25.00	28.00
Market capitalisation	(LKR '000)	620,763	484,970	28.00
ROCE	(%)	9.34	(7.39)	226.44
Current ratio	(times)	0.34	0.32	4.58

CHAIRMAN'S MESSAGE

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Udapussellawa Plantations PLC for the financial year ended 31st December 2020.

As we all know, 2020 was a year like no other. The COVID-19 pandemic had an impact on almost every aspect of our lives, on society, on the economy and also on your Company. Our employees' health and safety are always paramount to us and at the onset of the pandemic we took swift measures to ensure that we adhered to the Health and Safety guidelines issued by the regulators and other authorities as we continued our operations throughout the year under review.

COVID-19 changed many aspects of the way we work. The highlight in our industry was the change in the way we had sold tea for over a century, with the implementation of an online system at the Colombo Tea Auctions from April 2020. The transition to an electronic auction platform and the declaration of the plantation sector as an essential service ensured continuity of supply and demand for Ceylon teas and helped the industry navigate through the disruptions caused by the nationwide lockdown.

I am glad to say that in this volatile and unprecedented environment, our employees stepped up to the challenges encountered. Financially, we achieved healthy results in a challenging year, which is proof of our resilience. In a year when national tea production declined by 7.2% compared to the previous year, our production improved by 7.7%. In 2020, we succeeded in selling a total of 3.1 million kilograms of tea. Our revenue amounted to LKR 1,875 million and with the numerous initiatives launched, the Company turned the corner and delivered improved profitability and positive cash flows. EBIT from operations increased by 237% to LKR 208 million. In 2020, we delivered a profit after tax of LKR 109 million, after having incurred losses for two years. The net asset growth of 57.9% reflects an improvement in financial stability, whilst market capitalisation of your Company too saw an increase of 28% over the year.

Sustainability is a high priority at your Company, and we remain committed to our broader sustainability agenda. We continue to invest in our people and the community base within our estates to uplift their living conditions and quality of life.

The year ahead

The COVID-19 pandemic is unlikely to end any time soon and it is increasingly clear that we might have to cope with the related challenges for some time to come. The management team continues to steer the business through the uncertainties resulting from the pandemic. Contingency plans for dealing with this crisis are in place with the priorities being keeping our people safe whilst ensuring business continuity.

The labour cost and productivity issues remain more difficult to address. The wage cost is the single largest component of overall cost of production. The shift to a fixed daily wage from a productivity-based model will have a considerable impact across the entire industry, including your Company. Needless to say, if these matters are not addressed in a mutually beneficial manner, and with the volatility in market dynamics, it could lead to drastic consequences.

The pandemic, the economy, the labour related issues and the climate crisis will continue to test all businesses in the industry, including ours. Nevertheless, we are committed to building on the momentum that has been established as we face another challenging year.

In the 127 years of Finlays operations in Sri Lanka, the country and the plantation industry have faced a multitude of threats and challenges, but time and again we have unfailingly demonstrated our ability to adapt and flourish. Knowing this gives me confidence that your Company, guided by the fundamentals and shared values that have helped us overcome previous crises, will emerge stronger and more resilient once again.

Change in Directorate

Ms. Coralie Pietersz, having reached retirement age, resigned from the Board in April 2020 after serving as a Board Member for nearly four years. Mr. Naresh Ratwatte, having served as a Board Member for 22 years of which 14 were as Chairman, retired in December 2020. On behalf of the Board,

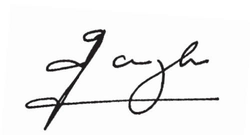
CHAIRMAN'S MESSAGE (Contd.)

I would like to thank Ms. Pietersz and Mr. Ratwatte for their outstanding and valued contribution to the Company and wish them success in their future endeavours.

During the year, we welcomed Mr. Sinthaka Ruwan and Mr. Tissa Gunatilleke to the Board. Their extensive experience and expertise, particularly in the plantation industry, will further strengthen the Board and I look forward to receiving their valuable insights and counsel.

Acknowledgements

I would like to thank past and present Directors for their valued guidance and support and our Management Team for their leadership. Most importantly, I take this opportunity to thank our employees for their outstanding commitment and hard work under such challenging conditions. I sincerely thank buyers of our teas, our brokers, suppliers and service providers, bankers and the Government for their collaborative support and cooperation. I also thank the communities in which we operate for their support. And last but not least, I thank you, our shareholders, for your continued trust, confidence and support.



Gihan S. Jayasinghe
Colombo
11th May, 2021

OPERATIONS REVIEW

The Company concluded 2020 under the 'new normal' conditions that were the result of the COVID-19 pandemic. The year under review was a unique and extremely challenging one, affecting human life and almost all industries, not only in our country but globally too. The two waves of COVID-19 in 2020 brought economic activity in Sri Lanka to a near halt for most of the year.

The Operations Review focuses on the business performance in a year during which we had to face many challenges and obstacles in addition to complying with the 'new normal' conditions arising from the COVID-19 pandemic.

Despite these challenges faced by the Company, the plantations agribusiness, and the entire country as a whole, we are confident that the trading results achieved during the reporting year will help us in navigating towards a better future.

Operating landscape

The plantations industry was able to operate uninterrupted during the initial surge of the COVID-19 pandemic and continued to perform during the second wave as well in 2020, whilst several other businesses were either muted or closed their operations.

The continued operations of the tea small growers in line with the directives and assistance of the Government, industry stakeholders, etc., enabled Udapussellawa Plantations PLC to produce 247,052 kg of made tea from the green leaf supplied by the small growers. It was a relief to the small growers which helped sustain their regular income from the sale of green leaf to our operating factories during this unsettled period.

Crop performance during the year was hindered in many ways as direct ramifications of COVID. Inorganic fertiliser and agrochemicals were in short supply due to restricted logistics and imports. Occasional delays were observed in fertiliser and agrochemical application, which affected the growing conditions.

After the lifting of the ban on Glyphosate, controlled application of chemical weedicides was carried out, curtailing the labour intensive as well as comparatively less productive manual weeding. The unreliable rainfall pattern and reduced availability of chemical weedicides and inorganic fertiliser for a period due to logistics reasons arising from the pandemic situation and lockdown restrictions due to formation of high-risk clusters the had an adverse impact on the business performance.

Despite the challenges, many of which were beyond our control, our estates were able to maintain a favourable vegetative ground cover.

It was a historic achievement that the outcry method of selling tea at the Colombo Auctions, which had prevailed from the inception of the tea auctions in Sri Lanka, was transformed to a digital online platform which will continue into the future as well.

Performance overview

During the reporting year, whilst overcoming many obstacles, Udapussellawa Plantations PLC produced 3,376,240 kg of black tea even exceeding total production of the previous year as well by 191,966 kg.

During 2020, 371 invoices of our garden marks secured top prices at the Colombo Tea Auctions indicating our concerted efforts at making true-to-type teas. This had a positive impact on our overall sales averages enabling us to make a remunerative payment to the smallholders and successfully compete with privately owned tea factories.

The Net Sale Average per kilogram of tea obtained by the Company in 2020 was LKR 557.55 which was LKR 80.89 higher than the NSA achieved in 2019.

During the 4th quarter of 2019 there was an appreciation of tea prices, which otherwise had been in a slump that carried over from the past. It was observed that there was some direct bearing on demand and supply with the onset of the pandemic situation when tea prices started on an upward trend. Further, the continued unfavourable growing conditions as a result of the dry weather which prevailed during 2019 also contributed to a loss of national production and hence short supply in the market.

OPERATIONS REVIEW (Contd.)

The overall cost control and cost management by the Company resulted in a Cost of Production (COP) of LKR 530.24 per kg of made tea.

Yatawatte, being the only coconut estate in the Company, produced 550,532 nuts in 2020 contributing LKR 33.3 million to the total revenue for the year.

The short supply of inorganic fertiliser in the marketplace due to global logistics reasons arising from COVID-19 had a knock-on effect on the timing and availability of fertiliser and consequently on crop yields.

The overall revenue of the Company in 2020 from all the produce and other income stood at LKR 1,953 million. Due to our strenuous efforts at managing the components of the cost-revenue equation, the year ended with a total operating profit of LKR 208 million.

Mechanisation and efficiencies

Low land-labour ratios due to low worker turnout and high attrition meant that most of the estates were operating at below the required cadre and therefore not able to fully harvest the available crop. This provided the impetus for the Company to take steps towards a mechanisation programme on a wider scale. The Company invested heavily in Shears, Leaf Collection Bags, Pruning Machines, Brush Cutters, Power Sprayers, Knapsack Sprayers and Battery-operated Mini Harvesters which will undoubtedly improve productivity and resolve the constraints arising from the dearth of labour. Furthermore, investment was also made in factory development and factory machinery.

Sustainable agri-business

The Company recognises the link between a satisfied workforce and a successful and sustainable business. Our extensive health and safety programme titled ‘Zero Harm & Always Safe’, employee satisfaction initiatives, learning and development and performance appraisal schemes were a continuous focus throughout the year as in the past and instrumental in withstanding the impact of the COVID-19 global pandemic. Our Zero Harm & Always Safe health and safety standards renders it easy to abide by the guidelines set by the Ministry of Health and the National Operations Centre for Prevention of COVID-19 Outbreak (NOCPCO).

Plantation crops are dependent on the surrounding forests which help to mitigate climate change by controlling the micro-climate, providing water and biodiversity for sustaining agriculture. We undertake to protect and nurture natural forests in our estates by monitoring, control and internal regulations in line with the Government regulations.

We are a strong believer in the link between quality certifications and practicing key performance activities at ground level. We have empowerment programmes for people and communities who live in and around our estates, and spent LKR 5.4 million on several initiatives during the year.

A detailed account of our sustainability initiatives appears elsewhere in this report.

At Udapussellawa Plantations PLC we are also committed to looking after our communities and as part of a greater Corporate Social Responsibility programme together with Finlays Colombo Limited, in 2019 we commenced refurbishing and repainting the crèches (Child Development Centres) on our tea estates which is an ongoing project and continued in 2020.

Global vision

The global vision of Finlays is to grow your Company which is a part of the wider Finlays network, in a sustainable and profitable manner by serving as the industry’s trusted leader in the supply of tea in all its wonderful varieties, formats and applications to the world’s beverage brand owners.

Industry outlook

The Company together with the tea industry continue to face the COVID-19 pandemic with noteworthy resilience and resourcefulness. The estates were able to operate their daily routines even though a lockdown was enforced in many districts. Our employees were updated and complied with the relevant health guidelines. The online Colombo Tea Auction on a digital platform was created in 2020 at short notice, which was a paradigm shift from the way the auction had been conducted since its inception 138 years ago.

OPERATIONS REVIEW (Contd.)

Notwithstanding the challenges we face as a Company and the industry such as the vagaries of the weather, unforeseen circumstances in market dynamics, etc., we, as a Company shall continue to live up to our promise to be responsive and to offer products of the highest quality, thereby creating value for our shareholders and shaping a sustainable future for our business.

Change of Directorate and appreciations

Having served the Company since 1992, Mr. N. K. H. Ratwatte retired from the Board of Directors on December 31, 2020 on completing his term of office. Mr. Ratwatte served in the capacity of Non-Independent Non-Executive Director/ Chairman since 2015 upon completing his executive service as the Chairman/Managing Director of the Company. We thank Mr. Ratwatte for his invaluable contribution over the years and being instrumental in bringing the Company to its present standing and status. We wish him well in all his future endeavours

Ms. M. C. Pietersz resigned from the Board of Directors on April 30, 2020 consequent to her retirement from Finlays. We thank Ms. Pietersz for her contribution to the Company and wish her well in all her future endeavours

Mr. N. H. G. S. Jayasinghe was appointed as Chairman/ Managing Director with effect from January 1, 2021 as successor to Mr. Ratwatte.

Mr. S. T. Gunatilleke was appointed to the Board of Directors in the capacity of Non-Independent Non-Executive Director with effect from January 1, 2021. We welcome Mr. Gunatilleke to the Board.

Mr. B. V. S. Ruwan was appointed to the Board of Directors in the capacity of Finance Director with effect from November 10, 2020 and we welcome him to the Board.

SUSTAINABILITY REVIEW

Sustainability strategy

Finlays Group strategy is to bring the best from "Bush to Cup" whilst creating a sustainable future. The progress towards achieving the set targets and challenges was considered in 2020 with a view to understanding the reality of achieving the targets set in 2017. The year 2020 was indeed challenging with its travel and gathering restrictions which made communication regarding achieving our sustainable goals by 2022 even more challenging.

During the year under review, the Company engaged in the six strategic sustainability objectives described below.

1. Integrated landscape

The Company relies on the people, communities, and natural resources in the wider perspective of environmental externalities as we work towards an integrated landscape.

Madulkelle and Duckwari are estates which border the Knuckles Mountains. These estates have marked buffer zones and protective barriers along their borders with the mountain range and contribute to the protection of the natural forest of Knuckles.

Udapussellawa Plantations PLC is also supporting the conservation project of leopards in the hill country where some of our estates are located. An awareness session was conducted by the Hill Country Leopard Conservation Initiative which was organised by the Director Operations of Udapussellawa Plantations PLC in September 2020, at Concordia Estate. All Managers from the estates of the Nuwara Eliya and Ragala groups participated at the awareness session. Some of the actions identified at this meeting is that in the event of spotting a leopard the Department of Wildlife Ranger, Peak Wilderness National Park and the Hill Country Leopard Conservation Initiative should be informed immediately. It was advised to disperse crowds in a situation where a leopard is found trapped in a snare to avoid further agitating the animal, and to also refrain from photographing and recording. Field staff were further advised to remove snares if they spot any, as a regular measure.

Harvesting rainwater is a well-known ancient agriculture practice in Sri Lanka. We are pleased to report that the rainwater harvesting tank at Blairlomond Estate is now harvesting rain during the rainy season.

Planting and maintaining vegetative hedges along the waterways, springs and streams, conservation of watersheds and maintenance of buffer zones as protective measures to increase our inter-estate landscape is progressing well. Such conservation practices have enhanced both the cleanliness of water and its availability during the dry spells and are expected to mitigate the risk of landslides.

The objective is to plant native trees to make mini forests in each estate in the years up to 2022. A three-year plan to plant native trees to make a mini forest was explored in each estate, to contribute to the goal of 100 ha of native trees growing in Finlays Tea Estates. All the estates were advised to revise the plans and maps of areas that could be allocated to continue the planting of native trees. Field Officers of each estate were guided through an exercise to identify the location of the respective planting fields for native trees in their estates. A list of native plants was identified with the advice of the Department of Forestry. Mini forests with varieties of native trees were being established in the land areas where commercial crops are not envisioned. In 2020, Udapussellawa Plantations PLC has regenerated 3.7 ha inside their estates. 1,105 native trees were planted during the reporting year. Plants were collected from various nurseries. Further to the above, native plant varieties such as Mee, Kumbuk, Bata Domba, Keena, Kudu Dauala, Naa, Damba, Atamba, Karanda, Kithul Domba and Kahakona plants were collected.

2. Land stewardship

As stewards of the land, the plantation management team of Udapussellawa Plantations PLC always demonstrates their passion for making the best use of good agricultural practices which encompasses optimum usage of agrochemicals as a key element of sustainability. Efforts were being made to reduce the usage of agrochemicals whilst balancing this with the economic impact due to the increase in manual weeding. The increase of infestation during the period of the Glyphosate ban led us to shift the base year for comparison

SUSTAINABILITY REVIEW (Contd.)

of agrochemical usage as 2019 and not 2017, to make a realistic target.

All the estates reviewed the set targets for reducing agrochemicals while promoting the application of non-chemical agricultural practices. Each estate developed a unique integrated pest management plan with a view to reducing the usage by 15% by 2022 against the volume used in 2019.

The improvement of soil carbon content by means of applying compost and other agricultural practices continued in all estates. Some estates piloted making composts with the guidance of the Tea Research Institute (TRI).

3. Our people

Our employees are at the heart of our business. Udapussellawa Plantations PLC is committed to being an employer that demonstrates opportunity, fairness and equality, thus providing an inspiring, fulfilling and adaptable workplace.

Udapussellawa Plantations PLC continued establishing robust health and safety standards which have kept all our employees safe and healthy. We continue to focus on Health & Safety and a Zero Harm Culture, where we believe that all accidents are preventable.

We have also demonstrated that Safety is our number one priority and will never be compromised at any cost and which has always been driven and supported by top management.

The Always Safe Leadership Course had been completed in all 3 regions, for Factory and Field Officers, Assistant Superintendents and Welfare Officers.

All teams across the business have demonstrated their resilience and great team ethos in many ways in managing the COVID-19 pandemic and looking after their family, colleagues, and community. We have also established strict health and safety guidelines across all our estates, to control the risk of transmission of the virus in our workplace through maintaining social distancing, wearing masks, hand washing, cleaning, and disinfecting

Youth leadership programme

Court Lodge Estate had discussions with their youth team as an introductory session to provide a facelift for the youth leadership skills initiative program. Discussions were held with the Ethical Tea Partnership Organisation's Country Management team with a view to engaging them in a long-term technical skills development plan.

4. Low-impact operations

At Udapussellawa Plantations PLC we recognise that effective and efficient management of resources is not only good for the environment but also is a good business practice.

Our efforts at reducing the environment impact as per our operational functions in terms of minimising usage of energy and switching to renewable energy or alternative energy sources continued in 2020 as well. Our Sustainable Fuelwood Management Plan continued planting and harvesting while providing the fuelwood requirement of our processing centers to a greater extent.

Our robust monitoring system of data collection and reporting as per the Global Reporting Initiative is ongoing using the Credit 360 sustainability software. Annual data verification and reporting continued in 2020 as well.

Our efforts at reducing the generation of waste continued with various trials conducted for usage of briquettes and some reviews of making use of dryer ash which is the main component of waste.

As a base line certification Udapussellawa Plantations PLC has the ISO 14,062 Carbon footprint verification standard in place which is under review for upgrading. Several discussions were held with external project partners to capture projects that contribute to low impact operations.

5. Empowered communities

We recognise and rely on community collaboration and commit to empowering local communities by acting as a catalyst for positive change. We aim to be responsible members within the communities in which we operate and, wherever possible, to generate a positive impact on society at large.

Renaming of villages is a project driven to enhance village

SUSTAINABILITY REVIEW (Contd.)

empowerment, with a view to setting a framework for dignity of living for the residents of estates. The estate community is empowered with several ownership roles such as protecting their potable water supply and managing household waste. Initial discussions were held with the village community to identify the names of villages on estates.

Repainting child development centers (CDCs)

Finlays Colombo Ltd focused their key CSR project for 2020 to commemorate Finlays 125 years in Sri Lanka towards the betterment of the communities we operate in, by repainting child development centers (crèches).

In addition to the direct benefit to the estates and the children by giving these centers a facelift, we also aimed to drive for funding from the Plantation Human Development Trust (PHDT) for renovation and reconstruction of CDCs that had major structural issues.

The project was successfully completed with the participation of the estate teams and parents of the children who attend these CDCs, while all paints and other materials were sponsored by Finlays Colombo Ltd.

Through this project we have repainted 21 CDCs of a total of 37 functioning creches on our tea estates. During the project we identified 8 CDCs that had structural issues and required major repair. Through conveying these observations and lobbying with the PHDT, we managed to secure funding for 7 CDCs which includes 2 new CDCs.

Growing vegetables for enhanced nutrition levels of the estate community

The objective of this project was to initiate healthy vegetable cultivation and provide necessary nutrition at a subsidised price for the estate community. In times of COVID-19 and travel restrictions, this is a great project to boost self-sufficiency and provide necessary nutrition. This is also seen as providing a source of income and skills development to youth in the community who have lost their livelihoods due to the pandemic.

The project is driven with the participation of the estate management and the Estate Worker Housing Cooperative Society (EWHCS). We provide land free of charge and initial funding to set up the vegetable plots. Training programmes on good agricultural practices were arranged through the area agriculture extension officers. A cross-functional project team from Finlays was regularly monitoring the progress. The produce will be sold to the estate community at a subsidised price. As of now Yatawatte Estate has commenced planting crops such as, sweet potato and banana.

6. Sustainable supply

Udapussellawa Plantations PLC endorses the commitment towards the beverage that they supply is an element of health and wellbeing by processing them under stringent quality and food safety practices. Our products have established a sound traceability system whilst collaborating with our suppliers regarding our best practices in various compliance regimes.

Finlays continues to maintain the Rainforest Alliance certification. All the processing centers continued their ISO 9000:2015 version and updated their ISO 22000:2018 certification status as well.

Community welfare activities

The PHDT/Ministry of Community Empowerment and Estate Infrastructure Development commenced a project for development of 122 m of road in Amherst Division and 121 m of road in Gordon Division.

Finlays is committed to creating a sustainable future. It's the only future we have.

SUSTAINABILITY REVIEW (Contd.)

Global Reporting Initiatives (GRI)

The measurement and performance of GRI during the last three years are shown in the Table.

Global Reporting Index (GRI)		2018	2019	2020	% change	Comments
Carbon						
Total carbon	Tonnes CO2e	2,093	1,608	1,850	13.1	The collection, manufacturing and transporting of tea was 14% higher compared with the previous year. Therefore, the total activities that use energy and emit carbon was higher.
Total Scope 1 Emissions	Tonnes CO2e	465	347	351	1.1	The production of tea was more; hence transportation of green leaf from field to processing centers was more. Therefore, the use of fuel was slightly higher than the previous year.
Total Scope 2 Emissions	Tonnes CO2e	1,466	1,095	1,324	17.3	The manufacturing of tea was higher compared with the previous year; therefore more electricity was used. Furthermore, the main electricity supply consisted of a higher percentage of non-renewable energy and therefore the emission due to usage of electricity was comparatively high.
Total Scope 3 Emissions	Tonnes CO2e	161	166	175	5.5	Transporting of made tea to the warehouse has increased slightly due to a greater number of trips made to warehouse tea. Therefore, emission of carbon due to transportation of production has increased.
Energy						
Total Energy	GJ	115,545.727	97,148.714	102,464.877	5.2	The processing of tea is more compared with the previous year. Therefore, the use of total energy was higher than the previous year.
Direct	kWh	29,256,271	24,728,802	25,956,173	4.7	The processing of tea is more compared to the previous year; hence the requirement of direct energy (firewood and fuel) was higher than the previous year.
Indirect	kWh	2,839,765	2,256,951	2,506,293	9.9	The overall usage of electricity has increased due to more energy usage for manufacturing of tea.

SUSTAINABILITY REVIEW (Contd.)

Global Reporting Index (GRI)		2018	2019	2020	% change	Comments
Direct non-renewable	kWh	1,893,361	1,507,300	1,416,702	-6.4	The internal transportation was less compared to the previous year, hence the requirement of direct non-renewable energy (fuel) is lesser than the previous year.
Direct renewable	kWh	27,362,909	23,221,503	24,539,471	5.4	The processing of tea was high compared to the previous year; hence the requirement of direct renewable energy (firewood) was higher than the previous year.
Indirect non-renewable	kWh	1,575,775	880,211	1,367,197	35.6	The manufacturing of tea was more compared to the previous year. Furthermore, the main electricity supply too consisted of a higher percentage of non-renewable energy which also contributed to the higher value of total non-renewable energy usage.
Indirect renewable	kWh	1,263,989	1,376,740	1,139,096	-20.9	Although the total electricity usage was higher than the previous year, the main electricity supply consists of a lower percentage of renewable energy such as less renewable energy being used to produce grid electricity, which contributes to the slightly higher value of total amount of renewable energy usage than the previous year.
Total renewable	GJ	103,057	88,554	92,443	4.2	Increased firewood usage due to higher quantity of tea manufactured.
Waste						
Total waste	kg	317,491	269,074	176,910	-52.1	The main material contributing for waste is dryer ash and paddy husk. The amount of paddy husk usage was less; therefore the generation of total waste was less too.
Total landfill	kg	74,966	74,051	92,183	19.7	The manufacturing of tea was higher compared with the previous year; hence the waste generation was also higher than the previous year.

SUSTAINABILITY REVIEW (Contd.)

Global Reporting Index (GRI)		2018	2019	2020	% change	Comments
Total waste recovered	kg	239,014	194,343	84,240	-130.7	Use of dryer ash from paddy husk is the main mode of waste nutrient recovery. Madulkelle Estate used paddy husk as a higher share of fuelwood requirement than firewood. The resulting ash is used as compost material for the vegetable gardens in Nuwara Eliya. Due to maintenance, the factory was shut down; hence low usage of paddy husk, therefore the waste recovery had reduced.
Total waste recycled	kg	3,285	469	294	-59.5	The disposal of chemical cans and metal parts and other such recyclable materials was less compared with the previous year, therefore this decreased the recycled waste.
Total waste reused	kg	226	211	194	-9	Reduced due to less generation of waste material that could be reused, such as paper and plastic packaging.
Water						
Total water use	m3	8,914	7,206	6,968	-9.2	Water usage for handling of rubber latex activities as well as the water use for irrigation activities during the dry period decreased due to low production.
Blue Water	m3	8,914	6,852	6,968	-9.2	Water usage for handling of rubber latex activities as well as the water use for irrigation activities during the dry period decreased.
Green Water	m3	0	354	0	-9.2	Yatawatte Estate harvested rainwater by burying husk as well as collecting water in ponds; however, there are no measuring devices to record the collection of water .

FINANCIAL REVIEW

Net profit after tax improved to LKR 109 million in 2020 after two consecutive years of losses. Revenue reached LKR 1.9 billion for the year with a year-on-year increase of 15.1%. The Company saw good progress in 2020 with key financial metrics improving significantly.

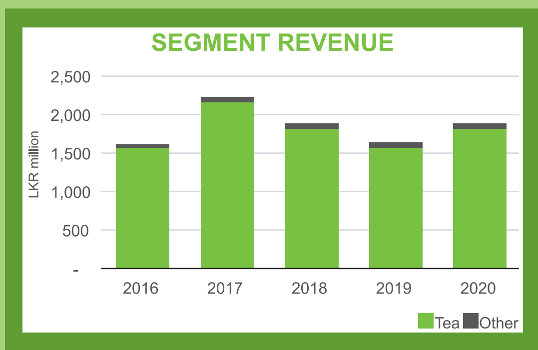
Summary of key financial performance indicators:

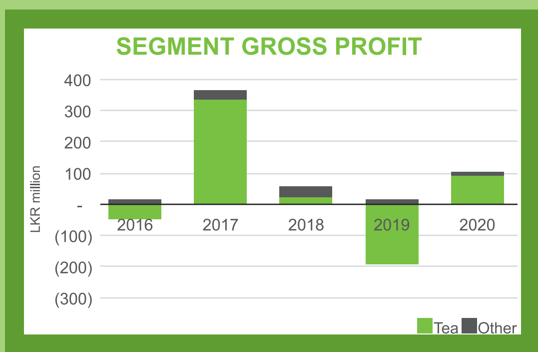
			2016	2017	2018	2019	2020
Revenue	Revenue	*(LKR million)*	1,620	2,227	1,895	1,630	1,875
	Revenue growth	*(%)*	(5.7)	37.4	(14.9)	(14.0)	15.1
Profitability	Net profit after tax	*(LKR million)*	(182)	268	(119)	(346)	109.5
	EBIT margin	*(%)*	(10.4)	15.0	(0.2)	(9.3)	11.1
	Net profit margin	*(%)*	(11.2)	12.0	(6.3)	(21.2)	5.8
	Return on equity	*(%)*	(33.3)	41.1	(15.9)	(69.8)	27.6
Liquidity	Current ratio *(times)*	*(times)*	0.4	0.5	0.5	0.32	0.34
	Cash flow from operations	*(LKR million)*	(135)	173	(131)	(27)	107
	Debt/Capital ratio	*(%)*	61.3	43.5	54.4	74.5	64.8
	Interest cover	*(times)*	(4.0)	7.1	(0.1)	(2.5)	3.2
Efficiency	Assets turnover	*(times)*	0.7	1.0	0.8	0.7	0.8
Investments	Capital expenditure	*(LKR million)*	(32)	(52)	(30)	(33)	(50)
	Capital expenditure	*(as a % of total assets)*	1.4	2.2	1.2	1.4	1.9

Segmental review:

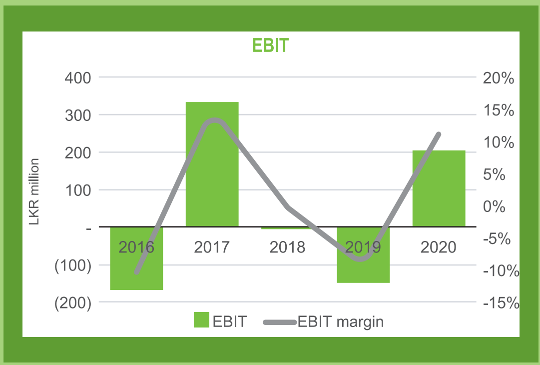
Tea: Revenue attributable to tea amounted to LKR 1.8 billion which was an increase of 15.7% compared to the previous year on account of the higher average selling price. The sale average increased by 15.7% from LKR 469.44 per kilogram in 2019 to LKR 543.35 per kilogram in 2020. The total made tea production for the year was 3,376 MT which was an improvement of 6.0% from 3,184 MT in 2019. The increase in production volume helped to bring down the cost of production where it declined by 2.5% from LKR 590.50 per kilogram in 2019 to LKR 575.80 per kilogram in 2020. Accordingly, the gross profit from the segment improved to LKR 99 million from a gross loss of LKR 190 million in the year before. The Tea segment accounted for 97% of the Company's revenue and 89% of the gross profit.

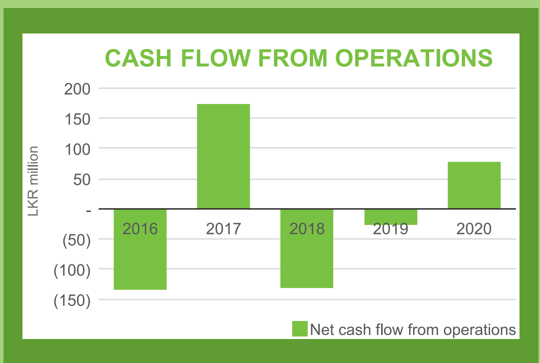
Other: Revenue from coconut and rubber remained unchanged at LKR 40 million. The total coconut harvest for the year was 550,532 nuts, which was a decline of 53%. However, the drop in sale volume was compensated by the increase in average selling price from LKR 48 per nut to





FINANCIAL REVIEW (Contd.)





LKR 60. Amidst better margins, the gross profit from the segment improved from LKR 3 million to LKR 4 million. Gross profit from other ancillary crops amounted to LKR 8 million in 2020 compared with LKR 9 million in the year before.

EBIT: The Company's EBIT improved from a negative LKR 151 million to a positive LKR 208 million. In addition to the improvement in operations, increase in other income, gain from fair value of biological assets and reduction in administration expenses contributed to the EBIT in 2020. The EBIT margin improved from a negative 9.3% in 2019 to a positive 11.1% in 2020.

Net Finance cost: Net Finance cost increased by 8.3% compared to the previous year. Increase in interest expense on related party loans and exchange loss led to the increase in net finance cost in 2020.

Interest cover for the year was 3.2 times, a significant improvement over the previous year.

Taxation: Income tax expenditure for the year under review was LKR 30 million, which was a decrease of 78.0% compared to the previous year. In 2019, the income tax expenditure was significantly high at LKR 135 million mainly due to deferred tax charge.

Capital structure: The Company's total borrowings declined marginally by 0.6% to LKR 894 million in 2020. The bank overdrafts declined by 32.2% to LKR 243 million while the external long-term borrowings increased by 51.1% to LKR 195 million. The percentage share of external borrowings declined to 49.0%.

The debt to capital ratio improved from 74.5% in 2019 to 64.8% in 2020, mainly due to the increase in equity base.

Liquidity and working capital: Net cash flow from operating activities improved from negative LKR 27 million in 2019 to positive LKR 107 million in 2020, on account of the high profit from operations. The current ratio remained at 0.3 times at the end of 2020.

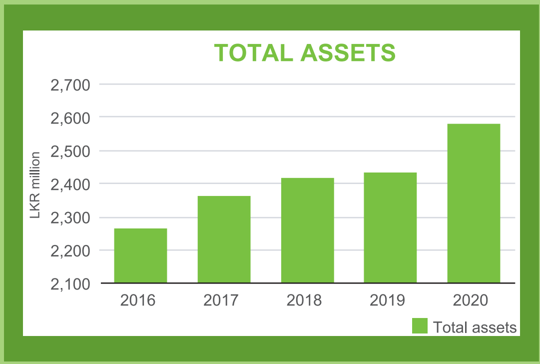
FINANCIAL REVIEW (Contd.)

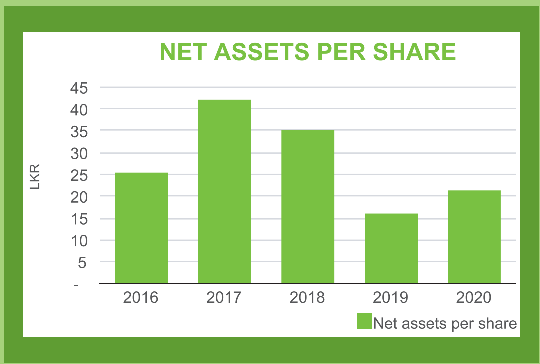
Assets: Total assets increased by LKR 159 million to LKR 2.6 billion. The increase in assets is attributed to gain on valuation of consumable biological assets and increase in inventories.

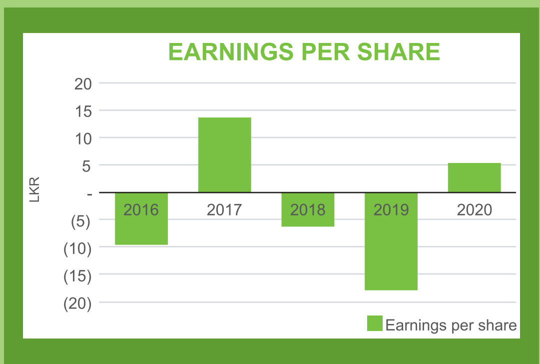
Biological assets: Biological assets consist of tea, coconut, cinnamon, ancillary crops and timber plantations, representing 59% of the Company's total assets. Total biological assets increased by LKR 184 million on account of gain on valuation of bearer biological assets.

Capital expenditure: Capital expenditure in the year under review amounted to LKR 50 million.

Shareholder returns: Earnings per share for the year was LKR 5.50, compared to the loss per share of LKR 17.85 in the previous year. Net asset per share improved from LKR 15.87 at the end of 2019 to LKR 25.06 at the end of 2020. The closing market price of the Company's share was LKR 32.00 compared with LKR 25.00 in the previous year. Return on equity improved to 27.6% compared to the negative value reported in the previous year.







ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management is the structure and the underlying processes in place to manage the impact of future events on the Company's business, and to respond to systemic challenges to the Company's internal controls caused by internal and external factors.

The objective of the Company's risk management process is not to eliminate risk at the expense of the business, but to accurately identify all risks and manage the Risk-Reward trade-off within the Board's risk appetite.

The risk management process of Udapussellawa Plantations PLC includes the following:

- Ownership by the management of the risk management framework.
- Risk profiling through the risk register and assigning risk ratings based on impacts, both financial and reputational, and probability of occurrence.
- Periodic review of the risk register and implementing risk management and mitigation initiatives.
- Internal control and compliance.
- Internal and external audit reviews.
- Oversight, Review and Reporting by the Board Audit Committee.

Component Risks are identified, and rated for likelihood of occurrence and severity of impact on the Company, based on a unified rating scale across the Group. The Headline Risk rating is the composite rating of the Component Risk ratings.

The Company's Board Audit Committee, through the External and Internal Audit reporting and the Risk Register, reports to the Board on the effectiveness and completeness of the Company's internal controls with a view to effectively managing the operational and business risks.

The Company's Headline Risks articulated below underpin its risk appetite. The review of the Risk Register twice a year is an important facet of boardroom governance.

Risk of impacts of COVID-19 – global pandemic

The World Health Organisation (WHO) declared COVID-19 a pandemic on 11 March 2020. Sri Lanka entered a protracted period of lockdown around 20 March 2020 including public health contagion measures, movement restrictions, nationwide curfews, travel bans and provincial and district border closures to tackle the pandemic until gradual easing of these measures began around 11 May 2020.

A second lockdown was in effect for 10 days from 29th October 2020.

These measures are having a huge impact on people's lives and livelihoods with significant consequences on the national economy and global trade. Contraction in economies is seen across the world, as the pandemic disrupts global supply chains, distribution channels and demand, signalling a high possibility of a global recession. The Tea industry will be no exception and though having managed the disruptions and impacts so far, there is little doubt it will have to face more challenges in the future. Udapussellawa Plantations PLC re-assessed its business and operational risks and introduced and took mitigating action to sustain its business metrics without any major disruption to its operations.

Political risks

The risks related to changes in government policy, management of government relations, terrorist activities and global risks relating to political instability and pandemic induced public health restrictions are considered.

Udapussellawa Plantations PLC is not politically aligned to any specific political party or campaign. All Udapussellawa Plantations PLC executives are guided by the Group Code of Conduct in this regard. However, political intervention in wage negotiations is a risk associated with the industry.

Economic risks

Risks related to macro-economic policies, economic cycles, competitive positioning, industry profit margins, market structure, credit and interest rates, currency and collaterals and imposition of import controls are assessed as those of economic risk.

ENTERPRISE RISK MANAGEMENT (Contd.)

Stock market behaviour, perception of Udapussellawa Plantations PLC by the media and by the general public that could impact liquidity, perception of the organisation by stakeholders, and capital or credit rating are some of the external factors also considered.

Legal and regulatory risks

The risks relating to meeting legal and regulatory requirements with respect to corporate governance, labour relations, industry standards and the environment are also considered.

The Company, with the active involvement of its Company Secretary, SSP Corporate Services (Private) Limited, legal adviser Julius & Creasy, external auditor KPMG and internal auditors, ensures compliance with all legislative and regulatory requirements.

Human resource risks

Risks related to demographic changes and social mores, adequacy and execution of human resource standards, policies and practices, and to organisational liability and personal liability of Directors and managers are also monitored and managed.

Employees at all operational levels, including the estate workforce, are appropriately trained based on a needs assessment by the human resource development function of the Company.

Significant and sustained labour inflation in the plantation sector in Sri Lanka is a major concern and Udapussellawa Plantations PLC has taken measures to mitigate this risk by reducing the number of people through factory automation, mechanisation of field preparation on tea estates and improving shear harvesting. Moreover, as a long-term strategy, Udapussellawa Plantations PLC has extended its product portfolio, introducing Timber, Cinnamon and Pepper plantations that are less labour intensive.

The Company's workforce is unionised. The collective agreement between the trade unions and the Employers' Federation of Ceylon, of which Udapussellawa Plantations PLC is a member, and other human resource development initiatives by Udapussellawa Plantations PLC have led to industrial harmony and thereby Udapussellawa Plantations PLC has been able to maintain a reliable supply chain.

Operational risks

Udapussellawa Plantations PLC strives to produce true-to-type teas, high-quality rubber latex and other agricultural products in the right quantity at the right time and thereby retain competitive positioning in the market whilst maintaining controlled and well-managed product costs for maximum economic viability. Management time is also devoted to uplifting estates identified as business units of low land-labour productivity.

However, price fluctuations of the products and competition from lower cost-of-production countries are industry risks that Udapussellawa Plantations PLC is concerned about. Crop diversification, Rainforest Alliance certification and new product development are strategies that Udapussellawa Plantations PLC adopts to mitigate the associated risks.

Good agricultural practices, improving land-labour ratio, and tea infilling adopted by Udapussellawa Plantations PLC ensure a healthy plantation crop and minimise the risk of potential loss due to pests and diseases. Udapussellawa Plantations PLC is keen to explore alternative energy sources to mitigate the risk of shortage of firewood. Structured forestry management is being followed to mitigate the risk of forest fires.

The manufacturing facilities of Udapussellawa Plantations PLC are maintained according to industry standards with requisite financial inputs, along with obtaining and retaining international quality accreditations. A phased-out, five-year investment plan has been formulated to address the issue of ageing factories.

The internal control system serves as the main mechanism of identifying and mitigating the organisational risk.

All manufacturing plants are under constant review to identify and eliminate any potential threats that could result in damage to buildings, restricted access to raw materials or loss of human capital. All vulnerable locations are sufficiently equipped with firefighting equipment and

ENTERPRISE RISK MANAGEMENT (Contd.)

provide appropriate training to personnel based on expert advice.

Udapussellawa Plantations PLC strives to maintain a healthy financial structure at all times whilst obtaining concessionary and advantageous borrowing rates, and maintaining a good relationship with banks and lending institutions.

All subsidiary projects are subject to stringent pre-planning, technical evaluations and scientific investment appraisals, thus addressing the risks related to technical difficulties and commercial obstacles. The post-completion audits serve as an important tool in managing this aspect of business risk. Every endeavour is made to sustain the Rainforest Alliance certification, while working closely with the certification body.

The risk related to employee health and safety in the workplace receives the foremost attention and Company policy is to achieve ‘Zero Harm’. Safety precautions have been taken with regard to all the machinery and equipment with a potential for injury, with trained personnel working at each location and periodic Health and Safety audits. Udapussellawa Plantations PLC is conscious of landslide-prone areas and appropriate action is taken in consultation with the National Building Research Organisation. Personal protective equipment has been provided as appropriate, along with proper training. Udapussellawa Plantations PLC is conscious of the declining trend in the availability of potable water.

All the assets are adequately safeguarded with appropriate controls for inventory protection against spoilage or theft. Adequate insurance cover is in place as the most effective risk transfer mechanism. Udapussellawa Plantations PLC in its Corporate Code of Conduct has formulated and introduced a whistle-blowing policy as an anti-fraud mechanism.

Udapussellawa Plantations PLC is concerned with the risks related to the perception of the organisation by its stakeholders, the media, and the general public that could impact liquidity, capital or credit rating. Udapussellawa Plantations PLC strives to safeguard the international standardisation accreditations such as International Organization for Standardization (ISO), Hazard Analysis and Critical Control Point System (HACCP), Ethical Tea Partnership (ETP), Fair Trade Certifications, and the Rainforest Alliance (RA) certifications held at present by our factories and estates.

Udapussellawa Plantations PLC is able to produce quality information, fulfilling the appropriate requirements of each stakeholder with the aid of the Enterprise Resource Planning (ERP) system. Keeping pace with the rapid changes in information technology, the ERP system has been upgraded to the latest software solution to be the source of business information for the Board of Directors and the senior management. A well-designed information back-up procedure is in place along with a Disaster Recovery Plan to resume business with the least possible delay. The computer hardware will be used until vendor support expires.

IT and Cyber Security Risk due to Remote Access in work-from-home in case of lockdown is mitigated through improved remote access authentication by implementing duo software.

Udapussellawa Plantations PLC ensures a sound system of internal controls is maintained to safeguard shareholders' investments and Company assets, and also to manage business-related risks. The internal control system is periodically reviewed and modified as appropriate, with a view to achieving data integrity, data and system availability, and eliminating malpractices such as theft, deception, forgery or false accounting by employees or outsiders.

The Board of Directors discharged their stewardship of Udapussellawa Plantations PLC diligently in the year under review. The Board collectively decides on the appointment of Directors. The retirement and re-election of Directors takes place as set out in the Articles of Association of the Company. Managers with appropriate qualifications and experience are recruited through a screening and selection process, and remunerated as recommended by the Company's Remuneration Committee.

Udapussellawa Plantations PLC does not foresee any potential risk of misrepresentation, defamation or corporate insolvency.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors of Udapussellawa Plantations PLC functions in the best interests of the Company, its shareholders and all other stakeholders with responsibility, transparency and accountability. The Board ensures that the objectives of the Company are achieved lawfully and ethically and ensures practices of good governance as specified by industry and commercial standards, regulatory bodies and legislation. Affirmation of the status of compliance with Section 7.10 of SEC Listing Rules on corporate governance appears at the end of this statement.

The Board is ultimately responsible for the Company's performance and constantly strives to enhance shareholder value. It is in control of the Company's affairs and is mindful of its obligations to all stakeholders. All the Directors, with their diversity and experience, devote their time and effort to fulfilling their stewardship and are available for consultation and advice in person or via established communication channels and communication protocols whenever necessary.

Board composition and balance

At the beginning of the year the Board of Directors comprised eight Directors, of whom three were Executive, three were Non-Independent Non-Executive, and two were Independent Non-Executive. The composition of the Board of Directors changed during the year, and at the end of the year, the Board of Directors still comprised eight Directors, of whom three were Executive, three were Non-Independent Non-Executive, and two were Independent Non-Executive.

Directors' meetings and attendance

The Board meets every quarter or more frequently as required to approve strategic initiatives, provide entrepreneurial and strategic guidance, and to review operational and financial performance.

The attendance of Directors at the Board meetings during the year, resignations and new appointments are as follows:

Mr. N. K. H. Ratwatte *(Retired w.e.f. 31st December 2020)*	Non-Independent Non-Executive Director/ Chairman	4/4
Mr. N. H. G. S. Jayasinghe	Executive Director/Managing Director	4/4
Mr. D. J. Ratwatte	Executive Director/Chief Executive Officer	4/4
Ms. M. C. Pietersz *(Retired w.e.f. 30th April 2020)*	Executive Director/Finance Director	1/1
Mr. B. V. S. Ruwan *(Appointed w.e.f. 10th November 2020)*	Executive Director/Finance Director	1/1
Mr. G. R. Chambers	Non-Independent Non-Executive Director	3/4
Mr. J. M. Rutherford	Non-Independent Non-Executive Director	3/4
Mr. E. D. P. Soosaipillai	Independent Non-Executive Director	4/4
Mr. G. K. B. Dasanayaka	Independent Non-Executive Director	4/4
Mr. S. T. Gunatilleke *(Appointed w.e.f. 1st January 2021)*	Non-Independent Non-Executive Director	-/-

The balance between Executive Directors, Non-Independent Non-Executive Directors and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates Board discussions and decision-making.

Appointments to the Board

The Board of Directors collectively decides on the new appointments to the Board in accordance with the Articles of Association of the Company.

The Board of Directors, by setting criteria, procedure, qualifications and any special attributes, collectively decides the appointments to senior managerial positions of the Company.

Remuneration Committee

The report of the Remuneration Committee is given on page 25.

STATEMENT OF CORPORATE GOVERNANCE (Contd.)

Audit Committee

The report of the Audit Committee is given on pages 33 and 34.

Related Party Transactions Review Committee

The report of the Related Party Transactions Review Committee is given on page 26.

Information to the Board of Directors

Complete, timely, adequate and relevant information is provided to the Board and senior management, enabling them to make informed decisions.The Company's IT system has been duly upgraded to provide the management with information of the required quality. Board papers on Group performance are submitted in advance, with all management information and background material relevant to the agenda, including capital projects and other matters that require Board approval. Directors receive quarterly reports of performance and minutes of Board meetings.

Company Secretary

A body corporate, Messrs S S P Corporate Services (Private) Limited, functions as the Company Secretary. The services and advice of the Company Secretary are available to the Directors when necessary. The Company Secretary keeps the Board informed of any new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Sustainability Reporting

The Company uses the Global Reporting Initiative (GRI) guidelines in sustainability reporting in respect of all the estates certified under Rainforest Alliance principles. Compliance with GRI guidelines adequately covers the National Green Reporting System of Sri Lanka. The Company uses the Credit 360 reporting mechanism for health and safety and sustainability reporting. A separate report on Sustainability is given on page 09 of this report.

Internal Control

The Directors are responsible for the Group's system of internal controls. The system in place is designed to manage the Company's key areas of risk within an acceptable risk profile and within the Board's risk appetite, rather than to eliminate the risk of failure to achieve the business objectives of the Company, to safeguard Company assets, that proper records are maintained, and that reliable financial information is generated. Consequently, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The internal audit function of the Company comprehensively covers financial, operational and regulatory compliances and the Company's risk management system. The Company implements a system of theme-based, high-frequency cyclical audit review across the network of estates.

Group Corporate Code of Conduct

The Company adheres to the Group's Corporate Code of Conduct. The Code summarises Finlays standards, expectations and commitments in those areas which the Company deems key to its commitments to corporate responsibility, and is subject to review and revision annually. The internal whistle-blowing policy works well, with communication channels open to any user.

Financial Reporting

The Company has disclosed financial and non-financial information in the form of quarterly Financial Statements and the Annual Report. The quarterly Financial Statements are subject to review by the Board Audit Committee and recommendation to the Board for approval prior to CSE disclosure.

Messrs KPMG, Chartered Accountants, were re-appointed as the external auditors of the Company and the Financial Statements are certified by them. The Board is of the opinion that the external auditors are considered independent and have no reason to believe that independence has been impaired in any way during the year under review, based

STATEMENT OF CORPORATE GOVERNANCE (Contd.)

on the Board Audit Committee report on pages 33 and 34.

The Company website (www.finlays.net) is maintained and updated with Company information for the benefit of any stakeholder.

Mr. B. V. S. Ruwan, Finance Director, acts as the designated officer of the Company to clarify any matters relating to the Annual Report.

Minimum public holding

The Company has maintained a public shareholding during the year in compliance with the CSE Listing Rule 7.13.1 (a) and (b).

Management discussion and analytical report

The reports by the Chairman and the Operational Review deal with industry structure and developments, opportunities and threats, risks and concerns, social and environmental protection activities, financial performance, material developments in human resources, industrial relations, prospects for the future and related topics in detail.

The status of compliance with CSE listing rules is summarised below.

CSE Listing Rule Reference	Corporate Governance Principles	Status of Compliance
7.10a	Publishing a statement in the Annual Report for the financial year confirming compliance with the corporate governance rules and if unable to confirm compliance, setting out the reasons for non-compliance	Complied with
7.10b	Giving an affirmative statement in the Annual Report regarding complying with Corporate Governance Rules or vice versa	Complied with
7.10c	Exemption to comply with Corporate Governance Rules or partial compliance	Not applicable
7.10.1 a	Presence of Non-Executive Directors	Complied with
7.10.1 b	Basis of calculating the total number of Directors	Complied with
7.10.1 c	Rectification of changes to the ratio between total and Non-Executive Directors	Not applicable
7.10.2 a	Presence of Independent Non-Executive Directors and the ratio	Complied with
7.10.2 b	Declaration by Non-Executive Directors regarding independence or otherwise	Complied with
7.10.3 a	Annual determination of independence or non-independence of Non-Executive Directors by the Board of Directors, and setting out in the Annual Report the names of Directors determined to be independent	Complied with
7.10.3 b	Disclosure in the Annual Report regarding determination of independence of a Director who does not meet the criteria for being independent	Complied with
7.10.3 c	Publishing in the Annual Report a brief resume of each Director including the nature of expertise in the relevant functional areas	Complied with
7.10.3 d	Providing a brief resume of each Director to the CSE upon appointment	Complied with
7.10.4 a-h	Criteria for defining independence	Complied with

STATEMENT OF CORPORATE GOVERNANCE (Contd.)

CSE Listing Rule Reference	Corporate Governance Principles	Status of Compliance
7.10.5 a	Composition of the Remuneration Committee	Complied with
7.10.5 b	Functions of the Remuneration Committee	Complied with
7.10.5 c	Disclosure in the Annual Report of the names of the Directors on the Remuneration Committee, remuneration policy and setting out the aggregate remuneration paid to Executive and Non-Executive Directors	Complied with
7.10.6 a	Presence of Non-Executive and Independent Non-Executive Directors on the Audit Committee, parent-subsidiary relationship, Chairmanship of the Committee and attendance of Executive Management at the meetings	Complied with
7.10.6 b	Functions of the Audit Committee	Complied with
7.10.6 c	Disclosure in the Annual Report	Complied with
7.10.7 a-k	Failure to comply with rule 7.10 and resultant regulatory procedures	Complied with

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Company is formed in compliance with the CSE Listing Rules, Section 7.10.5 of the Continuing Listing Requirements.

Composition

The Committee comprises a combination of Independent Non-Executive Directors and a Non-Executive Director. The names of the Directors, their status of independence, positions occupied in the Committee and attendance at meetings are as follows:

Mr. G. R. Chambers *Non-Executive Director/Chairman*	1/1
Mr. G. K. B. Dasanayaka *Independent Non-Executive Director/Member*	1/1
Mr. E. D. P. Soosaipillai *Independent Non-Executive Director/Member*	1/1

Role of the Committee

The Remuneration Committee has reviewed and recommended to the Board of Directors the policy on remuneration for the Directors and the executive staff. The aggregate remuneration to the Directors appears in note 28.2 on page 80.

Committee meetings

The Committee held its meeting for the year on 19th February 2020.

Remuneration policy

The Committee took into account the market information as well as competition and performance evaluation criteria in deciding the overall remuneration policy of the Company and thereby the remuneration of Directors and the executive staff.

G. R. Chambers
Chairman
Remuneration Committee
11th May, 2021

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Company, as a responsible corporate citizen, complies with relevant legislation and regulations pertaining to Related Party Transactions. A Related Party Transactions Review Committee has been set up to ensure that the interests of all stakeholders are considered when engaging in transactions with related parties.

Composition

The Committee comprises a combination of Independent Non-Executive Directors and a Non-Executive Director, in accordance with CSE Listing Rule 9.2.2. The names of the Directors, their status of independence, and positions occupied in the Committee and attendance at the meetings are as follows:

Mr. G. K. B. Dasanayaka *Independent Non-Executive Director/Chairman*	4/4
Mr. E. D. P. Soosaipillai *Independent Non-Executive Director/Member*	4/4
Mr. N. K. H. Ratwatte *Non-Executive Director/Member* *(Retired w.e.f. 31st December 2020)*	4/4

All Non-Executive Directors have duly declared their independence by the annual declaration and the Board of Directors has determined their independence.

The Chief Executive Officer and Finance Director attend the meetings to update the Committee and to provide all the necessary information with regard to related party transactions. The Committee, having reviewed the related party transactions during the financial year at its meetings, duly recorded and disseminated the minutes of the meetings to the Committee and to the Board of Directors.

There were no related party transactions, non-recurrent or recurrent, during the period under review requiring immediate announcement to the CSE.

Committee meetings

The Committee held four meetings during the year for the purpose of reviewing related party transactions.

Information to the Board of Directors and to the Committee

The management provides complete, timely, adequate and relevant information to the Committee and the Board.

Policy and procedure

The Committee is constituted and functions in accordance with CSE Listing Rules Section 9 and LKAS 24. The details of related party transactions were circulated to the Committee in advance.

All transactions with related parties were computed having regard to the arm's length price. The calculation of the arm's length price is based on any one of the most appropriate methods as follows:

- Comparable Uncontrolled Price Method [CUP]
- Re-sale Price Method [RPM]
- Cost Plus Method [CPLM]
- Profit Split Method [PSM]
- Transactional Net Margin Method [TNMR]

The Committee takes into account the following in selecting the most appropriate method:

- The availability, coverage and reliability of data necessary for the application of the method.
- The extent to which reliable and accurate adjustments can be made to account for differences, if any, between the international transaction and the comparable uncontrolled transaction or between the enterprises entering into such transactions.
- The nature, extent and reliability of assumptions required to be made in application of a method.

The related party transactions entered into during the year are shown in note 28 on pages 79 to 80.

G. K. B. Dasanayaka
Chairman - Related Party Transactions Review Committee
11th May, 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

Principal activities and business review/future developments

The Company is engaged mainly in the cultivation, manufacture and marketing of tea, rubber, coconut and forestry products, operating in the Central province.

A review of the business of the Company and its performance during the year, with comments on financial results and future strategic developments, is contained in the Chairman's Message (pages 04 to 05), Operations Review (pages 06 to 08) and Financial Review (pages 15 to 17). These reports together with the Financial Statements reflect the state of affairs of the Company.

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

Financial Statements

The Financial Statements of the Company are given on pages 39 to 89 of this Annual Report.

Auditors' report

The auditors' report on the Financial Statements is given on pages 35 to 38.

Accounting policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 43 to 58. There were no changes in the accounting policies adopted, except for the changes mentioned in pages 45 to 46.

Directors' remuneration

Directors' remuneration, in respect of the Company for the financial year ended 31st December 2020, is given in note 28.2 to the Financial Statements, on page 80.

Corporate donations

Corporate donations by the Company amounted to LKR Nill (2019: LKR 5000) No donations were made for political purposes.

Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on pages 30 and 31.

Executive Directors

Mr. N. H. G. S. Jayasinghe

Mr. D. J. Ratwatte

Mr. B. V. S. Ruwan *(Appointed w.e.f. 10th November 2020)*

Ms. M. C. Pietersz *(Retired w.e.f. 30th April 2020)*

Non-Executive Directors

Mr. N. K. H. Ratwatte *(Retired w.e.f. 31st December 2020)*

Mr. J. M. Rutherford

Mr. G. R. Chambers

Mr. E. D. P. Soosaipillai

Mr. G. K .B. Dasanayaka

Mr. B. V. S. Ruwan was appointed an Executive Director of the Company with effect from 10th November 2020.

Mr. N. K. H. Ratwatte, Non-Executive Chairman retired with effect from 31st December 2020.

Mr. S. T. Gunatilleke, Non-Executive Director was appointed with effect from 1st January 2021.

Mr. G. R. Chambers retires by rotation in terms of Articles 86 and 87 of the Articles of Association and being eligible, offers himself for re-election.

Mr. B. V. S. Ruwan retires in terms of Article 94 of the Articles of Association and being eligible, offers himself for re-election.

Mr. S. T. Gunatilleke, retires in terms of Article 94 of the Articles of Association and being eligible, offers himself for re-election.

The Board wishes to place on record the Company's sincere appreciation to Mr. N. K. H. Ratwatte, Non-Executive Chairman for the valuable contribution extended to the Company during his tenure on Board.

Directors' interest

Directors' interests in contracts of the Company are disclosed in note 28.2 to the Financial Statements on page 80.

The Directors, at their meetings, have declared all material

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

interest in contracts involving the Company and have refrained from voting on matters in which they were materially interested.

Related party transactions

Related party transactions are disclosed in note 28 to the Financial Statements on page 79.

The Board of Directors Related Party Transactions Review Committee reviewed the Company's related party transactions in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange. More details in this regard are shown in the report of the Related Party Transactions Review Committee appearing on page 26 of this Annual Report.

Auditors

In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs KPMG, Chartered Accountants, as Auditors to the Company will be submitted at the Annual General Meeting.

The Auditors, Messrs KPMG, were paid LKR 3.1 million (2019: LKR 2.8 million) as audit fees by the Company.

As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the Company. The Auditors also do not have any interest in the Company.

Turnover

The total turnover of the Company for the year was LKR 1.9 billion (2019: LKR 1.6 billion). An analysis of the turnover is given in note 5 to the Financial Statements. The Company's turnover increased by 14% compared to the previous year.

Financial results and appropriations

A pre-tax profit of LKR 142.9 million was recorded during the year, which is an increase of 168% compared to the previous year due to favourable trading conditions, mainly tea production and prices, as explained in the Operations Review on pages 06 to 08 and in the Financial Review on pages 15 to 17.

Dividend

No dividend is recommended for the year under review.

Taxation and statutory payments

According to the Inland Revenue Act, No. 24 of 2017, the Company is liable for income tax at the rate of 14%.

All other statutory payments such as EPF, ETF and other taxes have been made up to date.

Fixed assets

Information relating to the movement of fixed assets is given in notes 11 to 15 to the Financial Statements.

Property, plant and equipment

The total capital expenditure incurred during the year amounted to LKR 50 million compared to LKR 33 million incurred in the previous year. Further information relating to movement in property, plant and equipment is given under notes 11 and 15 to the Financial Statements.

Stated capital

The stated capital as at the end of the year was LKR 340 million; there was no change in the stated capital during the year.

Golden share

The Secretary to the Treasury has been issued with one golden share on behalf of the Government of Sri Lanka, carrying special rights in accordance with the Articles of Association of the Company as more fully explained in note 20.1 to the Financial Statements.

Managing agent

The Company is managed by Finlays Tea Estates Lanka (Private) Limited. and no management fee is charged.

Employment Policy

The Company's employment policy is totally non-discriminatory, and respects individuals and provides career opportunities irrespective of gender, race or religion. Regular performance appraisal and evaluation schemes are in place and training, development and promotion opportunities are available to all employees who qualify.

The total number of employees of the Company is 4,709 (2019: 4,925) persons.

Employees' health and safety

More attention has been given to employees' health and safety and several training programmes have been

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

conducted to educate, improve awareness and encourage good practices of safety and health by employees at all levels. A comprehensive evaluation of health and fire hazards was undertaken in all the factories by the Company's engineering division during the year under review and their recommendations have been implemented in full.

Industrial relations

The Collective Agreement between the Workers Trade Unions and the representatives from the Regional Plantation Companies was signed with effect from 28th January 2019. Other matters pertaining to employees and industrial relations are contained in the Operations Review on pages 06 to 08.

Environmental protection

It is the Company's policy to minimise adverse effects on the environment which may result from the Company's operations, and to cooperate and comply with the relevant authorities and regulations. More details in this regard are shown on pages 09 to 14 of this report under Sustainability Performance Review.

Corporate governance

The Directors are responsible for the formulation and implementation of overall business strategies and policies, and for setting standards in the short, medium and long-term, adopting good governance in managing the affairs of the Company.

Pursuant to Section 7.10.4 (g) of the Listing Rules of the Colombo Stock Exchange, Messrs E. D. P. Soosaipillai and G. K. B. Dasanayaka are Directors of another Company in which the majority of the other Directors are employed as Directors, and therefore cannot be considered independent.

However, according to Section 7.140.3 (b) of the Listing Rules of the Colombo Stock Exchange, since Messrs E. D. P. Soosaipillai and G. K. B. Dasanayaka, Directors, satisfy other qualifying criteria specified in the CSE Rules in terms of independence, the Board, having considered such factors, is of the opinion that Messrs E. D. P. Soosaipillai and G. K. B. Dasanayaka are nevertheless Independent.

Events occurring after reporting date

Subsequent to the balance sheet date the COVID-19 pandemic, its related disruptions and its wider economic impact on the Company have been noted although specifics are yet to be assessed with any reasonable degree of certainty and accuracy. Udapussellawa Plantations PLC re-assessed its business and operational risks and introduced and took mitigating action to sustain its business metrics without a major disruption to its operations. There have been no material events occurring after the balance sheet date that require adjustments to, or disclosure in, the Financial Statements other than what is disclosed in note 31.

Going concern

The Directors consider that the Company has adequate resources to adopt a going concern basis in preparing the Financial Statements.

Directors' shareholding

The Directors' holdings of ordinary shares in the Company are as follows:

	As at 31.12.2020	As at 31.12.2019
Mr. N. K. H. Ratwatte	500	500
Mr. N. H. G. S. Jayasinghe	Nil	Nil
Mr. D. J. Ratwatte	Nil	Nil
Mr. B. V. S. Ruwan	Nil	Nil
Mr. G. R. Chambers	Nil	Nil
Mr. J. M. Rutherford	Nil	Nil
Mr. E. D. P. Soosaipillai	Nil	Nil
Mr. G. K. B. Dasanayaka	Nil	Nil

By Order of the Board of Directors of
Udapussellawa Plantations PLC

N. H. G. S. Jayasinghe
Chairman/Managing Director

D. J. Ratwatte
Director/CEO

S S P Corporate Services (Private) Limited
Secretaries

Colombo
11th May, 2021

BOARD OF DIRECTORS

N. H. G. S. JAYASINGHE

Non-Executive Director appointed to the Board in April 2017, and as Managing Director on 3rd September 2018 Mr. Jayasinghe joined Finlays in February 2006, as the Chief Executive Officer of Finlay Cold Storage (Pvt) Limited and was appointed a Director of the subsidiary in February 2008. He was appointed an Executive Director of Finlays Colombo Limited in November 2014. Mr. Jayasinghe presently serves as the Chairman and Managing Director of Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, and Finlays Colombo Limited, and as Country Head, Finlays – Sri Lanka.

He holds a Masters degree in Business Administration (MBA), is a Fellow of the Chartered Management Institute - UK (FCMI) and a Chartered Member of the Chartered Institute of Logistics and Transport - UK (CMILT). He has served as an Executive Committee/Council Member in the Sri Lanka branches of these institutes in various capacities including Vice Chairman of CILT Sri Lanka. He also serves as a Council Member of the Employers' Federation of Ceylon.

D. J. RATWATTE

Director/Chief Executive Officer of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC since January 2016. Having joined the Company in 2014, he was also appointed as a Non-Executive Director of Finlays Colombo Limited in May 2017. He counts over 34 years of experience in the plantations industry, and is an Ordinary Member of the Sri Lanka Institute of Directors (SLID) and a Graduate of SLID and a Member of the Institute of Management of Sri Lanka MIM(SL). He is a Fellow of the National Institute of Plantation Management (FIPM).

B. V. S. RUWAN

Having joined Finlays Colombo Limited in April 2020, he was appointed an Executive Director of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC, as well as Finlays Colombo Limited in November 2020. He has over 20 years work experience in the fields of finance, administration and supply chain management.

He holds a B.Sc. in Financial Management and is a Member of the Institute of Chartered Accountants of Sri Lanka.

J. M. RUTHERFORD

Appointed as a Non-Executive Director on 1st February 2013 on becoming Finance Director of James Finlay Ltd., London. He is a qualified Chartered Accountant (ICAEW) and holds a Bachelor of Science (BSc) degree in Economics from the University of Southampton. Previously he spent 15 years with Associated British Foods, a UK listed company, where he held a variety of senior finance and other related posts.

G. R. CHAMBERS

Non-Executive Director appointed to the Board in September 2015 on becoming Managing Director of James Finlay Limited, London. Since joining John Swire & Sons in 1993, he has worked in China, Hong Kong and Taiwan, most recently as COO of Damin (the world's largest tea extracts manufacturer) and COO of Swire Beverages (the largest Coca-Cola franchise bottler in China). Mr. Chambers served as Non-Executive Chairman of Finlays Colombo Limited between September 2018 and December 2020. He presently serves as a Non-Executive Director of the Company.

Between 2014 and 2020, Mr. Chambers served on the Hong Kong Committee for Pacific Economic Cooperation to advise the Hong Kong Secretary for Commerce and Economic Development on matters relating to the participation of Hong Kong in the Pacific Economic Cooperation Council. Mr. Chambers has also served as an advisor to Chatham House, the UK think-tank, on matters relating to Greater China.

E. D. P. SOOSAIPILLAI

Independent Non-Executive Director appointed to the Board in April 2017, Mr. Soosaipillai is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka.

He is the Chairman of Commercial Credit and Finance PLC and was appointed as an Independent Non-Executive Director of Finlays Colombo Limited in January 2021, and functions as Chairman and Member of many Board sub-committees at these institutions.

Mr. Soosaipillai has over 30 years of experience in Finance & Accounting, Corporate Governance, Risk Management and Compliance, both at the operational and strategic levels.

G. K. B. DASANAYAKA

Independent Non-Executive Director appointed to the Board in April 2017. Mr. Dasanayaka is an Attorney-at-Law by profession. He is an Independent Non-Executive Director of ACME Printing and Packaging PLC and Lankem Ceylon PLC. He worked for the International Labour Organisation (ILO) as the Senior Specialist, Employers' Activities for the South Asian Region from 2007 to 2015. Prior to joining the ILO he worked with the Employers' Federation of Ceylon (EFC) from 1979 and was the Director General/CEO from 2000 to 2006.

S. T. GUNATILLEKE

Non-Executive Director appointed to the Board in January 2021. Mr. Gunatilleke is a senior planter with 50 years of experience in plantation management. He served on the Boards of Hayleys Plantation Services (Pvt) Ltd, Talawakelle Tea Estates PLC, DPL Plantations (Pvt) Ltd, Kelani Valley Plantations PLC and Mabroc Teas (Pvt) Ltd. He has held the position of Regional Director of Sri Lanka State Plantations Corporation and served as a Consultant to the United Nations Industrial Development Organisation (UNIDO) on Tea Plantation Management. He has traveled extensively to study methods of greenhouse produce cultivation and has undergone training in Japan, Dubai and India. Post retirement from executive service, Mr. Gunatilleke has been actively involved in the Tea industry in various capacities.

N. K. H. RATWATTE

Having joined James Finlay & Company (Colombo) Limited in 1991 and being appointed as an Executive Director in 1997, he was also appointed as an Executive Director of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC in 1998, and as their Chairman/ Managing Director on 1st April 2006. Mr. Ratwatte retired from Executive service on 31st December 2015, and was appointed Non-Executive Chairman from 1st January 2016. Mr Ratwatte has continued as a Non-Executive Director of Finlays Colombo Limited from 2007, and in several other companies within and outside the Group. He is a Fellow of the National Institute of Plantation Management (FIPM).

Mr. Ratwatte retired from the Boards of Udapussellawa Plantations PLC, Hapugastenne Plantations PLC, Finlays Colombo Limited and other companies within the Group on 31st December 2020 on completing his term of office.

Ms. M. C. PIETERSZ

Ms. Pietersz resigned from the Boards of Udapussellawa Plantations PLC, Hapugastenne Plantations PLC and Finlays Colombo Limited on 30th April 2020, having reached retirement age.

BOARD OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

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

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

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

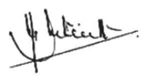
The Directors consider that in preparing the Financial Statements on pages 39 to 89 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company, and which enable them to ensure that the Financial Statements comply with the Companies Act No. 07 of 2007. The Directors have general responsibility for taking such steps as necessary to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

On behalf of the Board of Directors

N. H. G. S. Jayasinghe
Chairman/Managing Director



D. J. Ratwatte
Director/CEO
Colombo
11th May, 2021

REPORT OF THE BOARD AUDIT COMMITTEE

Role of the Board Audit Committee

The Board Audit Committee (BAC) of Udapussellawa Plantations PLC is formed in compliance with the CSE listing rules, Section 7.10.6 of the Continuing Listing Requirements.

Functions

The functions of the Board Audit Committee include the following:

a) Oversight of the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company in accordance with Sri Lanka Accounting Standards.

b) Oversight of compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related to regulations and requirements.

c) Oversight of the processes required to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.

d) Assessment of independence and performance of external auditors.

e) Making recommendations to the Board pertaining to the appointment, re-appointment or removal of external auditors and approving the remuneration and terms of engagement of the external auditors.

The Board of Directors has mandated explicit Terms of Reference (TOR) which are subject to periodic review and revision, for the effective functioning of the Board Audit Committee and is thus duly empowered by the Board.

The performance of the Committee is subject to annual self-evaluation.

Composition

The Board Audit Committee comprises two Independent Non-Executive Directors and a Non-Executive Director. The names of the Directors, their status of independence and attendance at the meetings are as follows:

Mr. E. D. P. Soosaipillai *Independent Non-Executive Director - Chairman*	8/8
Mr. G. K. B. Dasanayaka *Independent Non-Executive Director - Member*	7/8
Mr. N. K. H. Ratwatte *Non-Executive Director – Member* *(Retired w. e. f. 31st December 2020)*	8/8
Mr. S. T. Gunatilleke *Non-Executive Director – Member* *(Appointed w. e. f. 1st April, 2021)*	-/-

The Chairman of the Board Audit Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors, based on the annual declaration, has determined the independence or non-independence of each Non-Executive Director in accordance with CSE listing rule No. 7.10.3.

Internal audit function

In 2019, the Company changed its Internal Audit approach from location-based audits to a thematic audit carrying out high-frequency cyclical audits. The thematic audit approach is primarily to carry out four quarterly theme-based audits at each estate and at the head office in a calendar year.

Thematic audits were carried out by Messrs Ernst & Young, Chartered Accountants. Special assignments were carried out by Messrs B R De Silva & Company, Chartered Accountants. The terms of reference for both of the service providers are governed by Service Level Agreements with explicit terms of reference.

The Board Audit Committee ensures that the internal audit function is free from conditions that impair its ability to carry out the internal audit activities independently.

The main focus of the internal audit function is to independently and objectively evaluate and report on the adequacy, integrity and effectiveness of the overall system of internal control, risk management and governance for assurance.

The risk-based internal audit plan is developed to cover key

REPORT OF THE BOARD AUDIT COMMITTEE (Contd.)

compliance and financial and operational matters that are significant to the overall performance of the Company.

The Board Audit Committee of the Company is supported by a functional sub-committee, namely the Audit Supervisory Committee (ASC), as appointed and empowered by the Board of Directors with specific terms of reference and a reporting requirement to the Group Audit Committee in the UK via the Group Head of Internal Audit (GHIA). The Board Audit Committee exercises oversight of the ASC by reviewing the ASC minutes as to actions taken on internal audit findings. The ASC is governed by its Terms of Reference as approved by the Board of Directors and the Board Audit Committee. The ASC is represented by finance, operations, legal, internal audit and information technology functions of the Company.

Audit Committee meetings

The Board Audit Committee has held eight meetings for the year 2020. The Managing Director, Chief Executive Officer, Finance Director, external auditors and internal auditors attended the meetings on invitation.

The Annual Report for the year 2020 was reviewed at the Board Audit Committee meeting held on 11th May 2021.

Principal activities

The Board Audit Committee is a sub-committee of the Board of Directors and reports to the Board at its quarterly meetings.

The Company has compiled a risk register based on a detailed assessment of risks and a broad spectrum identification of risks. The repository Risk Register is subjected to review and revision twice a year at the BAC. The Company's risk register forms a part of the Group Risk Register of the parent company and is subject to oversight by the Director - Corporate Affairs, based in the UK.

The Board Audit Committee reviewed the risk register of the Company at the meetings for the year under review and recommendations were made for changes in the different headline risks and the component risks as appropriate.

The Board Audit Committee, by its oversight and review of external audit findings and the corresponding management action taken, weighs in on internal control issues of the Company. The BAC additionally reviews the external audit findings with a view to initiating corrective action on systemic operational risk issues and also gives oversight to compliance with legal and regulatory requirements.

The Board Audit Committee at its meetings paid special attention to compliance with the Sri Lanka Financial Reporting Standards (SLFRS), reviewing the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements and also recognised the adequacy and quality of management information provided to the Committee.

External audit

Messrs KPMG, the external auditors, are considered to be independent as there is no evidence of any interest on their part in the results published in the Financial Statements of the Company other than as external auditors, nor is there reason to believe that such independence has been impaired during the year.

KPMG carried out an Engagement Partner rotation in the year 2018, the previous Engagement Partner rotation being in 2010.

The Board Audit Committee recommends to the Board of Directors that Messrs KPMG, Chartered Accountants, be re-appointed as external auditors for the financial year ending 31st December 2021 subject to the approval of the shareholders.

E. D. P. Soosaipillai
Chairman
Board Audit Committee
11th May, 2021

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF UDAPUSSELLAWA PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Udapussellawa Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 39 to 89.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31st December 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion
We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 Company financial statements of the current period. These matters were addressed in the context of our audit of the Company 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 15 to the financial statements).

Risk description
The Company has reported consumable biological assets carried at fair value, amounting to Rs. 1,062 Million and bearer biological assets amounting to Rs.454 Million as at 31st December 2020.

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 used for the valuation of consumable biological assets 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. Management engaged an internal valuation expert to assist in determining the fair value of the consumable biological assets.

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 profits 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 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.

We considered measurement of biological assets as a key audit matter because the valuation of consumable biological assets involved significant judgment exercised

KPMG

by the management and internal valuation expert and were subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer requires significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

Our audit procedures for Consumable Biological Assets included;

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

Our audit procedures for Bearer Biological Assets included;

- Obtaining schedules of costs incurred and capitalized under immature plantations as well as costs 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's accounting policy and industry norms.
- Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies.

Valuation of retirement benefit obligation

(Refer to Note 3.3.1 significant accounting policies and explanatory Note 24 to the financial statements).

Risk description

The retirement benefit obligation of the Company is significant (Rs. 611 Mn) in the context of the total liabilities of the Company. 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. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the computation of the Retirement benefit obligation.

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 amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capability 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 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 disclosures made in the financial statements including sensitivity analysis.

KPMG

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. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- 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

KPMG

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

KPMG

Chartered Accountants
Colombo, Sri Lanka
11th May 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December

Rs.'000	**Note**	**2020**	**2019**
Revenue	5	1,875,150	1,629,811
Cost of sales		(1,764,339)	(1,807,848)
Gross profit/ (loss)		**110,811**	**(178,037)**
Other income	6	78,247	48,646
Change in fair value of biological assets	15.4	189,084	151,366
Administrative expenses		(170,131)	(173,450)
Profit/(loss) from operations		**208,011**	**(151,475)**
Finance costs	7	(65,244)	(60,731)
Finance income	7	222	812
Net finance costs		**(65,022)**	**(59,919)**
Profit/(loss) before tax		**142,989**	**(211,394)**
Income tax expense	9	(33,532)	(134,792)
Profit/(loss) for the year		**109,457**	**(346,186)**
Other comprehensive income			
Items that will never be classified to profit or loss:			
Remeasurement of retirement benefit obligations	24	80,201	4,887
Deferred tax on remeasurement of retirement benefit obligations	22	(11,228)	(684)
Other comprehensive income for the year, net of income tax		**68,973**	**4,203**
Total comprehensive income/(expense) for the year		**178,430**	**(341,983)**
Basic earnings / (loss) per share (Rs.)	10	5.64	(17.85)

Figures in brackets indicate deductions.
The Accounting Policies and notes on pages 43 to 89 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31st December

Rs.'000	Note	2020	2019
ASSETS			
Non-current assets			
Right of use assets	11	275,654	290,100
Immovable estate assets on finance lease (other than bare land)	12	22,378	26,963
Tangible assets other than biological assets	13	380,657	386,759
Intangible assets	14	9,068	12,230
Bearer biological assets	15.1	453,868	455,128
Consumable biological assets	15.2	1,061,961	877,025
Total non-current assets		**2,203,586**	**2,048,205**
Current assets			
Produce on bearer plants	15.3	4,940	731
Inventories	16	220,483	172,287
Trade and other receivables	17	77,553	112,794
Amounts due from related companies	18	55,101	81,954
Cash and cash equivalents	19.1	16,258	3,055
Total current assets		**374,335**	**370,821**
Total assets		**2,577,921**	**2,419,026**
EQUITY AND LIABILITIES			
Equity	20	340,000	340,000
Retained earnings/(losses)		146,220	(32,210)
Total equity		**486,220**	**307,790**
Non-current liabilities			
Interest bearing borrowings - payable after one year	21	70,804	44,981
Deferred tax liability	22	204,507	178,028
Deferred income	23	96,546	95,477
Retirement benefit obligations	24	610,523	642,110
Lease liability - payable after one year	25	7,722	9,400
Total non-current liabilities		**990,102**	**969,996**
Current liabilities			
Interest bearing borrowings - payable within one year	21	123,967	83,911
Lease liability - payable within one year	25	4,229	4,027
Amounts due to related companies	26	455,846	411,775
Trade and other payables	27	274,104	282,387
Bank overdraft	19.2	243,453	359,140
Total current liabilities		**1,101,599**	**1,141,240**
Total liabilities		**2,091,701**	**2,111,236**
Total equity and liabilities		**2,577,921**	**2,419,026**

Figures in brackets indicate deductions.
The Accounting Policies and notes on pages 43 to 89 form an integral part of the Financial Statements

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

B V S RUWAN
DIRECTOR FINANCE

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Udapussellawa Plantations PLC.

N H G S JAYASINGHE
CHAIRMAN / MANAGING DIRECTOR

D J RATWATTE
DIRECTOR / CEO

Colombo, 11th May 2021

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st December 2020

Rs.'000	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings/ (losses)	Total
As at 1st January 2019	**340,000**	**191,488**	**159,396**	**(6,387)**	**684,497**
Adjustment on initial application of SLFRS 16 - leases	-	(191,488)	(159,396)	354,651	3,767
Deferred tax adjustment impact on intial application of SLFRS 16 - leases	-	-	-	(38,491)	(38,491)
As at 1st January 2019 - adjusted	**340,000**	**-**	**-**	**309,773**	**649,773**
Loss for the year	-	-	-	(346,186)	(346,186)
Other comprehensive income	-	-	-	4,203	4,203
As at 31st December 2019	**340,000**	**-**	**-**	**(32,210)**	**307,790**
As at 01st January 2020	340,000	-	-	(32,210)	307,790
Profit for the year	-	-	-	109,457	109,457
Other comprehensive income	-	-	-	68,973	68,973
As at 31st December 2020	**340,000**	**-**	**-**	**146,220**	**486,220**

Figures in brackets indicate deductions.
The Accounting Policies and notes on pages 43 to 89 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st December

Rs.'000	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		142,989	(211,394)
Adjustments for			
Finance costs	7	61,896	59,919
Exchange loss	7	3,126	-
Retirement benefit obligations provision	24	104,917	106,971
Depreciation and amortisation	8	78,619	78,747
Provision for impairment of property, plant and equipment		-	259
Provision for impairment of immature bearer biological assets	15.1	-	3,337
Amortisation of capital grants	23	(4,069)	(4,163)
Profit on disposal of property, plant & equipment	6	(1,970)	(7,540)
Gain on fair valuation of biological assets	15.4	(189,084)	(151,366)
Write-off of property, plant and equipment	13		9,497
Trade and other payables written back		(2,675)	(1)
Provision for impairment of trade and other receivable		(634)	556
Provision for impairment of related party receivable	18	1,865	-
Provision for slow-moving and obsolete stocks	16.1	348	2,783
Operating profit/(loss) before working capital changes		**195,327**	**(112,394)**
(Increase)/decrease in inventories		(48,544)	54,279
(Increase)/decrease in trade and other receivables		17,595	(21,964)
Increase/(decrease) in trade and other payables		(6,368)	42,484
Increase/(decrease) in amounts due to and due from related companies		55,168	127,319
Cash flows generated from operations		**213,177**	**89,723**
Retirement benefit obligations payments	24	(56,303)	(51,027)
Income tax payments		-	(6,919)
Finance costs paid		(49,488)	(59,322)
Net cash flows generated from/ (used in) operating activities		**107,386**	**(27,545)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant & equipment		1,970	6,041
Field development expenditure incurred		(15,322)	(26,074)
Purchase/construction of property, plant & equipment		(34,908)	(6,620)
Interest income received		222	79
Proceeds from other financial assets		-	3,237
Net cash flows used in investing activities		**(48,038)**	**(23,337)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest bearing borrowings	21	175,000	-
Repayment of interest bearing borrowings	21	(109,121)	(61,110)
Repayment of leases	25	(1,476)	(7,135)
Net proceeds from a loan from the parent company		-	2,281
Government grants received	23	5,138	320
Net cash flows generated from / (used in) financing activities		**69,542**	**(65,644)**
Net increase/(decrease) in cash & cash equivalents		128,890	(116,526)
Cash & cash equivalents at the beginning of the year		(356,085)	(239,559)
Cash & cash equivalents at the end of the year	**19**	**(227,195)**	**(356,085)**

Figures in brackets indicate deductions.
The Accounting Policies and notes on pages 43 to 89 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2020

01. REPORTING ENTITY

1.1. Domicile and legal form

Udapussellawa Plantations PLC is a Public Limited Liability Company 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 or Government-Owned Business Undertaking into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at 95A, Nambapana, Ingiriya, and Plantations are situated in the planting districts of Nuwara Eliya and Matale.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

The Company's parent undertaking is James Finlay Plantation Holdings (Lanka) Limited. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is John Swire and Sons Limited, which is incorporated in England.

1.2. Principal activities and nature of operations

The Company is primarily involved in the cultivation, manufacturing and sale of Tea, Rubber and other agricultural produce.

02. BASIS OF PREPARATION

2.1. Statement of compliance

The Financial Statements of the Company 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 which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs/LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements, except information on Cash Flows, have been prepared following the accrual basis of accounting.

2.2. Approval of financial statements by Directors

The Financial Statements were authorised for issue by the Board of Directors on 11th May 2021.

2.3. Basis of measurement

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

- Leasehold right to Bare Land of JEDB/SLSPC estates has been revalued as described in Note 10 - Right to use of Assets on Lease
- Consumable Mature Biological Assets are measured at fair value less costs to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligations is recognised as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19 - Employee benefits.
- Agriculture produce harvested from biological assets is measured at fair value as per LKAS 41 - Agriculture.

2.4. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand rupees, 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. Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

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 recognised amounts and there is an intention to settle on net basis, or to realise the assets and settle the liability simultaneously.

2.7. 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 (refer note no 32).

2.8. Use of estimates and judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recongnised in the period in which the estimates are revised and in any future period affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

Note 13 - Tangible Assets other than Biological Assets
Note 15.2 - Consumable Biological Assets at Fair Value
Note 22 - Deferred Tax Liabilities
Note 24 - Retirement Benefit Obligations
Note 25 - Lease Liabilities
Note 32 – Impact due to COVID 19

2.9. Determination of fair values

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. Several of the Company's accounting policies and disclosures require the determination of fair value, 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 categorised 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 or 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 categorised 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.

2.10. 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

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

03. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. Foreign currency

3.1.1. Foreign Currency Transactions

Transactions in currencies other than the company's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognised in other comprehensive income.

3.1.2. Foreign exchange forward contract

Foreign exchange forward contracts are fair valued at each reporting date. Gain and loss arising from changes in fair value are recognised in the Income Statement under the finance income or finance expense, respectively.

3.2. Assets and the bases of their valuation

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realised 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. Property, Plant and equipment

3.2.1.1. Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for Bare Land on Lease which is stated at revalued amount on 18th June 1992 less subsequent accumulated depreciation and accumulated Impairment losses.

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.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

3.2.1.2. Owned assets

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes the cost of dismantling and removing the items and restoring at the site on which they are located and borrowing cost on qualifying assets.

3.2.1.3. Land development cost

Permanent land development costs are the costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalised and amortised over the remaining lease period. Permanent impairment to land development costs are charged to the profit or loss statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.1.4. 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 is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.2.1.5. Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised 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 carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.2.1.6. 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 capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs. Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.2.1.7. Depreciation and amortisation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Asset Category	Useful life
Buildings	Over 40 years
Motor vehicles	Over 05 years
Plant and machinery	Over 13 years
Furniture and fittings	Over 10 years
Equipment	Over 08 years
Computer equipment	Over 05 years
Latrines	Over 10 years
Water, sanitation and electricity	Over 20 years
Workers, housing	Over 40 years
Farm road	Over 40 years

Immovable Assets on Finance Lease from JEDB/ SLSPC are being amortised in equal amounts over the following periods:

Asset Category	Useful life
Bare Land	Over 53 years
Improvements to Land	Over 30 years
Mature Plantations	Over 30 years
Buildings	Over 25 years
Machinery	Over 15 years
Other vested assets	Over 25 years

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.1.8. De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. 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 recognised net within other income in profit or loss, and upon disposal of the revalued assets, the amount included in revaluation surplus reserve is transferred to retained earnings.

When revalued assets are disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.2.2. Intangible assets

An intangible asset is recognised if it is probable that economic benefits attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

3.2.2.1. Software

Purchased software is recognised as an intangible asset and is amortised on a straight-line basis over its useful life

The estimated useful life is as follows:

Asset Category	Useful life
Enterprise Resource Planning System	8 years

3.2.3. Biological assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, 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 into 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 recognises the Biological assets when, and only when, the Company controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Company and the fair value or cost of the assets can be measured reliably.

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.

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. The cost is treated as approximation to fair value of young plants (age below 4 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 costs of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting, fertilising, etc. incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. Biological assets (Tea, Rubber fields) which come into bearing during the year, are transferred to mature plantations. These immature plantations are shown at direct costs attributable.

Permanent impairments to Bearer Biological Assets is charged to

NOTES TO THE FINANCIAL STATEMENTS *contd.*
For the year ended 31st December 2020

the Statement of Profit or Loss and Other Comprehensive Income in full and reduced 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 capitalised 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 capitalised 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 capitalised have been 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 appropriate proportion of directly attributable overheads.

3.2.3.5. Depreciation
Mature Plantations (Replanting and New Planting) are depreciated on a straight-line basis over the expected period of their commercial harvesting or unexpired lease period, whichever is less.

The expected periods of commercial harvesting for each category of crops are as follows:

Tea	- Over 33 years
Rubber	- Over 20 years
Coconut	- Over 50 years
Cinnamon	- Over 20 years
Pepper	- Over 20 years

No depreciation is provided for Immature Plantations

3.2.3.6. Consumable biological assets
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 maturity.

The main variables in DCF model are as follows:

Variable	Comment
Timber Content	Estimated based on physical verification of girth, height and considering the growth of each species, and factoring in all the prevailing statutory regulations enforced against harvesting of timber coupled with the forestry plan of the Company.
Economic Useful life	Estimated based on the normal life span of each species by factoring in the forestry plan of the Company
Selling Price	Three-year annual rolling average selling prices of managed timber fields of the respective region/ group of the Company.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.
Currency	Sri Lankan Rupees

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

3.2.3.7. Non-harvested produce crop on bearer biological assets
The Company recognises 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 and is measured at fair value less costs to sell. Changes in the fair value of such agricultural produce are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

For the valuation of the produce, the Company uses the bought leaf rate (current month) less cost of harvesting and transport.

3.2.4. Financial Instruments

3.2.4.1. Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised 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.

3.2.4.2. Classification and subsequent measurement

3.2.4.2.1.Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised 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 amortised cost if it meets both of the following conditions and is not designated as at 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 at 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.

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 realising 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.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

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.

Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.2.4.2.2.Financial Liabilities

(i) Classification, subsequent measurement and gain and loss

Financial liabilities are classified as measured at amortised 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 recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.2.4.3. Derecognition

3.2.4.3.1.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

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

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 recognised 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.

3.2.4.3.2.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 recognised 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 recognised in profit or loss.

3.2.4.4. 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 realise the asset and settle the liability simultaneously.

3.2.4.5. Impairment – Financial Assets

3.2.4.5.1.Financial Instruments

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and
- debt investments measured at FVOCI

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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 considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligation 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 360 days past due. The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be higher credit rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3.2.4.5.2.Measurement of ELCs

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 Company in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

3.2.4.5.3.Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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 have 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.
- 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.

3.2.4.5.4.Presentation of allowance for ECL in the statement of financial position

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

For the debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3.2.4.5.5.Write-off

For individual customers, the Company has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due. Evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

3.2.4.5.6.Non-derivative Financial Assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a Company of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Company considered a decline of 20% to be significant and a period of nine months to be prolonged.

3.2.5. 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 assets recoverable amount. An assets recoverable amount is the higher of an assets value in use and its fair value less cost to sell 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 asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using 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

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

identified, an appropriate valuation model is used.

Impairment loss of continuing operations is recognised in the Statement of Profit or Loss and Other Comprehensive income in those expenses' categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.2.6. Inventories

3.2.6.1. Agricultural Produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets is measured at its 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.

3.2.6.2. Agricultural Produce after further processing

Further processed output of Agricultural Produce is valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

3.2.6.3. Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

3.2.6.4. 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.

3.2.7. Trade and Other Receivables

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

3.2.8. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, 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.

3.2.9. 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:

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

- 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.

This policy is applied to contracts entered into, or changed, on or after 1st January 2019.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.

3.2.9.1. As a Lessee

The Company recognises 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.

The right-of-use asset is subsequently depreciated using the 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, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re- measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.2.9.2. 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.

3.2.9.3. As a Lessor

At inception or modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component based on their relative standalone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not then it is an operating lease. As part of this

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the company is an intermediate lessor, it accounts for its interest in the head lease and the sub lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the company applies the exemption described above, then it classifies the sub lease as a an operating lease.

If an arrangement contains lease and non-lease components, then the company applies IFRS 15 to allocate the consideration in the contract. The company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue.

3.3. Liabilities and Provisions

All material liabilities as at the reporting date have been included in the Statement of Financial Position and adequate provisions have been made for liabilities which are known to exist but the amount of which cannot be determined accurately.

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 Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements.

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, were appropriate, the risk specific to the liability.

3.3.1. Employee Benefits

3.3.1.1. Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% of gross emoluments of the employees to Employees' Provident Fund (EPF)/Estate Staff Provident Society (ESPS).

All of the employees are eligible for Employees' Trust Fund to which the Company contributes 3% of gross emoluments of such employees.

3.3.1.2. Defined Benefit Plan - Retirement Gratuity

A Defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan. The Company's net obligation in respect of Defined Benefit Pension Plans is calculated annually using the Projected Unit Credit (PUC) Method. The liability recognised in the Statement of Financial Position is the present value of the Defined Benefit Obligation at the reporting date in accordance with the advice of an actuary. Actuarial gains or losses arising are recognised in Other Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The key assumptions used in determining the Retirement Benefit Obligations are given in note 24.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

3.3.2. Commitments and 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. Deferred Income

3.3.3.1. Government Grants and Subsidies

Government grants are recognised 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 recognised as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants are related to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Grants related to Property, Plant and Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related property, Plant and Equipment. Grants received for forestry are initially deferred and credited to Statement of Profit or Loss and Other Comprehensive Income at once when the related blocks of trees are harvested.

3.3.4. Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in ordinary course of business from Suppliers. Trade and other payables are stated at cost.

3.3.5. Ordinary Shares

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

3.4. 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's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 - Presentation of Financial Statements.

3.4.1. Revenue

Revenue Recognition

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

Revenue principally comprises of tea auction sales. The Company considers sales and delivery of services as one performance obligation and recognises 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.

3.4.2. Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue from sale of goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

3.4.3. Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

3.4.4. Rental income

Rental income arising from operating leases is recognised on an accrual basis.

3.4.5. Gain and Losses on Disposal

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

3.4.6. Expenditure Recognition

3.4.6.1. Operating Expenses

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Profit or Loss and Other Comprehensive Income in arriving at the profit/(loss) for the year.

Provision has also been made for impairment of non-financial assets, slow-moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

3.4.6.2. Finance Cost

Finance costs comprise interest expense on external borrowings and related party loans and payments made under operating leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may be recognised as an integral part of the total lease expense, over the term of the lease.

3.4.6.3. Income Tax Expense

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

3.4.6.3.1.Current Taxes

Current tax expense for the current and comparative periods is 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. 10 of 2006 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

3.4.6.3.2.Deferred Taxation

Deferred taxation is recognised using the Balance Sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

3.5. 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 received and dividends received are classified as investing cash flows while dividend paid and Government grants received are classified as financing cash flows for the purpose of presentation of the Statement of Cash Flows.

3.6. Segmental Reporting

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

Revenue and Expenditure directly attributable to each segment are allocated to the respective segments. Revenue and Expenditure not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible. Unallocated items comprise mainly income accrued and expenses incurred at Head office level.

Assets and Liabilities directly attributable to each segment are allocated to the respective segments. Assets and Liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible.

The activities of the segments are described in note 35 to the Financial Statements

3.7. Related Party Transactions

Disclosure has been made in respect of the transactions 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 or not a price is being charged.

3.8. Earnings per Share

The Company presents Earnings per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.9. Events after the Reporting Date

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

3.10. Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

04. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

A number of interpretations and amendments to standards are effective for annual period beginning on or after 1st January 2021 and earlier application is permitted. However, the Company has not early adopted amended standards in preparing these Separate Financial Statements.

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

- Interest Rate Benchmark Reform—Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)
- COVID-19-Related Rent Concessions (Amendment to SLFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- Onerous Contracts – Cost of fulfilling a Contract (Amendments to LKAS 37)

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

05. REVENUE

Rs.'000	Note	2020	2019
5.1 Revenue streams			
Revenue from contracts with customers - sale of goods	**5.2**	**1,875,150**	**1,629,811**
5.2 Major products			
Sale of produce			
Tea		1,824,171	1,577,112
Coconut/Rubber		40,445	40,220
Others	5.4	10,534	12,479
		1,875,150	**1,629,811**
5.3 Timing of revenue recognition			
Products transferred at a point in time		1,875,150	1,629,811
		1,875,150	**1,629,811**

5.4 Revenue classified as 'Others' above, mainly comprises revenue generated from sale of pepper and cinnamon, intercrop sales and nursery and coconut husks sales during the year.

5.5 Performance obligations

Information about the Company's performance obligations is summarised as follows:

Type of products/services	Nature and timing of satisfaction of performance obligation	Revenue recognition under SLFRS 15
Tea	The Company is selling made tea to customers through brokers at Colombo Tea Auction.	Revenue from tea is recognised at the time of confirmation of sale at the auction.
Other agricultural produce	The Company is selling rubber latex, nursery plants and other agricultural produce to the customers at the plantations.	Revenue from sale of other crops is recognised at the point in time when the control of the goods has been transferred to the customer, generally at the Estates.

06. OTHER INCOME

Rs.'000	2020	2019
Amortisation of capital grants	4,069	4,163
Gain on sale of property, plant & equipment	1,970	7,540
Rent income	36,768	35,437
Sale of timber	35,031	1,227
Sundry income	409	279
	78,247	**48,646**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

07. NET FINANCE COSTS

Rs.'000	2020	2019
Finance income		
Interest income	222	79
Exchange gain	-	733
	222	**812**
Finance costs		
Overdraft interest	(26,983)	(39,845)
Interest on related party loans	(12,630)	(1,409)
Interest on bearing borrowing	(22,498)	(19,477)
Government lease interest	(7)	-
Exchange loss	(3,126)	-
	(65,244)	**(60,731)**
Net finance costs	**(65,022)**	**(59,919)**

08. PROFIT / (LOSS) BEFORE TAX

is stated after charging all the expenses including the following:

Rs.'000	2020	2019
Directors' remuneration	7,922	6,285
Statutory audit fees	3,050	2,750
Depreciation and amortisation		
Right of use assets	14,446	17,088
Immovable estate assets on finance lease	4,585	4,293
Bearer biological assets	17,117	16,441
Tangible assets	38,828	37,269
Intangible assets	3,643	3,656
Total depreciation and amortisation	**78,619**	**78,747**
Personnel costs		
Defined contribution plans - Provident funds & ETF	132,942	127,904
Salaries and wages	846,915	852,694
Provision for retiring gratuity - Workers	92,739	95,445
- Staff	12,178	11,526
Property, plant and equipment write off during the year	-	259
Provision for impairment of trade and other receivables	1,231	556
Provision for slow-moving and obsolete stocks	348	2,783
Immature plantation write off during the year	-	912
Donation	-	5

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

09. INCOME TAX EXPENSE

Rs.'000	Note	2020	2019
Current tax expense	9.2	-	-
Provision made for unclaimable economic service charge		18,281	-
Deferred tax charge	22	15,251	134,792
		33,532	**134,792**

9.1 Current tax expense

In terms of Section 16 (1) of the Inland Revenue Act No. 10 of 2006, "Specified Profits" from cultivation was exempted from income tax for a period of five years commencing from the year of assessment 2006/07. Accordingly, the tax exemption period of the Company expired in the year of assessment 2010/11. After the exempt period, the Company became liable for income tax at the rate of 10% on its agricultural profits and 28% on manufacturing profits and other income earned up to the 2017/18 year of assessment. From the year of assessment 2018/19, the Company is liable for income tax at the rate of 14% as per the Inland Revenue Act No. 24 of 2017. This note is to be read in conjunction with Note 31.1

9.2 Reconciliation between accounting loss and taxable profit / (loss) and taxable income

Rs.'000	2020	2019
Accounting profit/(loss) before taxation	142,989	(211,394)
Fair value gain on biological assets	(189,084)	(151,366)
Aggregate allowable items	(91,700)	(122,331)
Aggregate disallowable items	211,450	203,543
Profit /(loss) from manufacturing	**73,655**	**(281,548)**
Other sources of income	-	-
Total assessable income	**-**	**-**
Tax losses claimed during the year	(73,655)	-
Taxable income	**-**	**-**

9.3 Accumulated tax losses

Rs.'000	2020	2019
As at 1st January	1,291,930	1,050,507
Adjustment to tax losses brought forward	-	(40,125)
Loss incurred during the year	-	281,548
Tax loss claimed during the year	(73,655)	-
As at 31st December	**1,218,275**	**1,291,930**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is computed based on the profit/(loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares oustandings during the year adjusted for the effects of diluted potential ordinary shares.

Rs.'000	2020	2019
Profit/(loss) attributable to the ordinary shareholders of the Company (Rs.)	109,457	(346,186)
Weighted average number of ordinary shares for basic earnings per share	19,399	19,399
Effect of dilution,		
Effect of potential dilutive ordinary shares oustanding	-	-
Weighted average no.of ordinary shares adjusted for the effect of dilution	19,399	19,399
Basic earnings/(loss) per share (Rs)	5.64	(17.85)
Diluted earning/(loss) per share (Rs.)	5.64	(17.85)

There were no potential dilutive shares outstanding at any time during the year/previous year. Hence, Diluted Earnings per Share is same as Basic Earnings per Share.

11. RIGHT OF USE ASSETS

		2020			2019		
Rs'000	Note	Land	Motor Vehicles	Total	Land	Motor Vehicles	Total
Cost							
As at 1st January		507,565	21,436	529,001	507,565	-	507,565
Impact due to initial application of SLRFS - 16	3.1	-	-	-	-	21,436	21,436
As at 31st December		**507,565**	**21,436**	**529,001**	**507,565**	**21,436**	**529,001**
Accumulated amortisation							
As at 1st January		232,573	6,328	238,901	221,813	-	221,813
Charge for the year		10,821	3,625	14,446	10,760	6,328	17,088
As at 31st December		**243,394**	**9,953**	**253,347**	**232,573**	**6,328**	**238,901**
Carrying value							
As at 31st December		**264,171**	**11,483**	**275,654**	**274,992**	**15,108**	**290,100**

The Company has applied SLFRS 16 "Leases" with effect from 1st January 2019. As a result, the Company has changed its accounting policy for Leases.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

11.1 Land on lease from JEDB/SLSPC

Leases have been executed for a period of 53 years. All of these leases are retroactive to 22nd June 1992, the date of formation of the Company. The leasehold rights to the land on all of these estates have been taken into the books of the Company on 22nd June 1992, immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. Subsequently, on 31st May 1998 the Board of Directors decided to revalue the bare land at a value established by independent Valuation Specialists, M/s. P.B.Kalugalagedara and S.N.Wijepala, Chartered Valuers. The valuation report referred to above has not been subjected to a land survey carried out in the recent past.

Rs.'000	Revaluation as at 31.05.1998	Adjustment due to sub lease in 2005	Balance as at 31.12.2020
Leasehold right to bare land of JEDB/SLSPC estates	547,055	(39,490)	507,565

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

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose, the Board decided at its meeting on 8th March 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into 22nd June 1992 Statement of Financial Position and depreciated as follows :

Rs.'000	Improvement to Land	Other Vested Assets	Mature Plantations	Buildings	Plant & Machinery	Total 2020	Total 2019
Revaluation as at 22nd June 1992	5,364	155	126,711	46,165	14,829	193,224	193,224
Balance as at 31st December	**5,364**	**155**	**126,711**	**46,165**	**14,829**	**193,224**	**193,224**
Amortisation							
Balance as at 1st January	4,921	155	100,191	46,165	14,829	166,261	161,968
Charge for the year	194	-	4,391	-	-	4,585	4,293
Balance as at 31st December	**5,115**	**155**	**104,582**	**46,165**	**14,829**	**170,846**	**166,261**
Written-down value							
As at 31st December	**249**	**-**	**22,129**	**-**	**-**	**22,378**	**26,963**

Investment in plantation assets which were immature at the time of handing over to the Company by way of estate leases is shown under immature plantations (revalued as at 22nd June 1992 in the financial statement). Furthermore, investment in such immature plantations to bring them to maturity is shown under note 15.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

13. TANGIBLE ASSETS (Other than Biological Assets)

	Freehold Assets						Grant-Funded Assets							
Rs.'000	**Buildings**	**Motor Vehicles**	**Plant and Machinery**	**Furniture & Fittings**	**Equipment**	**Computer Hardware**	**Workers Housing**	**Water, Sanitation & Electricity**	**Farm Roads**	**Latrines**	**Total**	**Capital Work- in-progress**	**Total 2020**	**Total 2019**
Cost														
As at 1st January	216,868	46,422	394,948	6,822	47,688	32,929	115,346	16,949	16,046	15,139	909,157	2,176	911,333	918,525
Additions	262	2,000	13,733	12	3,254	713	-	-	-	-	19,974	14,934	34,908	6,276
Transfers during the year	592	-	874	-	-	-	-	-	-	-	1,466	(1,466)	-	(5,302)
Adjustments	2,461	1,020	(1,907)	24	(302)	(1,282)	(10)	(328)	(5)	619	290	(179)	111	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,178)
Write offs	(251)	-	(371)	-	-	-	-	-	-	-	(622)	-	(622)	(1,989)
As at 31st December	**219,932**	**49,442**	**407,277**	**6,858**	**50,640**	**32,360**	**115,336**	**16,621**	**16,041**	**15,758**	**930,265**	**15,465**	**945,730**	**911,333**
Depreciation and impairment loss														
As at 1st January	64,126	43,069	269,113	6,058	43,304	25,906	42,366	13,129	3,998	13,505	524,574	-	524,574	499,715
Depreciation charge for the year	6,450	1,977	22,100	212	1,636	2,209	2,800	519	394	531	38,828	-	38,828	37,269
Adjustments	1,138	961	961	2	(414)	(525)	(1,040)	(233)	(38)	1,267	2,079	-	2,079	(4,510)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,170)
Write offs	(37)	-	(371)	-	-	-	-	-	-	-	(408)	-	(408)	(1,730)
As at 31st December	**71,677**	**46,007**	**291,803**	**6,272**	**44,526**	**27,590**	**44,126**	**13,415**	**4,354**	**15,303**	**565,073**	**-**	**565,073**	**524,574**
Written-down value														
As at 31st December	**148,255**	**3,435**	**115,474**	**586**	**6,114**	**4,770**	**71,210**	**3,206**	**11,687**	**455**	**365,192**	**15,465**	**380,657**	**386,759**

13.1 Property, Plant and Equipment with a cost of Rs.295 mn (2019: Rs. 264 mn) have been fully depreciated and continued to be in use by the Company.

13.2 The assets shown above are those movable and immovable assets vested in the Company by gazette notification at the date of formation of the Company (22nd June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in notes 11 & 12.

13.3 The Company had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date. (2019 - Nil)

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

13. TANGIBLE ASSETS (Other than Biological Assets) (Contd.)

13.3 Leasehold Land:

Company	Estate name	Location	No of Ha.	Revaluation Rs' 000
Udapussellawa Plantations PLC	Blairlomond	Udapussellawa	589.75	55,628
	Alnwick	Udapussellawa	374.00	37,565
	Delmar	Udapussellawa	628.82	64,442
	Gordon	Udapussellawa	398.75	34,722
	Waldemar	Udapussellawa	368.50	36,580
	Concordia	Nuwara Eliya	426.80	41,215
	Court Lodge	Nuwara Eliya	407.16	39,157
	Park	Nuwara Eliya	402.15	43,734
	Duckwari	Matale	637.86	53,768
	Madulkelle	Matale	854.14	72,438
	Yatawatte	Matale	442.11	28,315
				507,565

Freehold buildings:

Company	Estate name	Location	No of buildings	Cost Rs' 000
Udapussellawa Plantations PLC	Blairlomond	Udapussellawa	3	7,632
	Alnwick	Udapussellawa	2	3,627
	Delmar	Udapussellawa	3	10,714
	Gordon	Udapussellawa	4	10,383
	Waldemar	Udapussellawa	3	28,666
	Concordia	Nuwara Eliya	36	26,114
	Court Lodge	Nuwara Eliya	38	11,434
	Park	Nuwara Eliya	6	12,626
	Duckwari	Matale	5	10,765
	Madulkelle	Matale	18	93,400
	Yatawatte	Matale	16	4,571
				219,932

Leasehold buildings:

Company	Estate name	Location	No of buildings	Revaluation Rs' 000
Udapussellawa Plantations PLC	Blairlomond	Udapussellawa	227	4,955
	Alnwick	Udapussellawa	233	4,109
	Delmar	Udapussellawa	76	4,287
	Gordon	Udapussellawa	212	6,211
	Waldemar	Udapussellawa	149	3,254
	Concordia	Nuwara Eliya	344	4,818
	Court Lodge	Nuwara Eliya	217	3,553
	Park	Nuwara Eliya	359	5,097
	Duckwari	Matale	138	4,605
	Madulkelle	Matale	205	2,826
	Yatawatte	Matale	39	2,450
				46,165

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

14. INTANGIBLE ASSETS

14.1 Computer Software

Rs.'000	2020	2019
Cost		
As at 1st January	28,420	27,575
Additions during the year	-	344
Adjustments	1,420	501
As at 31st December	**29,840**	**28,420**
Accumulated amortisation		
As at 1st January	16,190	12,019
Charge for the year	3,643	3,656
Adjustments	939	515
As at 31st December	**20,772**	**16,190**
Written-down value	**9,068**	**12,230**

15. BIOLOGICAL ASSETS

15.1 Bearer biological assets

	IMMATURE BEARER BIOLOGICAL ASSETS					
Rs.'000	Tea	Rubber	Coconut	Others	Total 2020	Total 2019
Cost						
As at 1st January	31,422	11,756	3,831	5,999	53,008	47,269
Additions during the year	11,214	1,280	2,299	468	15,261	25,250
Transfers to mature bearer biological assets	(7,998)	(6,659)	-	(344)	(15,001)	(16,174)
Adjusments	1,518	-	-	(430)	1,088	-
Write off during the year	-	-	-	-	-	(3,337)
As at 31st December	**36,156**	**6,377**	**6,130**	**5,693**	**54,356**	**53,008**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

15. BIOLOGICAL ASSETS (Contd.)

15.1 Bearer biological assets (Contd.)

Rs.'000	MATURE BEARER BIOLOGICAL ASSETS Tea	Rubber	Coconut	Others	Total 2020	Total 2019
Cost						
As at 1st January	494,548	18,686	57,083	10,199	580,516	564,342
Transfers from immature bearer biological assets	7,998	6,659	-	344	15,001	16,174
Adjusments	(2,453)	-	-	912	(1,541)	-
As at 31st December	**500,093**	**25,345**	**57,083**	**11,455**	**593,976**	**580,516**
Amortisation						
As at 1st January	163,521	884	12,445	1,546	178,396	161,955
Charge for the year	14,616	937	1,145	419	17,117	16,441
Adjusments	(1,049)	-	-	-	(1,049)	-
As at 31st December	**177,088**	**1,821**	**13,590**	**1,965**	**194,464**	**178,396**
Written-down value	**323,005**	**23,524**	**43,493**	**9,490**	**399,512**	**402,120**
Total bearer biological assets	**359,161**	**29,901**	**49,623**	**15,183**	**453,868**	**455,128**

These are investments in immature/mature bearer biological assets since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 11 and 12. Further investments in immature plantations taken over by way of these leases are shown in the above note.

15.2 Consumable biological assets

Rs.'000	2020	2019
Immature consumable biological assets		
Cost		
As at 1st January	1,293	1,776
Additions during the year	61	824
Transfers to mature during the year	(970)	(1,307)
As at 31st December	**384**	**1,293**
Mature consumable biological assets		
As at 1st January	875,732	718,846
Transfer from Immature during the year	970	1,307
Change in fair value less cost to sell:		
Due to price changes	125,077	89,313
Due to physical changes	64,543	66,266
Due to harvest	(4,745)	-
As at 31st December	**1,061,577**	**875,732**
Total consumable biological assets	**1,061,961**	**877,025**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

15.2 Consumable Biological Assets (Contd.)

As per LKAS 41, the Company has valued its managed timber plantations at fair value less cost to sell. Managed timber plantations as at 31st December 2020 comprised approximately of 297.29 hectares (2019: 316.55 hectares), due to conserving and selling of trees.

Managed trees which are less than four years old are considered to be Immature Consumable Biological Assets at Fair Value amounting to Rs. 0.38Mn as at 31st December 2020 (2019: Rs. 1.3Mn). The cost of immature trees is treated as approximate to fair value particularly on the ground that little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations are mature, the additional investments to bring them to maturity are transferred from immature to mature.

The increase in volume by 990.74 m3 and transfer of 4,985 trees from immature to mature consumable biological assets have mainly contributed the increase in fair value less cost to sell due to physical changes for the year 2020.

Furthermore, the fair value increase due to price change on account of timber price change amounted to Rs. 125.1 Mn (2019: Rs. 89.3Mn) and increase due to physical changes is Rs. 64 .5Mn (2019: Rs. 66.3Mn) and decrease due to harvest is Rs 4.7 Mn (2019: Rs Nil) totaling to Rs 184.8 Mn (2019: Rs.155.5 Mn)

15.2.1 Measurement of fair value

The mature consumable biological assets were valued using Discounted Cash Flow (DFC) method. In ascertaining the fair value of timber, physical verification was carried out covering all the estates.

(i) Fair value hierarchy

The fair value measurement of biological assets has been categorised as level 3 fair value based on the inputs to the valuation technique used.

(ii) Level 3 fair values

The following table shows a breakdown of the total gains/(losses) recognised in respect of level 3 fair value.

Rs.'000	2020	2019
Change in fair value of biological assets	184,375	155,579

Key assumptions used in the valuation are:

1. Harvesting is approved by the Plantation Management and Monitoring Division and Forestry Department as per the forestry management plan.
2. The prices adopted are net of expenditure.
3. Risk-adjusted discount rates used in the range of 10% to 15% (2019: 12% to 17%). Fair value would increase if discount rate was low and fair value would decrease if discount rate was high.
4. Three year annual rolling average selling prices of managed timber fields of the Company. Fair value would increase if timber prices were high and fair value would decrease if timber prices were low.

The valuation, as presented in the valuation model based on the net present value, take into account 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 projections are highly unpredictable. Hence, the sensitivity analysis regarding 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 LKAS 41 against their 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 in 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.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

The Company is exposed to the following risks relating to its timber plantations.

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.

Supply and demand risk

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 analysis 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.

Climate change 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. The Company also insures itself against natural disasters such as floods, landslides and hurricanes.

15.2.2 Sensitivity Analysis

Sensitivity Variation on Sales Price

Values appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber prices shows that an increase or decrease of 10% of the future selling prices has the following effect on the net present value of the Mature Consumable Biological Assets.

	Rs.'000	Rs.'000
	-10%	+10%
As at 31st December 2020	(103,242)	103,242
As at 31st December 2019	(87,573)	87,573

Sensitivity variation on discount rate

Values appearing in the Statement of Financial Position are sensitive to changes of discount rate applied. Simulations made for discount rate shows that an increase or decrease by 1% of the future discounting rate has the following effect on the net present value of the Mature Consumable Biological Assets.

	Rs.'000	Rs.'000
	-1%	+1%
As at 31st December 2020	62,429	(57,208)
As at 31st December 2019	52,809	(48,425)

15.3 Non-harvested produce on bearer plants

Rs.'000	2020	2019
As at 1st January	731	4,944
Change in fair value less cost to sell	4,209	(4,213)
As at 31st December	**4,940**	**731**

15.4 Change in fair value of biological assets

Rs.'000	2020	2019
Change in fair value of consumable biological assets less cost to sell	184,875	155,579
Change in fair value of produce on bearer biological assets less cost to sell	4,209	(4,213)
Total change in fair value of biological assets	**189,084**	**151,366**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

16. INVENTORIES

Rs.'000	Note	2020	2019
Nursery stock		2,890	3,465
Produce stock - Tea		189,782	144,552
Produce stock - Others		128	320
Consumables and spares		32,311	28,230
		225,111	**176,567**
Less: Provision for obsolete and slow-moving stock	16.1	(4,628)	(4,280)
		220,483	**172,287**

16.1 Provision for obsolete and slow-moving stocks

Rs.'000	2020	2019
As at 1st January	(4,280)	(2,383)
Provision made during the year	(348)	(2,783)
Write-off during the year	-	886
As at 31st December	**(4,628)**	**(4,280)**

17. TRADE AND OTHER RECEIVABLES

Rs.'000	Note	2020	2019
Trade debtors		1,131	22,122
Economic service charge receivable		18,281	18,176
Income tax receivable		10,674	7,431
Advances and prepayments		39,577	52,665
Other debtors		46,818	33,682
		116,481	**134,076**
Less: Provision for impairment	17.1	(38,928)	(21,282)
		77,553	**112,794**

17.1 Provision for impairment

Rs.'000	2020	2019
As at 1st January	(21,282)	(21,301)
Provision made during the year	(17,646)	(556)
Write-off during the year	-	575
As at 31st December	**(38,928)**	**(21,282)**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

18. AMOUNT DUE FROM RELATED COMPANY

Rs.'000	Note	2020	2019
Hapugastenne Plantations PLC (AWPLR+0.5%)		56,966	81,954
Less: provision for impairment		(1,865)	-
		55,101	**81,954**

18.1 Provision for impairment

Rs.'000	2020	2019
As at 1st January	-	-
Provision made during the year	(1,865)	-
As at 31st December	**(1,865)**	**-**

19. CASH AND CASH EQUIVALENTS

Rs.'000	2020	2019
19.1 Favourable balances		
Cash in hand	2,308	521
Cash at bank	13,950	2,534
	16,258	**3,055**
19.2 Unfavourable balances		
Bank overdraft	(243,453)	(359,140)
Cash and cash equivalent as per the statement of cash flows	**(227,195)**	**(356,085)**

The securities pledged have been disclosed in Note 21.3 to the Financial Statements.

20. STATED CAPITAL

	Note	2020	2019
19,398,850 Ordinary shares		340,000,000	340,000,000
Golden Share held by the Secretary to the Treasury	20.1	10	10
		340,000,010	**340,000,010**

20.1 The Golden Shareholder

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% government owned public company. In addition to the rights of a normal ordinary shareholder, in terms of the Articles of Association of the Company, the following special rights are vested with the Golden Shareholder.

(a) The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands leased/to

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

be leased to the Company by the JEDB/SLSPC.

(b) The Golden Shareholder shall be entitled to call upon the Board of Directors meeting once in three months to meet him or his nominee to discuss matters of the Company of interest to the state of the Government.

(c) The Golden Shareholder and/or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks' written notice to the Company.

(d) The Company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.

(e) The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information related to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.

21. INTEREST BEARING BORROWINGS

Rs.'000	2020	2019
At the beginning of the year	128,892	190,002
New loans obtained	175,000	-
Repayments	(109,121)	(61,110)
	194,771	**128,892**
Transferred to current laibilities	123,967	83,911
At the end of the year	**70,804**	**44,981**

		2020			2019		
Rs.'000	**Note**	**Repayable within 1 year**	**Repayable after 1 year**	**Total as at 31.12.2020**	**Repayable within 1 year**	**Repayable after 1 year**	**Total as at 31.12.2019**
Sri Lanka Tea Board Loan	21.1	4,890	-	4,890	28,269	-	28,269
Term Loans	21.2	119,077	70,804	189,881	55,642	44,981	100,623
		123,967	**70,804**	**194,771**	**83,911**	**44,981**	**128,892**

21.1 Sri Lanka Tea Board Loan

Rs.'000	Repay-able within one year	Repayable after 1 year and less than 5 years	Total as at 31.12.20	Total as at 31.12.19	Effective Rate of Interest	Terms of Repayment
Loan I -	750	-	750	5,250	AWPLR+1%	In 36 equal monthly instalments of Rs. 750,000/- each commencing from 31.08.2017.
Loan II -	-	-	-	4,387	5.00%	In 36 equal monthly instalments of Rs. 1,108,134/- each commencing from 28.05.2017.
Loan III -	4,140	-	4,140	18,632	0.00%	In 10 equal monthly instalments of Rs. 2,070,200/- each commencing from 10.12.2019.
	4,890	**-**	**4,890**	**28,269**		

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

21.2 Term Loans

Rs.'000	Repayable within one year	Repayable after 1 year and less than 5 years	Total as at 31.12.20	Total as at 31.12.19	Effective Rate of Interest	Terms of Repayment
DFCC Vardhana Bank	12,264	-	12,264	18,417	AWPLR + 4.75%	In 60 equal monthly installments of Rs. 1,083,333 each commencing from 30.09.2016.
Commercial Bank of Ceylon PLC	10,966	-	10,966	17,634	1-2 years: 7.5% 3-5 years: AWPLR+2%	In 59 equal monthly installments of Rs. 1,667,000 each and a final installment of Rs. 1,647,000 commencing from 25.01.2016.
Seylan Bank PLC	25,008	27,060	52,068	64,572	AWPLR+1.5%	In 47 equal monthly installments of Rs. 2,084,000 each and a final installment of Rs. 2,052,000 commencing from 13.08.2018
Standard Chartered Bank	41,667	-	41,667	-	AWPLR+2.5%	In 12 monthly installments of Rs. 8,333,333/- each commencing from 30/01/2020
Commercial Bank of Ceylon PLC	12,504	35,412	47,916	-	AWPLR+2%	In 47 equal monthly installments of Rs. 1,042,000/- each and a final installment of Rs.1,026,000 commencing from 25.03.2020
Commercial Bank of Ceylon PLC	16,668	8,332	25,000	-	Fixed 4%	In 17 equal monthly installments of Rs. 1,389,000/- each and a final installment of Rs. 1,387,000/-
	119,077	**70,804**	**189,881**	**100,623**		

21.3 Securities pledged

The following assets have been pledged as security for liabilities:

	Facility Rs. Million	Outstanding Rs. Million	Security
Bank Overdraft			
Standard Chartered Bank	150	116	Corporate Guarantee from Hapugastenne Plantations PLC for Rs. 150 Mn.
DFCC Bank PLC	100	81	Corporate Guarantee from Hapugastenne Plantations PLC for Rs. 100 Mn.
Seylan Bank PLC	50	46	Letter of awareness from James Finlay Plantation Holding (Lanka) Limited.
Term Loan			
DFCC Bank PLC	65	12	Corporate Guarantee from Hapugastenne Plantations PLC for Rs. 65 Mn.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

22. DEFERRED TAX LIABILITY

Rs.'000	2020	2019
As at 1st January - as previously stated	178,028	4,061
Adjustment on initial application of SLFRS 16 - Leases	-	38,491
As at 1st January - adjusted	**178,028**	**42,552**
Charge recognised in profit or loss	15,251	134,792
Charge recognised in other comprehensive income	11,228	684
As at 31st December	**204,507**	**178,028**

Deferred tax liability

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. The deferred tax liability is calculated at the rate of 14% (2019-14%) for the company as at 31st December 2020. This note is to be read in conjunction with Note 31.1.

	2020		2019	
Rs.'000	Taxable/ (deductible) temporary differences	Tax effect on temporary differences	Taxable/ (deductible) temporary differences	Tax effect on temporary differences
Temporary difference on:				
Consumable biological assets at fair value	1,061,961	148,674	877,025	122,784
Tangible assets other than biological assets	291,760	40,846	306,653	42,931
Bearer biological assets	453,868	63,542	455,128	63,718
Retirement benefit obligations	(690,724)	(96,701)	(646,997)	(90,580)
Net lease liability	263,703	36,918	274,937	38,491
	1,380,568	**193,279**	**1,266,746**	**177,344**
On remeasurement of retirement benefit obligations	80,201	11,228	4,887	684
	1,460,769	**204,507**	**1,271,633**	**178,028**

The Deferred Tax assets have been recognised in the Financial Statements to the extent of forecasted profit. The Company has not recognized the deferred tax assets on following accumulated tax losses since it is not probable that future taxable profits will be available against which the Company can utilise the benefit therefrom.

	2020		2019	
Rs.'000	Taxable/ (Deductible) Temporary Differences	Tax Effect on Temporary Differences	Taxable/ (Deductible) Temporary Differences	Tax Effect on Temporary Differences
On accumulated tax losses	1,218,275	170,559	1,300,995	182,139
	1,218,275	**170,559**	**1,300,995**	**182,139**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

23. DEFERRED INCOME

Rs.'000	2020	2,019
As at 1st January	95,477	99,320
Grants received	5,138	320
Amortisation for the year	(4,069)	(4,163)
As at 31st December	**96,546**	**95,477**

The Company has received funding from the Plantation Housing and Social Welfare Trust, Tea Board Subsidy Fund, Plantation Reform Project, Estate Infrastructure Development Programme and the Plantation Development Support Project for the development of workers' welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant received for such is reflected under Deferred Income. When the Company has complied with the conditions attached to the grants and subsidies, the grants will be credited to the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the respective assets.

24. RETIREMENT BENEFIT OBLIGATIONS

Rs.'000	2020	2019
As at 1st January	642,110	591,053
Provision made during the year	24,716	102,084
Payments made during the year	(56,303)	(51,027)
As at 31st December	**610,523**	**642,110**
Movement in the present value of defined benefit obligations		
As at 1st January	642,110	591,053
Interest cost	70,632	70,925
Current service cost	34,285	36,046
Benefit paid	(56,303)	(51,027)
Remeasurement of retirement benefit obligations	(80,201)	(4,887)
As at 31st December	**610,523**	**642,110**

Rs.'000	2020	2019
Expenses recognised in the statements of profit or loss		
Current service cost	34,285	36,046
Interest cost	70,632	70,925
	104,917	**106,971**
Expenses/(income) recognised in the statement of other comprehensive income		
Remeasurement of retirement benefit obligations	**(80,201)**	**(4,887)**

The actuarial valuation has been carried out by Actuarial & Management Consultants (Private) Limited as at 31st December 2020.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

The key assumptions used by the Actuary include the following.

	2020	2019
i) Rate of interest - per annum	9%	11%
ii) Rate of salary increase:		
- Workers	5.68% Per Annum	18% Every two years
- Staff & executives - per annum	7.50%	7.50%
iii) Retirement age - years	60	60
iv) Daily wage rate (Tea and Rubber) - per day	Rs. 700	Rs. 700

iv) The Company will continue as a going concern.

The actuarial present value of the accrued benefits as at 31st December 2020 is Rs. 610 mn (2019: Rs.642 mn). This item is grouped under Retirement Benefit Obligations in the Statement of Financial Position. The liability is not externally funded.

Sensitivity of assumptions used

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st December 2020 is as shown below:

Rs.'000	Discount Rate	Salary Escalation Rate	Attrition Rate
Effect on retirement benefit obligations			
Increase by one percentage point	564,252	666,567	617,649
Decrease by one percentage point	663,401	560,816	602,788

The sensitivity analysis above has been determined on a method that extrapolates the impact on Retirement Benefit Obligations as a result of reasonable changes in key assumptions occurring at the end of reporting period.

The following payments are expected contributions to the Retirement Benefit Obligations in future years:

Rs.'000	2020	2019
Within one year	47,328	52,096
Between 1 to 5 years	197,600	198,665
Beyond 5 years	365,595	391,349
	610,523	**642,110**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

25. LEASE LIABILITY

	2020			2019		
Rs. '000	**Central Finance PLC**	**JEDB / SLSPC**	**Total**	**Central Finance PLC**	**JEDB / SLSPC**	**Total**
As at 1st January	13,373	54	13,427	-	121	121
Initial measurement as per SLFRS 16		-	-	21,436	-	21,436
Impact due to initial application of SLFRS 16	-	-	-	(3,701)	(66)	(3,767)
Revised balance as at 1st January	**13,373**	**54**	**13,427**	**17,735**	**55**	**17,790**
Interest for the year	2,728	7	2,735	2,765	7	2,772
Paid during the year	(4,204)	(7)	(4,211)	(7,127)	(8)	(7,135)
As at 31st December	**11,897**	**54**	**11,951**	**13,373**	**54**	**13,427**
Maturity analysis of lease liability						
Current	4,229	-	4,229	4,027	-	4,027
Non-Current	7,668	54	7,722	9,346	54	9,400
Total	**11,897**	**54**	**11,951**	**13,373**	**54**	**13,427**
Analysis of lease liability						
Less than one year	4,229	-	4,229	4,027	-	4,027
One to five years	7,668	2	7,670	9,346	1	9,347
More than 5 years	-	52	52	-	53	53
Total	**11,897**	**54**	**11,951**	**13,373**	**54**	**13,427**
Maturity analysis of undiscounted cash flows						
Less than one year	5,747	8	5,755	5,961	8	5,969
One to five years	8,621	38	8,659	11,609	38	11,647
More than 5 years	-	143	143	-	158	158
Total	**14,368**	**189**	**14,557**	**17,570**	**204**	**17,774**
Amount recognised in the statement of profit or loss and other comprehensive income						
As lease interest cost	**2,728**	**7**	**2,735**	**2,765**	**7**	**2,772**
Amount recognised in the statement of cash flows						
As cash outflows	**(4,204)**	**(7)**	**(4,211)**	**(7,127)**	**(8)**	**(7,135)**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

26. AMOUNTS DUE TO RELATED COMPANIES

Rs.'000	Note	2020	2019
Amount due to related companies - interest-bearing	26.1	365,446	356,521
Amount due to related companies - non-interest-bearing	26.2	90,400	55,254
		455,846	**411,775**

26.1 Amount due to related companies - interest-bearing

Rs.'000	Interest rate per annum	2020	2019
James Finlay Plantation Holdings (Lanka) Ltd	AWPLR+0.5%	236,970	225,000
Finlay Instant Teas (Pvt) Ltd	AWPLR+0.5%	36,141	32,682
James Finlay Limited, UK	3.5%	92,335	98,839
		365,446	**356,521**

Related company loans stated above are unsecured and the settlement occurs in cash on the date of maturity.

26.2 Amount due to related companies - non-interest-bearing

Rs.'000	2020	2019
James Finlay Limited, UK	90,400	55,254

The above amount is unsecured, free of interest and the settlement occurs in cash on demand.

27. TRADE AND OTHER PAYABLES

Rs.'000	2020	2019
Trade creditors	45,818	100,769
Accrued expenses	7,291	3,363
Payable to employees	129,438	77,390
Other creditors	91,557	100,865
	274,104	**282,387**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

28. RELATED PARTY TRANSACTIONS

28.1 The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in accordance Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosure, the details of which are reported below:

Company	Relationship	Details of transactions	Transaction amount 2020 Rs'000	Transaction amount 2019 Rs'000	Balance as at 31st December 2020 Rs'000	Balance as at 31st December 2019 Rs'000	Interest Rate
Hapugastenne Plantations PLC	Common Directors	Interest income	5,093	12,758	56,966	81,954	AWPLR+0.5%
		Fund transfers	41,075	(88,286)			
		Rembursment of expenditure	(71,157)	(21,301)			
James Finlay Plantation Holdings (Lanka) Limited	Intermediary parent	Interest expense	(11,970)	(9,000)	(236,970)	(225,000)	AWPLR+0.5%
Finlays Properties (Private) Limited	Common Directors	Warehouse charges	(6,156)	(4,568)	-	-	
		Settlement	6,156	4,568			
Finlay Instant Teas (Private) Limited	Common Directors	Interest expense	(2,455)	(1,993)	(36,141)	(32,682)	AWPLR+0.5%
		Reimbursement of expenditure	2,945	4,008			
		Rent income	(3,950)	(1,010)			
James Finlay Limited, U.K.	Intermediary parent	Availing of management services	(22,242)	(18,098)	(182,735)	(154,093)	
		Interest expense	(3,298)	(3,174)			3.5%
Finlays Colombo Limited	Common Directors	Private sales - Tea	90,749	123,341	-	-	
		Reimbursement of expenditure	(1,890)	(4,762)			
		Settlement	(88,859)	(118,579)			

This note should be read in conjunction with Notes 7, 18 and 26 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

28. RELATED PARTY TRANSACTIONS (Contd.)

28.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors (including Executive and Non-Executive) has been classified as key management personnel of the Company.

Rs'000	2020	2019
Short-term employee benefits		
Total remuneration paid to key management personnel	7,922	6,285
	7,922	**6,285**

28.3 Pricing Policies

Purchases of goods and services from Related Parties were made at normal trading terms on arms' length basis.

29. COMMITMENTS

There are no commitments at the date of the Statement of Financial Position.

30. CONTINGENT LIABILITIES

1. The Company instituted arbitration proceedings against Anglo Ceylon Estate (Pvt) Ltd (ACE) in relation to the Termination of Management Agreement between the Company and ACE. However, the matter has not progressed and the Company's lawyers are not in a position to ascertain the outcome of the case as at the date of the statement of Financial Position.

2. Udapussellawa Plantations PLC has issued a Corporate Guarantee on behalf of Hapugastenne Plantations PLC amounting to Rs. 100,000,000.

3. There are no contingent liabilities as at the reporting date other than those disclosed above.

31. EVENTS OCCURING AFTER REPORTING DATE

31.1 Income Tax and Deferred Tax

The Company is liable for income tax at the rate of 14% (2019: 14%) as the Company is predominantly conducting agricultural business as per the Inland Revenue Act No. 24 of 2017. Other income is taxed at 28%.

The Inland Revenue Amendment Act No 10 of 2021 was passed in the parliament and certified by the speaker on 13th May 2021. As per this amendment Act, the income tax rate applicable to companies has been reduced from 28% to 24%. Additionally, profits arising from the business of "agro farming" has been exempted for a period of 5 years commencing from 1st April 2019. Since this amendment Act was passed in the parliament subsequent to the reporting date, the Company considered these amendments as not substantively enacted as at the reporting date in accordance with LKAS 12 - "Income Taxes". Therefore, the Company continued to apply the rates and methods used in the calculation of Income Tax provision in the previous year (i.e, 31st December 2019) for the calculation of Income Tax provision for the year ended 31st December 2020.

31.2 Gazetted increas in daily wage rate

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 Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. The matter was taken for argument at the Court of Appeal on 5th May 2021, counsel for RPCs conducted his oral submission. The matter was postponed for respondent's submissions to 31st May 2021.

In the event Court of Appeal issues an unfavorable judgement to RPCs,, the retirement Benefit obligation of the company as at 31st December 2020 is Rs. 841 mn.

32. IMPACT OF COVID 19 AND DIRECTORS' ASSESSMENT ON THE USE OF GOING CONCERN ASSUMPTION

The Company has recorded a profit of Rs. 109 million (2019 loss : Rs. 346 million) during the year ended 31st December 2020. Further, the current liabilities of the Company has exceeded its current assets by Rs. 727 million (2019 : 770 million) as at the reporting date.

On 11th March 2020, the World Health Organization declared COVID-19 as a global pandemic situation. The pandemic has significantly affected the economy of Sri Lanka as well as the Company's business environment.

The Government initially declared a work-from-home period with a subsequent island-wide curfew being imposed on 20th March, 2020. At the very outset, other than for those engaged in essential services, many were compelled to stay at home, with most business operations reaching a near standstill. Thereafter, with activities being streamlined, the Company's operations gradually picked up pace. However, as a result the Company's cash flows were impacted due to the suspension of the Colombo Tea Auctions for two weeks in March, whilst crop intakes were significantly lower, primarily due to restrictions of working days. Transport of produce to Colombo too was limited and functioned with bottlenecks due to stringent lockdown measures introduced, coupled with prohibition of inter-district passenger travel.

With the Government declaring the plantation sector an essential service, the Company continued to operate its estates with executive supervision established through a process of online meetings and reporting frameworks. Following many stakeholder meetings, the industry rallied together and established the country's first-ever electronic tea auction, resulting in the first ever auction being held on Saturday, 4th April 2020. Although an improvement in tea prices was noted at auctions, the traded quantities were relatively low, primarily also due to crop losses arising from the prolonged drought in the first quarter of the year in tea-growing regions, which resulted in a revenue drop. Rubber prices continue to remain at the same levels prior to COVID-19, however, demand is expected to grow due to increased requirements for health and safety related products.

As such, the Directors of the Company carried out an assessment on the appropriateness of using the going concern assumption for the preparation of Financial Statements for the year ended 31st December 2020. Based on their judgement, the use of going concern assumption was determined as appropriate. Some of the key factors and assumptions that influenced the above determination are:

- The plantation sector being declared an 'essential service', enabling the Company to carry out its critical operations with minimum interruption during the lockdown period. The same prioritisation will be provided to the industry in case of a future lockdown.
- The Company has sufficient financing arrangements, both already negotiated and in the process of negotiation, enabling it to meet its financial commitments in a possible stressed situation. The behavioural pattern of tea and rubber prices will continue at the same trend.
- The Company already has experienced over carrying out operations in a lockdown environment and as a result similar operation could be carried out in a future lockdown without limiting the operations capacity.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

33. SEGMENTAL ANALYSIS

	Tea		Coconut/Rubber		Other		Total	
Rs.'000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Segmental result								
Revenue	1,824,171	1,577,112	40,445	40,220	10,534	12,479	1,875,150	1,629,811
Operating expenses								
Revenue expenditure	(1,558,091)	(1,594,014)	(30,904)	(32,384)	(2,671)	(3,636)	(1,591,666)	(1,630,034)
Depreciation/amortisation	(69,947)	(69,909)	(3,903)	(3,764)	-	-	(73,850)	(73,673)
Other non-cash expenses	(97,320)	(102,976)	(1,503)	(1,165)	-	-	(98,823)	(104,141)
Gross profit / (loss)	**98,813**	**(189,787)**	**4,135**	**2,907**	**7,863**	**8,843**	**110,811**	**(178,037)**
Other operating income							78,247	48,646
Change in fair value of biological assets							189,084	151,366
Administration expenses							(170,131)	(173,450)
Net finance costs							(65,022)	(59,919)
Profit/(loss) before tax							**142,989**	**(211,394)**
Segment assets								
Non-current assets	2,117,554	1,963,669	79,523	78,027	6,509	6,509	2,203,586	2,048,205
Current assets	294,034	263,772	6,919	6,919	73,382	100,130	374,335	370,821
	2,411,588	**2,227,441**	**86,442**	**84,946**	**79,891**	**106,639**	**2,577,921**	**2,419,026**
Segment liabilities								
Non-current liabilities	806,366	811,474	8,664	8,664	175,072	149,858	990,102	969,996
Current liabilities	514,773	638,744	2,783	2,783	584,043	499,713	1,101,599	1,141,240
	1,321,139	**1,450,218**	**11,447**	**11,447**	**759,115**	**649,571**	**2,091,701**	**2,111,236**
Segment capital expenditure								
Cost	**43,185**	**25,649**	**4,810**	**4,810**	**2,235**	**2,235**	**50,230**	**32,694**

33.1 Basis for segmentation

The Company has the following two strategic divisions, which are its reportable segments. These sectors offer different products and services.

Reportable Segments	Operations
Tea	Cultivation, processing and sale of tea
Coconut/Rubber	Cultivation, processing, sale of coconut and rubber
Other	Cultivation and sale of diversified crops and nursery plants etc.

There are varying levels of integration between each segment. Inter-segment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

34. FINANCIAL INSTRUMENTS

34.1 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, in 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.

Fair value versus carrying amounts

Fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	2020		2019	
Rs'000	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets not measured at fair value				
Trade and other receivables	27,302	27,302	52,698	52,698
Amounts due from related companies	55,101	55,101	81,954	81,954
Cash and cash equivalents	16,258	16,258	3,055	3,055
	98,661	**98,661**	**137,707**	**137,707**
Financial liabilities not measured at fair value				
Trade and other payables	274,104	274,104	282,387	282,387
Lease liability	11,951	11,951	13,427	13,427
Amounts due to related companies	455,846	455,846	411,775	411,775
Bank overdraft	243,453	243,453	359,140	359,140
Interest-bearing borrowings	194,771	194,771	128,892	128,892
	1,180,125	**1,180,125**	**1,195,621**	**1,195,621**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

34. FINANCIAL INSTRUMENTS (Contd.)

34.1 Fair Value Hierarchy for Financial Assets Carried at Fair Value

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.

		Carrying Amount				
Rs'000	**Note**	**FVTPL**	**FVTOCI-Debt Instruments**	**FVTOCI-Equity Instruments**	**Financial Assets at Amortised cost**	**Other Financial Liabilities**
31st December 2020						
Financial assets not measured at fair value						
Trade and other receivables	17	-	-	-	27,302	-
Amounts due from related companies	18	-	-	-	55,101	-
Cash and cash equivalents	19.1	-	-	-	16,258	-
		-	**-**	**-**	**98,661**	**-**
Financial liabilities not measured at fair value						
Trade and other payables	27	-	-	-	-	274,104
Lease liability	25	-	-	-	-	11,951
Amounts due to related companies	26	-	-	-	-	455,846
Interest bearing borrowings	21	-	-	-	194,771	-
Bank overdraft	19.2	-	-	-	-	243,453
		-	**-**	**-**	**194,771**	**985,354**
31st December 2019						
Financial assets not measured at fair value						
Trade and other receivables	17	-	-	-	52,698	-
Amounts due from related companies	18	-	-	-	81,954	-
Cash and cash equivalents	19.1	-	-	-	3,055	-
		-	**-**	**-**	**137,707**	**-**
Financial liabilities not measured at fair value						
Trade and other payables	27	-	-	-	-	282,387
Lease liability	25	-	-	-	-	13,427
Amounts due to related companies	26	-	-	-	-	411,775
Interest-bearing borrowings	21	-	-	-	128,892	-
Bank overdraft	19.2	-	-	-	-	359,140
		-	**-**	**-**	**128,892**	**1,066,729**

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 disclosures.

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

34. FINANCIAL INSTRUMENTS (Contd.)

34.1 Fair Value Hierarchy for Financial Assets Carried at Fair Value (Contd.)

Financial Assets and Liabilities by fair value hierarchy

		Fair Value			
Rs'000	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
31st December 2020					
Financial assets not measured at fair value					
Trade and other receivables	17	-	-	27,302	27,302
Amounts due from related companies	18	-	-	55,101	55,101
Cash and cash equivalents	19.1	-	16,258	-	16,258
		-	**16,258**	**82,403**	**98,661**
Financial liabilities not measured at fair value					
Interest-bearing borrowings	21	-	-	194,771	194,771
Lease liability	25	-	-	11,951	11,951
Trade and other payables	27	-	-	274,104	274,104
Amounts due to related companies	26	-	-	455,846	455,846
Bank overdraft	19.2	-	243,453	-	243,453
		-	**243,453**	**936,672**	**1,180,125**
31st December 2019					
Financial assets not measured at fair value					
Trade and other receivables	17	-	-	52,698	52,698
Amounts due from related companies	18	-	-	81,954	81,954
Cash and cash equivalents	19.1	-	3,055	-	3,055
		-	**3,055**	**134,652**	**137,707**
Financial liabilities not measured at fair value					
Interest-bearing borrowings	21	-	-	128,892	128,892
Trade and other payables	27	-	-	282,387	282,387
Lease liability	25	-	-	13,427	13,427
Amounts due to related companies	26	-	-	411,775	411,775
Bank overdraft	19.2	-	359,140	-	359,140
		-	**359,140**	**836,481**	**1,195,621**

NOTES TO THE FINANCIAL STATEMENTS *contd.*

For the year ended 31st December 2020

35. FINANCIAL RISK MANAGEMENT

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company'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's 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.

Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and from investments in debt securities.

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. Maximum exposure to credit risk as the reporting date was as follows.

	2020	**2019**
As 31st December	**Rs'000**	**Rs'000**
Amounts due from related companies	55,101	81,954
Trade and other receivables	27,302	52,698
	82,403	**134,652**

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

Rs'000	**2020**	**2019**
Impairment losses on trade and other receivables	(38,928)	(21,282)
	(38,928)	**(21,282)**

Credit quality of financial assets

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 31st December 2020 is as follows.

	2020	2019
Trade receivables	**Rs'000**	**Rs'000**
Neither past due not impaired		-
Past due but not impaired		
1- 30 Days	1,131	22,122
Total not impaired trade receivables	**1,131**	**22,122**

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customer operates.

The Company limits the exposure to credit risk from the trade receivables due to the establishment of a maximum payment period of seven days from the tea brokers.

More than 85% of the Company's customers have been transacting with the Company for over four years, and none of these customers' balances have been written off or are credit impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company trades only with recognised, credit-worthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the results that the Company's exposure to bad debts is not significant.

The Company does not require collateral in respect of most trade and other receivables.

Amounts due from related companies

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

The Company does not require a provision for impairment in respect of amounts due from related parties.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing this exposure 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 risking 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 Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected capital cash flows from operations.

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.

Rs'000	Carrying Amount	Less than 1 year	More than 1 year	Total
As at 31st December 2020				
Non-derivative financial liabilities				
Net liability to the lessor	11,951	4,229	7,722	11,951
Interest-bearing loans & borrowings	194,771	123,967	70,804	194,771
Trade and other payables	274,104	274,104	-	274,104
Amounts due to related companies	455,846	455,846	-	455,846
Bank overdraft	243,453	243,453	-	243,453
	1,180,125	**1,101,599**	**78,526**	**1,180,125**
As at 31st December 2019				
Non-derivative financial liabilities				
Net liability to the lessor	13,427	4,027	9,400	13,427
Interest-bearing loans & borrowings	128,892	83,911	44,981	128,892
Trade and other payables	282,387	282,387	-	282,387
Amounts due to related companies	411,775	411,775	-	411,775
Bank overdraft	359,140	359,140	-	359,140
	1,195,621	**1,141,240**	**54,381**	**1,195,621**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, 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.

Currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchase, receivables and borrowings are denominated and the respective functional currencies of Group Companies. The functional currencies of Group Companies are primariy the US Dollar and Sterling Pound. The currencies in which these transactions are primarily denominated are Sterling Pound and US Dollar.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported in the management of the Company is as follows.

	As at 31st December 2020		As at 31st December 2019	
	USD	GBP	USD	GBP
Amounts due to related Companies	(954,810)	(25,338)	(817,020)	(25,338)
Net financial statement position exposure	(954,810)	(25,338)	(817,020)	(25,338)

The following significant exchange rates have been applied

	Average Rate		Closing Rate	
	2020	2019	2020	2019
USD	185.94	178.28	184.67	181.21
GBP	238.38	238.43	252.97	228.56

Sensitivity analysis

A reasonable possible strengthening (weakening) of the US Dollar and Sterling pound against all other currencies as at 31st December would have affected the measurement of financial instruments denominated in a foreign currency, and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or Loss		Equity, net of Tax	
	Strengthening	Weakening	Strengthening	Weakening
USD (10% Increase)	-	(17,632,476)		(17,632,476)
USD (10% Decrease)	17,632,476		17,632,476	
	17,632,476	**(17,632,476)**	**17,632,476**	**(17,632,476)**
GBP (10% Increase)	-	(640,975)		(640,975)
GBP (10% Decrease)	640,975		640,975	
	640,975	**(640,975)**	**640,975**	**(640,975)**
	18,273,452	**(18,273,452)**	**18,273,452**	**(18,273,452)**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market interest rates.

The Company has borrowings with AWPLR interest rate and would expose the Company's cash flow/profit as the amount of interest paid would change depending on market interest rate.

The Company's exposure to interest rate risk as at 31st December 2020 and sensitivity analysis to Profit & Loss if interest rates increased/decreased by 100 basis points is summarised below.

	Increase/ decrease in basis points	Rs.'000
Increase	+100	(4,382)
Decrease	-100	4,382

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 maximise the return on financial management and to minimise the cost of borrowings. The Company very strongly negotiates with banks and obtains the best possible interest rates for the Company's borrowings. Listed below are steps adopted by the Company to minimise 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 fluctuations in the market rates.

TEN YEAR SUMMARY

Year ended 31st December

Rs'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Performance										
Revenue	1,179,279	1,313,248	1,612,181	1,549,968	1,717,498	1,620,095	2,226,762	1,894,743	1,629,811	1,875,150
Gross Profit / (loss)	21,068	129,367	126,989	35,188	(61,025)	(28,314)	366,464	55,317	(178,037)	110,811
Profit / (loss) from operations	(38,149)	27,520	65,067	139,974	(131,186)	(168,433)	334,271	(4,642)	(151,475)	208,011
Interest	26,498	28,382	25,376	14,112	27,600	41,711	47,024	79,402	59,919	65,022
Profit / (loss) before tax	(64,647)	(862)	39,691	125,862	(158,786)	(210,145)	287,247	(84,044)	(211,394)	142,989
Taxation	(34,489)	25,711	7,310	26,285	(17,041)	(28,344)	19,426	34,738	(134,792)	(33,532)
Net profit / (loss)	(30,158)	(26,573)	32,381	99,577	(141,744)	(181,801)	267,821	(118,782)	(346,186)	109,457
Other comprehensive income	(92,497)	82,652	20,665	(1,456)	(13,997)	69,324	55,479	(10,520)	4,203	68,973
Total comprehensive income	(122,655)	56,079	53,046	98,121	(155,742)	(112,477)	323,301	(129,301)	(341,983)	178,430

Rs'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets & Liabilities										
Non-current assets	1,436,534	1,520,343	1,526,458	1,872,642	1,948,928	1,883,986	1,948,688	1,921,652	2,048,205	2,203,586
Current assets	237,863	286,954	252,789	339,926	322,779	378,147	411,370	512,976	370,821	374,335
Total assets	1,674,397	1,807,297	1,779,247	2,212,568	2,271,707	2,262,133	2,360,058	2,434,629	2,419,026	2,577,921
Current liabilities	589,843	655,682	583,196	728,152	809,697	921,027	794,506	945,320	1,141,240	1,101,599
Non current liabilities	633,145	545,538	536,927	725,699	859,036	850,609	751,754	804,812	969,996	990,102
Long term borrowings	19,943	4,225	-	-	79,996	125,309	100,422	110,259	44,981	70,804
Retirement benefit obligations	498,203	429,913	429,815	610,243	667,405	617,530	547,727	591,053	642,110	610,523
Other non current liabilities	114,999	111,400	107,112	115,456	111,635	107,770	103,605	103,500	282,905	308,775

Rs'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Share Capital & Reserves										
Stated capital	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000	340,000
Revaluation reserve	242,342	234,351	227,214	220,075	212,966	205,810	198,654	191,488	-	-
General reserve	(130,933)	31,726	91,910	198,641	50,008	(55,313)	275,144	153,010	(32,210)	146,220
Total shareholders' fund	451,409	606,077	659,124	758,716	602,974	490,497	813,798	684,497	307,790	486,220

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial Ratios										
ROCE - %	(3.52)	2.39	4.04	7.31	(6.80)	(8.70)	16.86	(0.23)	(7.39)	9.34
Current ratio - times	0.40	0.44	0.43	0.47	0.40	0.41	0.52	0.54	0.32	0.34
Debt equity ratio - times	0.48	0.33	0.28	0.24	0.63	0.85	0.58	0.73	1.44	1.08
Interest cover - times	(1.44)	0.97	2.56	9.92	(4.75)	(4.04)	7.11	(0.06)	(2.53)	3.20
Total assets to current liabilities - %	35.23	36.28	32.78	32.91	35.64	40.71	33.66	38.83	47.18	42.73

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Investors' Ratios										
Earnings per share - Rs	(1.55)	(1.37)	1.67	5.13	(7.31)	(9.37)	13.81	(6.12)	(17.85)	5.64
Price earnings ratio	(20.58)	(21.24)	15.40	7.71	(3.82)	(2.07)	3.08	(4.90)	(1.41)	5.67
Market price of a share - Rs	32.00	29.10	25.70	39.60	27.90	19.40	42.50	30.00	25.00	32.00
Market capitalisation - Rs'000	620,762	564,505	498,549	768,192	541,227	376,337	824,449	581,964	484,970	620,763
Net assets per share - Rs	23.27	31.24	33.98	39.11	31.08	25.28	41.95	35.29	15.87	25.06

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Ratios										
Annual turnover growth - %	(15.21)	11.36	22.76	(3.86)	10.81	(5.67)	37.45	(14.91)	(13.98)	15.05
No of employees	4,290	4,070	3,944	5,849	5,578	5,251	4,937	5,126	4,925	4,709
Turnover per employee - Rs'000	274.89	322.67	408.77	265.00	307.91	308.53	451.04	369.63	330.93	398.21
Fixed assets to turnover ratio - %	0.82	0.86	1.06	0.83	0.88	0.86	1.14	0.99	0.80	0.85

INVESTOR INFORMATION

1. Stock Exchange

The Issued Ordinary Shares of Udapussellawa Plantations PLC are listed with the Colombo Stock Exchange of Sri lanka

2. Distribution of Ordinary Shareholdings

	2020			2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	12,011	1,047,789	5.40	11,981	1,024,377	5.28
1,001 - 10,000	134	449,512	2.32	95	285,823	1.47
10,001 - 100,000	20	442,584	2.28	14	350,044	1.80
100,001 - 1,000,000	-	-	-	1	279,641	1.44
over 1,000,000	3	17,458,966	90.00	3	17,458,966	90.00
Total	**12,168**	**19,398,851**	**100.00**	**12,094**	**19,398,851**	**100.00**

3. Distribution of Ordinary Shareholders

	2020			2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Non - Residents	11	3,793,776	19.56	10	3,780,842	19.49
Residents	12,157	15,605,075	80.44	12,084	15,618,009	80.51
Total	**12,168**	**19,398,851**	**100.00**	**12,094**	**19,398,851**	**100.00**
Individuals	12,096	1,714,196	8.84	12,029	1,490,763	7.68
Institutions	72	17,684,655	91.16	65	17,908,088	92.32
Total	**12,168**	**19,398,851**	**100.00**	**12,094**	**19,398,851**	**100.00**

4. Golden Shareholder

The Golden Share of Rs. 10/- is currently held by the Secretary to the Treasury and should be owned either directly by the Government or by a 100% Government - owned Company.

5. Information on Shares

		2020	2019	2018	2017	2016
Highest during the year	Rs.	41.50	33.00	46.70	54.90	27.90
	Date	(9/11/2020)	(21/01/2019)	(22/02/2018)	(09/10/2017)	(04/01/2016)
Lowest during the year	Rs.	17.60	18.50	24.00	16.90	15.50
	Date	(13/03/2020)	(27/06/2019)	(23/08/2018)	(22/03/2017)	(04/04/2016)
Closing price	Rs.	32.00	25.00	30.00	42.50	19.40
Trade Volume	No’s	1726	841	831	3800	638
Share Volume	No’s	966,319	174,130	220,595	2,560,834	196,286
Turnover	Rs.	32,386,977	4,667,773	7,508,879	92,626,490	3,973,563

6. Twenty major shareholders

	Name of shareholder	2020 No. of Shares	2020 %	2019 No. of Shares	2019 %
1	JAMES FINLAY PLANTATION HOLDINGS (LANKA) LIMITED	11,208,550	57.78	11,208,550	57.78
2	JAMES FINLAY LIMITED, UK ("JFL")	3,689,762	19.02	3,689,762	19.02
3	JACEY TRUST SERVICES (PRIVATE) LIMITED (HELD FOR THE BENEFIT OF JFL)	2,560,654	13.20	2,560,654	13.20
4	MR. K M A R K ALMUHAIRI	66,873	0.34	66,873	0.34
5	MERCHANT BANK OF SRI LANKA & FINANCE PLC / MR. L K N K KULAWARDENA	47,885	0.25	37,885	0.20
6	PEOPLE'S LEASING & FINANCE PLC / MR. L K N K KULAWARDENA	45,750	0.24	31,492	0.16
7	MR. K G A N WIJESINGHE	22,763	0.12	22,763	0.12
8	PEOPLE'S LEASING & FINANCE PLC/MR.L.C.I. SIGERA	22,600	0.12	-	-
9	MR. NITHARSHAN	21,050	0.11	-	-
10	MR. WICKRAMASINGHE	20,625	0.11	-	-
11	MR. M.N JAMAAL	20,000	0.10	-	-
12	MR. PRIYANTHA RUWANPATHIRANA	18,730	0.10	-	-
13	MR. W G PREMARATNA (DECEASED)	18,600	0.10	18,600	0.10
14	MRS. R.R RUMY	18,000	0.09	-	-
15	MR. J.L WEERAPURA	16,000	0.08	-	-
16	MR. R E RAMBUKWELLA	15,582	0.08	15,582	0.08
17	MR. B M MICHAEL	14,600	0.08	14,600	0.08
18	AZEEZ & SONS (PVT) LTD	14,000	0.07	-	-
19	MR.T.H.J PIETERS	12,934	0.07	-	-
20	MERCHANT BANK OF SRI LANKA & FINANCE PLC/G.A. APONSO	12,430	0.06	-	-
	Total	**17,867,388**	**92.11**	**17,666,761**	**91.07**
	Other shareholders	**1,531,463**	**7.89**	**1,732,090**	**8.93**
	Issued share capital	**19,398,851**	**100.00**	**19,398,851**	**100.00**

7. Minimum public holding

	As At 31.12.20	As At 31.12.19
Float adjusted market capitalisation (Rs.)	62,076,323	48,497,128
Public holding% of the stated capital	10%	10%
Number of public shareholders	12,165	12,090

The Company is in compliance with the minimum public holding requirement depicted in option 2 of the Section 7.13.1.(b) of the Listing Rules of the Colombo Stock Exchange.

VALUE ADDED STATEMENT

RS. '000	2020	%	2019	%
Turnover	1,875,150		1,629,811	
Other income	267,332		200,012	
Total revenue	**2,142,482**	**100**	**1,829,823**	**100**
Cost of materials and services bought	735,637	34	938,653	51
	1,406,845	**66**	**891,170**	**49**
Distribution of value added				
A To employees as remuneration	1,084,774	77	1,087,569	122
B To Government	-	-	6,919	1
C To Lenders of capital	65,022	5	59,919	7
D Retained in the business				
D1 Provision for depreciation	78,619	6	78,747	9
D2 Profit retained	178,430	13	(341,984)	(38)
	1,406,845	**100**	**891,170**	**100**

SEGMENTAL INFORMATION

Year ended 31st December

Revenue Extent - Hectares	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tea	2,013.69	2,055.57	2,054.17	2,005.66	3,273.06	3,251.62	3,263.96	3,199.61	3,179.76	3,184.98
Coconut	136.50	136.50	141.50	153.50	164.50	164.50	164.50	164.50	164.50	164.50
Rubber	75.54	75.54	55.12	40.12	38.50	38.50	30.50	30.50	35.50	55.50
Total	**2,225.73**	**2,267.61**	**2,250.79**	**2,199.28**	**3,476.06**	**3,454.62**	**3,458.96**	**3,394.61**	**3,379.76**	**3,404.98**

Production	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tea - Kg'000	3,746	3,669	3,892	3,430	4,670	3,844	3,780	3,606	3,184	3,376
Coconut-Nuts'000	536	719	362	641	804	834	654	862	1,040	551
Rubber - Kg'000	41	32	30	17	14	17	21	25	22	25

GSA - Rs	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tea-per Kg	314.22	356.02	387.94	420.34	375.00	406.57	566.27	518.82	489.56	567.53
Coconut-per nut		21.88	30.59	32.08	34.84	29.67	59.70	56.41	32.74	60.13
Rubber-per Kg	460.62	375.48	342.66	251.36	208.43	207.53	299.09	230.84	238.93	272.52

Revenue - Rs'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tea	1,123,629	1,253,047	1,569,271	1,515,117	1,665,731	1,574,350	2,161,614	1,824,578	1,577,112	1,824,171
Coconut	18,130	21,615	21,058	21,488	30,591	26,482	47,496	53,760	40,220	40,445
Others	37,520	38,586	21,852	13,363	21,176	19,263	17,652	16,405	12,479	10,534
Total	**1,179,279**	**1,313,248**	**1,612,181**	**1,549,968**	**1,717,498**	**1,620,095**	**2,226,762**	**1,894,743**	**1,629,811**	**1,875,150**

Gross Profit - Rs'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tea	15,222	114,456	134,342	35,874	(75,878)	(44,967)	337,775	23,260	(189,787)	98,813
Coconut	3,849	1,333	(3,354)	(664)	6,269	1,487	14,266	17,346	2,907	4,135
Others	1,997	13,578	(3,999)	(22)	8,584	15,166	14,423	14,711	8,843	7,863
Total	**21,068**	**129,367**	**126,989**	**35,188**	**(61,025)**	**(28,314)**	**366,464**	**55,317**	**(178,037)**	**110,811**

GLOSSARY

bps
Basis points.

COP
Cost of Production. Generally refers to the cost of producing one kilo of produce (Tea/Rubber).

Crop
The total produce harvested.

Current Ratio
Current Assets divided by current liabilities.

Dividend Cover
Profit attributable to shareholders divided by gross dividend.

Earnings Per Share
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

Extent in bearing
The extent of land from which crop is being harvested.

GSA
Gross Sale Average. Average sale price obtained (over a period of time for a kilo of produce) before any deductions such as Brokerage fees.

HACCP
Hazard Analysis and Critical Control Point System. Internationally accepted food safety standard.

Immature Plantation
The extent of plantation which is under development and is not being harvested.

Infilling
A method of field development whereby planting of individual plants is done in order to fill the vacancies of existing revenue fields.

Interest Cover
Profit before Gross Interest and Tax divided by net interest cost.

ISO
International Organization for Standardization.

Market Capitalization
Number of shares issued multiplied by the market value of each share

Mature Plantation
The extent of plantation from which crop is being harvested.

Mn
Million.

Net Assets
Sum of Fixed Assets and Current Assets less total liabilities.

Net Assets per Share
Net Assets divided by the number of Ordinary Shares in issue.

NSA
Net Sale Average. Average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

Price Earnings Ratio
Market Price of a share divided by earnings per share.

Rs ‘000
Rupees Thousands.

Return on Equity
Attributable profits divided by average shareholders’ funds.

VP Tea
Vegetatively Propagated Tea.

Yield (YPH)
The average crop per unit extent of land over a given period of time (usually kgs. per hectare per year).

YOY
Year on year.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of Udapussellawa Plantations PLC will be held as a Virtual Meeting at Finlay House, No. 186, Vauxhall Street, Colombo 02 on Wednesday, 30th June 2021 at 11.00 a.m. and the business to be brought before the meeting will be:

AGENDA

1. To consider and receive the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Audited Accounts for the year ended 31st December 2020 with the Report of the Auditors thereon.
2. To re-elect Mr. G.R. Chambers who, in terms of Articles 86 and 87 of the Articles of Association of the Company, retires by rotation at the Annual General Meeting as a Director.
3. To re-elect Mr. B.V. S. Ruwan who, in terms of Article 94 of the Articles of Association of the Company, retires at the Annual General Meeting as a Director.
4. To re-elect Mr. S.T. Gunatilleke who, in terms of Article 94 of the Articles of Association of the Company, retires at the Annual General Meeting as a Director.
5. To authorise the Directors to determine contributions to charities up to a limit of Rs. 100,000/- for the financial year ending 31st December 2021.
6. To re-appoint Messrs KPMG as Auditors and authorise the Directors to determine their remuneration.

By order of the Board of Directors

S S P Corporate Services (Private) Limited
Secretaries

No. 101, Inner Flower Road,
Colombo 03
31st May, 2021

Note:-

A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company, No. 95A, Nambapana, Ingiriya.

FORM OF PROXY

I/We.. (NIC No...............................)
of ....
....
being a member/members of Udapussellawa Plantations PLC hereby appoint
(i) .... (NIC No.............................)
of.. or failing him/her,

ii) NANAYAKKARA HETTIARACHCHIGE GIHAN SUDHARSHANA JAYASINGHE, Chairman of Udapussellawa Plantations PLC, or failing him any one of the Directors of the Company as *my/our proxy to vote as indicated hereunder for *me/us and on *my/our behalf at the 28th Annual General Meeting of the Company to be held as a virtual meeting at Finlay House, No 186, Vauxhall Street, Colombo 02 on 30th June 2021 at 11.00 a.m. and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	FOR	AGAINST
1. To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Audited Accounts for the year ended 31st December 2020 with the report of the Auditors thereon.	○	○
2. To re-elect Mr. G.R. Chambers who, in terms of Articles 86 and 87 of the Articles of Association of the Company, retires by rotation at the Annual General Meeting as a Director.	○	○
3. To re-elect Mr. B.V. Sinthaka Ruwan who, in terms of Article 94 of the Articles of Association of the Company, retires at the Annual General Meeting as a Director.	○	○
4. To re-elect Mr. S.T. Gunatilleke who, in terms of Article 94 of the Articles of Association of the Company, retires at the Annual General Meeting as a Director.	○	○
5. To authorise the Directors to determine contributions to charities up to a limit of Rs.100,000/- for the financial year ending 31st December 2021	○	○
6. To re-appoint Messrs KPMG as Auditors and authorise the Directors to determine their remuneration.	○	○

As witness my/our hand/s this .... day of ....Two Thousand and Twenty One.

……………………….. ……………………….. ………………………..
NIC Number/Reg No Signatures

Please provide the following details

Name of the Shareholder : ....
Email Address of the Shareholder : ....
CDS A/C No/ NIC No/Company Reg No : ....
Folio No/ No of Shares held : ....
Name of the Proxy holder : ....
Email Address of the Proxy holder : ....
Proxy holder's ID No (if not a Director) : ....

INSTRUCTIONS AS TO COMPLETION

1. **In terms of Article 69 of the Articles of Association of the Company;**

   An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Company may, but shall not, be bound to require evidence of the authority of any such attorney or officer. A proxy need not be a Member of the Company.

2. **In terms of Article 70 of the Articles of Association of the Company;**

   A non-resident shareholder may appoint and revoke proxies by cable or facsimile provided such cable or facsimile is received not less than forty-eight (48) hours before the commencement of the Meeting at which it is to be used.

3. **In terms of Article 71 of the Articles of Association of the Company;**

   The instrument appointing a proxy shall be lodged and the Power of Attorney (if any) under which it is signed, or a notarially certified copy of such power shall, if required, be deposited for inspection at the Office, in each case not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned Meeting, or in the case of a poll before the time appointed for the taking of the poll at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. **In terms of Article 75 of the Articles of Association of the Company;**

   Any corporation which is a Member of the Company may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company.

5. **In terms of Article 64 of the Articles of Association of the Company;**

   In the case of joint-holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint-holders, and for this purpose seniority shall be determined by the order in which the name stands in the Register of Members in respect of the joint-holding.

6. Kindly indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his discretion will vote as he/she thinks fit. Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

7. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, No. 95A, Nambapana, Ingiriya, by 11.00 a.m., on 28th June 2021, being forty-eight (48) hours before the holding of the Meeting.

NOTES

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CORPORATE INFORMATION

Name of Company
Udapussellawa Plantations PLC

Company Registration Number
PQ 63

Legal Form
Public Quoted company with limited liability incorporated in Sri Lanka on 22nd June 1992 Ordinary shares listed on the Colombo Stock Exchange.

Principal Activities and nature of operation Cultivation, manufacture and sale of tea, rubber, coconut and other crops.

Financial Year ended
31st December

Directors
Mr. N. H. G. S. Jayasinghe (Chairman)
Mr. D. J. Ratwatte (Chief Executive Officer)
Mr. G. R. Chambers
Mr. J. M. Rutherford
Mr. E. D. P. Soosaipillai
Mr. G. K. B. Dasanayaka
Mr. B. V. S. Ruwan
Mr. S.T Gunatilleke

Audit Committee
Mr. E. D. P. Soosaipillai
Mr. N. K. H. Ratwatte
Mr. G. K. B. Dasanayaka
Mr S.T Gunatilleke

Related Party Transaction Review Committee
Mr. G. K. B. Dasanayaka
Mr. E. D. P. Soosaipillai
Mr. N. K. H. Ratwatte

Remuneration Committee
Mr. G. R. Chambers
Mr. E. D. P. Soosaipillai
Mr. G. K. B. Dasanayaka

Secretaries/ Registrars
S S P Corporate Services (Pvt) Ltd.,
101, Inner Flower Road, Colombo 3.
Telephone : +94 11 2573894

Registered Office
No. 95A, P. 0. Box 02,
Nambapana,
Ingiriya.

Head Office
No. 95A, P. 0. Box 02,
Nambapana, Ingiriya.
Telephone.+94 34 4297500
Fax+94 34 2268009
Email: srilanka.fte@finlays.net

Website www.finlays.net

Auditors
KPMG
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186,
Colombo 03

Bankers
Standard Chartered Bank
DFCC Bank PLC
Commercial Bank of Ceylon PLC
Seylan Bank PLC
Bank of Ceylon
People’s Bank

Legal Advisers
Messrs Julius & Creasy
Attorneys-at-Law
P. O. Box 154
Colombo.

Udapussellawa Plantations PLC
No. 95A, P. 0. Box 02,
Nambapana,
Ingiriya.