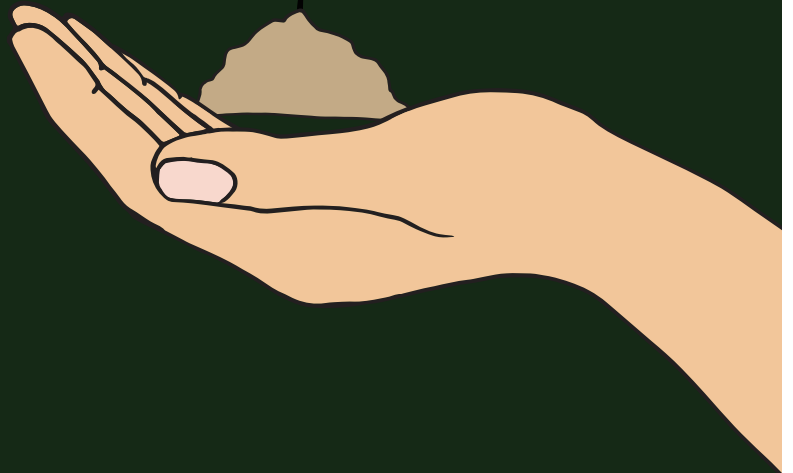




Sustain  
to Gain



HORANA PLANTATIONS PLC  
Annual Report 2021/22



# Sustain to Gain

We continue to build upon our established reputation, letting nothing hold us back in our quest to reach new heights in our progress.

To ensure that our stakeholders benefit from all the value additions we have to offer, we keep establishing new standards while building upon the strong foundation we already have in place.

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# ABOUT THE REPORT

## Scope and Boundary GRI 102-12, GRI 102-32, GRI 102-45-56

This is the first integrated annual report published by Horana Plantations PLC (HPL). The report covers the activities of HPL for the financial year 01st April 2021 to 31st March 2022 (FY 2021/22). In embarking on this integrated reporting journey, our aim was to expand our reporting beyond financial disclosure to provide a broader overview of our efforts to transform into a more sustainable business. In this regard, the report presents HPL's commitment to bring about positive change for society and the environment, while pursuing our financial objectives. To describe how we do this, we have included insight on our strategy, business model along with our risk management and corporate governance frameworks. The most recent Annual Report for FY 2020/21 along with reports from our previous years are available for view and download on the corporate website [www.horanaplantations.com](http://www.horanaplantations.com).

## Reporting Frameworks

The report follows the IIRC's <IR> "Six Capitals" reporting Framework through which we aim to show how we invest in the different forms of capital in order to keep generating values for our stakeholders.

Other applicable reporting frameworks include;

Financial Reporting	Governance, Compliance and Risk Reporting	Sustainability Reporting
<ul style="list-style-type: none"> <li>• Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka</li> <li>• International Financial Reporting Standards - IFRS Foundation</li> <li>• The Companies Act No. 07 of 2007</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka</li> <li>• Listing Rules of the Colombo Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Global Reporting Initiative (GRI) Standards "In Accordance Core" (The GRI Content Index is on pages 227 to 235)</li> <li>• United Nations Sustainable Development Goals (SDG's)</li> </ul>

## Materiality

The content in this annual report is based on the principle of Materiality as defined by the IIRC. We have deemed 18 Material Topics (shown below) as relevant to our business. The process used to determine these Material Topics is illustrated on pages 42 to 43.



### 1st Integrated Annual Report

In embarking on this integrating reporting journey, our aim is to expand our reporting suite beyond financial disclosure to provide a broader overview of our efforts to transform into a more sustainable business on all fronts.



## ABOUT THE REPORT

GRI 102-47, 103-1, 103-2

Material Topic	Topic Boundary	Reason For Materiality	Management Approach (Refer)
Yield Optimisation	Internal	Higher yield supports cost efficiency	Manufactured Capital - pages 66 to 71
Responsible Manufacturing	Internal / External	Improves productivity and augments HPL's competitive positioning	Manufactured Capital - pages 66 to 71
Production Efficiency	Internal	Helps to lower costs and boost gross profit margins	Manufactured Capital - pages 66 to 71
Innovation	Internal / External	Strengthens HPL's market positioning	Intellectual Capital - pages 72 to 79
Cost Management	Internal	Helps boost bottom line	Financial Capital - pages 60 to 65
Profitability	Internal	Allows reinvestments in business expansion and supports the delivery of consistent returns to shareholders	Financial Capital - pages 60 to 65
Balance Sheet Stability	Internal	Strengthens long term business resilience	Financial Capital - pages 60 to 65
Product Compliance	Internal / External		Social and Relationship Capital - pages 92 to 105
Sustainable Agriculture	Internal / External		Intellectual Capital - pages 72 to 79
Customer Health and Safety	Internal / External	Strengthens HPL's market positioning and customer reach	Social and Relationship Capital - pages 92 to 105
Product Quality Assurance	Internal / External		Social and Relationship Capital - pages 92 to 105
Fair Remuneration	Internal		Human Capital - pages 80 to 91
Employee Well-being and Job Security	Internal / External	Reduces employee attrition	Human Capital - pages 80 to 91
Career Prospects	Internal		Human Capital - pages 80 to 91
Supply Chain	Internal / External	Minimises business disruption	Social and Relationship Capital - pages 92 to 105
Community Empowerment	Internal / External		Social and Relationship Capital - pages 92 to 105
Carbon Footprint	Internal / External	Augments HPL's reputation as a good corporate steward	Natural Capital - pages 106 to 122
Environmental Conservation	Internal / External		Natural Capital - pages 106 to 122

## **Assurance**

The information captured in the report has been obtained from various sources within the Company. All content disclosed herein has been first verified for completeness, balance, comparability, accuracy, reliability, timeliness and clarity, in line with the company's general disclosure policies as well as the policies of the Hayleys Group. This was done using a combination of internal controls, management assurance and compliance and internal audit reviews. A further independent review of the financial statements was provided by external auditors - Messrs KPMG, Chartered Accountants. Their review is shown on pages 152 to 156.

## **Forward-looking Statements**

This report includes forward-looking statements, which relate to the possible future financial position and results of HPL's operations. These statements by their nature involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, we do not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

## **Board Responsibility Statement**

The Horana Plantations PLC Board undertakes full responsibility for the integrity and completeness of this integrated annual report for FY 2021/22. The Board assures that this report provides a fair and transparent account of all material issues underlying the sustainability of the Company.

Moreover, the Board confirms that there are no restatements pertaining to any previous annual reports.

## **Feedback**

Any feedback or comments regarding this report can be directed to;

### **General Manager – Finance**

Horana Plantations PLC  
400, Deans Road, Colombo 10  
Tel : +94 0112627302  
E-mail: horanap@hplnet.com

## VISION

**“ TO BE THE  
FOREMOST  
PRODUCER AND  
MARKETER OF  
TEA, RUBBER, OIL  
PALM &  
OTHER ANCILLARY  
CROPS  
IN SRI LANKA ”**



# MISSION

**“TO ADOPT THE BEST AGRICULTURAL PRACTICES, MEASURING RETURNS AGAINST A LONG TERM INVESTMENT HORIZON”**

## VALUES

### EMPLOYEES

We consider our employees as prime assets and always create a environment for their contribution towards management of the Company to increase productivity. We have also created career paths for all employees levels as well as a high degree of job security.

### CUSTOMERS

Our desire is to supply high quality products and acceptable service for all our customers. We constantly look out for customer requirements and trends in order to provide customer specific of our products.

### OWNERS

We display a high sense of integrity and discipline in order to enhance the reputation of the company. We always take steps to improve shareholder wealth to generate adequate return on their investments.

### SUPPLIERS

We always maintain a strong relationships with our supplier base, thereby building trust, consistency in quality and reliability.

### SOCIETY

We focus on operating our business in a socially responsible and ethical manner. In addition we have undertaken many initiatives to protect the environment, and contribute towards enhancing the quality of life of people around us.

# ABOUT HORANA PLANTATIONS



GRI 102-02, GRI 102-07, GRI 102-06, GRI 102-16

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

---

The Company manages 14 Estates covering over 6,519 hectares of land primarily cultivated with Tea and Rubber on land leased by the Government of Sri Lanka for a period of 53 years. More recently, the company diversified into Oil Palm and at present is in the process of commercially increasing its foot print in its Coconut Plantation. We provide direct employment to 3,857 workers in our plantations and support the livelihood of over 25,000 people.

The Company's fourteen estates are primarily in the Central and Western Provinces of Sri Lanka. Horana Plantations has an annual production of 3 Mn Kg of Tea, 1 Mn Kg of Rubber and 2 Mn Kg of Oil Palm.

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

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

HPL has benchmarked many international and locally acclaimed best practices for its sustainability. Plantations have been certified with Rainforest Alliance, Ethical Tea Partnership, Fair Trade, ISO 14001: 2015 Environment management systems, GHG Inventory verification (carbon foot print), and achieved gold status of Climate Neutral Now, a UNFCCC initiative.

Horana Plantations PLC is a public quoted limited liability Company and whose shares are listed on the Colombo Stock Exchange bearing the stock symbol HOPL.N0000. The Company is a subsidiary of Vallibel Plantation Management Ltd.

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

# OUR ESTATES

## GOURAVILLA ESTATE

Gouravilla Estate proudly completes 131 years, having commenced its functions in 1891 when the Estate was managed by George Steuarts & Co., and owned by Standard Tea Company (Ceylon) Ltd. The Estate factory was originally constructed in 1936 and it registered under MF 0066.



Tea Factory - Gouravilla Estate

Gouravilla Estate is situated in Upcot, Maskeliya in the Nuwara Eliya Western High Grown range. It is 10 Km from Maskeliya and 22 Km from Hatton via Alton road. The Estate covers an area of nearly 381 hectares (940 acres) and lies at an elevation of 3,600 to 5,300 feet.

The principal crop of the Estate is Tea, of which 72% are hybrid cultivars and 28% seedlings. The Estate consists of 04 divisions namely Gouravilla 'A', Gouravilla 'B', Cruden and Bargrove with a cultivated extent exceeding 313 hectares.

Gouravilla Estate produces a premium Tea that is recognised for its quality both locally and internationally. Its Teas have a fine flavour and are strong in the cup. Gouravilla proudly announces of Sri Lanka's highest NSA record in a year 2000.



Tea Field - Gouravilla Estate

### Upcot/Maskeliya



Alton  
Fairlawn

#### Gouravilla

Stockholm  
Mahanilu

#### Lindula

Bambrakelly  
Eildon Hall  
Tillicoultry

Gouravilla Bungalow is a beautiful, colonial bungalow on a spacious Tea estate. The Bungalow, at an elevation of 3,600 feet is set amidst picturesque mountains covered with lush green tea bushes, majestic views and manicured gardens. The view of Adams Peak from the Gouravilla bungalow was absolutely amazing and a sight to behold when the Peak was lit up at night.



Bungalow - Gouravilla Estate

Gouravilla Estate obtained a wide range of certifications and licenses as detailed below:

- Rainforest Alliance,
- Eco Label,
- GHG Inventory Verification,
- ISO 22000: 2018 & HACCP,
- ISO 14001: 2015 EMS,
- Ethical Tea Partnership.

## Low Country

Millakande  
Halwatura  
Hillstream  
Mirishena



### Neuchatel

Frocester/Kobowella

## NEUCHATEL ESTATE

Neuchatel Estate is a multi-crop property cultivated with Rubber, Oil Palm, Coconut, Cinnamon and Rambutan under the management of Horana Plantations PLC, situated in Neboda in the Kalutara District. This estate is approachable by driving 12 Km from Horana town and 7 Km from Warakagoda Gallena Rajamaha Viharaya which is a tourist attraction and an archaeological heritage Temple.



The early history of Neuchatel can be traced back to Colin Cowper Mee. Born in England in 1867, he had his initial education at Rugby Circa and then at Neuchatel Switzerland. When he journeyed to Ceylon and began a plantation in the Kalutara district, he named the estate after his alma mater in Switzerland. Colin Cowper Mee was a generous supporter of the Ceylon Turf Club and also a prominent member of the Ceylon Planters Association. Following his death in 1909, the estate passed on in equal share to his two sisters and brother, as with other large estates.



*Rubber Field - Neuchatel Estate*

Even todate, the horse training tracks of over a kilo meter is present and the stables though not used, is present at the bungalow.

The Manager's bungalow of a Dancing Room that was used, in the "heyday" by all the surrounding Managers that held their parties and dinners.

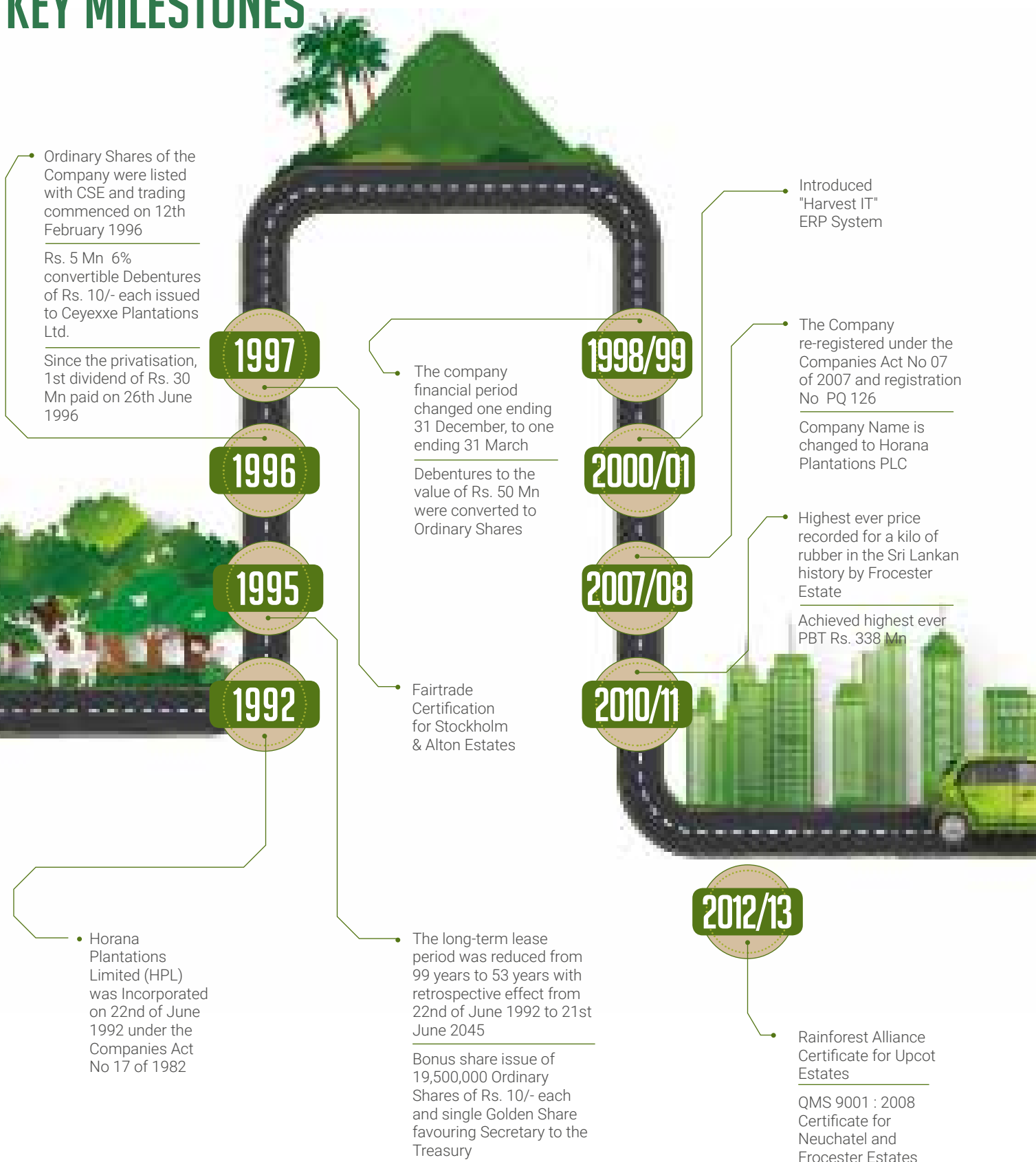
The Estate covers an area of nearly 902 hectares (2,225 acres) and consists of 6 divisions, namely Main Division (Home Division), Horahena Division, Dikhena Division, Kokhena Division, Tempo Division and Millaniya Division with a cultivated extent exceeding 586 hectares.

Tea and Rubber factories were established in 1904 and the Tea Factory was dismantled approximately 30 years ago. Rubber Factory functions todate with a capacity of 400,000 Kg per annum and located in the Main Division which is very close to "Narthupana Bridge" through "Horana - Matugama" Road. Factory is equipped with modern rubber mills and tanks for producing high quality crepe rubber, equipped with two lofts for natural drying and two lofts for quick drying using a burner system.



*Oil Palm Field - Neuchatel Estate*

# KEY MILESTONES



Ordinary Shares of the Company were listed with CSE and trading commenced on 12th February 1996

Rs. 5 Mn 6% convertible Debentures of Rs. 10/- each issued to Ceyexxe Plantations Ltd.

Since the privatisation, 1st dividend of Rs. 30 Mn paid on 26th June 1996

1997

The company financial period changed one ending 31 December, to one ending 31 March

Debentures to the value of Rs. 50 Mn were converted to Ordinary Shares

1996

1995

Fairtrade Certification for Stockholm & Alton Estates

1992

Horana Plantations Limited (HPL) was Incorporated on 22nd of June 1992 under the Companies Act No 17 of 1982

The long-term lease period was reduced from 99 years to 53 years with retrospective effect from 22nd of June 1992 to 21st June 2045

Bonus share issue of 19,500,000 Ordinary Shares of Rs. 10/- each and single Golden Share favouring Secretary to the Treasury

1998/99

Introduced "Harvest IT" ERP System

The Company re-registered under the Companies Act No 07 of 2007 and registration No PQ 126

Company Name is changed to Horana Plantations PLC

2000/01

Highest ever price recorded for a kilo of rubber in the Sri Lankan history by Frocester Estate

Achieved highest ever PBT Rs. 338 Mn

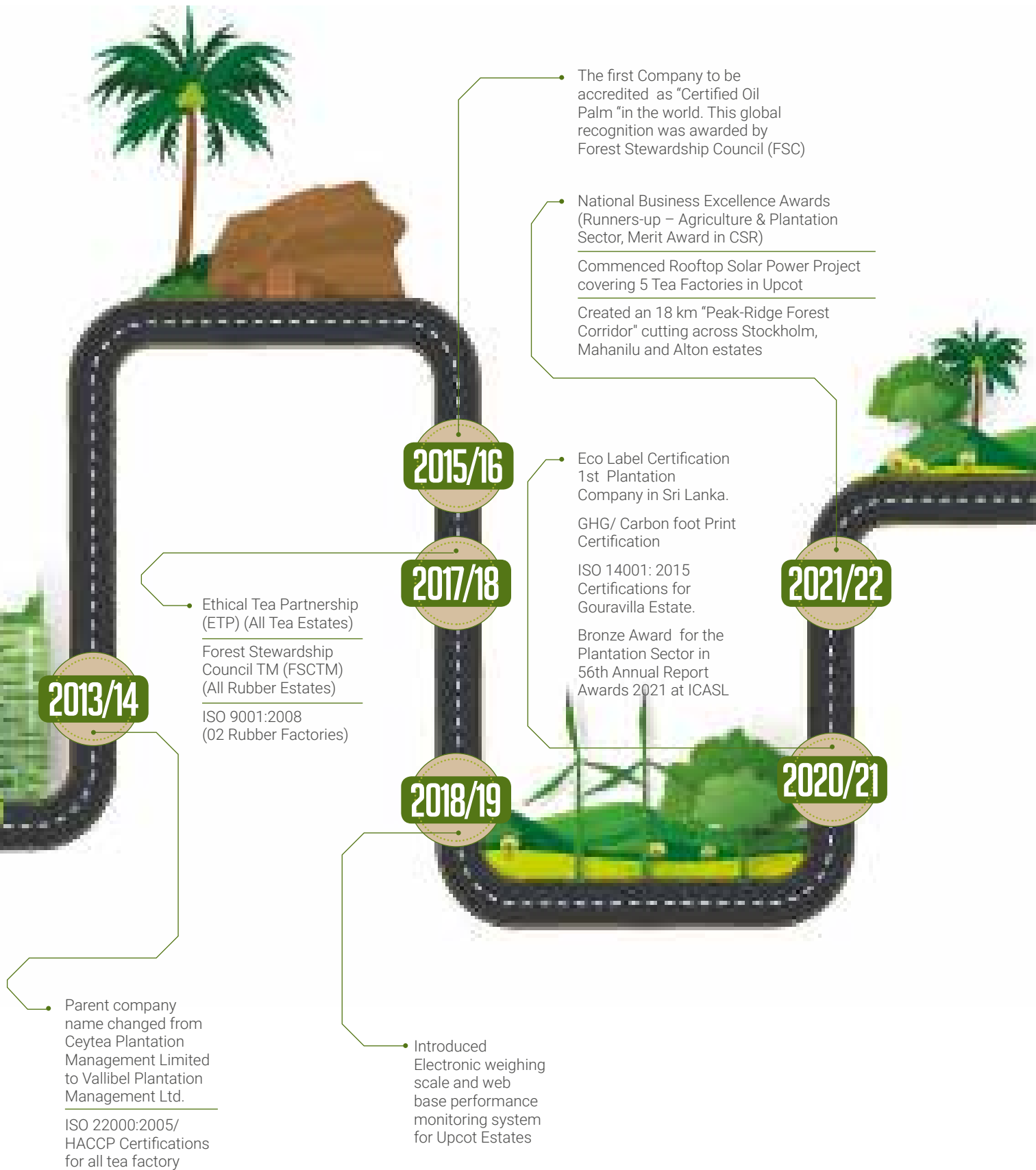
2007/08

2010/11

2012/13

Rainforest Alliance Certificate for Upcot Estates

QMS 9001 : 2008 Certificate for Neuchatel and Frocester Estates



# BOARD OF DIRECTORS

GRI 102-22

## MR. A M PANDITHAGE

Executive Chairman

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Appointed to the Board of Horana Plantations PLC in July 2013.

Fellow of the Chartered Institute of Logistics and Transport (UK). Serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA).

Leadership Excellence Recognition by the Institute of Chartered Accountants of Sri Lanka. Recipient of the 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers. Honoured with a Lifetime Achievement Award by Seatrade - Sri Lanka Ports, Trade and Logistics (SLPTL) and the first ever Sri Lanka Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). Inducted as Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association in recognition of services rendered to Sri Lanka's logistics industry.

## MR. DHAMMIKA PERERA

Deputy Chairman

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

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



**DR. ROSHAN RAJADURAI**

**Managing Director**

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

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

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

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

**MR. JOHANN A RODRIGO**

**Director/Chief Executive Officer**

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

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

**MR. A N WICKREMASINGHE**

**Independent Non-Executive Director**

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

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

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

# BOARD OF DIRECTORS

## MR. S C GANEGODA

Independent Non-Executive Director

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

## MR. K D G GUNARATNE

Independent Non-Executive Director

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

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

## MR. L N DE S WIJEYERATNE

Independent Non-Executive Director

Mr. Wijeyeratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 36 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is currently an Independent Non -Executive Director of several Listed Companies. He was a former Group Finance Director of Richard Pieris PLC and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd, Sambia Consolidated Copper Mines Ltd. He was also a former Director of DFCC Bank PLC and LB Finance PLC.

Mr. Wijeyeratne was a Member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as the Accounting Standards and Monitoring Board of Sri Lanka.

**MR. S M LIYANAGE**

**Non-Executive Director**

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

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

**MR. J M J PERERA**

**Independent Non-Executive Director**

Mr. J. M. Jayanth Perera has over 40 years of experience in the financial sector with the majority of those years being at Senior Management and board levels. Mr. J. M. Jayanth Perera is a fellow of the Chartered Institute of Bankers (London) and has undergone extensive training in a host of International Financial Centres such as London, New York, San Francisco, Hong Kong and Singapore. Currently Mr. J. M. Jayanth Perera serves as an independent Non- Executive Director of Singer Finance PLC, McLarens Group of Companies – Main Board, Lanka Ratings Ltd, Interocean Energy (Pvt) Ltd, Qwest Destinations (Pvt) Ltd, Qwest Cruises Pvt Ltd, Premier Physicians Medical Group (Pvt) Ltd, Sri Lankan Airlines Ltd, Sri Lankan Catering Services Ltd, ODEL PLC. Mr. J. M. Jayanth Perera counts a long and illustrious career at Hatton National Bank PLC (HNB) where he worked as Senior Deputy General Manager- International, Business Development and Corporate Credit including Treasury Operations. He was also a Founding Director of HNB Assurance PLC. During his term at HNB, Mr. J. M. Jayanth Perera was able bring many reforms by coordinating with the Central Bank of Sri Lanka. He was also Managing Director of Acuity Stockbrokers (Pvt) Ltd including Acuity Securities and Acuity Partners – jointly owned by HNB and DFCC Bank. In these positions he contributed immensely towards business growth. He also served as a Director of Lanka Ventures (Pvt) Ltd, LVL Energy and as a Board Member of the Credit Information Bureau of Sri Lanka.

# MANAGEMENT TEAM

## CORPORATE MANAGEMENT TEAM

**Dr. Roshan Rajadurai**

Managing Director

**B. L. W. Gunawardene**

Regional General Manager

**Johann A. Rodrigo**

Executive Director/Chief Executive Officer

**J. R. Gunathilake**

Manager – Finance

**B. C. Gunasekara**

Director Plantations

**D. Chamika Jeewantha**

Manager –Accounts & Business Analyst

**N. A. A. K. Nissanka**

General Manager – Finance

**J. Wijesinghe**

Manager – Information Technology

**P. S. Samarakoon**

General Manager – Corporate Affairs

**Tharindu Weerakoon**

Manager – Sustainability & Certifications

## ESTATE MANAGEMENT TEAM

### Upcot Cluster:

Alton Estate

A. D. Wanniarachchi

Acting Estate Manager

Fairlawn Estate

D. S. Fernando

Estate Manager

Gouravilla Estate

C. D. W. Kirinda

Senior Estate Manager

Mahanilu Estate

A. J. M. L. Mangalaratne

Estate Manager

Stockholm Estate

N. P. Sudarshan

Estate Manager

### Lindula Cluster:

Bambrakelly Estate

S. Narayanan

Estate Manager

Eildon Hall Estate

D. D. M. C. Dunusinghe

Estate Manager

Tillicoultry Estate

K. I. Jayarathna

Estate Manager

### Low Country Cluster:

Millakanda/Mirishena Estate

M. A. K. G. Perera

Senior Estate Manager

Halwatura Estate

V. S. Ailapperuma

Deputy Estate Manager in Charge

Hillstream Estate

P. L. C. P. Kumarasinghe

Acting Estate Manager

Neuchatel Estate

K. D. L. G. Sanjeewa

Senior Estate Manager

Frocester/Kobowella Estate

S. H. M. Gunawardena

Senior Estate Manager



# Quality Through Innovative Sustainability

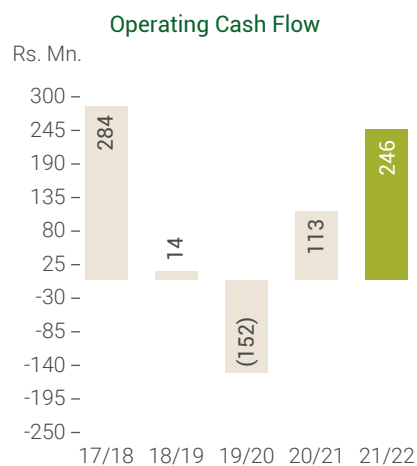
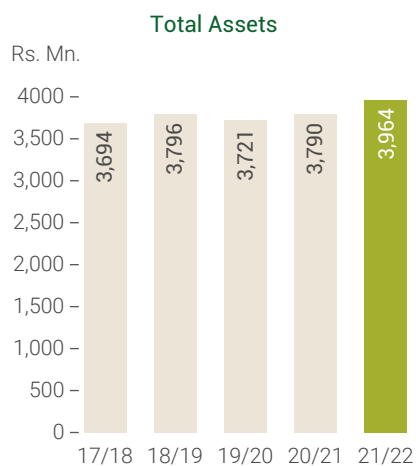
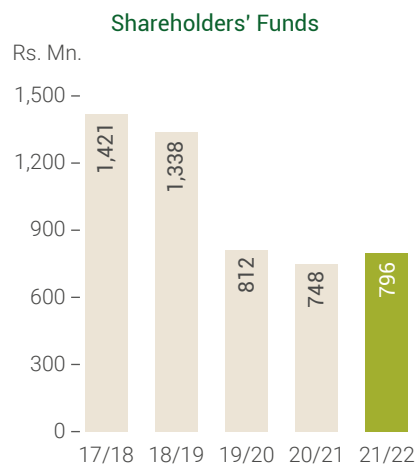
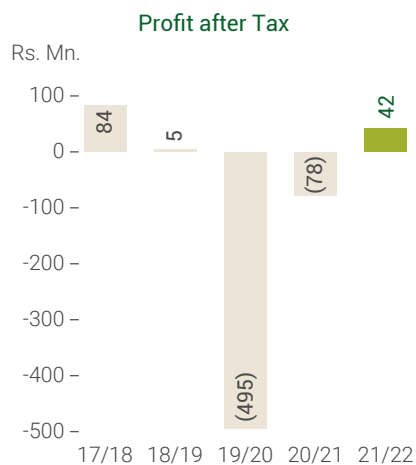
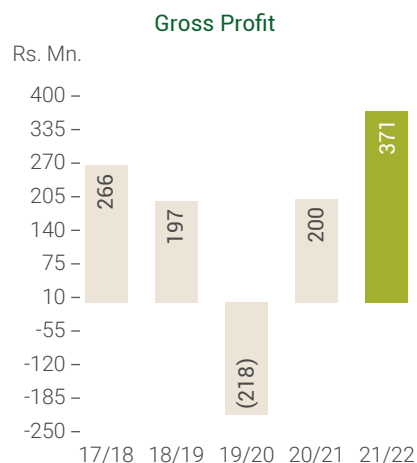
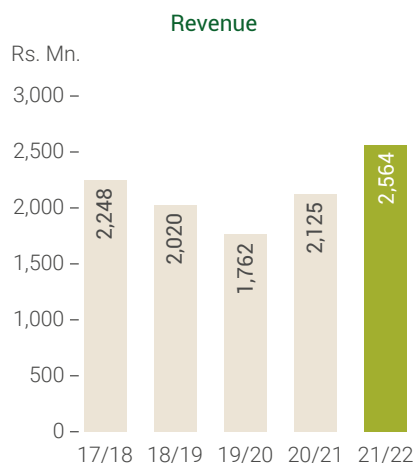
Combined ventures with our diversity,  
turning this into stakeholder satisfaction.

YEAR IN SUMMARY

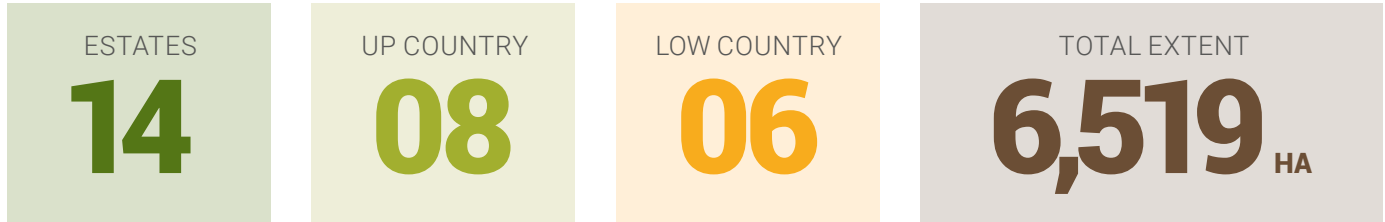
# FINANCIAL HIGHLIGHTS

GRI 102-07

For the Year ended 31st March	2022 Rs. '000	2021 Rs. '000	Change %
<b>Financial Performance</b>			
Revenue	2,563,636	2,125,306	20.6
Gross Profit	371,010	200,455	85.1
Profit from Operations	208,685	60,830	>100
Net Finance Expenses	(140,363)	(136,960)	(2.5)
Profit/(Loss) before Taxation	68,322	(76,130)	>100
Tax Expense	(25,868)	(1,742)	>100
Profit/(Loss) after Taxation	42,454	(77,872)	>100
Other Comprehensive Income/(Expense)	5,860	10,833	(45.9)
Total Comprehensive Income/(Expense)	48,314	(67,039)	>100
<b>Financial Position</b>			
Shareholders' Funds	796,124	747,810	6.5
Borrowings	1,902,588	1,786,861	(6.5)
Total Liabilities (excluding Borrowings)	1,265,493	1,254,865	(0.8)
Total Assets	3,964,205	3,789,536	4.6
<b>Cash Flows</b>			
Operating Activities	245,805	113,363	>100
Investing Activities	(300,989)	(173,706)	(73.3)
Financing Activities	(159,097)	375,350	>100
Total Net Cash (Outflow)/Inflow for the period	(214,281)	315,007	>100
Cash & Cash Equivalents at the end	(483,894)	(269,613)	(79.5)
<b>Key Indicators per Ordinary Share</b>			
Earnings/(Loss) per Share (Rs.)	1.70	(3.11)	>100
Market Value per Share (Rs.)	21.90	23.20	(5.6)
Dividend per Share (Rs.)	-	-	-
Net Assets per Share (Rs.)	31.84	29.91	6.5
Price-Earnings Ratio (times)	12.88	(7.45)	>100
Earnings Yield (%)	7.76	(13.43)	>100
<b>Key Ratios</b>			
Current Ratio (times)	0.38	0.43	(11.6)
Interest Cover (times covered)	1.49	0.44	>100
Revenue to Capital Employed (times)	0.95	0.84	13.1
Property, Plant & Equipment to Shareholders' Funds (times)	0.56	0.48	16.7
Gross Profit Margin (%)	14.47	9.43	53.4
Operating Profit Margin (%)	8.14	2.86	>100
Net Profit Margin (%)	1.66	(3.66)	>100
Return on Equity (%)	5.33	(10.41)	>100
Return on Capital Employed (%)	7.98	2.40	>100
Gearing (%)	70.50	70.50	-
Equity to Total Assets Ratio (%)	20.08	19.73	1.8



# NON FINANCIAL HIGHLIGHTS



## PRODUCTION VOLUME



TEA  
**2.8Mn** Kgs

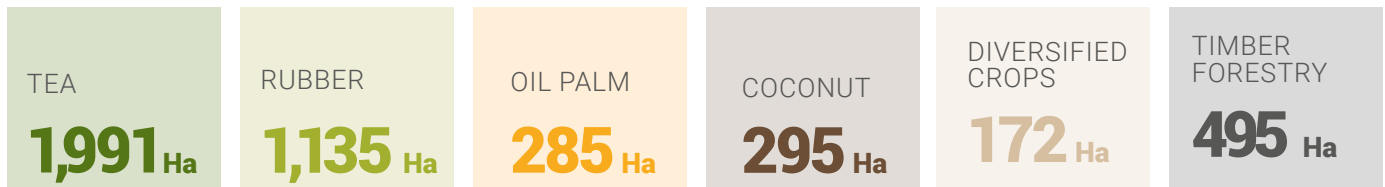


RUBBER  
**0.6Mn** Kgs



OIL PALM  
**1.9Mn** Kgs

## LAND UTILISATION



## MANUFACTURED CAPITAL

- **ROOFTOP SOLAR PROJECTS**

**05**

- **DIGITAL WEIGHING ESTATES**

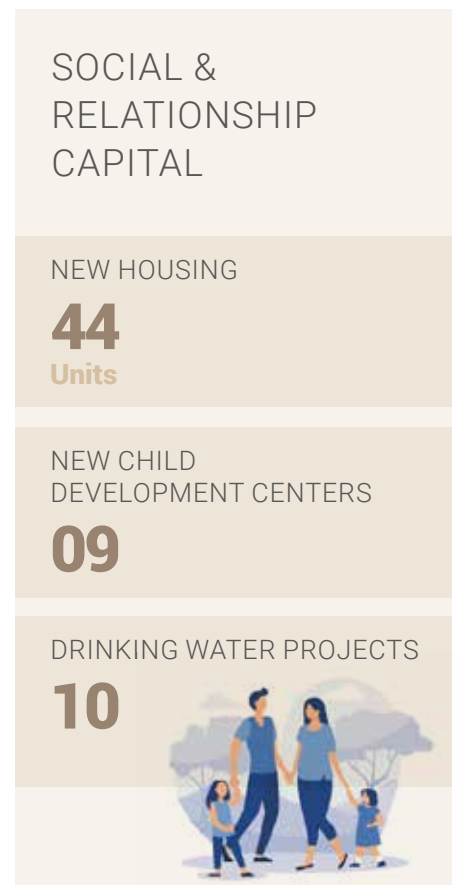
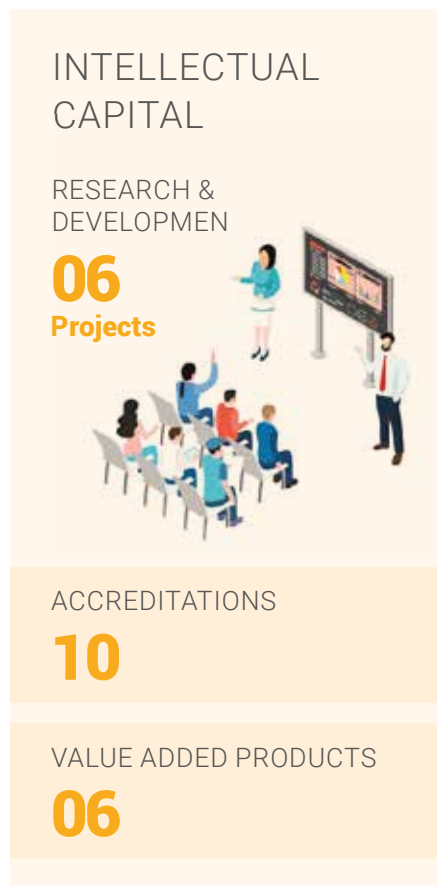
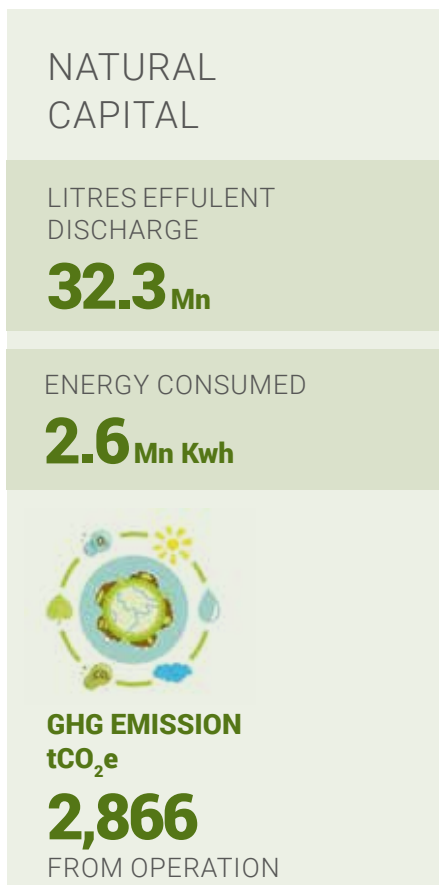
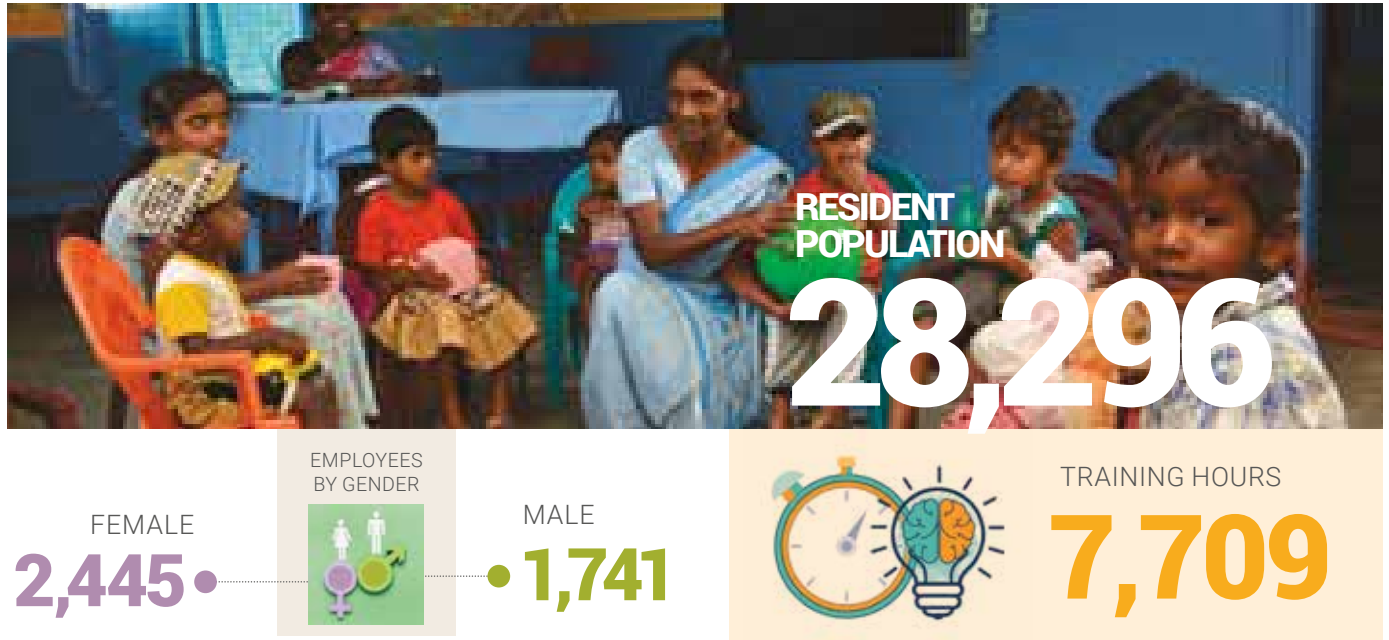
**09**

- **AUTOMATION TEA FACTORY**

**01**



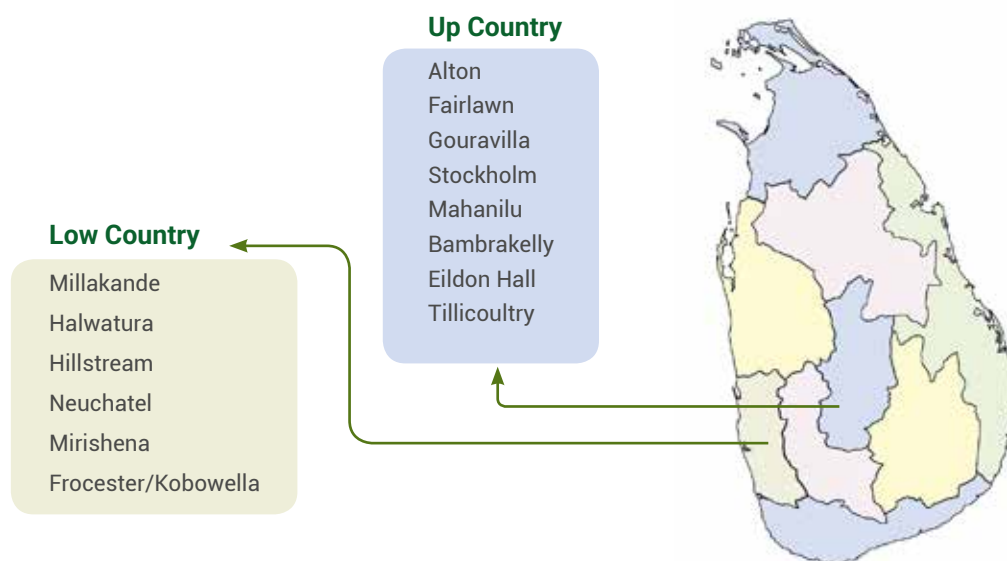
## HUMAN CAPITAL



# OUR PLANTATIONS

GRI 102-4

Estate	Planting District	EXTENTS (Ha)							ELEVATION (ft)	CROP (kg'000)			Employee Strength			
		Tea		Rubber		Oil Palm		Others		Total	Tea	Rubber	Oil Palm	Workers	Staff	Total
		Mature	Immature	Mature	Immature	Mature	Immature									
<b>Upcot/Maskeliya</b>																
Alton	Nuwara Eliya	240	2	-	-	-	-	108	350	4,700-5,550	388	-	-	388	20	408
Fairlawn	Nuwara Eliya	286	2	-	-	-	-	160	448	4,500-4,870	397	-	-	442	20	462
Gouravilla	Nuwara Eliya	267	5	-	-	-	-	109	381	3,600-5,300	447	-	-	520	27	547
Stockholm	Nuwara Eliya	206	2	-	-	-	-	97	305	4,800	289	-	-	407	20	427
Mahanilu	Nuwara Eliya	145	2	-	-	-	-	89	236	4,500-5,000	186	-	-	251	12	263
<b>Regional Total</b>		<b>1,143</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>563</b>	<b>1,719</b>		<b>1,708</b>	<b>-</b>	<b>-</b>	<b>2,008</b>	<b>99</b>	<b>2,107</b>
<b>Lindula</b>																
Bambrakelly	Nuwara Eliya	326	-	-	-	-	-	264	591	4,200-5,400	462	-	-	536	26	562
Eildon Hall	Nuwara Eliya	128	-	-	-	-	-	34	162	4,430	176	-	-	206	13	219
Tillicoultry	Nuwara Eliya	274	-	-	-	-	-	103	377	4,200-5,000	296	-	-	279	24	303
<b>Regional Total</b>		<b>728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>401</b>	<b>1,129</b>		<b>933</b>	<b>-</b>	<b>-</b>	<b>1,021</b>	<b>63</b>	<b>1,084</b>
<b>Up-Country Total</b>		<b>1,871</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>965</b>	<b>2,849</b>		<b>2,641</b>	<b>-</b>	<b>-</b>	<b>3,029</b>	<b>162</b>	<b>3,191</b>
<b>Low Country</b>																
Millakande	Kalutara	105	2	-	-	-	-	280	387	100	189	-	-	104	17	121
Halwatura	Kalutara	-	-	168	5	13	3	424	612	396-825	-	68	235	98	15	113
Hillstream	Kalutara	-	-	108	10	-	-	282	400	429	-	49	-	64	8	72
Neuchatel	Kalutara	-	-	281	36	107	19	459	902	172-495	-	195	1,178	272	25	297
Mirishena	Kalutara	-	-	150	3	70	21	260	504	246-330	-	91	457	94	10	104
Frocester/ Kobowella	Kalutara	-	-	373	-	8	43	439	864	165-330	-	222	21	196	31	227
<b>Low-Country Total</b>		<b>105</b>	<b>2</b>	<b>1,081</b>	<b>54</b>	<b>198</b>	<b>87</b>	<b>2,144</b>	<b>3,670</b>		<b>189</b>	<b>626</b>	<b>1,891</b>	<b>828</b>	<b>106</b>	<b>934</b>
<b>Plantation Total</b>		<b>1,976</b>	<b>15</b>	<b>1,081</b>	<b>54</b>	<b>198</b>	<b>87</b>	<b>3,109</b>	<b>6,519</b>		<b>2,830</b>	<b>626</b>	<b>1,891</b>	<b>3,857</b>	<b>268</b>	<b>4,125</b>



# AWARDS AND ACCOLADES



## National Business Excellence Award 2021

*(National Chamber of Commerce)*



**Runners Up- Agriculture and Plantations Sector**  
**Merit Award- Excellence in Corporate Social Responsibility**

## 56th Annual Report Award 2021

*(CA Sri Lanka)*

**Bronze Award- Plantation Sector**



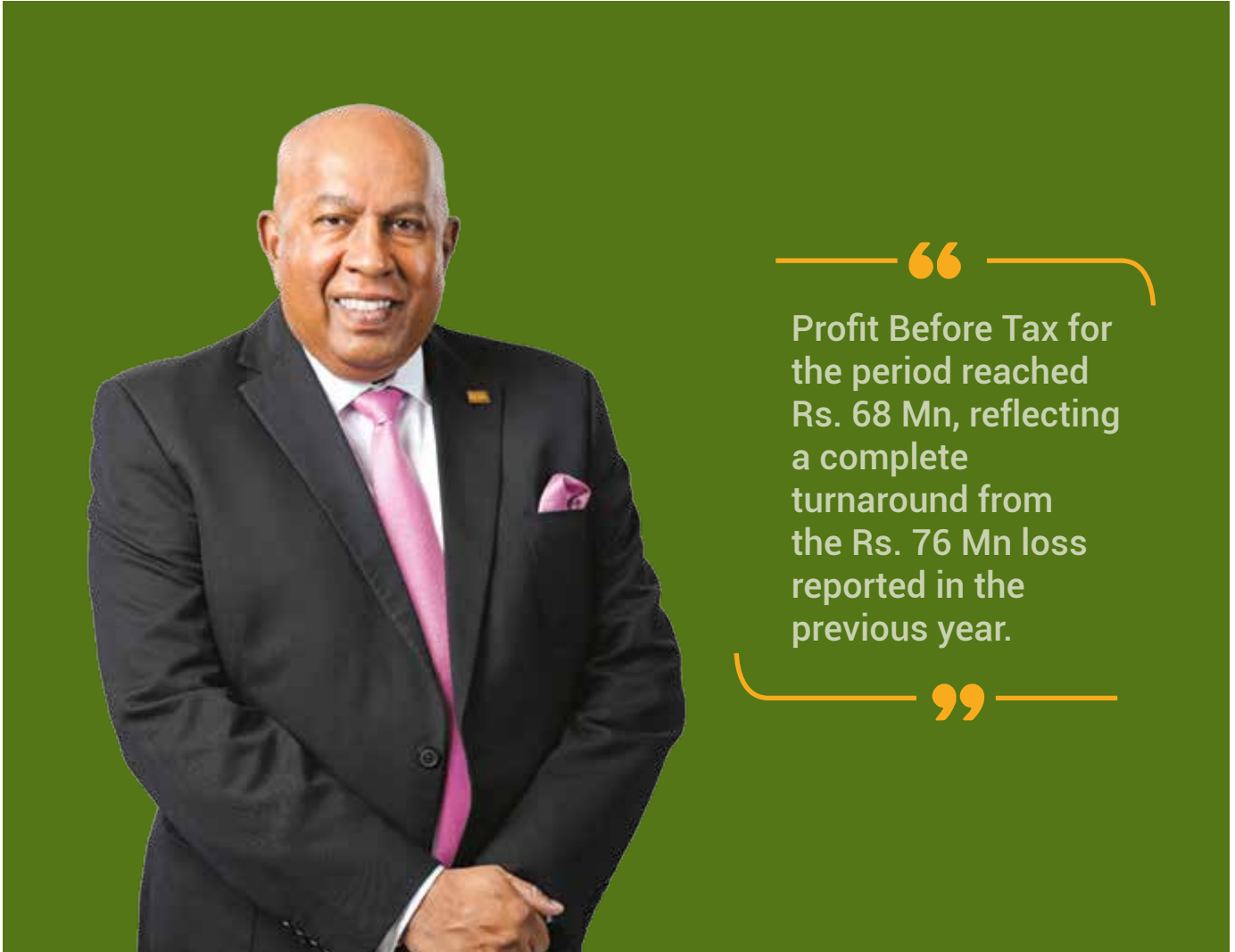
## National Cleaner Production Awards – 2021

*(National Cleaner Production Centre)*

**Merit Award - Gouravilla Estate- Tea Industry Sector**  
**(Manufacturing Large)**



# CHAIRMAN'S MESSAGE



Profit Before Tax for the period reached Rs. 68 Mn, reflecting a complete turnaround from the Rs. 76 Mn loss reported in the previous year.

On behalf of the Board of Directors of Horana Plantations PLC (HPL), it gives me great pleasure to present to you the Annual Report and Financial Statements of your Company for the year ended 31st March 2022.

If I may simply recap HPL's financial performance for FY 2021/22; your Company made a strong comeback after two challenging years. Turnover increased 21% year on year to Rs. 2,564 Mn, buoyed by strong contributions from our Tea, Rubber and Oil Palm sectors. Profit Before Tax for the period reached Rs. 68 Mn, reflecting a complete turnaround from the Rs. 76 Mn loss reported in the previous year.

GRI 102-14

## TURNOVER



**Rs. 2,564 Mn**

That said, I would like to point out that this year marks a new phase in our reporting journey. It is HPL's first attempt at Integrated Reporting. Through this exercise, we aim to inform our stakeholders not only of our financial performance but also describe the progress we are making to transform into a more socially and environmentally sustainable business. The Capital Management Reports on pages 60 to 122 describe how we have mobilising resources through our various capitals to create value for our stakeholders.

## MACRO ECONOMIC OVERVIEW

From a macro economic perspective, after negative growth in 2020, the Country's GDP expanded by 3.7% in 2021, on the back of notably improved performances across all major economic sectors.

The agriculture sector which contracted in 2020, recovered well to record a growth of 2% in 2021. Within the agriculture sector, certain sub categories seemingly performed much better than others. The Tea industry for example reported higher crops almost on par with pre-pandemic levels, despite underlying pandemic induced weaknesses.

"Ceylon Tea" remained the leading global tea brand in 2021, with its legendary position in the global tea market continuing to command a premium price. The National Gross Sales Average (NGSA) at the Colombo Tea auctions was Rs. 619 per Kg in 2021, a marginal drop from Rs. 634 per Kg in the previous year.

Prompted by a strong acceleration in the global rubber demand amidst the pandemic, the NSA for Latex Crepe shot up to Rs. 626/- per Kg a full 74% above the Rs. 360/- per Kg recorded in the previous year. Regrettably, the Rubber industry continued to be challenged by lower crops and yields owing to adverse weather conditions.

## STRATEGY AND FOCUS

As we entered the current financial year, our strategy continued to reflect the fact that our focus was on sustaining our business over the long-term. Our approach was four-pronged.

Firstly, we rolled out the revenue share model to boost our supply of green leaf. The revenue share model which encourages our estate communities to harvest and supply green leaf through a guaranteed buy back arrangement with HPL was first rolled out as

an experiment in Tillicoultry Estate, where it proved to be an instant success. It was later rolled out across all HPL estates. Interestingly, the revenue share model accounted for as much as 14% of the total tea crop for FY 2021/22, which I believe is a further testament to its relevance in the current context.

Secondly, we accelerated crop diversification, placing strong emphasis on growing Coconut, which we feel presents the potential for consistent revenue generation over time. Our growing efforts in this past year ensured that the total cultivated extent for Coconut more than doubled compared to the previous year.

Reducing our dependence on non-renewable energy sources was our next priority. Underscored by our Net Zero 2027 and carbon neutral by 2030 ambitions, we proceeded to strengthen HPL's renewable energy infrastructure, investing Rs. 85 Mn in FY 2021/22 to commission several rooftop solar systems with a collective generation capacity of 625 kW.

The circular economy was the fourth pivot in our strategy. During the year under review we refined our approach to circulatory and began put in place the framework to systematically scale up our circular initiatives. One of the most notable circular initiatives launched this year was the weed buy back system, where bought back weeds are redirected for composting in order to generate organic fertiliser.

## ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG)

As an agriculture based business, ESG is very relevant to our operations. In fact, ESG was something HPL adopted at an early stage, long before it gained prominence as a global. The integration of ESG matters into our day to day operations is facilitated through a policy framework broadly guided by UNGC's 10 principles, but customised to our business. The Board keeps these policies under constant review to ensure they are updated to reflect any new developments. In the current financial year, several policies including the Energy Management, Environment, and Gender Equality polices were updated.

To further strengthen our management of ESG matters, we have more recently sought to improve our alignment with the UN SDG's where we will support selected goals that HPL can contribute meaningfully to. In this regard, we are working towards developing an ESG roadmap outlining clear targets for the next 5 - 10 years. The Net Zero 2027 and Carbon Neutral 2030 ambitions discussed earlier on is also part of this roadmap.

# CHAIRMAN'S MESSAGE

## FUTURE OUTLOOK

Going forward, our foremost priority will be to sustain and build on the growth momentum of the past year. However, we are now operating in what can only be described as a highly fluid economic environment, where business norms are subject to rapid change. There are a few key challenges that I foresee in the immediate future, among them the rising cost of fertiliser, along with shortages in fuel and other input materials that will adversely affect the Company's financial performance. Therefore, it goes without saying that revenue growth and cost efficiencies will become even more critical over the next few months. At the same time, I am hopeful that the ban on Oil Palm cultivation will also be lifted, enabling HPL to resume Oil Palm growing activities sooner rather than later.

On the whole, I remain confident that our operations are now fit for purpose and are well positioned to seize any opportunities that may open up in the next year. At the same time, our resilient asset base, deep knowledge of the industry and expertise of our people will serve as strong defenses against any possible setbacks in the years ahead.

## BOARD CHANGES

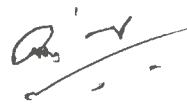
Mr. S S Sirisena, who functioned in the capacity of non-executive Director tendered his resignation from the HPL Board effective 31st August 2021. I would like to take this opportunity to thank him for his services to the Company over the past 04 years and wish him well in his future endeavours.

Following the vacancy created by the resignation of Mr. S S Sirisena, Mr. J M J Perera, a veteran banker was appointed to the Board on 01st September 2021. I would like to extend a warm welcome to Mr. Perera.

## APPRECIATIONS

I take this opportunity to extend a special word of appreciation to my colleagues on the Board for their wise counsel and unstinted support at all times.

On behalf of the board, I would like to acknowledge HPL's management team for their leadership of the Company which has enabled HPL to achieve consistent results year on year. To each one of our employees around the Country, the Board is deeply thankful for your perseverance, commitment and contribution towards these results. To our customers, suppliers, business partners and shareholders, we thank you once again for your ongoing support and belief in what we do. Let me conclude by saying that your long standing support is a source of great strength which inspires us to keep moving onward and upward in the years ahead.



**A M Pandithage**  
Chairman

03rd May 2022

# MANAGING DIRECTOR'S REVIEW

“  
Our conscious efforts to trim costs allowed HPL to record an impressive 85% improvement in Gross Profit from Rs. 200 Mn in the previous year to Rs. 371 Mn for FY 2021/22.  
”



Leaving behind 2020 and its challenges, we gladly moved ahead into FY 2021/22 and did so with a renewed purpose to focus on three key priorities; i) successfully navigate the pandemic and emerge stronger; ii) disciplined execution of our strategy iii) build resilience for 2023 and beyond.

After nearly a year of dealing with the pandemic, we took the 2021 COVID waves in our stride. To assure the safety of our people, we rolled out an aggressive vaccination drive which saw 100% of the eligible population on our estates receiving both doses of the recommended COVID-19 vaccine. The vaccine rollout was later extended to enabling employees to receive the booster shot as well. At the same time, we reinforced the safety protocols

**PROFIT AFTER TAX**



**155%**



**Rs. 42 Mn**

## MANAGING DIRECTOR'S REVIEW

**We expedited our crop diversification agenda by moving aggressively towards planting Coconut in our old Rubber lands. Rs. 86 Mn was invested to cultivate 134 hectares of Coconut during the year, which saw HPL's collective Coconut cultivation footprint (immature and mature) increasing by almost 82% as at 31st March 2022. Our decision to invest more in Coconut is consistent with our long term portfolio de-risking strategy.**

that were established at the onset of the pandemic which enabled our estates and factories to continue to functioning without any interruptions. I am happy to announce that there were no lost days on account of COVID reported in the current financial year.

Pandemic aside, we had to steer our way through countless other challenges. Frequent policy shifts, rising interest rates, the forex liquidity crisis and currency depreciation were some of the critical concerns that drew our attention in FY 2021/22. However, thanks to our robust strategy, the fortitude of our people and their equanimous approach to managing stressful situations, HPL was able to prove its ability to not only withstand pressure, but thrive and grow despite of it.

### KEY FINANCIAL HIGHLIGHTS

Turnover for the year ended 31 March 2022 grew to Rs. 2,564 Mn, a commendable 21% increase over the previous year.

Notwithstanding some margin pressure owing to unforeseen externalities, our conscious efforts to trim costs allowed HPL to record an impressive 85% improvement in Gross Profit from Rs. 200 Mn in the previous year to Rs. 371 Mn for FY 2021/22.

In terms of the bottom line, the FY 2021/22 denoted a turnaround year for HPL as the Company made a solid recovery after two successive years of muted performance. Profit Before Management Fees and Finance Charges increased three-fold to Rs. 225 Mn in FY 2021/22 from Rs. 73 Mn in the previous financial

year, while Profit Before Tax at Rs. 68 Mn, reflected a complete turnaround from the loss of Rs. 76 Mn recorded in the previous year.

### REVIEW OF OPERATIONS

#### Tea Sector

The Tea sector remained the largest contributor to HPL's revenue accounting for 72% share of the total. HPL's Tea sector produced a healthy performance in the current financial year, with all key metrics showing a consistent improvement over the previous year. Tea sector revenue increased by 18% year on year on the back of consistent prices at the Colombo Tea Auction. The national gross average at the Colombo Tea auctions was Rs. 619/- per Kg in the 2021.

HPL's Net Sales Average (NSA) for FY 2021/22 was Rs. 625/- per Kg, well above the national average. It was also a 2% improvement compared to our NSA of Rs. 614/- per Kg recorded in the previous financial year.

Despite strong revenue results, the Tea sector Gross Profit margins came under pressure owing to two main reasons. Firstly, the revision in the minimum wage regulations rendered the Collective Agreement invalid and brought our estate workforce under the Wages Board Ordinance Act issued for the Plantation Sector. Secondly, mechanics of the new ruling pushed up our wage commitments by a full 34% compared to what it would have been under the previous framework.



Nonetheless, thanks to holistic efforts to reduce costs in other areas, the impact on the Cost of Production (COP) was kept to a minimum with only a marginal increase in COP noted in comparison to the previous year. Consequently, the Tea sector's Gross Profits increased to Rs. 177 Mn, up 21% from the Rs. 146 Mn reported in the previous financial year.

On an overall basis, total Tea production increased by 11% as a direct result of higher bought leaf volumes and the significant expansion in revenue share model in this year. We did however experienced some notable labour migration during the period.

### Rubber Sector

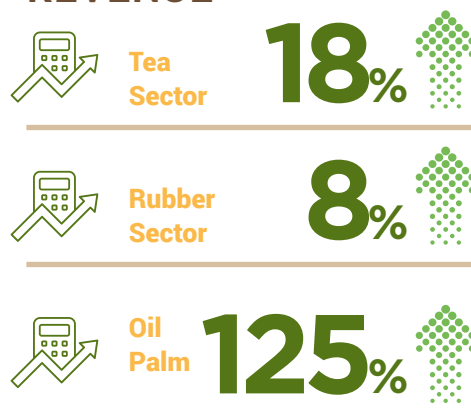
The Rubber sector accounts for approximately 17% of HPL's total annual revenue on average. FY 2021/22 was a good one for Sri Lanka's Rubber sector as a whole as the strong recovery in global rubber markets in 2021 drove up the National Sales Average amply helped by the Rupee depreciation. The NSA in FY 2021/22 stood at Rs. 600/- per Kg a significant 69% higher than the Rs. 355/- per Kg recorded in the previous year.

Bolstered by this highly conducive environment, HPL's Rubber sector revenue increased to Rs. 430 Mn, up by 8% from Rs. 400 Mn in the previous year. Our FSC (Forest Stewardship Council) certification gave us an added boost in achieving premium prices at the Rubber auctions, while direct sales of value added rubber products including coloured Sole Crepe and non-fraction non-bleach rubber also contributed towards improving our topline.

As was the case for the Tea sector, the Rubber sector too came under stress owing to the increase in the minimum wage. Nevertheless, driven by strict cost control measures, the Rubber sector gross profit improving to Rs. 65 Mn from Rs. 17 Mn signalling an impressive 295% increase year-on-year.

Meanwhile, a notable reduction in rubber production and yields was observed in 2021 owing to adverse wet weather affecting tapping conditions at our estates. With almost 70 tapping days lost due to rainy conditions, annual rubber production decreased by 28% in FY 2021/22, while the yield per hectare dropped by 245 Kgs. The spread of leaf fall disease across Sri Lanka's rubber plantations was also partly responsible for the decline in yields.

## REVENUE



### Oil Palm

HPL's Oil Palm sector revenue increased by Rs. 86 Mn on the back of a strong improvement in the NSA. The NSA increased by 57% year on year immediately following the announcement declaring the restriction of Palm Oil imports to the country. Supported by strong revenue growth, Gross Profit reported by HPL's Oil Palm sector increased substantially from Rs. 18 Mn in the previous year to Rs. 100 Mn in the year under review.

The ban on Oil Palm cultivation remains in force and continues to have a direct impact on the long term prospects of the business.

### Diversified Crops

HPL's Diversified Crops sector, which comprises a mix of crops including Coconut, Cinnamon and ancillary crops, produced a healthy performance in the FY 2021/22. Sector revenue improved by 8% driven by a healthy contribution from Coconut.

We expedited our crop diversification agenda by moving aggressively towards planting Coconut in our old rubber lands. Rs. 86 Mn was invested to cultivate 134 hectares of coconut during the year, which saw HPL's collective Coconut cultivation footprint (immature and mature) increasing by almost 82% as at 31st March 2022. Our decision to invest more in coconut is consistent with our long term portfolio derisking strategy. Meanwhile our total investment in crop diversification to date stands at Rs. 349 Mn accounting for 9% from HPL's total assets.

## MANAGING DIRECTOR'S REVIEW

As always, field development activities continued across all our estates as part of our ongoing yield optimisation programme.

### CAPACITY BUILDING

Reinforcing our commitment to resilience building, we proceeded with capacity building on multiple fronts.

Our enthusiasm for innovation was displayed once again in this past year as we launched several new innovative concepts. The Vermiwash project is one such effort where we are sought to develop a sustainable alternative to synthetic agricultural inputs. HPL also collaborated with the faculty of Agriculture – Wayamba University of Sri Lanka to undertake a research initiative aimed at developing organic fertiliser compounds.

We were also quite aggressive in our pursuit of digitisation and automation. The Bambrakelley Factory automation project which commenced in the previous year was fully completed in the year under review. In the 04 months since commencing, fully automated live runs, we have witnessed a notable improvement in processing times at every stage.

### PEOPLE AND COMMUNITY

I readily acknowledge that our employees have been and will always be our core assets and a key pillar for the success and continued growth of our Company. While their welfare and rights are integrated into every aspect of our operation, we remain fully committed to improving the lives and well-being of our employees on an ongoing basis. We continued to prove our commitment in this regard by ensuring all estate employees received the allied benefits of the collective agreement even after the plantation sector collective agreements were nullified by the introduction of the Wage Board Ordinance Act.

Another notable initiative was the completion of the pilot project on NVQ qualifications and Skills Passports for HPL's field staff. The project which was made possible through a collaboration between HPL, National Apprentice and Industrial Training Authority (NAITA), the Tertiary and Vocational Education Commission (TVEC), the Employers' Federation of Ceylong (EFC) and the ILO – Country Office, makes Horana Plantations PLC the first ever plantation Company in Sri Lanka authorised to issue "Skills Passports".

Our commitment to people goes beyond our employees where HPL has made an express commitment to bring about positive change to the lives of their families and wider communities who live on our estates. Towards this end, we operate first and foremost by taking ownership to work with our communities, understand and find meaningful solutions to the problems that these communities face.

One of our key focus areas is child protection, where we work in collaboration with the Ministry Women's and Children's Affairs and Save the Children to propagate the necessary policy framework to uphold underlying principles of the United Nations Convention on the Rights of the Child within its estates.

Our farmer outgrower type revenue share model has also become a catalyst underpinning our community empowerment goals. The significant expansion in our revenue share model in this past year has enabled almost 1,850 families across our Tea Plantations to earn a supplementary income.

Meanwhile our health and nutrition initiatives for our plantation workers support SDG 2 - No Hunger and SDG 3 - Good Health and Well-being.

The full extent of HPL's commitment to its people and communities are described in the Human Capital as well as the Social and Relationship Capital sections of this annual report.

### CLIMATE ACTION

HPL's commitment to being a leader in environmental performance is not based solely on good agricultural practices but also represents our desire to reduce the variables within and outside our operations that potentially impact our environment negatively.

HPL has voluntarily adopted the ISO 14001: 2015 - Environmental Management Standard as the benchmark for the Environmental Management System implemented at all our factories. Other global certifications such as the Forest Stewardship Council certification, the Rainforest Alliance, the Ethical Tea Partnership and the Eco Label Certification, further validate the harvesting practices employed on our estates and confirm the environmental efficacy of our products. HPL was the first Plantation Company in Sri Lanka to be awarded "Eco Label Certification".

HPL's annual Greenhouse Gas (GHG) inventory report quantifies the Company's GHG Emissions by accurately measuring the emissions associated with each stage of our manufacturing operations, thus proving to be a benchmark for driving ongoing reduction of our carbon emissions.

Our investment in solar energy has become pivotal in our efforts to support the transition to a low carbon economy. Since commencing its renewable energy journey in 2021, HPL has invested Rs. 85 Mn to date to commission rooftop solar systems at all five of its Estates in the Upcot Region with a total annual generation capacity of 625 kW (35% of Up Country region's annual energy requirement). In parallel, we initiated a 10 year strategic roadmap outlining medium to long term energy goals through which we hope to achieve our Net Zero carbon emission target by 2027 and our aspiration to secure the carbon neutral certification for our teas by 2030. As a first step, we began the process of registering our solar projects under the Sri Lanka Carbon Crediting Scheme, whereby HPL will become a partner to assist other organisation to manage their carbon footprint.

Taking a more peripheral view of how we can preserve and protect the environment, HPL has invested its resources in creating an 18 km "Peak-Ridge Forest Corridor" across the Stockholm, Mahanilu and Alton estates and extending all the way to the Ballapennumgala forest reserve. Our aim with this initiative is to provide a safe haven for the native leopard population and other endemic species in the area.

Our latest green initiative, the "Green Planet" tree planting program was launched in January 2022. The first phase saw 1,000 native plants being planted across our estates. The ultimate goal of the project is to grow 500, 000 plants to complement the biodiversity and ecosystems at our estates.

The Natural Capital section contained in this report described in detail HPL's ongoing climate action initiatives.

### AWARDS AND ACCOLADES

In the past year, the Company gained recognition at several awards platforms. At the National Business Excellence Awards 2021, HPL was declared the Runner-up in the Agriculture and Plantations Sector and also received a Merit Award for Excellence in Corporate Social Responsibility at the same forum.

**HPL's commitment to being a leader in environmental performance is not based solely on good agricultural practices but also represents our desire to reduce the variables within and outside our operations that potentially impact our environment negatively.**

We also clinched the Bronze Award in the Plantation Sector at the 56th Annual Report Awards 2021 conducted by the CA Sri Lanka.

Our Gouravilla Estate received a Merit Award under the Tea Industry Sector (Manufacturing Large) category, at the National Cleaner Production Awards – 2021.

### LOOKING AHEAD

I remain confident that our strong business fundamentals along with the strategic initiatives mobilised during the year will hold HPL in good stead, as we head into what is quite likely to be an uncertain future.

As the Sri Lankan economy transitions into yet another phase of its evolutionary cycle, HPL's priority going forward will be to contribute towards strengthening the country's export earning potential. Our focus in this regard will be to increase both yields and production volumes through systematic improvements in productivity and overall efficiency. Innovation and value adding partnerships will likely be key features in this effort. A key catalyst in this regard will be HPL's MoU with the University of Wayamba which aims to enhance the knowledge of our executives and staff in relation to science based solutions. At the same time, I expect our Revenue Share Model to also gain traction in the coming years, paving the way for sustained benefits for the Company, its people and communities as well as the Country as a whole.

# MANAGING DIRECTOR'S REVIEW

## APPRECIATIONS

In conclusion, I would like to take this opportunity to express my sincere gratitude to the management teams and all HPL employees for staying focused and committed in these trying times. I wish to reiterate that it is your determination and indomitable spirit that has, is and will always be the backbone of Horana Plantations PLC.

I wish to thank the Chairman and my colleagues on the HPL Board along with the Boards of Vallibel One PLC and Hayleys PLC for their wisdom and oversight in steering HPL forwards.

I would like to thank all the regulatory and supervisory bodies at both national and local levels, for the support provided over the years.

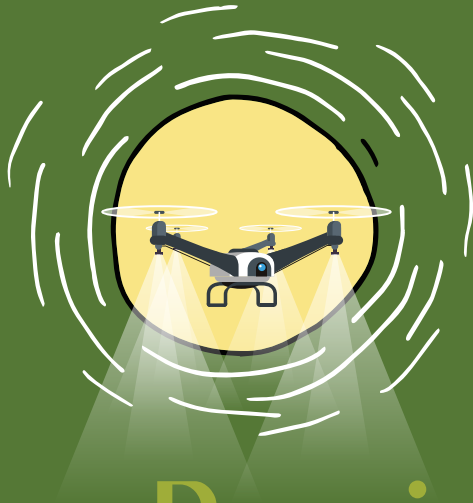
Last but not least, to our loyal shareholders, suppliers and other stakeholders, thank you for your long standing patronage. I trust you will remain invested in our success and look forward to your continued support in the years ahead as well.



**Dr. Roshan Rajadurai**

Managing Director

03rd May 2022



# Passionate Sustainability

Creating paradigm shifts in the  
agricultural industry.

STRATEGY REPORT

# BUSINESS MODEL

EXTERNAL ENVIRONMENT OPPORTUNITIES & CHALLENGES

## VISION

TO BE THE FOREMOST PRODUCER AND MARKETER OF TEA, RUBBER, OIL PALM & OTHER ANCILLARY CROPS IN SRI LANKA

## INPUTS

### FINANCIAL CAPITAL

Equity Capital  
**Rs. 796 Mn**  
(Rs. 748 Mn - 2020/21)

Debt Capital  
**Rs. 2,094 Mn**  
(Rs. 1,983 Mn - 2020/21)

### HUMAN CAPITAL

**4,186** Employees  
**4,125** Strong Estate Workforce

- ▶ Competitive remuneration
- ▶ Best Safety Practices
- ▶ COVID-19 response
- ▶ Industrial Relations Framework
- ▶ Effective Grievance Handling

### MANUFACTURED CAPITAL

**9** TEA Estates    **5** Rubber Estates    **9** Tea Factories    **3,126** Tea & Rubber (Ha)

**285** Oil Palm (Ha)    **14** ESTATES    **468** Diversified Crops (Ha)

Manufacture Capacity: **4.5 Mn** Tea **1 Mn** Rubber

Strategy: Crop Diversification

Programme:
 

- ▶ Field Development
- ▶ Factory Automation
- ▶ Digitisation

### INTELLECTUAL CAPITAL

Long Standing Brand Reputation    Innovation strategy

Knowledge-based Systems    Value added products

#### Certifications and licenses

▶ HACCP ▶ ISO:22000, ▶ ISO 14001 ▶ ISO 9001  
▶ Rainforest Alliance ▶ Ethical Tea Partnership ▶ Fair Trade ▶ Fair Rubber ▶ Forest Stewardship ▶ Council certification ▶ ISO:14064-1 ▶ Eco Label ▶ Climate Neutral Now and UN Global Compact

Industry Memberships    Business Ethics

Group Synergies

### SOCIAL & RELATIONSHIP CAPITAL

Global Best Practices
 

- ▶ Estate Maintenance
- ▶ Manufacturing Quality

Innovation strategy

Food Safety Policy
 

- ▶ Innovation
- ▶ Service Providers Selection Policy

Community Investment Strategy

#### Best practices

▶ HACCP ▶ ISO:22000, ▶ ISO 14001 ▶ ISO 9001  
▶ Rainforest Alliance ▶ Ethical Tea Partnership  
▶ Fair Trade ▶ Fair Rubber ▶ Forest Stewardship  
▶ Council Certification ▶ ISO:14064-1 ▶ Eco Label  
▶ Climate Neutral Now and UN Global Compact

Knowledge Sharing    Supplier Development

Community Investment Strategy    Community Relations

### NATURAL CAPITAL

Environmental Policy

Environmental Compliance

Investment Energy Efficient Infrastructure

GHG Inventory Report  
Environmental Best practices  
▶ HACCP ▶ ISO:22000, ▶ ISO 14001 ▶ ISO 9001  
▶ Rainforest Alliance ▶ Ethical Tea Partnership  
▶ Fair Trade ▶ Fair Rubber ▶ Forest Stewardship  
▶ Council certification ▶ ISO:14064-1 ▶ Eco Label  
▶ Climate Neutral Now and UN Global Compact

Invested **Rs. 85 Mn**    Sustainable Agriculture Practices  
Renewable Energy    ▶ Integrated Pest  
▶ Weed Management

Waste Segregation & 3R

Waste Circularity Initiatives

Organic Fertiliser Manufacturing Project

## VALUE ADDING ACTIVITIES

### CORE BUSINESS ACTIVITIES



### SUPPORT SERVICES



**MISSION** TO ADOPT THE BEST AGRICULTURAL PRACTICES, MEASURING RETURNS AGAINST A LONG TERM INVESTMENT HORIZON.

**STRATEGY**

## OUTPUTS FOR HPL

- ▶ Enhance brand reputation
- ▶ Additional revenue streams
- ▶ Improvement in overall estate productivity
- ▶ Highest yields
- ▶ Increase in production capacity
- ▶ Better monitoring and oversight
- ▶ Lower operational costs
- ▶ Increase in plucker output
- ▶ Enhanced quality of Teas
- ▶ Reduction the impact of climate change
- ▶ Improved industry standing
- ▶ Competitive edge through innovation
- ▶ Improved reliability of the supply chain
- ▶ Enhanced operational efficiency through partnerships
- ▶ Ability to attract new value adding partnerships
- ▶ Higher employee productivity
- ▶ No lost days
- ▶ Strong community ties

## STAKEHOLDER OUTCOMES

### PARENT REVENUE

**Rs. 2,564 Mn**

(Rs. 2,125 Mn - 2020/21)

### PBT

**Rs. 68 Mn**

(Rs. -76 Mn - 2020/21)

### SHAREHOLDERS, INVESTORS & BANKS

#### ROCE

**8%**

(2.4 % - 2020/21)

#### ROI

**5.5%**

(-10% - 2020/21)

#### PAID

Debt Service Commitments

**Rs. 118 Mn**

(Rs. 111 Mn- 2020/21)

### SUPPLIERS

Amount paid to bought-leaf suppliers

**Rs. 178 Mn**

(Rs. 45 Mn - 2020/21)

Amount distributed through the Revenue Share Model

**Rs. 80 Mn**

### REGULATORS

ZERO incidents of non-compliance  
Insights for poly development

### BROKERS, BUYERS AND CUSTOMERS

- ▶ Fair-trade Certified Teas
- ▶ Orthodox Rotorvane type of Small Grade Teas
- ▶ High Grown orthodox semi Leafy Grade Teas
- ▶ Light liquoring small grade Teas
- ▶ Reclaimed Teas
- ▶ Flavoured Teas
- ▶ Single origin Teas
- ▶ Range of Rubber products including sole crepe, coloured sole crepe, pale crepe, thick crepe
- ▶ Forest Stewardship Council certified Rubber

### RESIDENT COMMUNITIES

- ▶ ZERO incidents of non-compliance
- ▶ Insights for policy development and Mother and Child Friendly Plantations
- ▶ Child Protection Policy
- ▶ Child Protection Focal Points (CFFP)
- ▶ "Safe Haven" Housing Programme
- ▶ Estate Worker Housing Societies
- ▶ COVID-19 assistance
- ▶ Free medical camps, eye camps, health screening programs, post and antenatal Clinics, nutritional clinic, and immunisation clinics
- ▶ First Aid training
- ▶ Nutritional awareness
- ▶ Fair-trade NAPP funded for home gardening project
- ▶ ADRA funded for home gardening project
- ▶ Vocational training for women and youth
- ▶ Education support

### EMPLOYEES

- ▶ Total Value of Benefits distributed

**Rs. 1,434 Mn**

(Rs. 1,315 Mn - 2020/21)

- ▶ Additional income generation opportunities through the Revenue Share Model

- ▶ Average training hours per person

**4,018 Hrs (Executives)**

- ▶ Average training hours per person

**10,745 Hrs (Workforce)**

- ▶ ZERO Accidents
- ▶ ZERO Industrial disputes
- ▶ Better work-life balance for estate communities

### ENVIRONMENT

- ▶ Total emissions in tonnes CO2e - 2,886 (3,331 - 2020/21)
- ▶ 4% energy generated through renewable energy
- ▶ 17% reduction in water consumption
- ▶ Conservation Areas and Buffer Zones to protect biodiversity at estates are 386.58 Ha
- ▶ Green Planet tree planting program to plant 500,000 native fauna and flora
- ▶ Peak-Ridge Forest Corridor for the protection of the leopard population and other native animal species

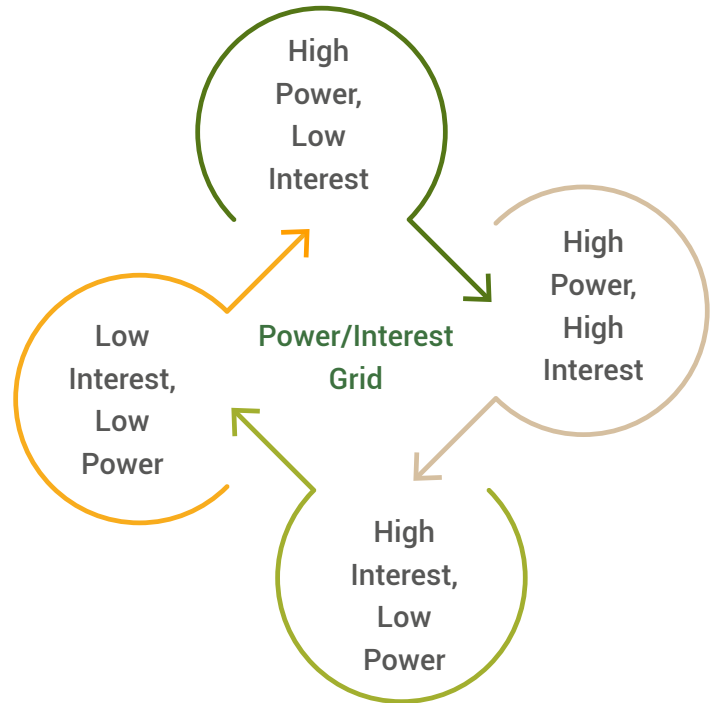
# STAKEHOLDER ENGAGEMENT

GRI 102-40, GRI 102-42-44

We believe it is vital to have ongoing dialogue with our stakeholders in order to inform them of our progress and plans and also to listen to their feedback with the aim of deepening mutual understanding.

As a first step towards building good relationships with all stakeholders, we seek to identify HPL's main stakeholders. Stakeholders are identified through an in-depth analysis of the internal and external parties across HPL's value chain. Stakeholders so identified are then filtered into the power / interest grid to help establish the desirable level of engagement with each group based on their power and / or interest in our business.

## Identifying Stakeholders and Prioritising Engagement



## Levels of compliance with the Companies Act No. 7 of 2007 are given in the following table:-

Stakeholder Group	Stakeholder Significance	Engagement Methodology And Frequency Of Engagement	Stakeholder Expectations / Matters Of Concern	HPL's Response	Further Reading
Parent	Providers of financial resources as well as strategic direction and governance oversight	Monthly / Quarterly Management Meetings with Hayleys Group Management Committee / Hayleys Group Plantation Sector / Group HR / Group Finance	Delivery of consistent financial results to augment the Group's overall vision	<ul style="list-style-type: none"> <li>Continuously monitor and measure progress against Group goals</li> <li>Revenue diversification and cost management</li> <li>Strengthen business resilience through effective risk management</li> <li>Improve estate productivity through continuous innovation</li> </ul>	Corporate Governance Report - pages 124 to 138 Manufactured Capital - pages 66 to 71 Risk Management Report - pages 47 to 51 Intellectual Capital - pages 72 to 79



Stakeholder Group	Stakeholder Significance	Engagement Methodology And Frequency Of Engagement	Stakeholder Expectations / Matters Of Concern	HPL's Response	Further Reading
Shareholders, Investors, Banks	Providers of financial capital for business continuity and expansion	<ul style="list-style-type: none"> <li>• Quarterly Financial Statements</li> <li>• Press Releases (As needed)</li> <li>• Annual Report</li> <li>• Annual General Meeting</li> <li>• CSE Announcements (As needed)</li> <li>• One-on-one meetings with bankers (As needed)</li> </ul>	<ul style="list-style-type: none"> <li>• Stable financial position to meet debt service commitments on time</li> </ul>	Work with Group Treasury to proactively manage liquidity requirements	Financial Capital - pages 60 to 65
Buyers, Brokers and Direct Customers	Buyers and promoters of the Company's tea, rubber and other products	<ul style="list-style-type: none"> <li>• Scheduled estate visits (as needed)</li> <li>• One-on-one meetings</li> <li>• Local and International trade forums</li> </ul>	<ul style="list-style-type: none"> <li>• Product Quality and Safety</li> <li>• Product Compliance</li> <li>• On-time delivery</li> </ul>	Commitment to ensure consistently high quality products in compliance with regulatory requirements	Social and Relationship Capital - pages 92 to 105 Intellectual Capital - pages 72 to 79
Employees and Trade Unions	The estate workforce, staff, management	<ul style="list-style-type: none"> <li>• Weekly / Monthly meetings with trade union representative</li> <li>• Daily Team Meetings</li> <li>• Weekly safety briefings</li> <li>• Meetings with top management (as needed)</li> <li>• Industry forums with unions (Bi-annual)</li> <li>• Voluntary Worker Committee meetings (Monthly)</li> <li>• Sport Committee Meeting (Monthly)</li> <li>• Training activities in collaboration with labour department (Regularly)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable employment</li> <li>• Fair employment terms including equitable pay and benefits, opportunities for training and development</li> <li>• Safe working environment</li> </ul>	Invest in providing employees with a stable work environment with equal opportunity for personal and professional growth	Human Capital - pages 80 to 91

## STAKEHOLDER ENGAGEMENT

Stakeholder Group	Stakeholder Significance	Engagement Methodology And Frequency Of Engagement	Stakeholder Expectations / Matters Of Concern	HPL's Response	Further Reading
Resident Communities	The communities that work and live on our estates	<ul style="list-style-type: none"> <li>• Monitoring by Child Protection Focal Point (Ongoing)</li> <li>• Monitoring by Child Development Committee (Ongoing)</li> <li>• Kovil Committee meeting (As needed)</li> <li>• Vocational Training programmes (Regularly)</li> <li>• Technical advice through RSM initiatives (Ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Harassment-free living environment</li> <li>• Better overall quality of life</li> <li>• Access to education and healthcare</li> <li>• Opportunities to improve income generation capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the Mother and Child Friendly plantation initiative</li> <li>• Planned programme of community health and nutrition initiatives</li> <li>• Roll out of the Revenue Share Model (RSM) to enable estate workers to earn additional income</li> <li>• Vocational training initiatives targeting women and youth</li> <li>• Educational scholarships for children</li> </ul>	Social and Relationship Capital - pages 92 to 105
Suppliers	Bought leaf suppliers, RSM suppliers and other suppliers who provide agricultural inputs and other essential products and services	<ul style="list-style-type: none"> <li>• Supplier on-boarding (As needed)</li> <li>• Annual Supplier Audits</li> <li>• Technical Advice through RSM initiatives (Ongoing)</li> <li>• Training interventions (As needed)</li> </ul>	<ul style="list-style-type: none"> <li>• Level playing field</li> <li>• Fair pricing</li> <li>• On time payments</li> <li>• Opportunities for business expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Honour all supplier commitments on time and without delay</li> <li>• Diversify the supply chain to provide opportunities for new entrants</li> </ul>	Social and Relationship Capital - pages 92 to 105

Stakeholder Group	Stakeholder Significance	Engagement Methodology And Frequency Of Engagement	Stakeholder Expectations / Matters Of Concern	HPL's Response	Further Reading
Certification / Accreditation Bodies	Organisations and institutions that support HPL to align with global best practices	<ul style="list-style-type: none"> <li>• Annual audits</li> <li>• Knowledge sharing sessions (As needed)</li> <li>• Scheduled meetings (As needed)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability policy implementation</li> <li>• Compliance record</li> </ul>	Commitment to maintain 100% compliance record	Intellectual Capital - pages 72 to 79
Government and Regulators	Governing bodies and regulatory authorities governing all key aspects of the business	<ul style="list-style-type: none"> <li>• Regulatory / reporting (As mandated)</li> <li>• Quarterly Financial Statements</li> <li>• Press Releases (As needed)</li> <li>• Annual Report</li> <li>• One-on-one meetings (As needed)</li> <li>• Industry joint forums (As needed)</li> </ul>	<ul style="list-style-type: none"> <li>• 100% compliance of regulations</li> <li>• Early adoption of regulatory requirements</li> <li>• Timely payment of taxes</li> </ul>	Absolute commitment to comply with all regulatory requirements without exception	Financial Capital - pages 60 to 65 Corporate Governance Report - pages 124 to 138

# MATERIAL TOPICS

➤ GRI 102-31, GRI 102-47, GRI 103-1, GRI 103-2

HPL continually strives to stay informed on the key issues that are relevant to the Company and its stakeholders, and to adjust its policies and reporting accordingly. In this regard, the Corporate Management Committee looks into the economic, environmental and social aspects that could potentially impact the Company’s strategy, reputation and ability to meet its stakeholder expectations.

The process of determining Material Topics comprises four steps.

## Step 1 - Identification

The Corporate Management Committee consider several different perspectives in their efforts to identify Material Topics.

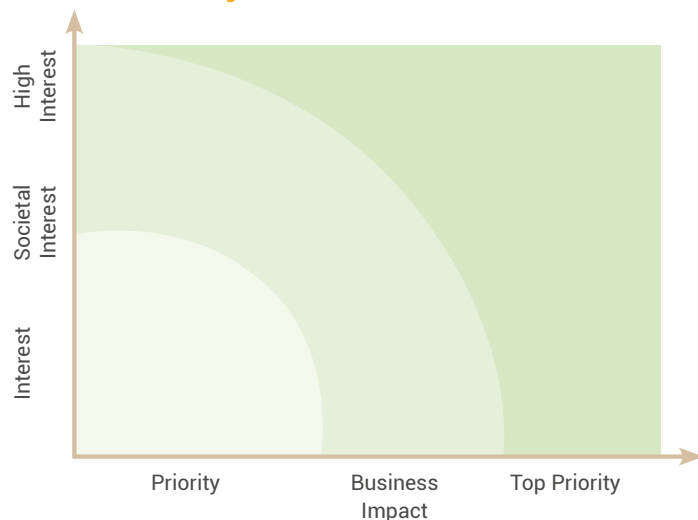
### Perspectives

Perspectives	Source
Relevance for the Company	<ul style="list-style-type: none"> <li>Risk Management Process</li> <li>Internal / External Audit Reports</li> <li>Discussions with Group Management</li> <li>Regulatory directives and notifications</li> </ul>
Relevance to Stakeholders	<ul style="list-style-type: none"> <li>Stakeholder Engagement Process</li> <li>Complaint / Grievance mechanism</li> </ul>
Industry Trends	<ul style="list-style-type: none"> <li>Market Studies</li> <li>Peer Review information</li> <li>Awards and Ranking mechanism</li> </ul>
Global and local Context	<ul style="list-style-type: none"> <li>Global Best Practices</li> </ul>

## Step 2 - Prioritisation

To determine which of the topics identified in the previous stage are material to HPL, each topic is examined carefully as to the degree of importance it holds for each specific stakeholder and its economic, environmental and social significance and impact on the Company and its operations. Based on a range of qualitative and quantitative assessments, they are then arranged on the Materiality Matrix to weigh the importance of each topic to the Company in relation to its significance to stakeholders.

### Materiality Matrix



Economic	Social	Environment
Yield Optimisation	Product Compliance	Sustainable Agriculture
Responsible Manufacturing	Customer Health and Safety	Carbon Footprint
Production Efficiency	Product Quality Assurance	Environmental Conservation
Innovation	Fair Remuneration	
Cost Management	Employee Well-being and Job Security	
Profitability	Career Prospects	
Balance Sheet Stability	Supply Chain	
	Community Empowerment	

### Step 3 - Validation

The Materiality Matrix is discussed and examined by the Corporate Management Committee to determine its completeness vis-a-vis global definitions for materiality as outlined by the GRI Standards and the IR Framework.

### Step 4 - Integration

Validated Material Topics are integrated into HPL's strategy through the strategic planning exercise and operationalised at a granular level through the Company's policy frameworks and procedural mandates.

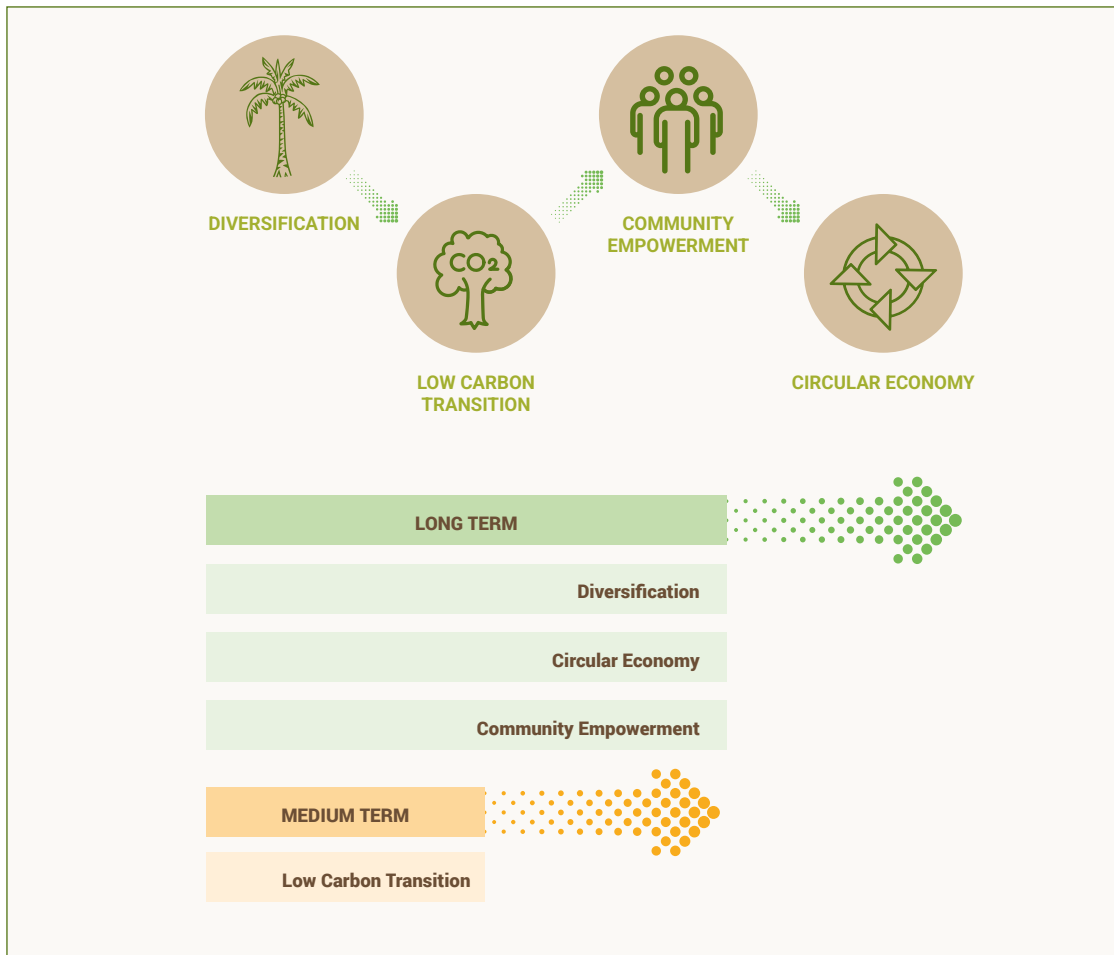
# PROGRESS ON STRATEGY

HPL's strategy reflects our desire to grow our business over the medium to long term. Hence, we focus our strategic imperatives on these time frames by setting clear targets that will systematically bring us closer to our objective of sustainable growth.

Our strategy is broad based and consists of multiple strategic levers that we consider to be key imperatives for developing and growing our business. However, each year, we deeply analyse each lever in tandem with our operating environment in order to prioritise the key thrust areas and streamline our resource allocations for that year.

Our focus for FY 2021/22 was on four strategic levers - Diversification, Circular Economy, Low Carbon Transition and Community Empowerment.

Moreover, given the rapidly evolving economic environment in these past few years, we recently revised our definition of what we consider to be long term and medium term in order to ensure realistic target setting for the foreseeable future. Accordingly, medium term is now deemed to be the next 12 -18 month time frame, while anything between 18 to 36 months is considered as long term.



GRI 102-15

## Diversification

	Risks	Opportunities
<p>HPL has long considered diversification as a critical business strategy in strengthening and building resilience against unforeseen contingencies.</p> <p>Our approach to diversification is two fold. On the one hand, we focus on crop diversification to reduce the dependence on one crop. On the other hand, we also pursue product diversification as a means to secure a competitive edge over peers.</p>	<ul style="list-style-type: none"> <li>• High initial cost outlay</li> <li>• Low rate of return in the short term</li> </ul>	<ul style="list-style-type: none"> <li>• Creation of additional revenue streams</li> <li>• Ability to expand customer reach</li> </ul>

FY 2021/22 - Update			Future Targets
Focus Area	Resources Allocated	Outcomes	
Crop Diversification	Rs. 86 Mn incurred on planting of Coconut and other ancillary crops	84% increase in the cultivated extent of Coconut	Increase the cultivated extent of coconut by another 70% by end 2025

## Circular Economy

	Risks	Opportunities
<p>As an agriculture based business, HPL has continued to lead by example in promulgating sustainable agricultural practices.</p> <p>In recent years, the company has intensified its focus on embedding circularity as part of the mainstream operations of the business.</p>	<ul style="list-style-type: none"> <li>• Lack of globally accepted testing or assurance frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• Creates a platform for innovation and collaboration</li> </ul>

FY 2021/22 - Update			Future Targets
Focus Area	Resources Allocated	Outcomes	
Vermiwash project	Rs. 1 Mn was allocated towards research for this project.	Test fields which were sprayed with vermiwash showed a significant increase in yields, in the range of 10% to 14%.	Operatioanalise the Vermiwash project on a commercial scale by 2026
Weed buyback programme	Rs. 4.8 Mn was paid to buy back weeds at with from 08 estates.	Acquired 1.7 Mn kgs of weeds for composting.	Increase the weed buyback quantity by 20% annually

# PROGRESS ON STRATEGY

## Community Empowerment

	Risks		Opportunities
Community empowerment has always been a core component of HPL's business model. Over the years, HPL has engaged in various community empowerment programmes to support communities living and working on the Company's estates.	<ul style="list-style-type: none"> <li>Lack of interest among Community</li> <li>Lack of Confidence and Perceived Lack of Skills</li> </ul>		<ul style="list-style-type: none"> <li>Provide skills / Leadership Training and Job Networks</li> <li>Greater Satisfaction with Quality of Life</li> </ul>
FY 2021/22 - Update			Future Targets
Focus Area	Resources Allocated	Outcomes	
Revenue Share Model (RSM)	Rs. 80 Mn was distributed to workers at 09 estates who engaged in growing activities under the RSM	14% of the bought leaf was attributed to the RSM.	Extend the RSM to cover all HPL estates by 2025
Safe Haven – for all at Horana Plantation Programme	Rs. 23 Mn was incurred on providing housing units for 956 families	Collective coverage under the initiative now stands at 13% across all HPL's estates	Aim for 100% coverage across all plantations by 2030.





# MANAGING RISK

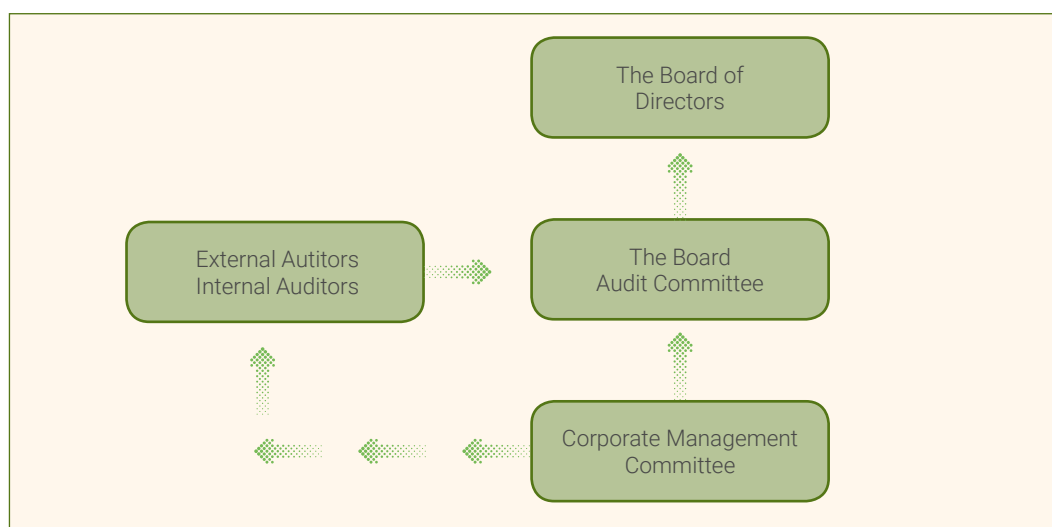
➡ GRI 102-11, GRI 102-15, GRI 102-29-30

## OUR APPROACH TO RISK MANAGEMENT

Our approach to Risk Management aims to minimise potential risks that may affect our competitive position or our ability to achieve long term strategic goals.

We apply a comprehensive Risk Management Process to identify, analyse and evaluate risks present in our risk universe and to develop and deploy appropriate risk treatment mechanisms to mitigate same.

## Risk Governance Structure



### Duties and Responsibilities - Board of Directors

- Setting risk appetite limits for each risk category
- Review and approve risk policies, procedures, protocols and processes

### Duties and Responsibilities - Board Audit Committee

- Review identified risk
- Review appropriateness of risk response strategies
- Monitoring of progress of strategies

### Duties and Responsibilities (Independent Assurance) - External Auditors and Internal Auditors

- Regular review of financials and internal controls
- Providing recommendations to improve existing internal control framework

### Duties and Responsibilities - Corporate Management Committee

- Proactive Risk analysis through ongoing discussions with estate and operational management
- Formulate and recommend appropriate response strategies to the Board
- Reinforce adherence to risk policies, procedures, protocols and processes
- Strengthen the risk awareness culture

## RISK MANAGEMENT PROCESS

The Risk Management Process is executed by HPL's Corporate Management Committee under the stewardship of the HPL Board and the Board Audit Committee. The Internal and External Audit Committee play a vital role in providing independent verification and assurance regarding the efficacy of the Risk Management Process.

# MANAGING RISK

A strong risk awareness culture at all levels of the business goes hand in hand with ensuring the effectiveness of the risk management process.

## 1. Risk Identification

The Corporate Management Committee meets often to identify risks (and opportunities) arising out of discussions with the estate management, internal audits, quality audits, sustainability audits as well as market information and competitor trends.

## 2. Evaluation and Prioritisation

Identified risks are evaluated based on the impact to the business (i.e: High, Medium and Low) and Likelihood of occurrence (i.e : Unlikely to Occur, Possible to Occur and Certain to Occur). This helps to prioritise all key risks for the purpose of planning and implementing appropriate risk response strategies.

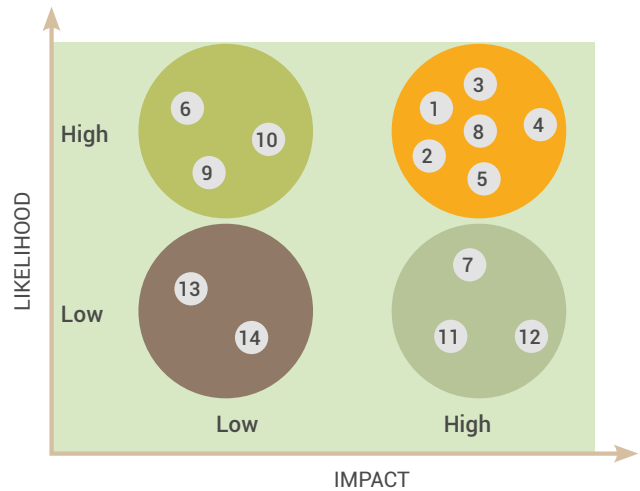
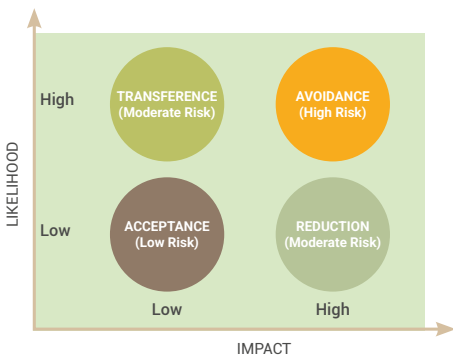
## 3. Risk Response Strategies

Risk response strategies are determined based on HPL's appetite for each risk type. Risk responses include policies, limit thresholds, procedures and protocols implemented across the business. All employees are required to comply with these established risk responses without exception.

## 4. Risk Monitoring and Reporting

Risk monitoring and reporting is ongoing. It is a bottom-up process that starts at an operational level and moves all the way up to the Board through the Corporate Management Committee and the Board Audit Committee. Independent assurance reports provided by Internal / External Auditors also play a vital role in monitoring.

### HPL's Risk Assessment



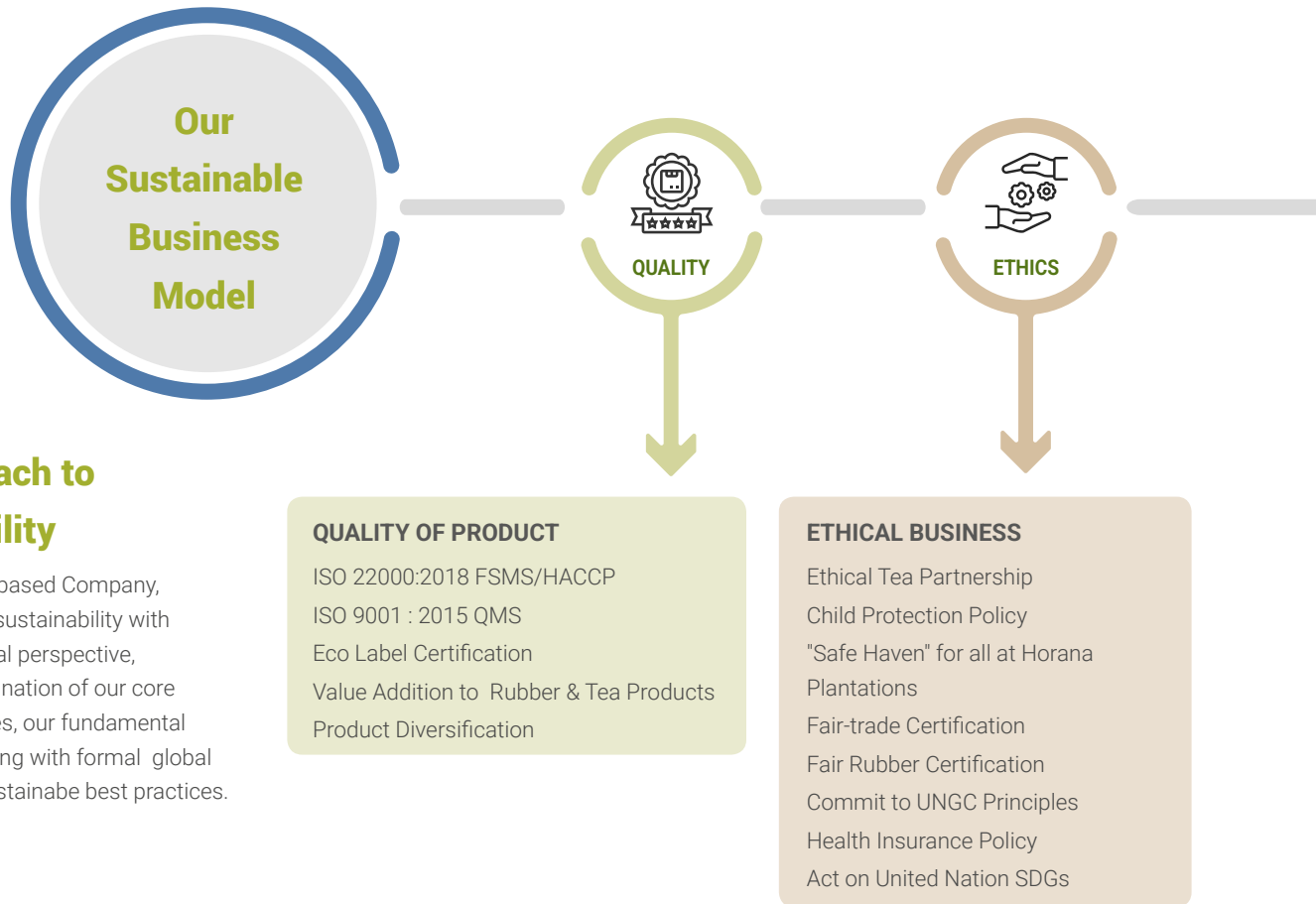
Risk Factor	Identified Risk Category	Response Strategy	Risk Rating	
			2021/22	2020/21
1 Erratic weather conditions, soil erosion, and the inability to harvest tea or tap rubber affects yields due estate and productivity	Environment GRI 201-2	<ul style="list-style-type: none"> <li>The Company adopts prudent agricultural practices such as TRI recommended clones.</li> <li>Rain guards for Rubber trees in order to minimise the loss of crop due to adverse weather conditions.</li> <li>Increase the level of awareness of estate employees regarding climatic changes.</li> <li>Improving soil condition by applying relevant fertiliser on time and promoting organic fertiliser.</li> <li>Increase the number of rain water harvesting ponds.</li> </ul>	H	H
2 Unavailability of fertiliser and chemical. Drop in estate productivity due to inadequate fertilisation	Business Disruption	<ul style="list-style-type: none"> <li>Produce organic fertiliser as much as possible and secure available chemical fertiliser.</li> <li>Maximising the production of Vermi wash in composting</li> <li>Maximising the production of Organic Liquid Fertiliser</li> <li>Buying back weeds to minimise the usage of available Agro Chemicals.</li> <li>Synthetic Mulching Materials for weed control in immature areas.</li> <li>Strategising the application of available fertiliser.</li> </ul>	H	H
3 Factory machinery breakdowns, natural disaster, fire. Inability to maintain production targets		<ul style="list-style-type: none"> <li>Continuous ongoing maintenance and monitoring to ensure machinery and equipment continue to function at optimal levels</li> <li>Insurance covers of tangible assets</li> <li>Disaster recovery procedures are followed.</li> <li>Compliance with fire safety regulations</li> <li>Invest in roof top solar power</li> </ul>	H	H
4 Energy crisis, power interruptions and the shortage in diesel and oyster fuels affecting the day to day running of factories		<ul style="list-style-type: none"> <li>Investing in building diesel buffer stock and generators are in place.</li> <li>Maintaining firewood buffer stock for 3 months.</li> <li>Reactivation of Pelton.</li> <li>Implement effective vehicle running plan.</li> </ul>	H	H
5 Disease Pandemic. Rapid spread of COVID-19 preventing the workforce from reporting for work	Health and Safety	<ul style="list-style-type: none"> <li>Implementing all recommended health and safety procedures.</li> <li>Raising awareness to inform the workforce of the latest safety guidelines.</li> <li>Aggressive vaccination roll out.</li> </ul>	H	H

## MANAGING RISK

Risk Factor	Identified Risk Category	Response Strategy	Risk Rating	
			2021/22	2020/21
6 High labour turnover	Human Resource	<ul style="list-style-type: none"> <li>• Training, development and performance management, motivation and empowerment are practiced.</li> <li>• Creating a better work environment in the work places and upgrading the rest room facilities.</li> <li>• Harvesting on non-wage model (Revenue share model and kilo basis tapping).</li> <li>• Factory automation to reduce the dependence on manual labour.</li> </ul>	M	M
7 Highly volatile global market conditions	Strategic	<ul style="list-style-type: none"> <li>• The Company strives to produce high quality Tea and Rubber products whilst maintaining internationally accepted certifications to retain competitive positioning in the market.</li> <li>• Analyse the market requirements and fulfil them by using product mixing strategy (both Tea and Rubber).</li> <li>• Minimise the stock holding period and release the stocks based on market supply and demand.</li> <li>• Regular communication with brokers and forecasting the market with broker information (price and demand).</li> </ul>	M	M
8 Interest rate risk High cost of funds due to rising interest rates	Finance	<ul style="list-style-type: none"> <li>• Leverage concessionary and advantageous lending rates.</li> </ul>	H	H
9 Liquidity risk		<ul style="list-style-type: none"> <li>• HPL's borrowings are suitably structured to ensure the availability of sufficient liquidity to meet debt commitments and other operational requirements.</li> </ul>	M	M
10 Employee pushback	Information and Technology	<ul style="list-style-type: none"> <li>• Increase the level of awareness regarding new technologies and benefits. Well planned change management programmes to ease employee transition towards technology adoption</li> </ul>	M	M

Risk Factor	Identified Risk Category	Response Strategy	Risk Rating	
			2021/22	2020/21
11 Inaccurate and delayed information		<ul style="list-style-type: none"> <li>HPL has a fully integrated information system within our estates and head office in order to produce accurate and reliable information</li> <li>The integrity is reviewed constantly and maintained by the software provider and uses licensed software. Use only licensed software to safeguard system integrity</li> </ul>	M	M
12 Cyber Security		<ul style="list-style-type: none"> <li>Use of Antivirus and firewall software.</li> <li>Secured backup systems</li> </ul>	M	M
13 Reputation risk	Other	<ul style="list-style-type: none"> <li>HPL's systems and procedures cover areas such as maintenance of quality, health and safety and environmental issues and ensure that best practices are followed.</li> <li>Adoption of global best practices and international accreditations such as Rainforest Alliance, Fair-trade, GHG Inventory Verification, ISO 22000:2018, ISO 22000 : 2005, ISO 14001: 2015, ISO 9000:2015, Forest Stewardship Council (FSC TM), Fair Rubber and ECO Label</li> <li>Culture of ethics</li> </ul>	L	L
14 Legal and regulatory risk		<ul style="list-style-type: none"> <li>The Company, with the assistance of its legal advisers and secretaries ensures compliance of all legislative and regulatory the requirements including corporate governance, labour relations and requirements of the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange.</li> <li>Seeking expert advice from Auditors, Tax consultants, Actuaries and advisory services of the Tea Research Institute and Rubber Research Institute.</li> </ul>	L	L

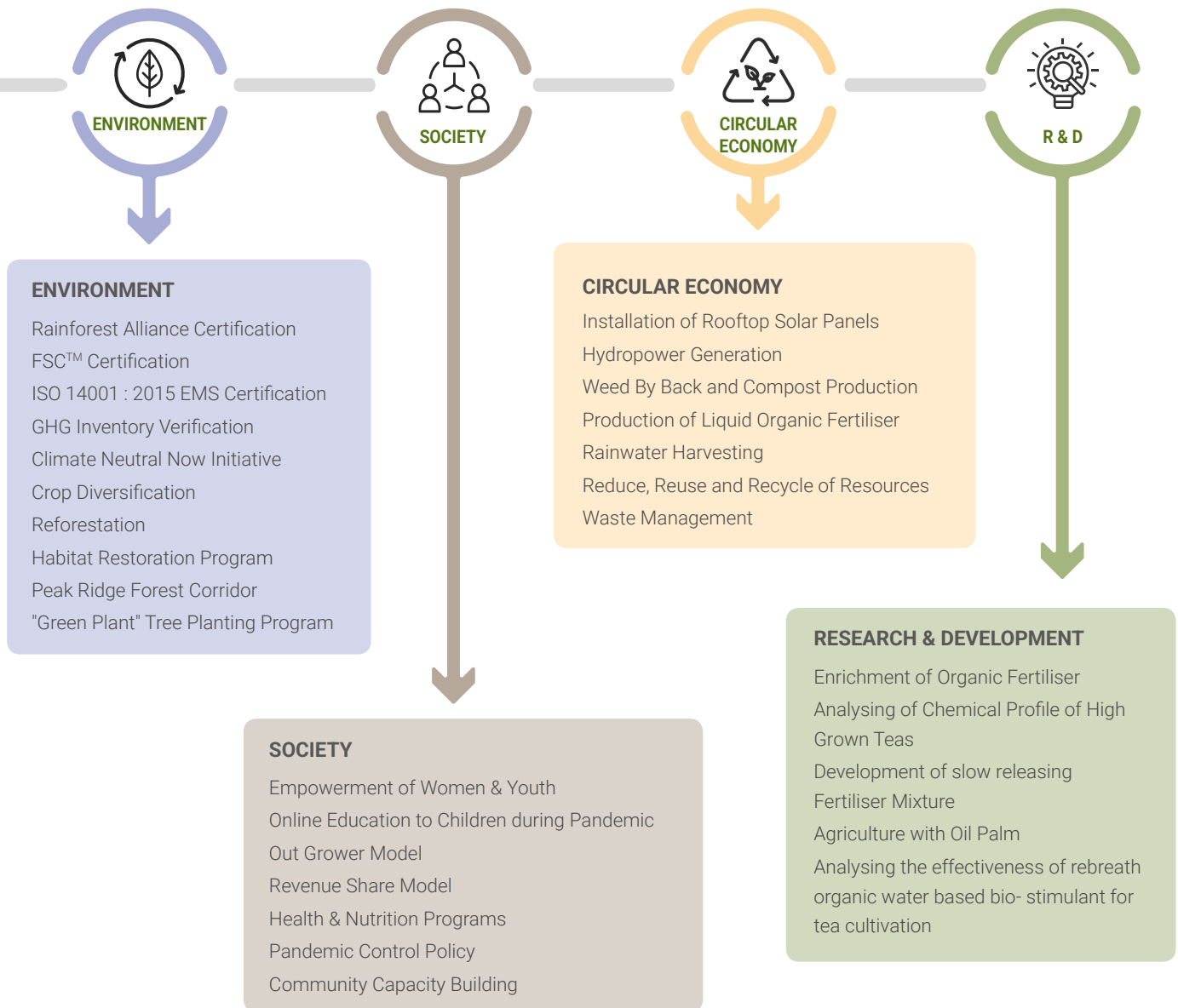
# SUSTAINABILITY FRAMEWORK



## Our Approach to Sustainability

As an agriculture based Company, HPL approaches sustainability with a multidimensional perspective, reflecting a combination of our core business principles, our fundamental commitments along with formal global standards and sustainable best practices.

On this basis, we prepared a five year sustainability roadmap to direct our efforts across six key thrust areas; Product Quality, Ethical Business, Environment, Society, Research and Development and Circular Economy. Annual targets for the forthcoming financial year are set under each pillar. Target setting is done in consultation with Workers, Staff and Plantations Executives by the Corporate Management. In parallel, annual budgets are prepared to allocate necessary resources for the implementation of these targets.



# SUSTAINABILITY FRAMEWORK

Core Business Principles	Fundamental Commitments	Global Standards
Ethical Sourcing of Inputs	Supplier Satisfaction	United Nations Sustainable Development Goals
Customer Satisfaction	Fulfil Customer Requirements	
Legal & Environmental Compliance	Conservation of Biodiversity & Habitats	United Nations Framework Convention on Climate Change and Kyoto Protocol
Protection of Natural Resources	Sustainable usage of Natural Resources	United Nations Global Compact Principles
Respecting ILO Requirements	Improve the Living conditions of Employees	
Labour and Human rights	Respect Womens' Rights and Gender Equality	
	Youth Empowerment	
	Health and Nutrition of Employees	
Occupational Health & Safety	Zero Accidents in Workplace	
Circular Economy	Investment in Renewable Energy	
	Reduce Reuse and Recycling	
Innovation	Research and Development	

➔ GRI 102-18, GRI 102-20, GRI 102-32

## Sustainability Governance

HPL's Corporate Management Committee under the guidance of the Company's Managing Director and Director /CEO is directly responsible for establishing the Company's sustainability roadmap. Our Managing Director and Director /CEO provides leadership and guidance for policy formulation and for reviewing and approving annual budgetary allocations for sustainability initiatives. The Corporate Management Committee is tasked with monitoring and reporting on progress and providing advice to facilitate continuous improvement to ensure sustainable targets are achieved.

## Assurance

A strict due diligence regime provides assurance regarding the efficacy of our ongoing sustainability initiatives. The annual Environment Impact Assessment measures the progress against sustainability targets, while project specific Impact Assessments are done prior to undertaking new initiatives such as construction of new buildings, clearing lands for replanting etc., to improve our understanding of the broader social and environmental impacts of these efforts. Meanwhile periodic impact assessments of our products, processes and any other relevant areas are aimed at highlighting potential emerging risks.

We also carry out impact assessments on our supply chain to assess the impact of raw material to end products. Typical impact assessments cover Green Leaf Suppliers/Other Material Suppliers/Waste Collectors/Firewood Suppliers and Other Service Providers. The mechanism of supplier impact assessments are covered in greater detail under the Social and Relationship Capital section on page 97.



# CONTRIBUTION TO SDGs

**To articulate our commitment to support the SDGs, HPL has identified the goals and respective targets where we can have the biggest positive impact through our operations, products and solutions to address some of the world’s major concerns. We place strong emphasis on strategic connections between our current operations and SDG targets.**



### Target 1.2 - Reduce poverty by at least 50%

HPL’s Revenue Share Model and Out grower Model encourages workers to grow and harvest in designated blocks provided by the Company, enabling them to earn an additional monthly income. Under the RSM, the Company will allocate blocks of land to workers enabling them to grow and harvest crops and sell back to the estate on a per kilo basis. They can also cultivate cash crops in these land blocks and sell to the market.



### Target 2.1: Universal access to safe and nutritious food

HPL has implemented nutrition programs on each estate aimed at improving health and nutrition standards of children and youth.

\* Providing of essential food packs to workers during the COVID-19 pandemic period.



### Target 3.4: Reduce mortality from non-communicable diseases and promote mental health

HPL devotes considerable resources to conduct free medical camps, eye camps, health screening programs, post and antenatal clinics, nutritional clinics, and immunisation clinics for the benefit of estate communities. We also facilitate cataract operations for elderly members of the community.



### Target 4.3: Equal access to affordable technical, vocational and higher education

HPL collaborates with organisations such as JESTICA, NIPM, ETP to provide training in Management, Motivational and Skills Development for Executives and Non Executives. The Company also provided training for estate workers on Plucking, and Export Based Agri Products.

Online education centres have been established at each estate.

Special youth empowerment training programs are conducted in partnership with Fair-trade, ADRA Sri Lanka and Farm Foundation.



### Target 5.C: Adopt and strengthen policies and enforceable legislation for gender equality

Implementation of a Company-wide gender equality policy.

Special women’s empowerment programs at estate level conducted in partnership with ADRA Sri Lanka, Fair-trade, and Farm Foundation.

Gender committees have been formed at all estates to address gender issues.



### Target 6.1: Safe and affordable drinking water

Mobilising clean drinking water projects for the benefit of estate communities in partnership with ADRA, World vision, PHDT, and Fair-trade foundation.

# CONTRIBUTION TO SDGs



## Target 7.2: Increase global percentage of renewable energy

HPL has commissioned rooftop solar systems on factory roofs.

Investment on Hydropower Project at the Fairlawn estate.



## Target 8.4: Improve resource efficiency in consumption and production

Bambrakelley Factory automation project to improve operational efficiency.

Installing energy saving LED lights and VFD's (Variable Frequency Drives) at tea factories.



## Target 9.5: Enhance research and upgrade industrial technologies

HPL is collaborating with the faculty of Agriculture, Wayamba University of Sri Lanka to conduct 2 separate research programmes; one aimed at developing organic fertiliser compounds and the other to analyse the chemical profile of upcountry tea marks.



## Target 10.3: Ensure equal opportunities and end discrimination

HPL is an equal opportunity, non discriminatory employer.

Electronic Weighing of green leaf to prevent harassment and discrimination.



## Target 11.1: Safe and affordable housing

HPL's "Safe Haven" for all at Horana Plantations housing program' which aimed at creating a platform to support affordable home ownership among estate communities. The Company releases land towards 'Worker Housing Projects' and coordinates all processes from land selection, selection of beneficiaries, to handing over the houses to selected families. Through this initiative, 25% of workers have become homeowners.



## Target 12.2: Sustainable management and use of natural resources

HPL has introduced a weed buyback system, where weeds extracted by workers are bought back by the Company and transferred to compost to generate organic fertiliser.



## Target 13.B: Promote mechanisms to raise capacity for planning and management

HPL undertakes to prepare an annual GHG Inventory in line with the guidelines of the ISO 14064-1:2018 and Intergovernmental Panel on Climate Change (IPCC).



## Target 14.2: Protect and restore ecosystems

HPL works to establish conservation areas and buffer zones at its estates.

"Green planet" Tree planting programme.



## Target 15.5: Protect biodiversity and natural habitats

HPL has committed to create a Peak-Ridge Forest Corridor. The corridor extends across HPL's Stockholm, Mahanilu and Alton estates and through to the Ballapennungala forest reserve.

Allocating 5% of the land extent from each estate to restore biodiversity at its estates.



## Target 17.16: Enhance the global partnership for sustainable development

HPL is a certified member of the Ethical Tea Partnership, Rainforest Alliance, Fair-trade, Fair Rubber, UNGC, Climate Neutral Now etc.



# Sustainability at Heart

Sharing the responsibility and  
commitment to attain excellence.

REVIEW OF OPERATIONS

# OPERATING ENVIRONMENT

## Global Economic Highlights

	<b>GROWTH</b>	Global growth surged to 5.5% in 2021 bolstered by the relaxation of pandemic related lockdowns in many countries
		Advanced economies demonstrated strong recovery
		Emerging market and developing economies (EMDEs) showed notably weaker growth, the result of slower vaccination progress, a more limited policy response, and the pandemic's scarring effects
	<b>COVID-19 IMPACT</b>	Widespread supply bottlenecks weighed down on global activity amidst the rapid spread of the virus globally in the second half of last year
	<b>COMMODITY PRICES</b>	Commodity prices soared in 2021 reflecting the strong rebound of demand from the 2020 global recession. Energy and metal prices generally moved in line with global economic activity




Source: Global Economic Prospects - January 2022

## Performance of the Sri Lankan Economy

	<b>GROWTH</b>	The Sri Lankan economy rebounded strongly to record growth of 3.7% in 2021, in stark contrast to the 3.6% contraction reported in 2020
		All sectors of the economy recorded growth - Agriculture by 2%, Industry by 5.3% and Services by 3%
	<b>PER CAPITA</b>	The unemployment rate declined to 5.1% in 2021 from the 5.5% recorded during the previous year
	<b>INFLATION</b>	Headline inflation, as measured by the CCPI, accelerated to 12.1% in 2021 from 4.2% at end 2020
	<b>EXTERNAL SECTOR</b>	The deficit in the external current account widened significantly to US dollars 3.3 billion in 2021 (4% of GDP), compared to US dollars 1.2 billion in 2020 (1.5% of GDP)
		A strong momentum was seen in exports
		Imports outpaced exports owing to higher commodity prices, including prices of fuel, increased demand for imported items due to normalisation of economic activity, and higher imports of medical and pharmaceutical items such as vaccines
		Foreign investment in the form of FDI remained modest while foreign investment to the stock market and the government securities market recorded net outflows during the year
	<b>EXCHANGE RATE</b>	Central Bank intervention ensured the Sri Lankan Rupee remained broadly stable at around Rs. 200 levels during 2021 and in early 2022.
		After the Central Bank allowed greater flexibility in the determination of the exchange rate in March 2022, the Rupee depreciated by 27% from the value recorded at the end of 2020
	<b>INTEREST RATES</b>	Policy interest rates which had remained at an all time low, increased in mid-2021.
		The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were raised by 50 basis points to 5% and 6%, respectively, in August 2021

Source: CBSL AR 2021

## Tea Industry Update

 <p><b>PRODUCTION</b></p>	<p>Total tea production increased by 7.8% to 299.5 Mn kgs in 2021 compared to the decline recorded in 2020.</p> <p>The low grown elevation teas experienced the highest growth, increasing production by 7.8% to record tea production of 183.17 Mn kgs in 2021 compared to the 169.87 Mn kgs recorded in 2020</p> <p>Both the medium and high grown teas recorded marginal increases in production in 2021 amounting to 50.99 Mn kgs and 65.33 Mn kgs, respectively.</p>
 <p><b>EXPORTS</b></p>	<p>Total export volumes increased by 7.7% compared to 2020, although lower than the volumes exported in 2019.</p> <p>Export earnings increased by 6.7% to US\$ 1,324 Mn in 2021 compared to US\$ 1,241 Mn in 2020. The higher export earnings are attributed to the higher prices achieved for Ceylon Tea in 2021, the increase in export volumes, and the positive effects of the devaluation of the Sri Lankan rupee towards the latter part of 2021.</p>
 <p><b>AUCTION AVERAGE</b></p>	<p>Average prices per kg at Colombo Tea Auction declined, with prices falling from Rs. 633.85 per kg in 2020 to Rs. 619.15 per kg in 2021.</p>

### Production

2021 : **299 Mn Kg**

2020 : 279 Mn Kg

### Export Revenue

2021 : **USD 1,324 Mn**




2020 : USD 1,241 Mn

### Auction Average

2021 : **Rs. 619.15**

2020 : Rs. 633.85

## Rubber Industry Update

 <p><b>PRODUCTION</b></p>	<p>Rubber production declined by 1.7% to 76.9 Mn Kgs in 2021 from 78.2 Mn Kgs produced in 2020.</p>
 <p><b>EXPORTS</b></p>	<p>Export revenue from rubber sector crossed US\$ 40 Mn in 2021</p>
 <p><b>AUCTION AVERAGE</b></p>	<p>At the Colombo Rubber Auction, the average price of Ribbed Smoked Sheet No.1 (RSS1) rubber increased by 31.1% to Rs. 460.78 per kg, while prices of latex crepe has a significant increase of 74.4% to Rs. 626.32 per kg in 2021 over the prices recorded in 2020.</p>

### Production

2021 : **77 Mn Kg**

2020 : 78 Mn Kg

### Export Revenue

2021 : **USD 42 Mn**

2020 : USD 30 Mn

### Auction Average

2021 : **Rs. 460.78**

2020 : Rs. 351.46

# FINANCIAL CAPITAL

**Supported by 21% year on year Revenue growth, HPL recorded a Profit After Tax of Rs. 42 Mn for the year ended 31 March 2022, which helped boost Shareholders' Funds by 6%. Return on Equity stood as 5%, reflecting an improvement from the negative 10% reported in the FY 2020/21.**



Further, the Company has prepared its Quarterly Financial Statements and Annual Financial Statements in a timely manner. These financial statements were approved by the Audit Committee/Board and published on time, to enable stakeholders with timely information to support effective decision making.

## Management Approach

→ GRI 103-2, GRI 103-3

The Financial Statements of the Company are prepared and presented in compliance with all applicable laws, regulations and guidelines. The significant accounting policies used in the preparation of the Financial Statements are deemed appropriate and have been consistently applied by the Company. Significant accounting estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and External Auditors.

## Financial Performance

	2021/22 Rs.'000	2020/21 Rs.'000	Change %
Revenue	2,563,636	2,125,306	21
Gross Profit	371,010	200,455	85
Profit from Operations	208,685	60,830	243
Profit/(Loss) before Tax	68,322	(76,130)	190
Profit/(Loss) for the year	42,454	(77,872)	155

**Rs. 438 Mn**  
Increase in Revenue

**Rs. 171 Mn**  
Increase in Gross Profit

## Contribution to SDGs



## Revenue

Revenue for the year ended 31st March 2022 was Rs. 2,564 Mn, an increase of 21% (Rs. 438 Mn) compared to the previous year. Revenue from Tea accounted for the largest contributor to Revenue (72%), followed by Rubber (17%), Diversified Crops (7%), Timber Trees (3%) and Other Operating Revenue (1%).

Tea as the HPL's major revenue generating sector, recorded Revenue of Rs. 1,857 Mn for the year, representing an increase of Rs. 284 Mn (18%) compared to the previous year. The yield per hectare of Tea declined marginally by 03 Kgs, from 1,240 Kgs in the previous year to 1,237 Kgs in the current financial year. Nonetheless, total tea production increased by 0.28 Mn Kgs from 2.55 Mn Kgs in the previous year to 2.83 Mn in the current year. Further, Net Sales Average (NSA) increased to Rs. 625/- per Kg up by 2% compared to the NSA of Rs. 614/- per Kg recorded in the previous financial year.

Revenue from the Rubber sector increased to Rs. 430 Mn in financial year 2021/22, from Rs. 400 Mn in the previous year, reflecting a 8% increase year on year. Rubber production meanwhile decreased by 28% (2020/21 – 872,552 kgs to 2021/22 – 626,187 kgs) mainly due to the decrease of yield per hectare. Yield per hectare of Rubber declined by 246 Kgs during the period (from 825 kgs to 579 kgs) owing to combined effect

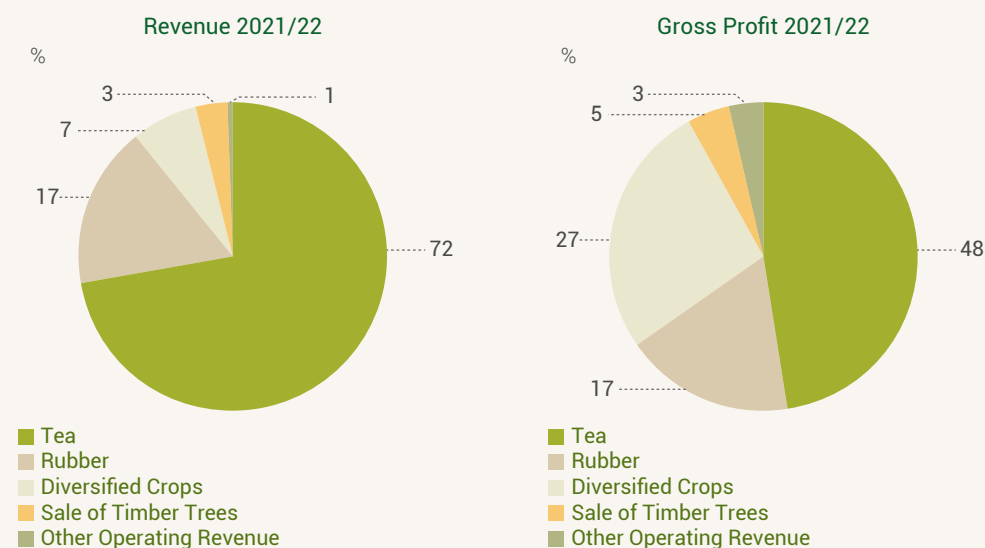
of adverse weather conditions and the impact of the leaf fall disease. However, supported by the strong 69% increase in the NSA (2021/22 - Rs. 600/- per Kg and 2020/21 - Rs. 355/- per Kg), revenue from the Rubber sector increased compared to the 2020/21 year.

Diversified crops mainly include Oil Palm, Coconut, Cinnamon and other ancillary crops. Sector revenue has increased by 98% when compared to the previous year, mainly due to the high contribution of Oil Palm segment. Revenue from Oil Palm and Coconut increased by Rs. 86 Mn (125%) and Rs. 2.8 Mn (24%) respectively in the current financial year.

## Gross Profit

HPL reported a Gross Profit of Rs. 371 Mn, an increase of Rs. 171 Mn compared to the Gross Profit of Rs. 200 Mn recorded in the previous financial year.

Gross Profit in both the Tea and Rubber Sectors improved by 21% (Rs. 31 Mn) and 295% (Rs. 49 Mn) respectively compared to previous year. This was mainly due to the increase of average auction prices of both Tea and Rubber. Although costs were directly impacted by the wage escalation that came into effect from March 2021, HPL managed to achieve healthy gross profit thanks to stringent cost management initiatives to control other variable costs.



**18%**  
Growth of  
Tea Sector Revenue

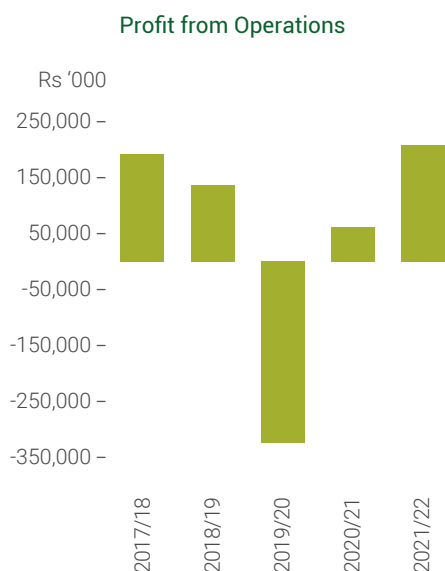
**295%**  
Growth of  
Rubber Sector GP

## FINANCIAL CAPITAL

Gross Profit from Oil Palm increased by Rs. 82 Mn (446%) compared to previous year, driven by higher quantities and improved NSA. Gross Profit from Coconut also increased by 33%.

### Profit from Operations

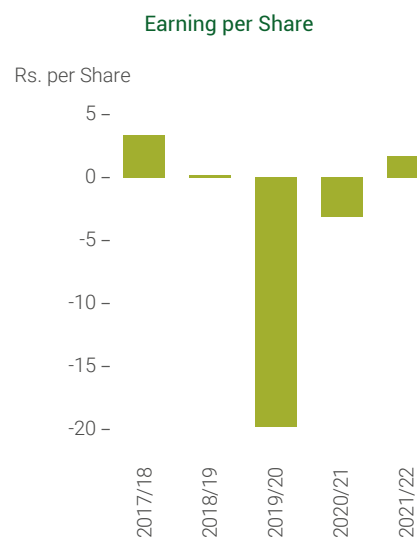
HPL's Operating Profit has increased by Rs. 148 Mn (243%) in financial year 2021/22, over the figure reported in the previous financial year. Other Operating Income and the Change in Fair Value of Biological Assets for the year ended 31st March 2022 was Rs. 7 Mn and Rs. 31 Mn respectively. Administration Expenses increased by 6% (2021/22- Rs. 185 Mn and 2020/21 – Rs. 175 Mn), while the Management Fee for the year at Rs. 16 Mn, shows an increase of Rs. 4 Mn compared to the previous year.



### Profit for the Year

Profit before Tax for the year rose up to Rs. 68 Mn (190%), denoting a complete turnaround from the loss of Rs. 76 Mn reported in financial year 2020/21. Net Finance Cost increased marginally by 2% compared to the previous year. After charging Rs. 26 Mn Tax Expenses for the year, HPL recorded Net Profit of Rs. 42 Mn for the year ended 31st March 2022.

	2021/22	2020/21
Gross Profit Margin (%)	14	9
Operating Profit Margin (%)	8	3
Net Profit Margin (%)	2	-3
Earning Yield (%)	8	-13
Interest Cover (Times Covered)	1.49	0.44

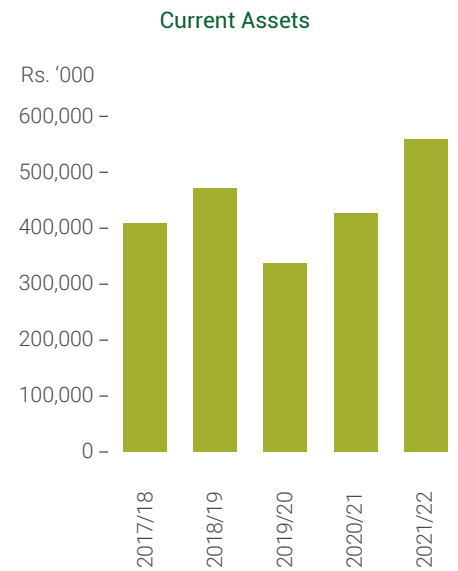
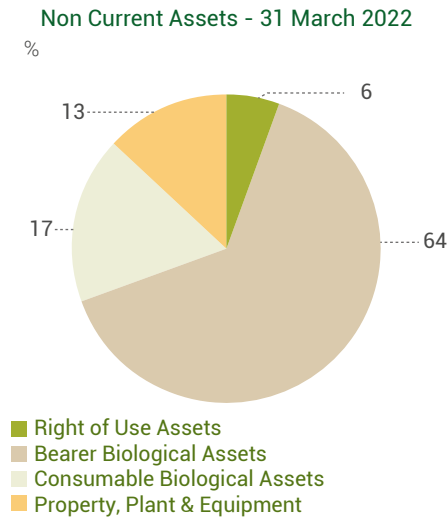
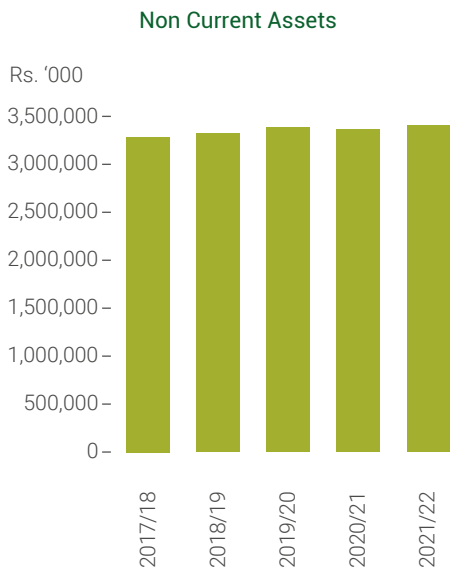


## Financial Position

### Assets

Total Assets grew by 5% (Rs. 175 Mn) when compared to the previous financial year. Non Current Assets comprised Right of Use Assets, Bearer Biological Assets, Consumable Biological Assets and Property, Plant & Equipment. Of these Bearer Biological Assets and Consumable Biological Assets were the main assets in the SOFP accounting for 70% from the total assets. Inventories (63%) and Trade & Other Receivables (25%) are the major elements of Current Assets as at 31st March 2022. Current Ratio for the year 2021/22 is 0.38 times (2020/21 – 0.43 times).

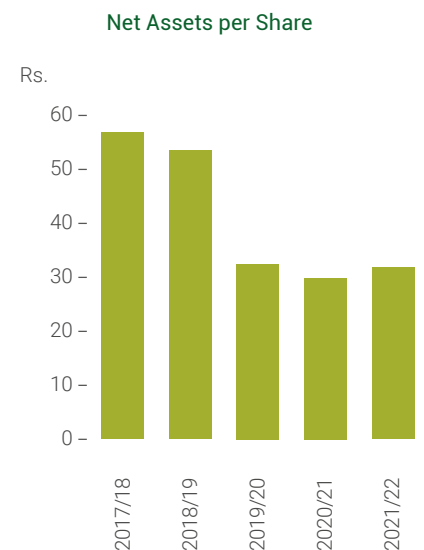
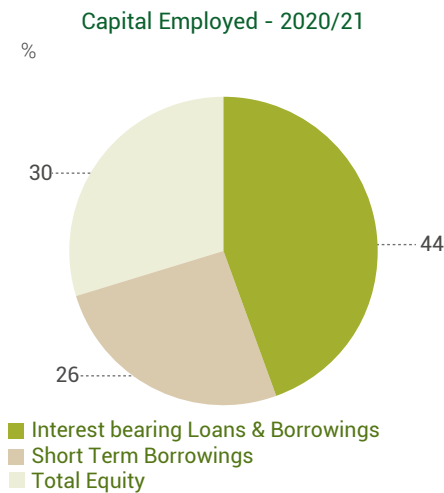




## Equity and Liabilities

With the positive results achieved in year financial year 2021/22, HPL's Net Assets improved by 6% when compared to the previous year. Net Assets per Share increased to Rs. 31.84 from previous year Rs. 29.91.

Interest Bearing Loans and Borrowings and Short Term Borrowings represented 60% of the total liabilities as at 31 March 2022.



**Rs. 796 Mn**  
Net Assets

**5.3%**  
Return on Equity

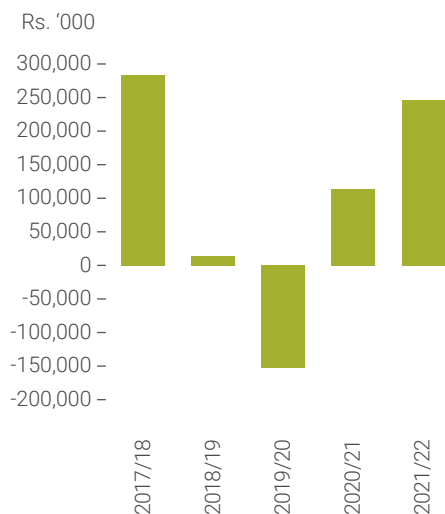
**Rs. 31.84**  
Net Assets per Share

## FINANCIAL CAPITAL

### Cash Flow

Backed by the healthy financial performance for the year, HPL's net cash inflow from operating activities increased to Rs. 246 Mn, more than double compared to the previous year's Rs. 113 Mn. Net cash outflow from Investing activities and financing activities was Rs. 301 Mn and Rs. 159 Mn respectively.

#### Net Cash Generated from Operating Activities



### Future Plans

- Continue to invest in diversified crops.
- Increase the revenue from diversified crops and achieve higher gross profit margin.
- Enhance an investment in automation and digitalisation.
- Efficient cost controls and increase in productivity by mechanisation to achieve higher profits.

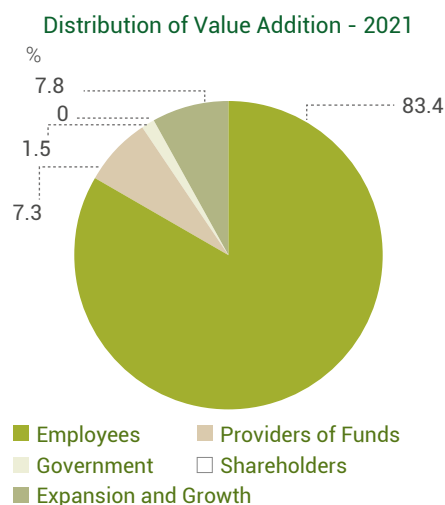
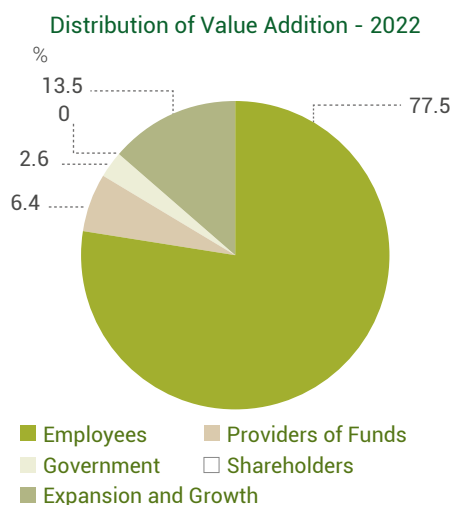
## QUARTERLY RESULTS

For the Year ended 31st March	2021/22 Rs.'000	2020/21 Rs.'000	Change %
<b>Revenue</b>			
1st Quarter	593,638	472,660	26
2nd Quarter	666,936	542,233	23
3rd Quarter	597,526	499,394	20
4th Quarter	705,536	611,019	15
Year	2,563,636	2,125,306	21
<b>Gross Profit/(Loss)</b>			
1st Quarter	83,217	63,590	31
2nd Quarter	80,287	14,670	>100
3rd Quarter	75,792	82,123	-8
4th Quarter	131,714	40,072	>100
Year	371,010	200,455	85
<b>Profit/(Loss) for the period :</b>			
1st Quarter	10,583	(17,692)	>100
2nd Quarter	1,009	(69,263)	>100
3rd Quarter	(7,827)	4,304	>100
4th Quarter	38,689	4,781	>100
Year	42,454	(77,872)	>100
<b>Other Comprehensive Income/ (Expense)</b>			
1st Quarter	-	(1,231)	>100
2nd Quarter	-	(1,231)	>100
3rd Quarter	-	(1,231)	>100
4th Quarter	5,860	14,524	-60
Year	5,860	10,833	-46
<b>Total Comprehensive Income/ (Expense)</b>			
1st Quarter	10,583	(18,923)	>100
2nd Quarter	1,009	(70,493)	>100
3rd Quarter	(7,827)	3,073	>100
4th Quarter	44,549	19,304	>100
Year	48,314	(67,039)	>100

# VALUE ADDED STATEMENT

GRI 201-1

For the Year ended 31st March	2022		2021	
	Rs.'000	%	Rs.'000	%
Revenue	2,563,636		2,125,306	
Other Income	39,028		47,535	
	2,602,664		2,172,841	
Cost of Materials and Services obtained	(752,311)		(595,612)	
<b>Value Addition</b>	<b>1,850,353</b>		<b>1,577,229</b>	
<b>Distribution of Value Addition:-</b>				
<b>To Employees</b>				
Salaries and Other Benefits	1,434,236	77.5	1,314,600	83.4
<b>To Providers of Funds</b>				
Interest Cost	118,105	6.4	115,537	7.3
<b>To Government</b>				
Income Tax	25,868		1,712	
Lease Interest	22,259		21,706	
	48,127	2.6	23,418	1.5
<b>To Shareholders</b>				
Dividends to Shareholders	-	-	-	-
<b>To Expansion and Growth</b>				
Profit Earned/(Loss incurred)	48,314		(67,039)	
Depreciation	201,571		190,713	
	249,885	13.5	123,674	7.8
	1,850,353	100.0	1,577,229	100.0



# MANUFACTURED CAPITAL

Our manufactured capital comprises the core infrastructure of the business - biological, structural and technological assets needed to fulfill HPL's mission to produce high quality Tea and Rubber to meet the demands of the export market. The Company's biological assets are made up of fourteen estates spread over a total area of 6,519 hectares primarily in the Central and Western provinces of Sri Lanka. HPL's structural assets are represented by 7 factories where green leaf is collected and subject to several layers of value addition to produce some of the most sought after teas the world over.



## Management Approach

We endeavour to continuously develop and strengthen our biological, structural and technological assets in order to build a scalable platform for achieving the Company's strategic objectives and thereby improve our contribution to Sri Lanka's export revenue.

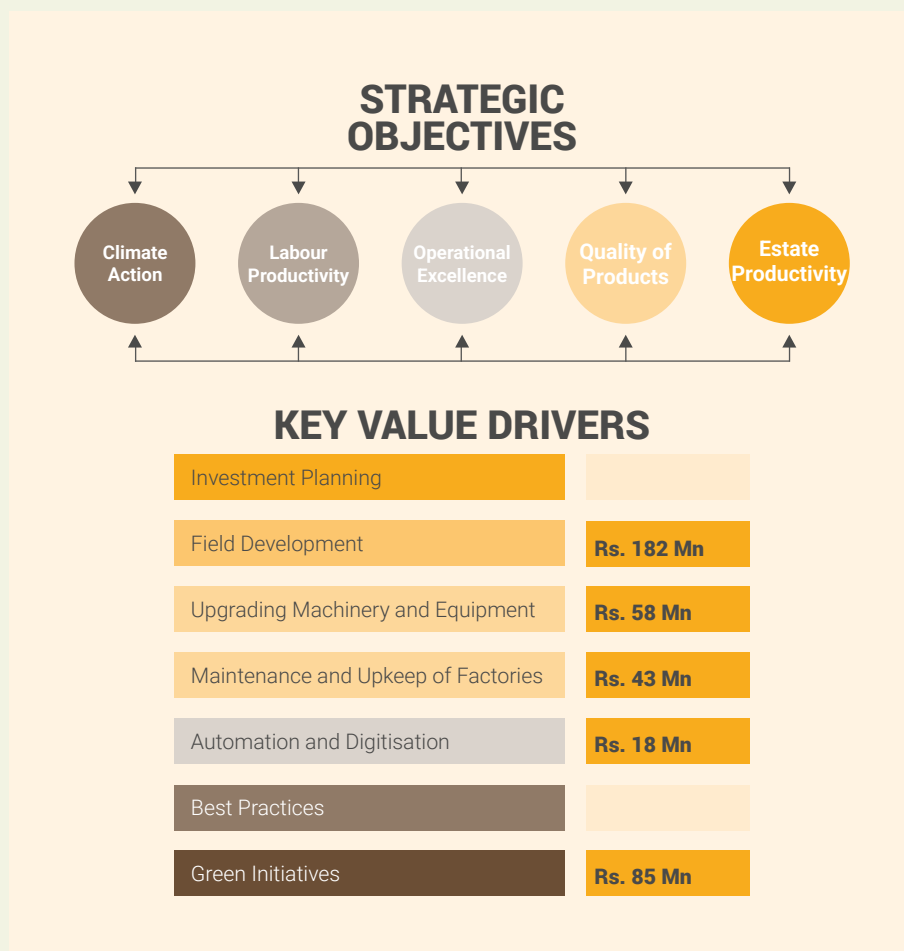
## Contribution to SDGs



## Biological Assets

As at 31st March 2022

	Hectares	Value (Rs. Mn)
<b>Tea</b>		
Mature	1,976	567
Immature	15	80
<b>Rubber</b>		
Mature	1,081	894
Immature	54	42
<b>Oil Palm</b>		
Mature	198	191
Immature	87	50
<b>Coconut</b>		
Mature	25	22
Immature	270	164
<b>Cinnamon</b>		
Mature	63	72
Immature	9	6
<b>Diversified Crops</b>		
Mature	30	05
Immature	70	36
<b>Timber Trees</b>		
Mature	330	556
Immature	165	39
<b>Other Fixed Assets</b>		
Infrastructure & Buildings		220
Plant & Machinery		86
Motor Vehicles		11
F & F & Equipment		83



We have in place a highly structured investment planning and review process to ensure all developmental initiatives have the capacity to contribute to one or more of HPL's strategic objectives. Accordingly all major capital investments require the approval of the Board of Directors. Proposals for new machinery and equipment are presented at the quarterly Board meeting for review and approval of the Board of Directors.

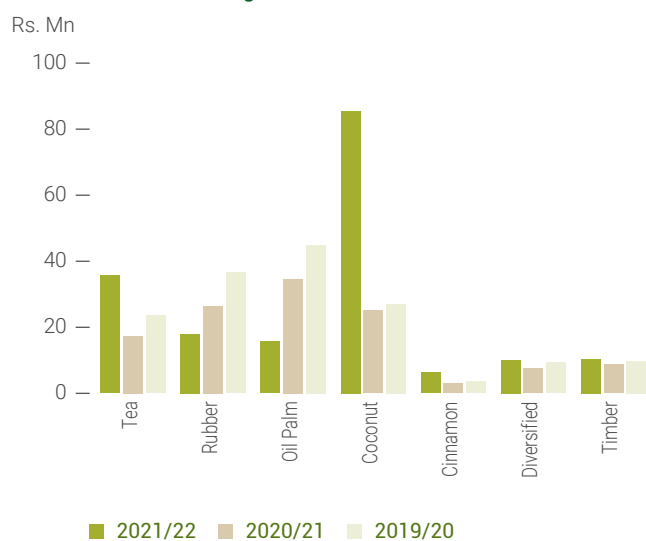
Moreover project proposals for routine interventions are prepared by the senior management at the estate level. These proposals are then submitted to the Company's Finance Division for a feasibility review and appropriate budgetary allocations, before being presented to the Managing Director and Director/CEO for review and final approval.

## MANUFACTURED CAPITAL

### Biological Assets - Additions

	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Tea	36	17	24
Rubber	18	27	37
Oil Palm	16	35	45
Coconut	86	25	27
Cinnamon	6	3	4
Diversified Crops	10	8	9
Timber Trees	11	9	10

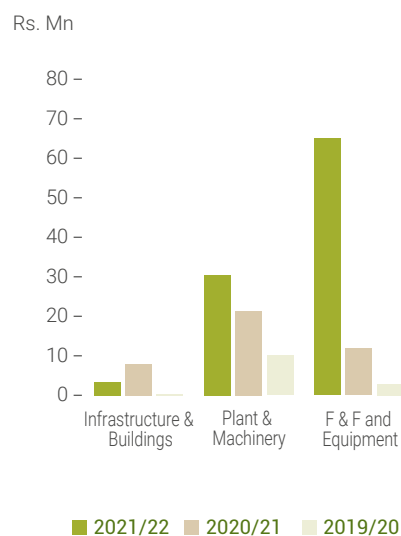
### Biological Assets - Additions



### Other Fixed Assets

	2022 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Infrastructure & Buildings	3	8	0.4
Plant & Machinery	30	21	10
F & F and Equipment	21	12	3

### Other Fixed Assets - Additions



### Field Development

Crop diversification has been given high priority in our strategic field development programme. The emphasis on crop diversification has also proven to be a highly effective risk mitigation strategy in times of economic uncertainty.

In developing our tea lands, we have followed a traditional crop diversification strategy mainly for the purpose of complementing tea growing through replanting or infilling. However, based on a study conducted in 2021 which assessed the field yields of all our lands, we decided to expand the scope of our crop diversification



strategy with the aim of enhancing land productivity by engaging in crop mixing. As part of the first phase of this exercise, we introduced ancillary crops such as coffee in high grown tea areas and started growing cinnamon and coconut in low grown tea areas. We also focused on extensive crop mixing to diversify the risk in our low yielding lands where we began planting Rambutan, Lemon, Bamboo, and Eucalyptus for the purpose of commercial forestry.



Coconut Replanting- Neuchatel Estate



Cinnamon Replanting - Frocester Estate

### Upgrading Machinery and Equipment

Driven by the emphasis on productivity and efficiency, we have always made a concerted effort to ensure machinery and equipment at our factories is up to date. We procure our machinery and equipment from reputed global suppliers who are often pioneers in their respective fields. Our procurement procedure provides a solid platform to ensure the Company's sourcing objectives are met.

### Maintenance and Upkeep of Factories

HPL has always focused on continuous and ongoing maintenance and upkeep of its factories as part of its efforts to maintain strict quality parameters all our manufacturing process. In the current financial year, all factory floors were tiled. This was done as a preventive measure to avoid microbial contamination of teas which can lead to safety and quality hazards.

### Automation and Digitalisation

Technology has continued to play an increasingly more prominent role in the day to day functional aspects of our business. Having understood the value of automation in helping to reduce production costs, optimise the quality of our teas and strengthen our compliance frameworks, we have started introducing end-to-end automation at all 07 of our factories. A key pillar of the automation architecture is the Tea Collection Automation Solution which uses state of the art technology including IOT solutions and Artificial Intelligence to provide a fool proof collection and attendance solution for Estate Management. This cloud based solution provides field to factory traceability thereby reducing overall cost of production, while supporting active management oversight by offering greater visibility within field collection activity.

In the current financial year, we undertook to replace conventional weighing Machines with new and more sophisticated units equipped with multifunctional weight indicators that can support standalone operations or just as easily be integrated into a larger system via serial field buses and internet interfaces. A total of Rs. 5.6 Mn was incurred on commissioning digital weighing at all 09 tea estates. As part of our ongoing factory automation programme, a Dry Tea Machine was installed at the 05 Tea Estates to ascertain accurate gross weights of fired tea discharged at the mouth of the dryer. This unit, which weights fired dhools category wise, also has the capability for continuous data recording as well as collating hourly and daily data sheets.

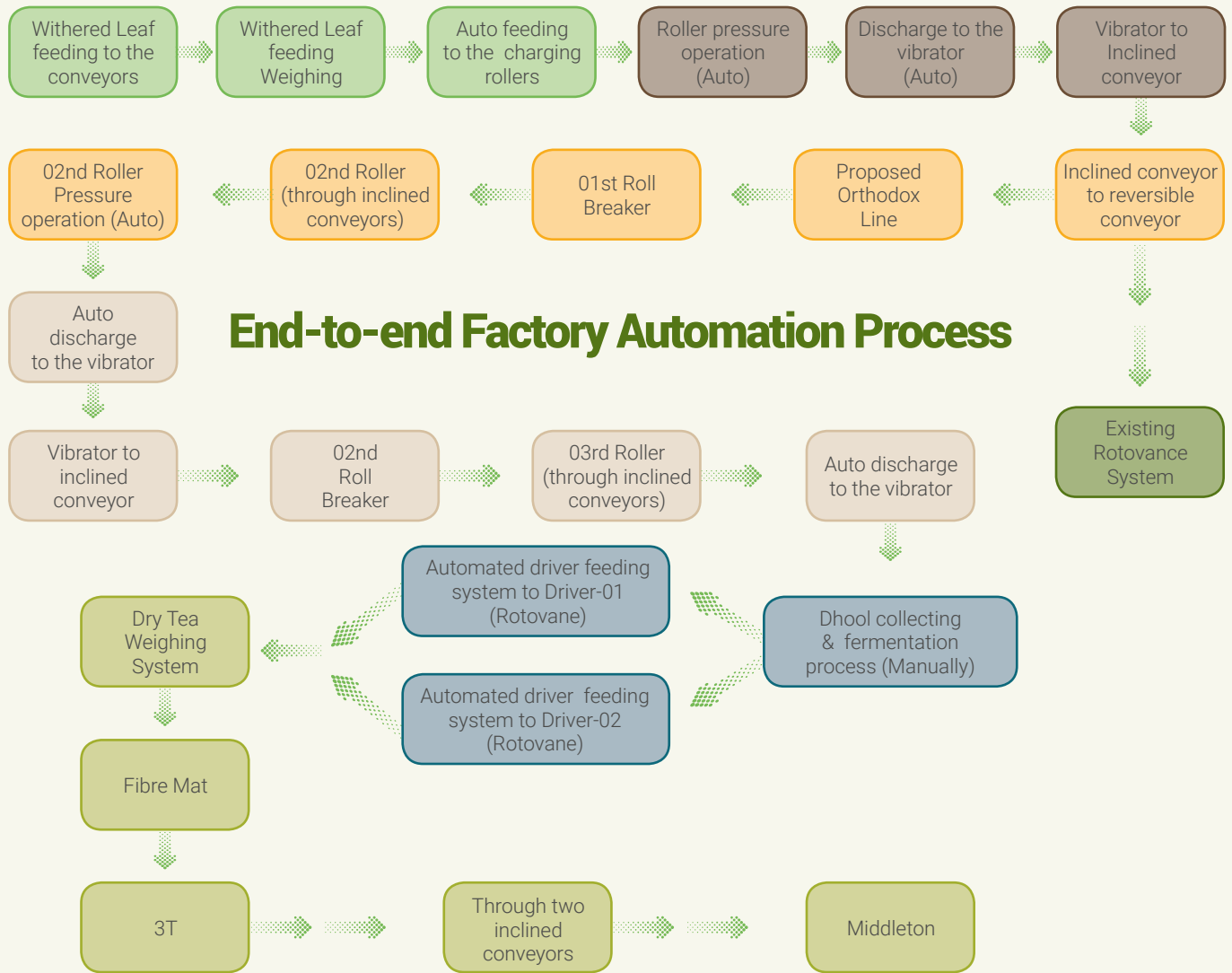
At the same time, we deployed Shear Harvesters and Pluckers with motorized Machines in all the plantations, to overcome the shortage of manual harvesters. These light weight units are hand held devices that can be used in all terrains for selective harvesting of the best flush.



Factory Automation- Bambrakelley Estate



# MANUFACTURED CAPITAL



## Best Practices

With a Keeness to align with global best practices, HPL made several voluntary commitments which ensured that a significant proportion of the Company's estates have been certified under international quality standards such as HACCP, ISO:22000, ISO 14001, ISO 9001, Rainforest Alliance, Ethical Tea Partnership, Fair Trade, Fair Rubber, Forest Stewardship Council certification, ISO:14064-1 and Eco Label. Adhering to these standards provides the assurance that the Company's estates and factories confirm to globally accepted best practices for land utilisation and the quality of manufacturing processes.

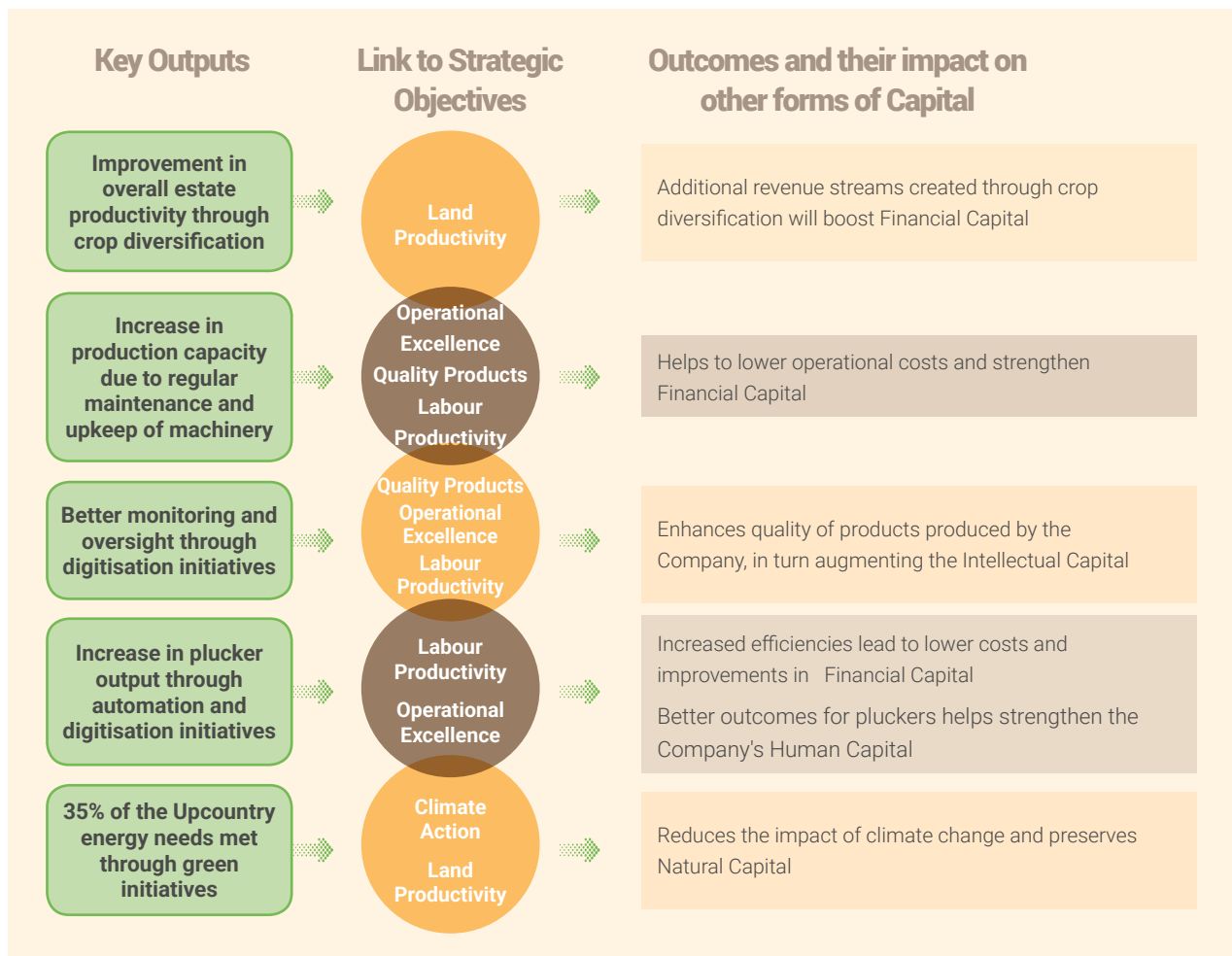
## Green Initiatives

As an agriculture based business our operations are strongly impacted by climate change. Green initiatives focused on definitive action to mitigate climate change has therefore been a key priority for HPL for over a decade. Our efforts in this regard have been two pronged and continue to centre on renewable energy to meet the energy demand of our manufacturing and production processes, and rainwater harvesting to help manage the risk of water shortages for our growing activities.



In the year under review, we undertook a project to upgrade all of the Company’s factory roofs in preparation for installation of solar panels. Solar panels harness sunlight to generate electricity and unlike in the production of conventional energy, the solar energy generation process does not release harmful emissions to the atmosphere or produce any noise. Thus it poses little or no risk to the environment.

Furthermore, Rainwater harvesting ponds have been established in all upcountry Estates, where collected water is diverted to plantations during the dry season and also for use by the Estate Community for their sanitation needs.



### Focus areas for the Future

Crop Diversification	Green Initiatives
The Company intends to diversify more into Cinnamon and Coconut to provide degree of stability that is required to meet market fluctuations and adverse weather conditions that were observed in the rubber sector.	Invest on commissioning roof top solar panels at all factories to supply power to the National Grid
	Expand the power generation capacity of the Fairlawn Factory and the Bambrakelly micro hydro plants to facilitate the supply of power to the national grid.

# INTELLECTUAL CAPITAL

**Our intellectual capital is made up of the intangible assets and intrinsic values that together create an ecosystem that contributes towards enhancing HPL's competitive positioning against peers.**



## Management Approach

Our approach to developing intellectual capital is based on strengthening each aspect to promote greater symbiosis to attain HPL's vision "to be quality oriented and recognised for purity and product quality that commands a premium both locally and overseas".

The Horana Plantations brand is built on strong foundations backed by HPL's standing as one of Sri Lanka's largest plantation companies and has solid reputation for producing Ceylon's finest tea and rubber. Over the years we have worked consistently to further augment our brand reputation by placing our core brand values; excellence, leadership innovation and sustainability at the heart of everything we do. The fact that HPL's Gross Sales Average (GSA) has remained consistently above the national elevation for the past 05 years bears witness to our long standing aspiration to be recognised for producing the finest quality Ceylon Tea.

### Contribution to SDGs



2012

- ❖ Award for Second Runner Up for GSA High Grown Elevation, Regional Plantation Company Category – 2012 by Forbes & Walker
- ❖ Rainforest Alliance Certification for Upcot/ Maskeliya Estates
- ❖ ISO 9001 : 2008 QMS Certification for Neuchatel and Frocester Estates

2013

- ❖ Rainforest Alliance Certification

2014

- ❖ ISO 22000:2005/ HACCP Certifications.
- ❖ Forest Stewardship Council (FSC) certification revalidated to all Rubber estates
- ❖ Certificate of Compliance received at ICASL Annual Report Awards 2012



### Memberships & Affiliations



### STRATEGIC OBJECTIVES



### KEY VALUE DRIVERS

Brand Building	
Knowledge based Systems and Processes	
Certifications and Licences	<b>10 Nos.</b>
Memberships and Affiliations	<b>16 Nos.</b>
Ethics Framework	
Group Synergies	

**2015/16**

❖ The first Company to be accredited for "Certified Oil Palm" in the world. This global recognition was awarded by the Forest Stewardship Council (FSC).

**2017/18**

- ❖ ISO 22000:2005 / HACCP Certification (07 Tea Estates)
- ❖ Ethical Tea Partnership (ETP) (09 Tea Estates)
- ❖ Rainforest Alliance Certification (08 Tea Estates)
- ❖ Forest Stewardship Council™ (FSC™) (06 Rubber Estates)
- ❖ ISO 9001:2008 QMS (02 Rubber Factories)
- ❖ Fair-trade Certification (02 Tea Estates)

**2020/21**

❖ Upgrade ISO 22000: 2005 to ISO 22000: 2018 – All Tea Factories.

**2021/22**

- ❖ Eco Label Certification
- ❖ GHG Inventory verification
- ❖ ISO 14001: 2015 Certification
- ❖ National Cleaner Production Award (Merit Award- Gouravilla Estate)
- ❖ National Business Excellence Awards (Runners up – Agriculture & Plantation sector, Merit Award in CSR)
- ❖ Plantation Sector Bronze Award in 56th Annual Report Awards 2021



# INTELLECTUAL CAPITAL

## Innovation

HPL in partnership with Dialog Axiata PLC commenced a pilot project to introduce an energy monitoring solution to ascertain real time power availability and energy consumption at the Neuchatel and Frocester Rubber factories.



Value Added Tea Packs



Coloured Sole Crepe

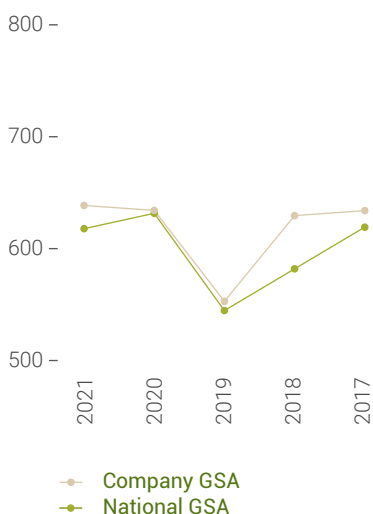
## Value Added Products

Our Teas are mainly sold through the Colombo Auction. our objective is to become one of the most attracted plantation companies in Sri Lanka by providing the best attractive products to our buyers, by maintaining the highest standard in tea manufacturing and service practices to help to gain customer trust and premium prices on our produce.

We also make a conscious effort to develop innovative value added teas that create brand visibility on a global level. HPL's most recent value addition is the range of Single Origin Teas for the international market. We have signed up with Delmege Ltd, to leverage their marketing expertise in order to promote these Single Origin Teas in overseas markets.

In the case of Rubber, FSC-COC certified standards are strictly maintained and stringent quality parameters are in place. Frocester and Neuchatel Factories are renowned for sole crepe and crepe manufacture. In FY 2021/22, HPL produced and exported 2,000 Kgs of Pale Crepe Rubber.

HPL Average Vs National Average



## Knowledge-based Systems



HPL's has a strong in-house knowledge base comprising industry leading research capabilities and a wealth of knowledge of its long-standing employees.

The emphasis we place on further sharpening these knowledge systems has paved the way for measurable results to be achieved across our operations.

More recently, we have also sought out strategic and value adding partnerships to further augment our knowledge base and strengthen our research activities.

In FY 2021/22 HPL signed a Memorandum of Understanding (MoU) with the Faculty of Agriculture, Wayamba University of Sri Lanka. The purpose of the MOU was to deepen HPL's understanding of how science based solutions can be mobilised to enhance the productivity of our estates and the quality of its outputs. HPL's R & D Team of its with the participation of researchers and students of Wayamba university are working on several parallel projects. One of the key ongoing projects is aimed at developing customised organic fertilisers based on an analysis of the chemical profiles of teas from different estates.



R & D Team

## Research & Development Initiatives for 2021/22

### Analysing of Chemical Profile of Tea

Determination of Sucrose, Glucose and Fructose Levels in high grown tea (*Camellia sinensis* (L) O. KUNTSE, using high performance liquid chromatography technique.

### Cost Effective Fertiliser Project

HPL collaborated with CIC Fertiliser Pvt Ltd to develop cost effective slow releasing fertiliser mixture for the mechanical plucking seedling Tea's.

### Soil Compost Project

Composting is undertaken in the estates to enhance soil fertility and microbial activities which in turn increase yields. HPL produces more than 1.7 Mn Kg of compost annually which is used across all upcountry tea estates.

### Rebreath Solution

Analysing the effectiveness of REBREATH ORGANIC WATER BASED BIO- STIMULANT for Tea cultivation. This study is being conducted as a joint venture with Research Intelligent Unit. (RIU)

### Vermiwash Project

Vermitech methods are environmentally friendly, economically socially just and user friendly feasible alternatives to synthetic agricultural inputs. They include vermicomposting, vermi conservation, vermiculture, vermiwash etc., as sources of nutrients and pesticidal properties. Vermiwash, a widely used application, is the wash of the earthworms' celomic fluid and the watery extract of the bedding materials containing significant amounts of macro and micronutrients, natural growth hormones, beneficial microbes, vitamins, amino acids and nematicidal properties.

Fields which were sprayed with vermiwash showed a significant increase in yields, in the range of 10% to 14%, and much healthier conditions. It was also observed that tea flush is more tender and withstands during the drought.

### Project to Develop Organic Fertiliser Compounds

HPL collaborated with the faculty of Agriculture, Wayamba University of Sri Lanka to undertake a research initiative aimed at developing organic fertiliser compounds.

The project also focused on determining the most suitable ratio of cattle urine and fish tonic to enrich the level of organic fertiliser mixture.

# INTELLECTUAL CAPITAL

## Strengthening the Knowledge Systems through Partnerships Initiatives for 2021/22

### Valued Added Tea

After venturing into the development of value added teas at an experimental level in 2020, HPL has since made major strides in product conceptualisation and brand building in partnership with Mabroc Teas (Pvt) Ltd. To support HPL's efforts to take the value added tea range to the next level, the Company entered into a partnership with Delmege Ltd in 2021. The partnership will allow HPL to tap into Delmege marketing expertise and distribution networks to expedite the commercialisation of the range in both local and international markets.



Value Added Tea Packs

### NOWCAST App

HPL partnered with Dialog PLC to initiate a pilot project to assess the feasibility of developing a dedicated application to provide accurate weather data to support more informed operational decision making for selected Tea and Rubber Estates. The NOWCAST APP will capture information from AccuWeather. AccuWeather has local and international weather forecasts using the most accurate weather forecasting technology featuring to the minute weather reports and weather forecast for next 6 hrs. Such information will greatly assist in optimising the efficacy of fertilisation efforts, planting Tea and Rubber and other crops, tea plucking and processing as well as nursery operations. The NOWCAST APP is also expected to play a pivotal role in optimising the productivity of Rubber Estates. Accurate forecasts provided by the app help to better plan tapping operations, latex collection etc; all of which have a direct bearing on the estate output.

The NOWCAST APP pilot project was implemented at HPL's Fairlawn, Bambrakelly, Neuchatel and Halwathura Estates.

### Precision Agriculture

HPL partnered with RAPTOR 300 company in USA to commence a pilot project to explore the feasibility for aerial spraying of fertiliser using drones. RAPTOR 300 has developed a breakthrough technology solution that leverages customised aerial drones and analytics to improve agriculture yields. This technology could provide highly efficient, quality controlled spraying services without the labour, health and safety concerns from human spraying. Further robotic aircraft can spray 15 times more than humans and would be able to cover a 1,000 acre plantation in just one day by deploying 20 drones, hence proved cost effective. In addition, robotic aerial system can evaluate plant health using technology with additional data to improve production or harvesting. This pilot project was successful on plantations. However due to certain concerns by the Government Authorities, The Management was compelled to stop operations.

## Certifications and Licenses

Over the years, we have obtained a wide range of certifications and licenses that exhibit our willingness to benchmark global best practices to add value to every aspect of our business. These certificates and licenses not only validate HPL's credibility and industry standing, but also contribute towards enhancing our knowledge base on par with global standards.

### Eco Label Certification

Ecolabelling is a voluntary method of environmental performance certification and labelling that is practiced around the world. An ecolabel identifies products or services proven environmentally preferable overall, within a specific product or service category.



**1st Plantation Company in Sri Lanka**

Quality Certifications	Environmental Certifications	Social Certifications

Estate/ Factory	Certification Status
Alton	Rainforest Alliance, Fairtrade, Eco Label, GHG Inventory Verification, ISO 22000:2018 & HACCP, ETP
Stockholm	Rainforest Alliance, Fairtrade, Eco Label, GHG Inventory Verification, ISO 22000:2018 & HACCP, ETP
Gouravilla	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ISO 14001: 2015 EMS, ETP
Mahanilu	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Fairlawn	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Eildon Hall	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000:2018 & HACCP, ETP
Tillicoultry	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Bambrakelly	Rainforest Alliance, Eco Label, GHG Inventory Verification, ISO 22000: 2018 & HACCP, ETP
Neuchatel	ISO 9001:2015
Procester	FSC & COC , ISO 9001:2015, Fair Rubber
Millakanda	ISO 22000: 2018 & HACCP, ETP

# INTELLECTUAL CAPITAL

GRI 102-13

## Memberships and Affiliations

HPL's memberships in the following institutions reflect the Company's commitment to build networks that will help us stay informed on global trends, the latest technology and regulatory developments as well as benefit from industry specific research insights.

- Ceylon Tea Traders Association
- Ceylon Rubber Traders Association
- The Employers' Federation of Ceylon
- The Planters' Association of Ceylon
- Palm Oil Industry Association of Sri Lanka
- Tea Research Institute of Sri Lanka (TRI)
- Rubber Research Institute of Sri Lanka (RRI)
- Coconut Research Institute of Sri Lanka (CRI)
- Coconut Cultivation Board/ Coconut Development Authority
- Ministry of Plantation Industries
- Sri Lanka Tea Board
- National Institute of Plantation Management
- The Ceylon Chamber of Commerce
- United Nations Global Compact
- United Nations Framework Convention on Climate Change
- Biodiversity Sri Lanka



In addition, HPL also derives a direct benefit from the leadership positions held by the Company's Director / CEO Mr. Johann Rodrigo in various industry forums. Mr. Rodrigo is a Director of Ceylon Tea Museum, a Director of Plantation Human Development Trust (PHDT) a Committee Member of the Ceylon Planters Provident Society (CPPS) as well as a Committee Member of the Estate Staff Provident Society (ESPS).

## Business Ethics

GRI 102-17

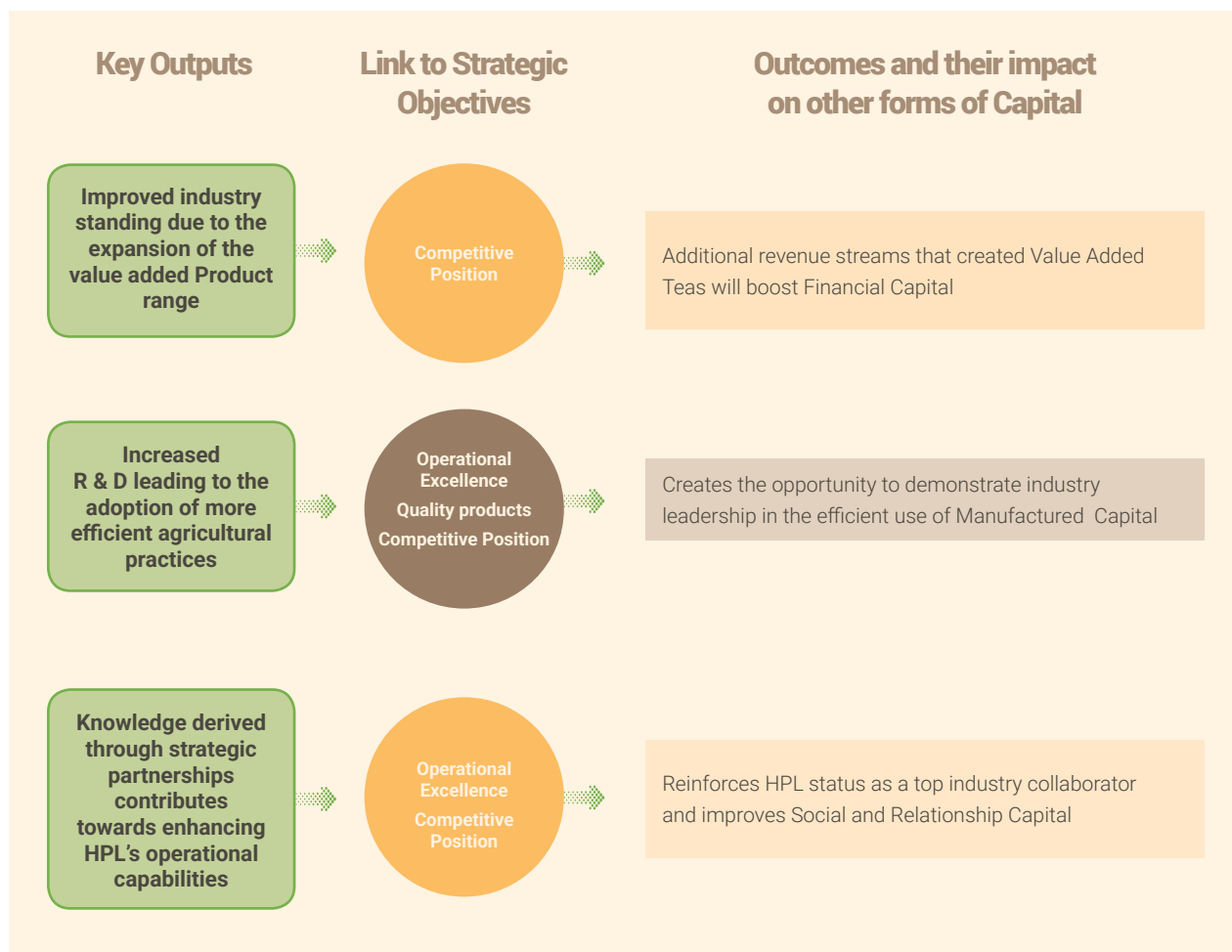
We consider sound business ethics to be a key enabler in safeguarding HPL's ability to remain successful over time. Our efforts to enforce the culture of ethics across all levels of the business are enshrined in a comprehensive framework of Board approved conduct policies covering all key economic, social and environmental aspects relevant to our operations. This policy framework is reviewed annually by the Board and updated accordingly to take cognisance of the latest regulatory developments, potential risks and emerging best practices.

HPL's internal control systems and routine due diligence protocols provide assurances regarding policy adherence.

## Group Synergies

Being managed by the Hayleys Group, HPL benefits from significant Group synergies, particularly in terms of governance and oversight practices.





Innovation	R & D	Certificates and Licenses
1. Increase automation and mechanisation in tea and rubber plantations	1. Commercialise the Vermiwash project	1. ISO 50001: 2018 EMS Certification by 2025
2. Increase the use of renewable energy powered equipment in day to day operations	2. Introduce a cost effective firewood management plan	2. ISO 45001: 2018 OHS Certification by 2025
3. Automation of all tea factories	3. Expedite circularity initiatives	3. ISO 37001: 2018 Anti Bribery & Corruption Certification by 2027
	4. Identify the chemical profile of all tea marks	4. Plastic free Certification by 2025
	5. Explore the effectiveness of Agriculture farming under oil palm	5. Organic Certification for Rubber by 2024
		6. Carbon Neutral Certification by 2030
		7. FSSC Certification for Tea Factories by 2027

# HUMAN CAPITAL

Being a labour intensive business, HPL's day-to-day operations are heavily reliant on people, where the growth and long term success of its business revolving around our 4,125 strong estate workforce and team of 54 executives.



➤ GRI 406 - 1, GRI 408 - 1, GRI 407 -1, GRI 409 - 1, GRI 103-2, GRI 103-3, GRI 102-41

## Management Approach

At HPL, we work with the understanding that our people are a fundamental driver of our business strategy. It is why we remain committed to recruit, retain and develop a highly efficient and productive workforce capable of responding proactively to industry challenges. We strive to provide employees with a stable work environment with equal opportunity for personal and professional growth. As an equal opportunity employer we do not discriminate against people age, gender, marital status, religion or any other status protected by law. These principles apply at every stage of the employment lifecycle, from recruitment, selection, remuneration, benefits, training and promotions.

Moreover as a signatory to the UNGC's principles on labour, we do not condone child labour, forced or compulsory labour. We do however continue to support the freedom of association and the effective recognition of the right to collective bargaining.

### Contribution to SDGs



Incidents of Child Labour - NONE

Incidents of Forced Labour - NONE

Incidents of Discrimination - NONE

► GRI 102 - 8, GRI 401 -1-3, GRI 405 - 1



### Total Employees - By Age

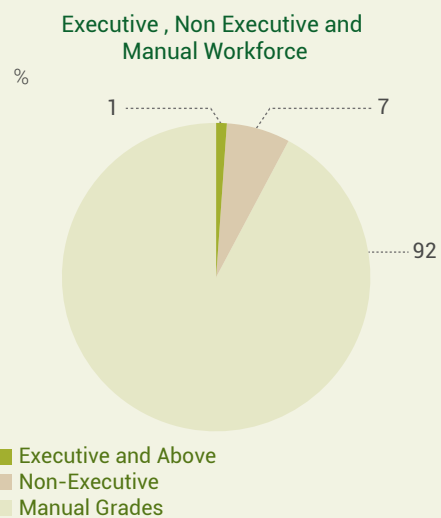
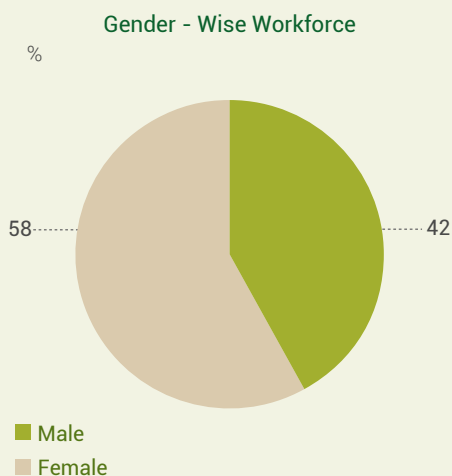
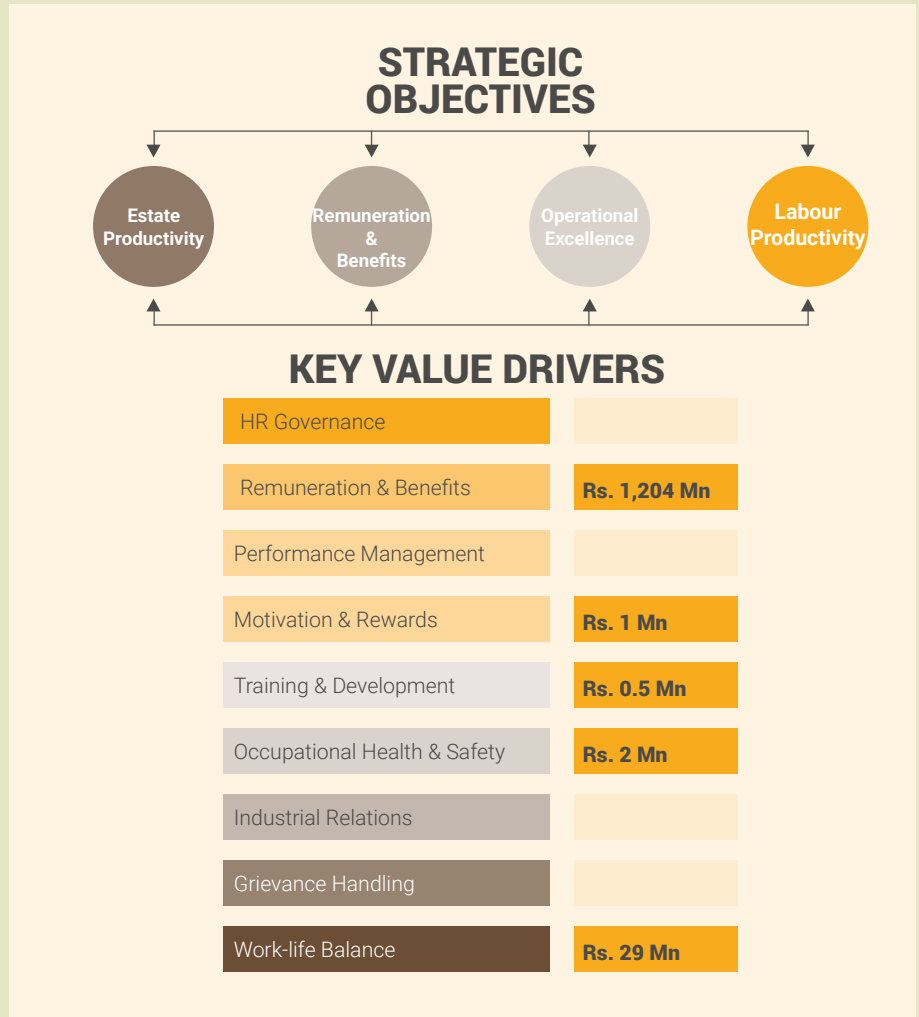
EMPLOYEES	
Under 30 years	<b>506</b>
31-50 years	<b>2,598</b>
Over 50 years	<b>1,082</b>
<b>Total</b>	<b>4,186</b>

### Total Head Count - Company

Executives & Above	<b>54</b>
Non-Executives	<b>275</b>
Manual Grades	<b>3,857</b>
<b>Total</b>	<b>4,186</b>

### Total Employees- By Gender

	MALE	FEMALE
 	<b>1,741</b>	<b>2,445</b>
<b>Total</b>	<b>4,186</b>	



# HUMAN CAPITAL

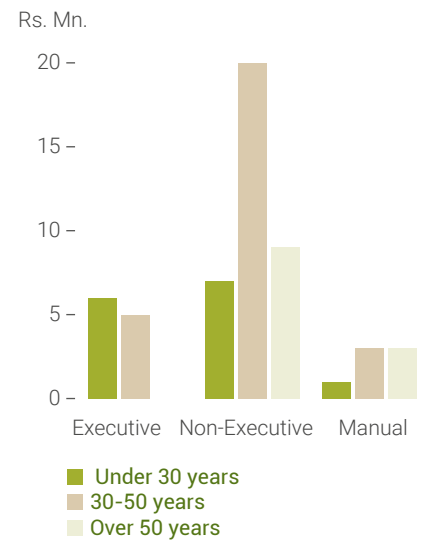
Head Office		Managers		Trainees		Estate		Total
30		29		2		4,125		4,186
M	F	M	F	M	F	M	F	
21	9	29	-	1	1	1,690	2,435	4,186

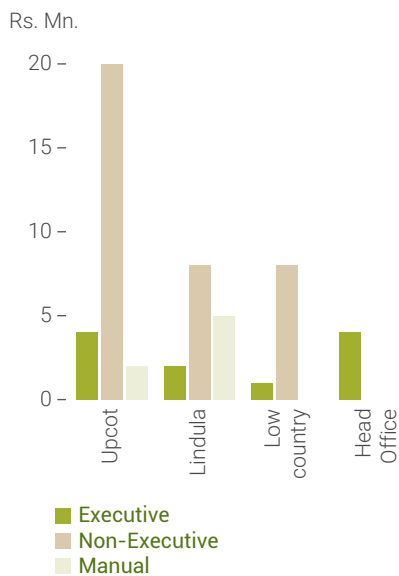
Category	Male	Female	Total
Executive	47	7	54
Non Executive	201	74	275
Manual	1,493	2,364	3,857
Total	1,741	2,445	4,186

Category	2021/22		
	Recruitments	Turnover	
Age Group	Under 30 years	14	19
	30-50 years	28	291
	Over 50 years	12	286
Total	54	596	
Gender	Male	43	331
	Female	11	265
	Total	54	596
Region	Upcot (Central Province)	26	360
	Lindula (Central Province)	15	60
	Low Country (Western Province)	9	173
	Head Office (Western Province)	4	3
	Total	54	596

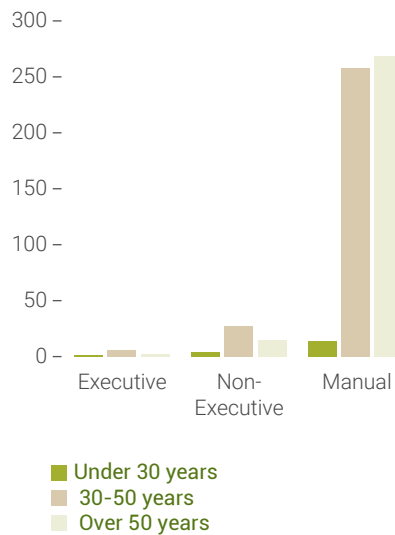
## Age Wise Employee Recruitments



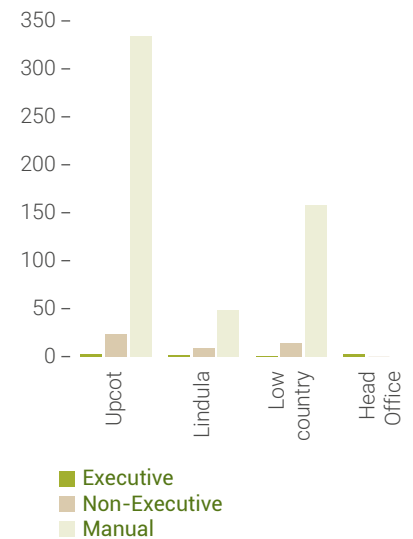
## Region Wise Employee Recruitments



## Age Wise Employee Turnover



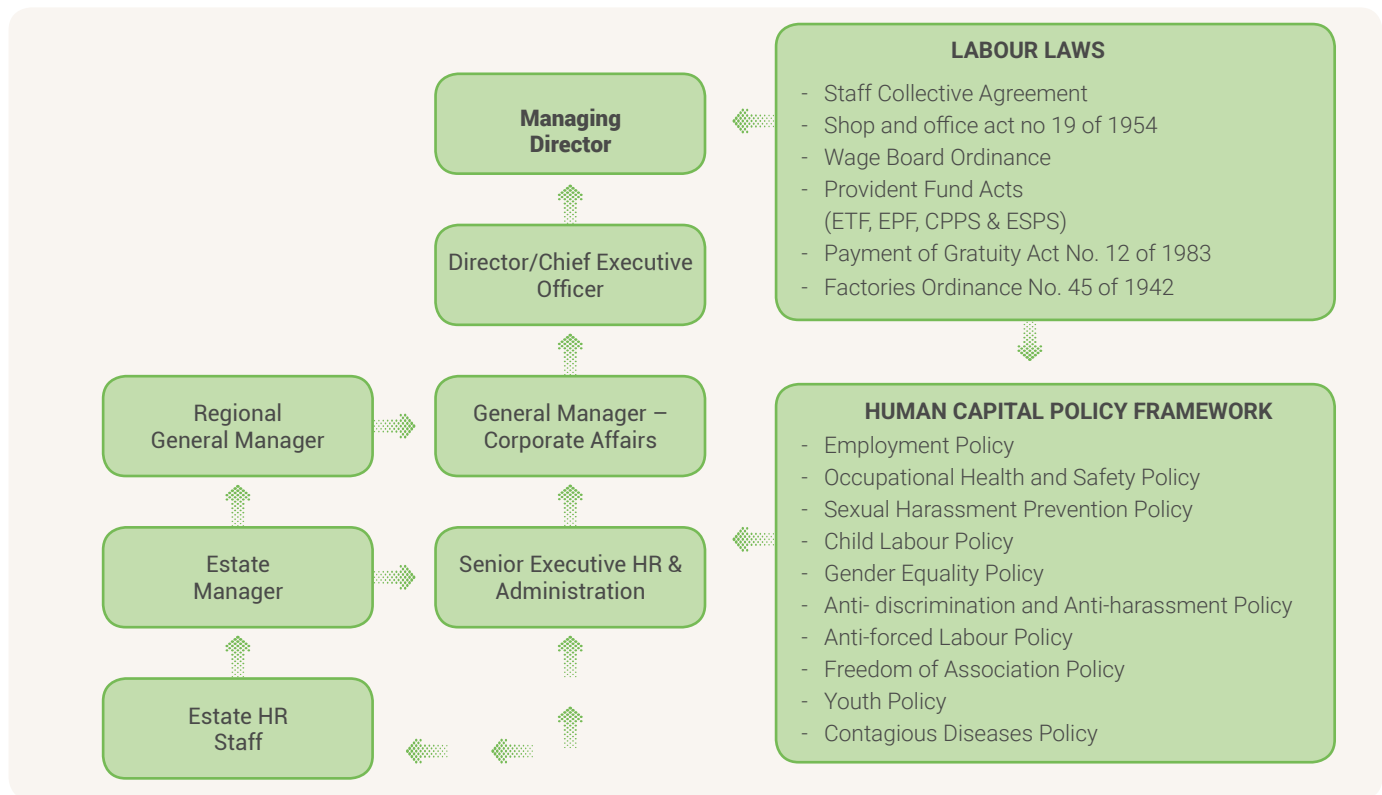
## Region Wise Employee Turnover



## Human Capital Governance

All HR matters are handled centrally under the stewardship of the HPL's HR function. The HR function is tasked with establishing, reviewing and updating the Company's HR policies and practices to reflect all applicable covenants under current employment labour laws and labour agreements. The HR function is also responsible for communicating corporate values and maintaining effective two-way communication to enable employees to address any grievances.

### Human Capital Governance Structure GRI 102-18



### Remuneration and Benefits GRI 201-3, GRI 202 - 1, GRI 405 - 2, GRI 102- 35-37



The minimum wage standards stipulated by the Wages Board Ordinance serves as the overarching mandate for determining wage structures for our estate workforce, with any changes falling under the collective bargaining agreement. The collective agreement between the company and the Trade Unions provide for the revision of wages and benefits every 2 years.

Salary scales for executive level employees are market competitive and reflect towards commitment to merit based pay. As a non-discriminatory employer, HPL maintains an unbiased and equitable approach in the determination of employee remuneration. We maintain the Company, we maintain a 1:1 ratio in the remuneration provided to men and women in similar roles across the Company.

The benefit structures for executives are based primarily on the Shop and Office Employees Act of 1954, EPF Act, ETF Act and the Payment of Gratuity Act of Sri Lanka. Accordingly, we contribute 12% of an employees' basic salary to the Employees Provident Fund and a further 3% to the Employees Trust Fund. As specified under the Act, we make provision for gratuity payment annually for all employees who have been employed by the Company for over 60 months. In addition to the statutory benefits, all permanent employees are entitled to the following benefits; Medical, Incentives, Workmen compensation, Meal Facilities, Attendance incentives, Opportunities for other income generation such as Outgrow Model, Buy Back weeds, Healthcare insurance - outdoor medical expenses and Production, Attendance, Shift and Grading Incentives.

# HUMAN CAPITAL

## Performance Management ➔ GRI 404 - 3

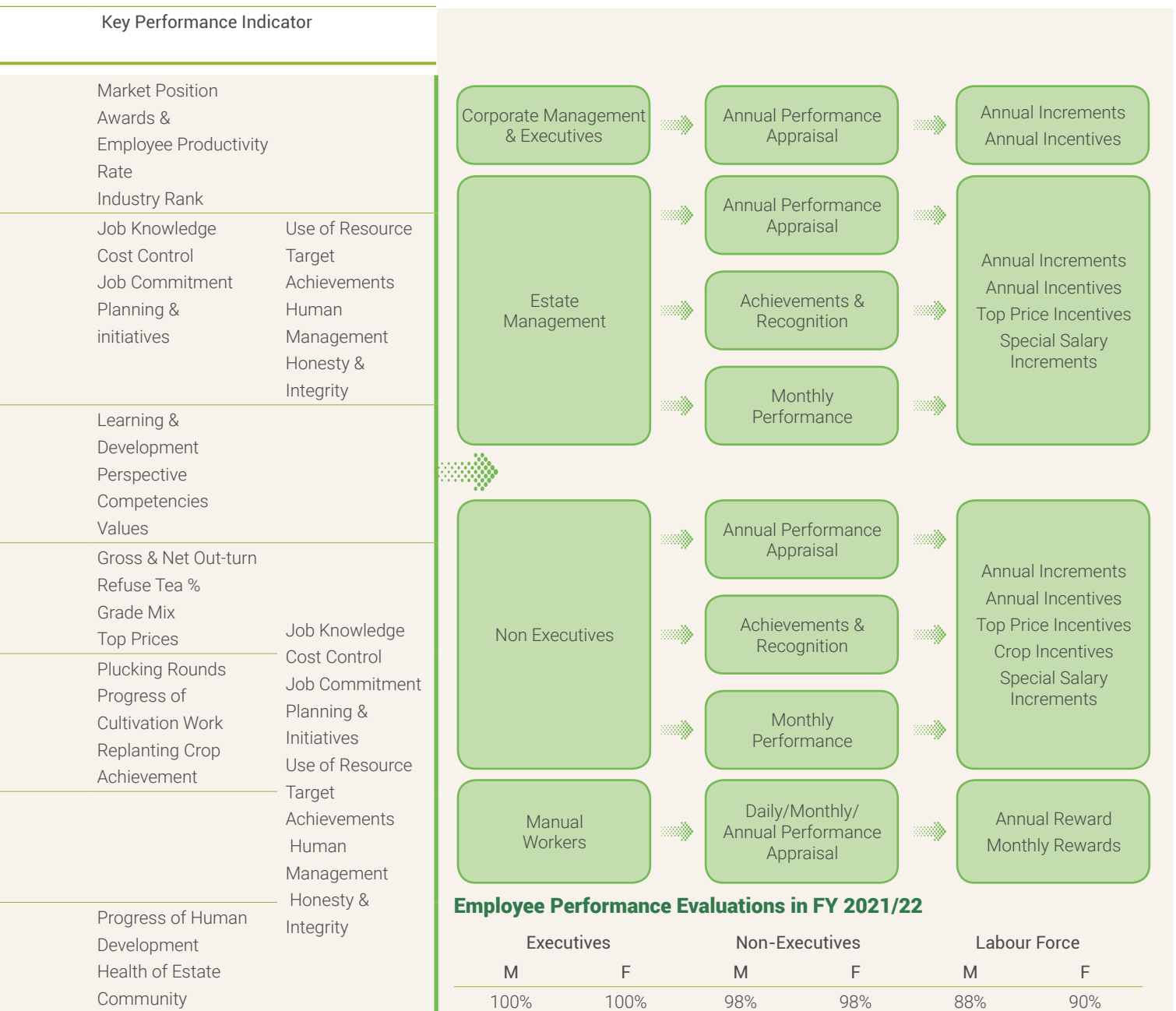
To be able to provide employees with the best possible opportunities, we offer all permanent employees regular performance evaluations. These evaluations help to determine the growth potential of each employee and identify leadership capacity of each individual. A fully fledged performance management system is in place to facilitate target setting, ongoing monitoring and a mid year review concluding with the annual performance appraisal. The findings of the annual performance appraisal are used to determine bonus entitlements and also form the basis on which promotions are established. The annual performance appraisal mechanism is an important tool in identifying training gaps of individual employees.

### Every employee level is evaluated, and the evaluation criteria included below,

➔ GRI 102-28

Location	Level of Management	Appraiser	Appraisee	Key Performance Indicator
Head Office	Corporate Management	Board of Directors MD/CEO	MD/CEO Senior Management	Company Profit ROE ROCE Earning per Share
Head Office	Executives	Senior Management	Executives	Company Profit ROE ROCE Earning per Share
Plantations	Managers/ Asst. Managers	Regional Head (Director Plantation/ Regional General Manager)	Managers/ Asst. Managers	Financial Perspective Business Process Perspective Customer Focus Perspective
Plantations (Non- Executives)	Production Staff	Manager	Production Staff	Gross Sale Average Labour Output Firewood Output Electricity Output
Plantations (Non-Executives)	Supervisory Staff	Manager	Supervisory Staff	Labour Out-turn Plucker Intake Yield Leaf Standard
Plantations (Non-Executives)	Supportive Staff	Manager	Supportive Staff	Vehicle Condition Fuel Efficiency Machinery Maintaining Cost Electricity Cost
Plantations (Non-Executives)	Health & Welfare Staff	Manager	Health & Welfare Staff	Worker Out-turn % of Child Attendance % of Registered Children Applicability to Key Value Drivers

**Rewards are based on performance of employees as follow;**



**Employee Performance Evaluations in FY 2021/22**

Executives		Non-Executives		Labour Force	
M	F	M	F	M	F
100%	100%	98%	98%	88%	90%

# HUMAN CAPITAL

## Motivation and Recognition



Motivation and recognition schemes are an important part of our human capital development model. In place are specially designed schemes for various employee categories.

Our estate workforce are entitled to receive productivity incentives, where high performing harvesters who achieve beyond the norm are granted an additional allowance. HPL has made it a priority to provide this incentive to every extra kilo that has been harvested.

Attendance incentives are also provided to pluckers who regularly report to work, while profit sharing incentives are granted based on the respective estate profits. Appreciation incentives are provided for good standard of work –plucking, field and cultivation Every month, the best Plucker of the Estate is rewarded with household gifts or rations.

The Annual staff Award ceremony aims to recognise high achievers and employee loyalty among our executive and non-executive teams.

We recognise our workers on their retirement with an appreciation letter issued by our Managing Director.



Awarding of Best Plucker Certificates



Awarding of Skill Passport and NVQ Certificates at BMICH, Colombo

## Training and Development



GRI 404 - 1, GRI 404 - 2, GRI 112-16

We believe in the value of training and dedicate considerable resources each year to ensure that all employees across the Company benefit from training opportunities that allow them to upgrade their skills and knowledge on an ongoing basis. An annual training calendar sets out our training priorities covering all HPL employees including the estate workforce.

Training programmes for estate workers typically focus on Tapping and Plucking techniques, while factory teams, field teams , HR teams , office staff receive job-specific technical and operational training.

Plantation Executives are trained locally or overseas in different aspects, to enhance their knowledge. These sessions aim to enhance their knowledge and empower them to innovate and contribute positively towards decision making. Plantation Staff are offered training in various aspects, facilitated by the HR division of the Hayleys Plantation Cluster.



Tapper Training Program- Frocester Estate



Plucker Training - Gouravilla Estate



Executives and staff are encouraged to share their learning and training experiences with their colleagues and the management. Training assignments also serve as an important tool for knowledge sharing.

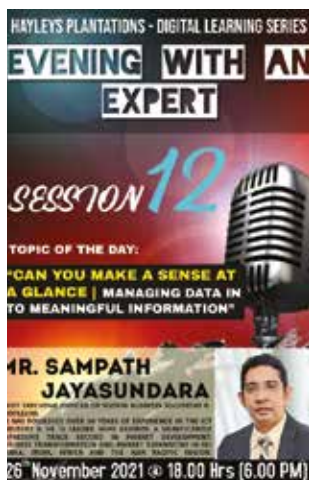
We also collaborate with leading external training specialists such as JESTICA, NIPM, ETP and Labour Department to implement technical, soft skill and leadership training for Executives/ Non-Executives and Staff. Such programmes are usually followed by impact assessments to establish how the business is benefit from these targeted interventions.

The pandemic situation in this past year prompted us to implement a new digital learning platform to conduct training for our executives, staff and estate management teams.

### Training Report

Head Count	Estate Management and Head Office Executives	Staff	Workers	Total
Head Count	54	273	3,857	4,186
Training Head Count	325	2,058	5,326	7,709
Training Person Hours	4,018	4,235	6,510	14,763
Training Investment (Rs.)	0.2 Mn	0.25 Mn	0.05 Mn	0.5 Mn

In addition to the structured training interventions by the Company, we encourage employees to aim for continuous professional development with scholarships and funding schemes in place to support employees who are keen to pursue there studies further. Employees are also encouraged to subscribe to memberships in professional associations and represent themselves at industry level, thereby giving them greater exposure to add value to their careers and to the organisation.



Labour Department Training  
- Frocester Estate

## HUMAN CAPITAL

### HPL ISSUE NVQ CERTIFICATES & SKILLS PASSPORTS FOR FIELD OFFICERS

HPL launched a pilot project to enable field officers to upgrade their skills by obtaining NVQ qualification and receive a Skills Passport. The project was initiated in collaboration with the National Apprentice and Industrial Training Authority (NAITA), Tertiary and Vocational Education Commission (TVEC), Employers' Federation of Ceylon (EFC) and ILO – Country Office. As per the selection criteria, eligible candidates were Field Officers who had more than one year's experience and consistently high performance records. A batch of 13 Field Officers were selected on this basis and subject to several rounds of assessment by NAITA to determine their theoretical and practical knowledge. Upon successful completion of these evaluations., the respective Field Officer was issued with NVQ certificates and a Digital Skills Passport, which is a smart card with a QR code facilitating the convenient search of their skills online. The successful conclusion of the project makes HPL the first Plantation Company in Sri Lanka to award Skills Passports.



### Occupational Health and Safety

➔ GRI 403 - 1- 10



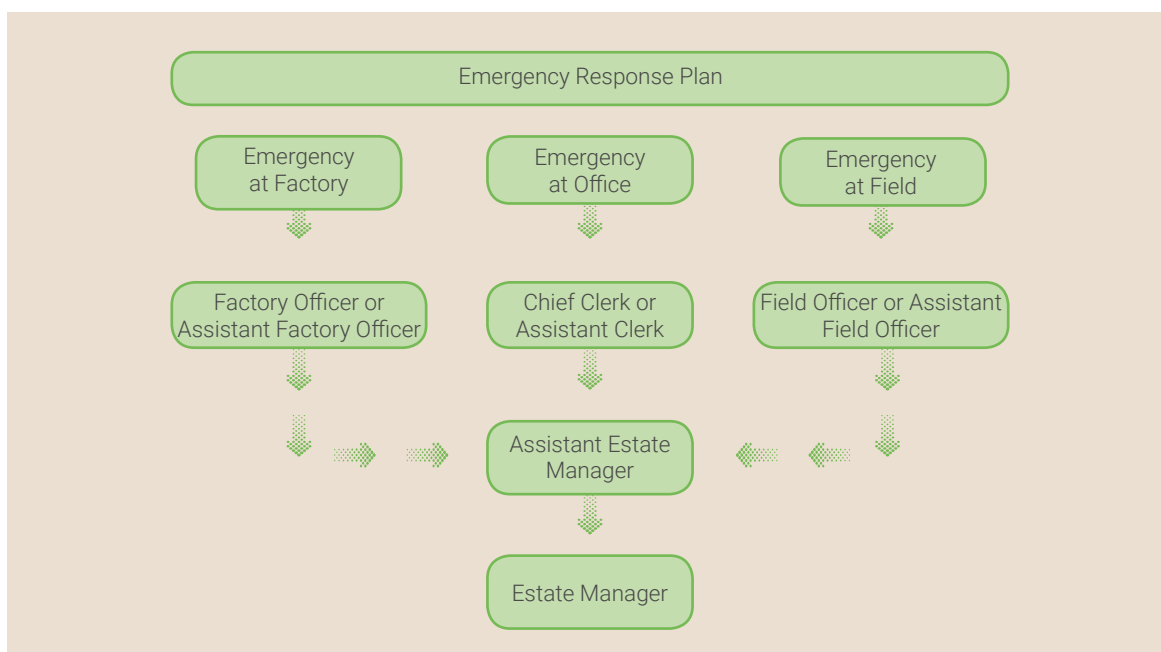
Given the nature of the business, safety is deemed to be of paramount importance. HPL recognises its corporate responsibility to provide a safe and healthy work environment for everyone at the Company's sites.

A comprehensive Safety Policy is in place to articulate our commitment to the "Safety First" concept at every level of business. The policy is well adopted with all employees aware of their duties and responsibilities to work towards our commitment to achieve Zero accidents and injuries in the workplace.

The key components of our Safety Policy are operationalised through an Occupational Health & Safety (OHS) Plan. The OHS plan which was drawn up by an independent, professional Occupational Health and Safety officer is based on a holistic risk assessment of HPL's business model and value chain. As per the OHS plan, estate and factory workers who deal with machinery and agrochemical application have been categorised as high risk in terms of health exposure are provided with the required Personal Protective Equipment (PPE). Special shower stations have also been installed within each division to store Personal Protective Equipment, chemical supplies and facilitate necessary clean up protocols after handling chemical. All high risk workers are further required to present themselves for annual medical tests to check their health status. In additionally every estate has qualified

medical assistants who provide first aid and basic medical treatment to workers in case of emergencies. Ambulance services are also available at all our estates so as to manage emergency situations.

As per the Occupational Health and Safety Plan, all employees are required to undergo specific training inclusive of first aid and fire drill procedures which are conducted by qualified professionals from the Sri Lanka Red Cross Society.



## Safety Training - 2021/22

Executives		Non-Executives		Labour Force	
No. of Programmes	Training Hours	No. of Programmes	Training Hours	No. of Programmes	Training Hours
M	F	M	F	M	F
51	520	74	1638	153	4342

In an effort to build a strong safety awareness culture, we encourage greater employee participation in hazard identification at our factories. We have also incorporated OHS as a key topic in our discussion forums with employee representatives. Stemming from this, we introduced a new accident cover policy for workers in partnership with a leading Insurance Company.

## Injury Track Records

	2021/22
Fatalities	Nil
Serious injuries	Nil
Minor Injuries	06
Lost time due to fatalities / injuries	Nil

# HUMAN CAPITAL

## Industrial Relations

➔ GRI 102 - 41, GRI 402 - 1



We remain committed to working closely with union representatives and have appointed designated Plantation Executives to conduct weekly discussions with union leaders on matters of concern in the areas of work, welfare and disputes. Recorded minutes of these meetings are summarised and presented to the Top Management for review and necessary action. Plantation Executives also meet union representatives on request to discuss and settle matters relating to industrial disputes and worker welfare.

Further, being a member of the Ceylon Planter's Association, HPL also participates in broader industry level forums with Unions, the Commissioner of Labour, Ministry of Plantations Industries etc. to resolve issues pertaining to workers. We also arrange for regular awareness sessions to be conducted by the Labour Department of Sri Lanka to educate our estate workforce on labour rights and the solutions available to them.

Meanwhile executive and middle management level employees are given ample opportunities to join in key meetings such as the Managing Director's review meetings, both at a corporate and Group level.

Operational changes are communicated to all employees upon receiving approval of the corporate management. Managers are responsible for communicating such changes to their respective teams and are required to inform employees at least 01 month prior to any changes being implemented.

HPL has identified high labour turnover as a significant risk and the management is working towards mitigate same by implementing effective initiatives. Non availability of sufficient labour days to carry out day to day operations is a major constraint. However, HPL has successfully implemented its Revenue Share Model and Outgrower Model to overcome this, which will enable labourers to earn additional income as well. Further, HPL continue to invest in automation and digitalisation to manage the labour shortage effectively.

## Grievance Handling



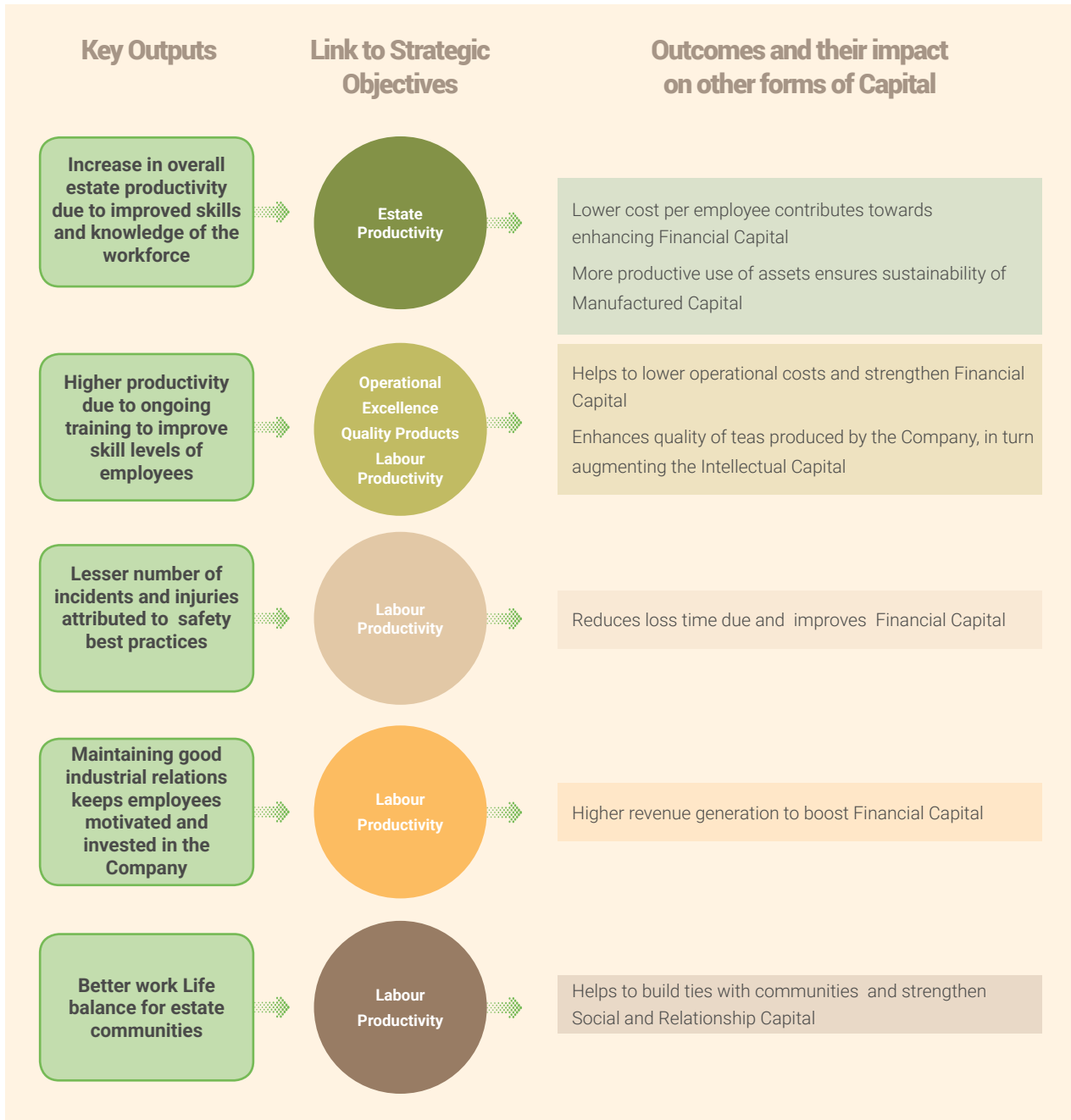
There are several mechanisms available for employees to raise grievances. Direct discussions between workers and management are conducted regularly to discuss day-to-day routine matters, while grievances are discussed on days signed for that purpose. Apart from this, workers have the opportunity to raise grievances through union leaders or through discussions with the Child Development Committees, Kovil Committees, Voluntary Worker Committees and Sports Committees.

Being part of the broader Hayleys umbrella, HPL has also adopted the formal grievance procedure of the Group. The grievance procedure is maintained by the HR Department and allows employees to formally escalate any concerns directly to the HR head. Estate management teams are expected to educate their workforce in their local language regarding the mechanics of the grievance procedure.

## Work Life Balance

Work-life balance initiatives for our workforce are centred on holistically supporting the needs of estate communities (Refer Social and Relationship Capital for more details).

Meanwhile HPL aligns with the Hayleys Group initiatives to enable its executive employees to benefit from a better work-life balance.



**Competency Development**

Skills Development

Research & Development

**Leadership Development**

Structured career development

Soft skills training

# SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital refers to key stakeholder relationships that are crucial to the growth and long term sustainability of our business. We have identified Customer Capital, Business Partner Capital and Community Capital as main stakeholder categories and closely working with them in order to achieve ultimate Social & Relationship Capital goals.



GRI 103-2, GRI 103-3

## Management Approach

To build our Social and Relationship Capital, we have adopted several comprehensive approaches with the aim of meeting the needs and expectations of our key stakeholders more holistically. Our efforts are guided by clear mandates to focus on three main components Customer Capital, Supplier / Business Partner Capital and Community Capital.



**25,000+**  
Beneficiaries

### Contribution to SDGs



**44**  
New Housing Units

**09**  
New Child Development Centres

**10**  
Drinking Water Projects

### Social & Relationship Programmes

Field Rest Rooms	15
Sanitation Programs	43
Health Clinics	103
Access Road- Km	05
Stationary pack distribution	3,750
Covid 19 Awareness Programs	392
Vocational Training Programs	05



"A Safe Haven for every plantation worker was launched to uplift the living standards and improve the quality of life of our plantation worker community and ensure the sustainability of the plantations. In doing so, we focus on four pillars, living environment, health and nutrition, Empowerment of youth and community capacity building"



### CUSTOMER CAPITAL

We consider our customers to be the end consumers of our products. Hence our approach to building Customer Capital is consistent with our commitment to high quality, sustainably produced Tea and Rubber products.

#### Product Responsibility

GRI 416 - 1, GRI 416 - 2



We hold our customers in high esteem and greatly value their patronage of our products. Over the years HPL has earned the trust of customers worldwide through its diverse range of teas from three distinct agro climatic regions in Sri Lanka.

All Upcountry tea plantations are located in Dimbulla /Maskeliya tea planting region of the central hill country. The complex topography and diverse micro-climatic profiles of this region produces a variety of unique tea flavours. The main characteristics of the Dimbulla tea is its fine golden orange hue in the cup, and refreshingly mellow taste.

## SOCIAL AND RELATIONSHIP CAPITAL

Alton, Stockholm, Gouravilla and Fairlawn Factories are located in Upcot Maskeliya Agro climatic Region at an elevation of 3,500 ft. They adopt Orthodox Rotorvane type of Small Grade Manufacture and are known for processing high quality, thick liquoring Teas.

Factories located in the Lindula cluster come under the Agapathana Agro Climatic Region. The Bambrakelly Factory is now automated and produces High Grown orthodox semi Leafy Grades with bright liquors, whilst Eildonhall factory manufactures light liquoring small grades using orthodox rotovane methods. The Tillicoutry factory is known for its Reclaimed Tea Process, which uses refuse teas from other factories in the region.

The Millakanda tea factory is located in the low country region, where orthodox leafy grades are manufactured.

All our Teas are manufactured in accordance with ISO 22000 : 2018 Food Safety Management Systems, under UKAS accreditations and industry specific standards issued by the respective governing bodies. In addition, our teas strictly adhere to the maximum residue levels stipulated by Japan, USA & EU. As per the Sri Lanka Tea Board requirements, we periodically test our teas for maximum residue levels.

In the case of Rubber, Frocester Estate located in the low country is one of the leading rubber manufacturers producing and selling FSC certified sole crepe and colour sole crepe. In addition, the Frocester and Neuchatel rubber factories produce various value added products such as sole crepe, coloured sole crepe, pale crepe, thick crepe, FUB, UFUB etc.

All HPL's Rubber estates and factories are certified under the Forest Stewardship Council™ (FSC™), COC and ISO 9001: 2015 Quality Management Standard.

The Frocester estate is also Fair rubber certified which confirms that all natural rubber products are produced ethically and in line with regulations of certification bodies and permit HPL to use fair

### HPL AGRO CHEMICAL POLICY

HPL does not use any chemical banned by the Sri Lanka Pesticide Registrar General, Sri Lanka Tea Board and the WHO. Further we restrict the usage of agrochemicals which are banned by certification bodies including the Rainforest Alliance, Fair-trade and the Forest Stewardship Council.

In any case, if chemicals are used HPL follows strict guidelines on the justification of using particular chemical/s, use of appropriate safety gear by the handlers and sprayers. HPL supports the integrated pest management approaches, including accurate record keeping and oversight by authorised officers.

Additional assurance is provided by periodic sample testing through accredited laboratories.

rubber logo in our products. HPL receives a premium for certified transactions from fair rubber buyers. This payment is transferred directly to the estate's fair rubber welfare accounts. During the past several years, Fair rubber funds have been directed towards community initiatives that directly benefit the worker communities on the estates such as renovation of Matin Kuns memorial conference hall located at Frocester estate, construction of bridges on Frocester estates etc.

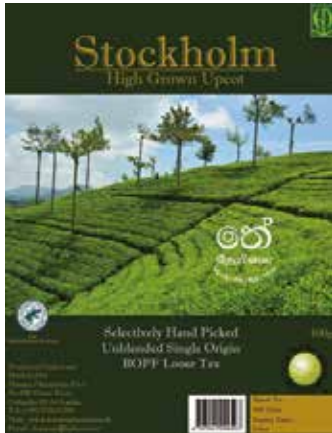
Beyond this, we have implemented global best practices for the management of our estates and factories. While providing added assurance regarding the quality and safety efficacy of the tea



Crepe Rubber- Frocester Rubber Factory







and rubber produced by HPL, these standards also help to drive continuous and ongoing improvements to our product quality and safety systems.

We have now started developing value added teas for both local and international markets, as part of a joint venture operation with Delmege PLC. We are also in the process of producing a new range of single garden teas and flavoured teas to be marketed under the HPL brand.

There were no incidents of non compliance of regulation or violation of voluntary codes reported in the current financial year. Hence, HPL was not subject to any fines or penalties.

### Marketing and Labelling

GRI 416 - 1-2



Our Teas are mainly sold in bulk form at the Colombo tea auction and comply with the product labelling guidelines set out by The Sri Lanka Tea Board and Ceylon Tea Traders Association.

Beyond this, our tea and Rubber products labelled as such ISO 22000 : 2018, Rainforest Alliance, Fairtrade, FSC and Fair rubber certified. Fairtrade certified tea and Fair rubber certified rubber often receive premium prices from global buyers. The premium is directly transferred to the respective estates where the money is utilised for community welfare activities.

There were no incidents of non compliance with regulations concerning product labelling during the reporting year.

### Customer Feedback

- We welcome customer feedback as a key enabler of continuous improvement. We periodically reach out to our customers to gain insights to determine how and where we can make adjustments to strengthen our production process to meet such requirements. Customer feedback is normally obtained through broker muster reports, direct complaints from buyers and through questionnaires.

## Food Safety Policy

**We Horana Plantations PLC committed to the Manufacture and supply of good hygienic tea to our valuable Customers**

**Ensures to produce black tea made at our factory is free from physical, chemical and microbiological hasards which are conforms to the relevant statutory and regulatory requirements**

**Train and motivate our employees continuously to upgrade and maintain ISO 22000:2018 FSMS effectively**



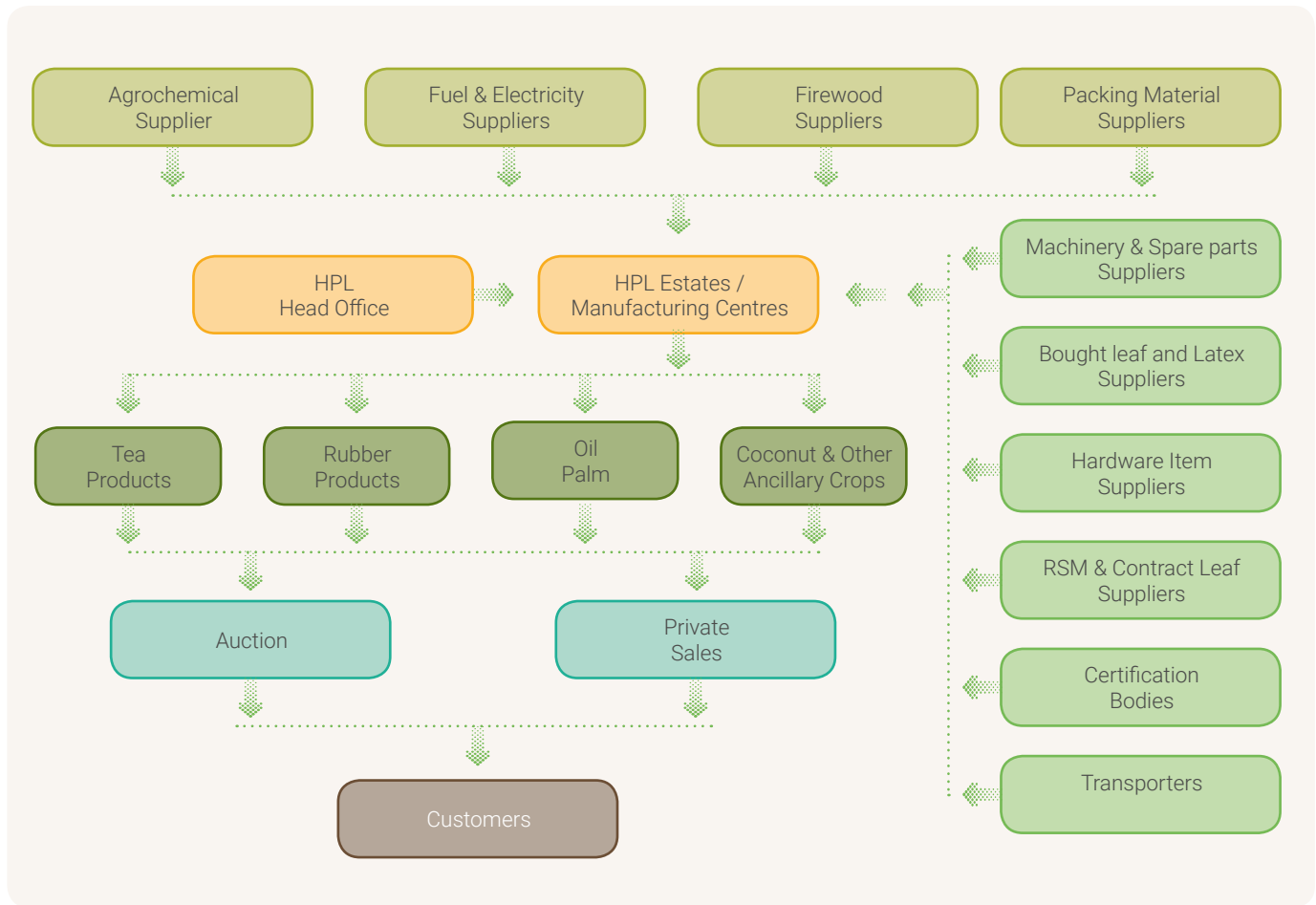
HORANA PLANTAIONS PLC

# SOCIAL AND RELATIONSHIP CAPITAL

## BUSINESS PARTNER CAPITAL

➔ GRI 102 - 9, GRI 102 -10, GRI 308 - 2, GRI 414 - 2, GRI 102-21

### Supply Chain Model

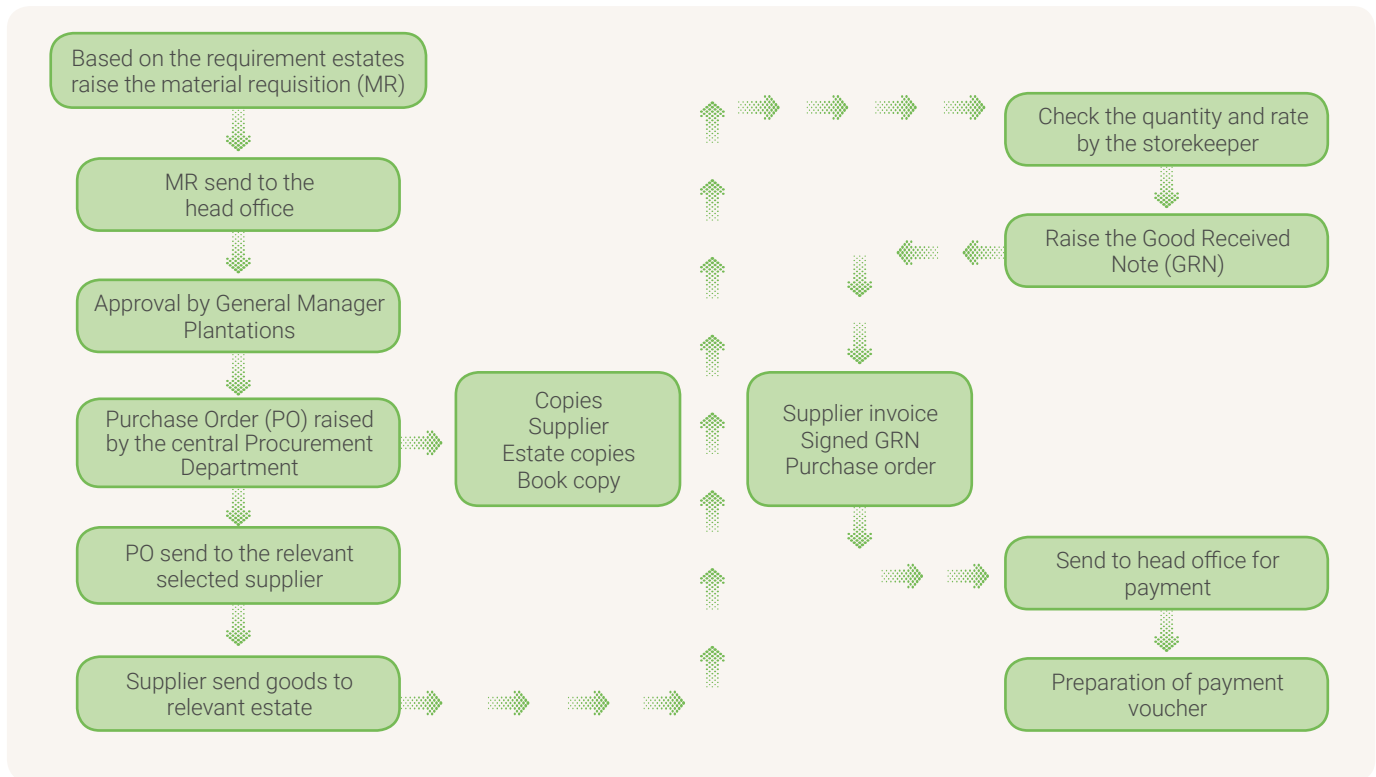


In its day-to-day operations, HPL works with a wide range of business partners / suppliers. Our principal business partners are the bought leaf suppliers, RSM (Revenue Share Model) Leaf suppliers and Out Growers who account for more than 32% of our annual procurement spend. In the current HPL's supply chain was further expanded with the inclusion of RSM where community members are empowered to grow and supply green leaf through a guaranteed buy back arrangement with HPL.

Other business partners include suppliers of manufacturing essentials such as;

- Agrochemical Suppliers
- Fuel & Electricity Suppliers
- Firewood Suppliers
- Packing Material Suppliers
- Machinery and Spare Parts suppliers
- Hardware Items Suppliers
- Transporters
- Certification Bodies

## Procurement Process Flowchart



### Procurement Best Practices

➤ GRI 204-1, GRI 308-1

We rely on industry best practices in our dealings with all suppliers. Accordingly, we maintain a non discriminatory approach to treat all suppliers equally and ensure they are compensated fairly for the products supplied or services rendered.

The same ethics and principles apply for all other suppliers across our value chain. HPL's Service Providers Selection Policy sets out accepted minimum standards for evaluating and selecting suppliers for the supply of agricultural inputs, firewood and packaging materials and other service providers. We also expect all our suppliers to be able to prove their adherence to ILO standards regarding the following principles;

- **No Child Labour**
- **No Forced Labour**
- **No Discrimination & Workplace Violence**
- **No Mistreatment & Sexual Harassment**

All selected suppliers are required to follow company policies and standards and agree to an annual audit by the management.

After selecting the right partners to work with, we conduct regular due diligence activities to ensure they continue to remain aligned to HPL's core values and principles. From time to time, we also conduct social and environmental impact assessments to identify potential negative impacts across our supply chain. Based on our findings, we offer guidance and support to suppliers to help them rectify shortcomings and improve their social and environmental credentials. Social and environmental assessments are carried out for selected partners including firewood suppliers, bought leaf suppliers and waste collectors. These assessments are typically carried out every five years with the assistance of an independent consultant. Findings from these assessments are discussed with suppliers along with recommendations for necessary improvements.

A total of 1,961 suppliers were subjected to social and environmental assessments in FY 2021/22

# SOCIAL AND RELATIONSHIP CAPITAL

## Supplier Development

Our approach to building ties with these business partners / suppliers is based on the principle of shared value.



With all bought leaf suppliers being either tea smallholders registered with the TSHDA (Tea Smallholders Development Association) or micro entrepreneurs who have collective representation, HPL works with relevant groups to provide training and share knowledge on best practices for mutual benefit. Meanwhile our scheduled due diligence programs create the framework to promote continuous improvement among our bought leaf suppliers. We have also opened up a special credit line to extend financial assistance to high performing bought leaf suppliers to help scale up their business.

## COMMUNITY CAPITAL

GRI 203 - 1, GRI 413 - 1, GRI 413 - 2

Our community capital building initiatives are framed around safeguarding the well-being of the 25,000+ people living and working on our estates. In order to preserve and protect the interests of these, communities we have implemented a robust community investment strategy to focus on multiple projects under several key pillars.

Further we have appointed dedicated community liaison officers at all 14 HPL estates to engage in direct ground level conversations with communities in those respective locations. These engagements also provide an opportunity to conduct Environmental and Social Impact Assessments (ESIA) to determine potential negative impacts on estate communities. The ESIA's conducted during the year did not reflect any negative impact on local communities as a result of our business.

## Revenue Share Model (RSM)

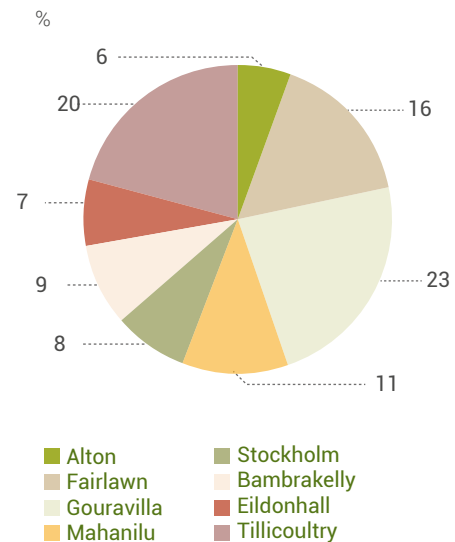
The RSM was rolled out at HPL's tea estates in FY 2021/22. The RSM is designed to empower estate communities to supplement their income by growing and supplying green leaf through a guaranteed buy back arrangement with the Company. The RSM model gives the opportunity for estate community to harvest additional green leaf weightage.

As per the RSM, HPL allocates intercropping blocks of land to community members to grow tea. The Company plays a supervisory role by providing technical advice and awareness on good agricultural practices to increase productivity and improve maintenance of tea blocks allocated to estate communities.

HPL's RSM is the first such system change to be initiated in Sri Lanka's tea plantation sector.

The weed buyback system is an extension of the RSM. The weed buyback system encourages the community to undertake removal of weeds from fields and sell it back to the estate.

RSM Pluckers





A safe haven for every plantation worker “was launched to uplift the living standards and improve the quality of life of our plantation worker community and ensure the sustainability of the plantations. In doing so, we focus on four

pillars, Living Environment, Health and Nutrition, Empowerment of Youth and Community Capacity Building.

Since becoming a signatory to the UNGC Principles, HPL launched the "Safe Haven" for all at Horana Plantations program to demonstrate the Company's commitment to transform all Company owned estates into safe living and working environments for mothers and their children. As a first step, we began working to incorporate the UNGC's child rights business policy framework. We partnered with the ministry Women's and Children's Affairs and Save the Children to implement the Child Protection policy across all 14 estates. The policy seeks to uphold child rights and provide a safe and protective environment to ensure the well-being of children among our estate communities. The policy represents HPL's commitment towards engaging in ethical and socially responsible business practices to develop, empower and transform estate communities, while safeguarding children from violence, exploitation, abuse, and neglect. The Child Protection Focal Points (CFFP) appointed at all estates overseas policy implementation and is charged with monitoring and reporting on policy adherence.



### 1. Housing

The "Safe Haven" for all at Horana Plantations initiative of HPL in collaboration with PHDT, ADRA, World Vision invest approximately Rs. 23 Mn towards construction of New Houses and Re-roofing programs which has benefited more than 950 families. We are now targeting to achieve 100% coverage across all 14 of our plantations by 2030.

The next element under the "Safe Haven" for all at Horana Plantations programe are the Estate Worker Housing Societies. The main task of these societies is to identify and inform estate management regarding necessary improvements to living environment of worker communities, including the requirement to develop community infrastructure (upgrades to existing dwellings, access roads , playgrounds, sanitation and water)



*New Housing Project- Bambrakelley Estate*

# SOCIAL AND RELATIONSHIP CAPITAL

## 2. Healthcare & Nutrition

Our entire workforce and their families are secured by an insurance protection policy. First aid training is provided to selected members of the estate workforce in collaboration with the Red Cross Society.

In addition, we devote considerable resources to conduct free medical camps, eye camps, health screening programs, post and antenatal Clinic, nutritional clinic, and immunisation clinics for the benefit of estate communities. We also facilitate cataract operations for elderly members of the community. Our commitment to safeguard community health is not limited to these annual programs, but remains an important part of our ongoing operations. The quality of drinking water on the estates is checked regularly to ensure suitability for drinking, while workers are encouraged and recognised for ensuring their surroundings are kept clean, while 'line Sweepers' are deployed to clean their surroundings. We also take steps to raise awareness on key topics such as 'betel chewing, excessive alcohol consumption, better nutrition and food practices' to name a few.



Distribution of Sanitary Items- Alton Estate

### COVID 19 Pandemic Situation

The COVID-19 pandemic disturbed the operations of plantations in many ways. To safeguard the workforce and communities on our estates HPL introduced a number of measures designed to curtail the spread of the virus. As a first step, all plantation workers and their families were asked to stay within the safety of their communities, while the Company provided their daily essentials. COVID-19 prevention teams were appointed at each estate to ensure close monitoring and deploy preventive action in order to minimise the spread within the estates. Preventive action by the company, included.

- Vaccination Programs
- Awareness Programs & Poster Campaigns
- Sanitisation Programs
- Social Distancing at the work place
- Provisions of Cummin Seeds Water, Ginger, Tea & Other Herbal drinks.
- Provisions of Oxygen Concentrators to the Estate community
- Provisions of Protective Equipment, Mask & Hand Sanitisers.

#### Company-Wide COVID-19 Incident Report 2021/22

Positive Cases	309 (7% of total workforce)
Home Quarantine cases	465 (11% of total workforce)
Deaths	01 (0% of total workforce)
Affected Estates	Alton
	Gouravilla
	Mahanilu
	Stockholm
	Halwatura
	Neuchatel
	Mirishena
Closure of Head Office	3 - 4 weeks during the island wide lockdown from March to June 2021



COVID- 19 Vaccination Program- Alton Estate

### 3. Community Welfare

The following community welfare activities were carried out in FY 2021/22 under the Save the Children program;

- Training for Child Protection Focal Points (CDO's, PFWO's)
- Donations of Hand Sanitiser, Hand wash, Face Mask and Thermometers.
- Stationery for the Village Child Development Committees
- Stationery and school items for all childrens
- Program for the school drop outs and special children with special needs
- Formation of child clubs



*New Child Development Centre- Millakanda Estate*

HPL also works with ADRA Sri Lanka for community welfare activities such as,

- Construction of New water Projects
- Construction of field rest rooms
- Community training and necessary resources to promote personal hygiene
- Upgrading infrastructure at Child Development Centres and Polyclinics (Dispensaries)



*New Water Project- Fairlawn Estate*

### 4. Community Empowerment



Our community empowerment initiatives focus on inspiring the entrepreneurial spirit among our estate communities. Our RSM system is HPL's flagship community empowerment initiative.

Beyond this, we promote growing activities among community members at every estate. We provide the land and encourage them to engage in annual round cultivation of various crops as a means of supplementing their income. The Fairtrade NAPP funded for home gardening project at the Stockholm Estate, benefits 70 families. Through the ADRA Sri Lanka funding for home gardening projects we provide farming instruments, seedlings and technical training to 250 workers at the Alton, Mahanilu, Gouravilla, Stockholm and Fairlawn estates.

Vegetables and fruits harvested through these efforts are brought to Head Office to be sold to Group employees.

## SOCIAL AND RELATIONSHIP CAPITAL



Vocational Training - Gouravilla Estate

### 5. Education



In light of the prolonged closure of schools due to the COVID-19 pandemic, HPL rolled out an e-learning platform for the benefit of students at all plantations. A total of 275 students from grades 1 to 10 benefited from this initiative.

Five (05) scholarships were provided to children the Alton estate in recognition of them gaining admission to university.

Children of all HPL estates were granted access to online learning through DP education system.

Schools stationary packs were distributed to children at the Alton and Stockholm Estate through Fair-trade Organisation funds

Child Development Officers Training Sessions were conducted with the help of PHDT and 5 Child Development Officers have obtain Diploma Certificates.



Distribution of Stationary Packs- Neuchatel Estate





## 6. Pursuing Greater Value Addition through Partnerships



HPL partners with a range of organisations to enhance the effectiveness of its community initiatives. We obtain the services of the Plantation Human Development Fund (PHDT) in the areas of funding, advisory, training and technical support. In addition, the following organisations have also made significant contributions to HPL's community initiatives.

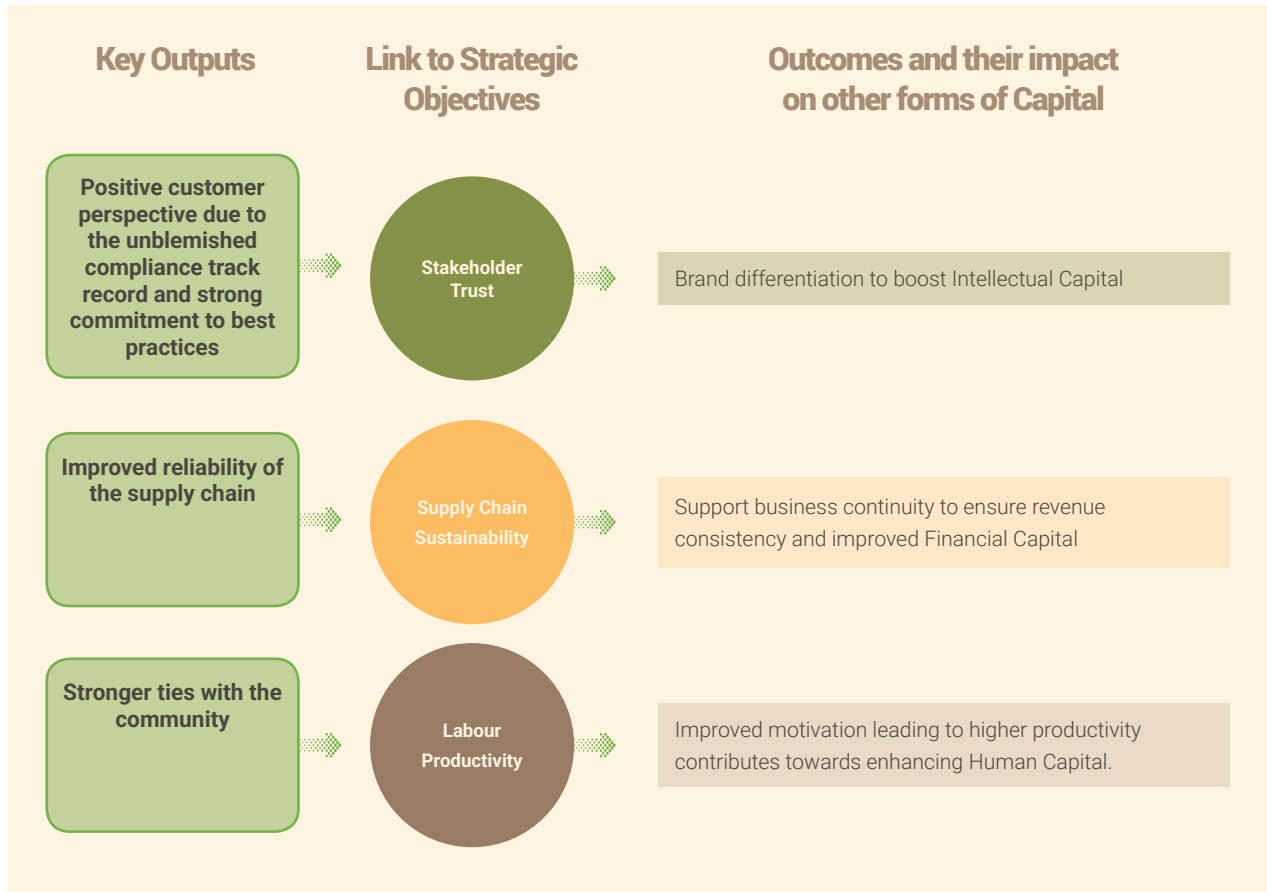
### Partnership Initiatives for FY 2021/22

Farm Foundation	Oxfam Foundation	ADRA - Sri Lanka	Fair-trade	Fair-rubber
				
Awareness and training for members of the corporatives	Women Empowerment Training Programs	Investment on New Water Projects- Rs. 134 Mn	Providing COVID-19 safety equipment	Distribution of dry ration packs to all workers at Frocester & Kobowella Estates- Rs. 0.7 Mn
Distribution of fruit and vegetable plants	Out grower Training Programs	Investment for repairing of creches- Rs. 2.8 Mn	Providing of Stationary packs to children worth Rs. 1.2 Mn	Renovate the Martin Kuns conference hall by allocating Rs. 0.3 Mn
Sinhala classes for the children		Providing of furnitures and play materials to creches- Rs. 0.5 Mn	Distribution of dry ration packs to all workers at the Alton Estate	Construction of New Water Project - Rs. 0.2 Mn
Upgraded the facilities at the Co-operative shop		Providing of furnitures to Polyclinics- Rs. 0.7 Mn		
		Providing televisions to creches and clinics Estates- Rs. 2 Mn		

# SOCIAL AND RELATIONSHIP CAPITAL

## Partnership Initiatives for FY 2021/22

Save the Children	PHDT	Labour Department	UNGC
			
Provision of Rs. 1.5 Mn worth of school bags with complete stationery packs to school children	Providing complete hand washing units to each crèche	Training and awareness on labour rights, Grievance handling process and inform the estate communities about the services provided by the labour department	Training Programs to executives on Gender Equality, Achievements of SDG's, Women Leadership.
Implementation of Responsibility TEA app by the Save the Children (Mother and Child friendly Plantation Project) in order to prevent violence against children	Conduct Covid 19 Vaccination Programmes		
Implementation of Child Protection Policy	Awareness programs and poster campaigns		
Provision of hand wash, masks and sanitisers to all estates			
Art competition for children and providing complete stationery gift packs to participants Providing of thermo meters to each estate			



### Focus areas for the Future

#### Entrepreneurship Programs (Vocational Trainings)

#### Cattle Farming Project

- Provide cattle for low income earning families to increase their standard of living.

#### Green house Vegetable cultivation Project.

- Educating the estate workforce to grow vegetables on a commercial scale by utilising available natural resources

#### Vocational Training Programmes for Youth

- Automobile Repairs Training
- Electrician Training
- Plumbing Training
- Food Processing
- Masons Training
- Tailoring Training

#### CSR Activities

- Nutritional Programs.
- Medical Clinics
- Maternal Care Programs
- Improving estate infrastructure to enhance the living environment
- Eye Clinics
- First Aid Training
- Health Awareness Programs

# NATURAL CAPITAL

As an agricultural business, our operations have a direct impact on natural resources through the use of land on which our tea and rubber is grown and harvested. Moreover, our day-to-day operations have an indirect impact on the environment due the consumption of materials extracted or produced from natural renewable and non-renewable resources.



➔ GRI 103-2, GRI 103-3

## Management Approach

We strive to manage the use of resources in the most effective and efficient manner so as to minimise the deterioration of the environment. Given that HPL estates are spread across the Maskeliya, Talawakelle and Horana Agro-Climatic regions, all known for their rich and diverse ecological resources, our ultimate goal is to make a net positive impact, by giving back more than what we take from the environment. Our commitment to environmental positivity dates as far back as 2019, when the Company became one of the first Sri Lankan signatories to the United Nation Framework Convention on Climate Change (UNFCCC). Since then, the Company has subscribed to the United Nation Global Compact (UNGC) and made an express commitment towards the UN Sustainable Development Goals (SDGs). Collectively these mandates guide our efforts towards becoming a more environmentally sustainable entity.

### Contribution to SDGs



**13%**  
GHG Emission  
Reduction

**No of Trees Planted**

**3,763**

**Compost Production**

**1.7 Mn Kgs**

**Investment on Environment**

**125 Mn**

**Reduction of Fertiliser usage**

**1.3 Mn Kgs**

**Conservation Area**

**386 ha**

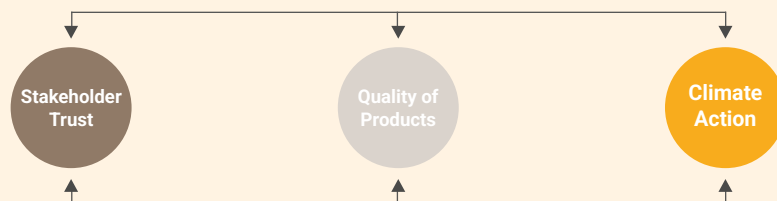
**Solar Project Capacity**

**625 KWh**



The “Green Planet” tree planting program was officially launched on 1st January 2022 with the planting of 1,000 native plants at HPL’s estates in the Central hill country and Horana areas. Our goal with this initiative is to plant 500,000 trees by 2030.

## STRATEGIC OBJECTIVES



## KEY VALUE DRIVERS

Environmental Compliance	
Best Practices for Environmental Management	
Energy Management	<b>Rs. 85 Mn</b>
Water Management	
Managing Waste and Effluents	
Sustainable Agriculture	<b>Rs. 23 Mn</b>
Protection of Biodiversity and Ecosystems	<b>Rs. 2 Mn</b>

➤ GRI 301- 1, GRI 301 - 2, GRI 301 - 3

	Weight / Volume (2021/22)	Weight / Volume (2020/21)	Weight / Volume (2019/20)
<b>Renewable Materials</b>			
Petrol (Litres)	31,992	31,282	32,264
Diesel (Litres)	150,835	148,461	153,013
LP Gas- (Kgs)	4,500	4,700	5,200
Inorganic Fertiliser- (Kg's)	644,400	2,021,450	2,319,600
Dolomite- Kgs	445,680	455,150	665,780
Agrochemicals (Liquid form) Ltrs	7,942	9,366	6,456
Agrochemicals (Solid form)Kgs	669	1500	500
<b>Renewable Materials</b>			
Green Leaf -kgs	11,240,739	11,297,710	10,796,112
Latex - kgs	626,187	872,552	593,507
Firewood – M <sup>3</sup>	14,054	14,894	16,356
Packing Materials - Kgs	3,894	33,935	37,478
Compost - Kgs	1.7 Mn	-	-
Solar Energy - MWh	113	-	-

# NATURAL CAPITAL

## Environmental Compliance

GRI 307 - 1

Compliance serves as the first point of reference in our journey towards becoming an environmentally sustainable business. HPL remains fully committed to comply with all relevant environmental regulations, including the Environmental Protection License granted to each of our factories by the Central Environmental Authority.

Further, HPL refrains from using any chemical banned by the World Health Organisation, Sri Lanka Pesticide Registrar General, Sri Lanka Tea Board and the Accredited certification Programs. In the case of use, we follow strict regulations on the justification of using particular chemicals supported by appropriate safety gear by the handlers and sprayers.

There were no incidents of non compliance of regulations in the reporting period.

## Best Practices for Environmental Management

GRI 203 - 2



As a champion of environmental sustainability, HPL has voluntarily adopted the ISO 14001: 2015 Environmental Management Standard as the benchmark for the Environmental Management System (EMS) implemented across our processing plants.

The systematic execution of the EMS is facilitated through a comprehensive policy framework. Our Environmental Policy is the overarching mandate that sets the basis for our environmental management efforts. All other thematic policies stem from this overarching Environmental Policy.

To further demonstrate our commitment to environmental practices, HPL conducts an annual Environmental and Social Impact Assessment (ESIA) covering all estates. The aim of the ESIA is to determine the social and environmental performance of each estate vis-a-vis water quality, soil profile, air quality, waste footprint, biodiversity impact, as well as employment credentials, Labour rights and other social considerations and their possible impacts on local communities. The ESIA is conducted by the experts with the findings presented to the HPL's central sustainability team for recommendations regarding appropriate improvements for avoiding, reducing or mitigating negative impacts. The dedicated sustainability champion at each estate is tasked with implementing these improvements at an operational level, under the guidance of the central sustainability team.

## Environmental Policy

Horana Plantations firmly believe that protection of the environment is our fundamental responsibility towards society and the sustainable growth of our business. In affirmation thereof, we commit ourselves to contributing positively to the proper care, nurturing and enhancement of the environment in and around our workplace in the interest of the community and the success of our business. Towards achieving this, we shall pursue environmental friendly and responsible methods in all our agricultural operations, field practices and manufacturing process.

## HPL Environmental Management System

### Environmental Policy

#### Thematic Policies

Energy	Water	Waste and Effluents	Sustainable Agriculture	Biodiversity and Ecosystems
Energy Management Policy	Water Conservation Policy	Waste Management Policy	Alien Invasive Species Removal Policy	Environment and Social Impact Assessment Policy
			Agrochemical Use Policy	Ecosystem Restoration Policy
			Pest & Weed Management Policy	Biological Diversity and RTE Species Conservation Policy
			Re-Entry Policy	Wild Life Policy

## Energy Management

GRI 302- 1-5



We use multiple sources of energy in our day-to-day activities including electricity to power the machinery and equipment at our factories, diesel for our backup generators and vehicles, petrol for agricultural machinery and LPG for the purpose of thermal energy.

Parallel to the expansion in our operations, HPL's energy consumption has increased over the years which has prompted us to look into various ways of cutting our energy consumption levels.

We make regular investments to upgrade our machinery, equipment and other production infrastructure to ensure they remain energy efficient.

To further reduce the dependence on non-renewable energy sources, we have in recent years replaced fuel powered boilers with biomass / fuelwood boilers for the tea drying process at the Alton, Fairlawn, Stockholm, Gouravilla, Bambrakelly and Eildonhall factories at a cost of Rs. 62 million. We are currently in the process of installing Variable Frequency Drivers (VFD) to regulate electricity consumption at our factories, while conventional lighting at all tea factories is being replaced with LED lighting. Electric powered water heaters at all bungalows are also being replaced with solar hot water systems.

Energy efficiency improvements continue to be implemented across other energy sources as well. For example fuel wood seasoning sheds have been commissioned at all tea factories to create ideal conditions for storing of firewood. In this way the combustion efficiency of the firewood is greatly increased, ultimately contributing towards higher output.

HPL energy management initiatives are overseen by an in-house Energy Manager, in compliance with the Sri Lanka Sustainable Energy Authority act. No 35, 2007.

### Energy Management Targets

- Installing of Rooftop solar panels to all factory rooftops by 2024
- Switch to 100% LED bulbs by 2024
- 50% reduction of chemical fertiliser usage by 2025
- Reopening of Fairlawn Hydropower Plant
- Installing of Variable Frequency Drivers (VFD) to all factories by 2027
- Construction of rainwater harvesting ponds in each division by 2026
- Reduce carbon emissions associated with energy consumption by 50% in 2030
- Carbon Neutral products in 2030

# NATURAL CAPITAL

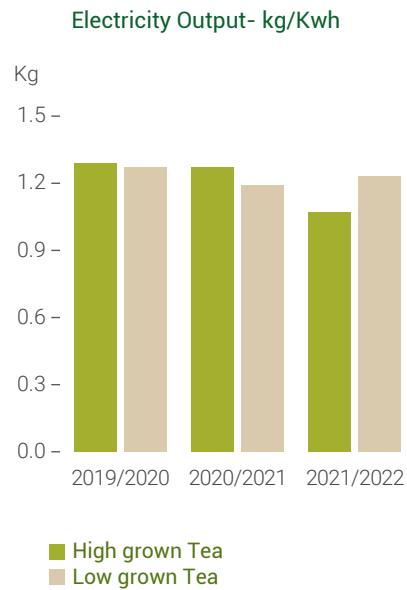
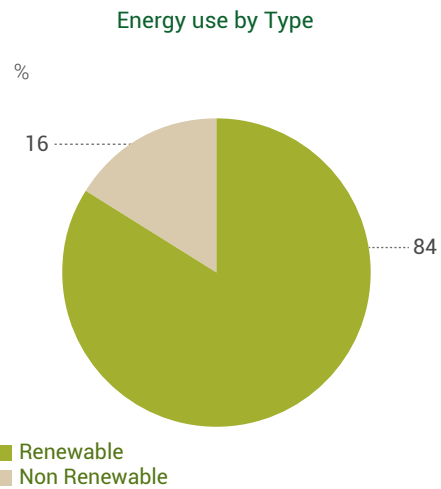
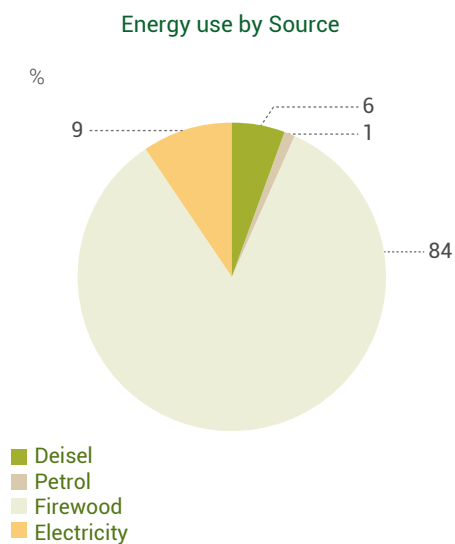
Energy used by type	2019/20	2020/21	2021/22
Renewable (GJ)	98,136	89,364	84,324
Non-Renewable (GJ)	14,772	14,311	16,175

Energy used by Source	2019/20	2020/21	2021/22
Diesel (GJ)	5,814	5,642	5,732
Petrol (GJ)	1,016	985	1,008
Firewood (GJ)	98,136	89,364	84,324
Electricity (GJ)	7,941	7,684	9,436

	2019/20	2020/21	2021/22
Diesel (L)	153,013	148,461	150,835
Petrol (L)	32,264	31,282	31,992
Electricity KWh	2,205,946	2,134,493	2,621,029

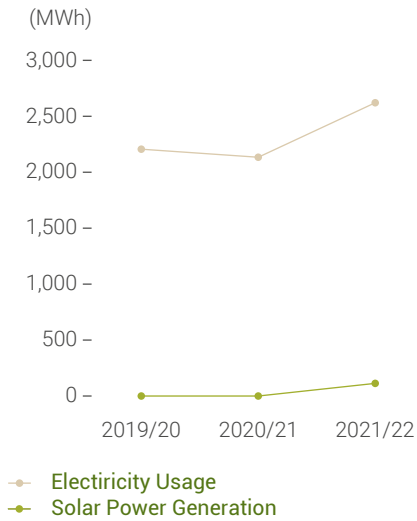
## Renewable Energy Used

	2019/20	2020/21	2021/22
Firewood (M³)	16,356	14,894	14,054

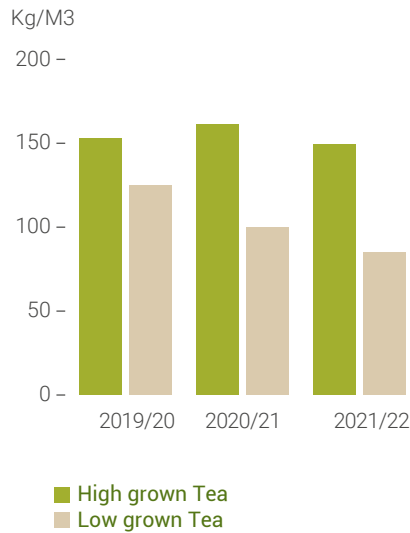




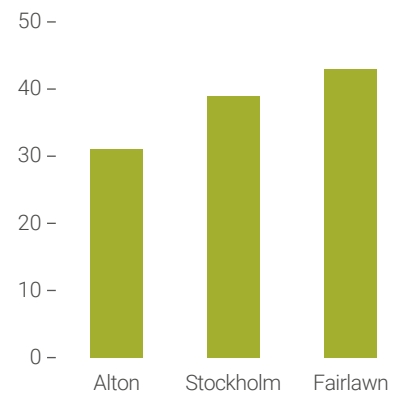
### Electricity Consumption vs Solar Generation



### Firewood Output- Kg/M3



### MWh



## Renewable Energy

Since becoming a signatory to the Climate Neutral Now initiative in 2021, HPL has been working to further increase the share of renewable energy in its overall energy mix. Consequently, it began investing in commissioning roof top solar panels at our factories. Currently solar panels have been installed at Alton, Stockholm, Gouravilla, Mahanilu and Fairlawn which together contribute 113 MWh of clean energy to the national grid in 2021/2022.

We have also undertaken to upgrade HPL's mini hydro infrastructure, which saw a total of Rs. 5.5 Mn divested to date to rehabilitate and upgrade the Fairlawn mini hydro station. We are also exploring the possibility of commissioning new hydropower plants at the Bambrakelly and Fairlawn /Mincinglane estates.



Solar Project- Stockholm Tea Factory



Solar Project- Mahanilu Tea Factory



Solar Project- Alton Tea Factory



Solar Project - Gouravilla Tea Factory



Solar Project - Fairlawn Tea Factory

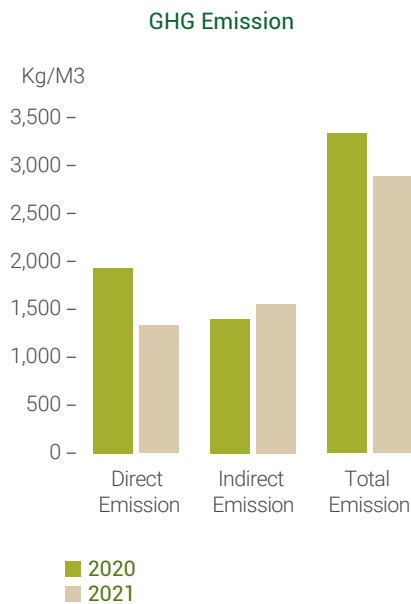
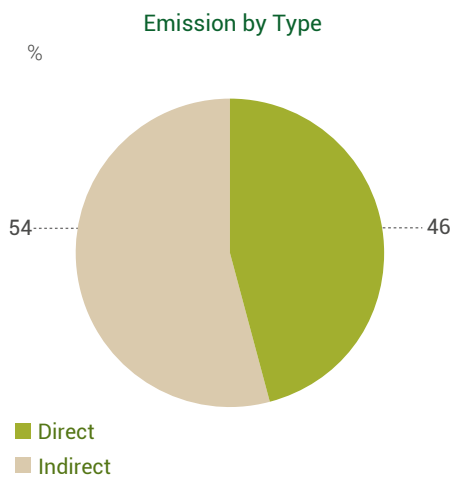
# NATURAL CAPITAL

GRI 305 - 1, GRI- 305 - 2, GRI 305 - 3, GRI 305 - 5

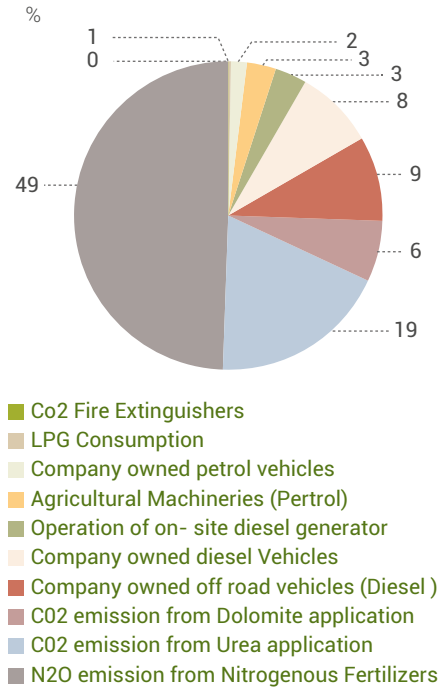
## Carbon Footprint Measurement

In a focused effort to quantify the environmental impact of its operations, HPL has undertaken to compute its GHG Inventory in line with the guidelines of the ISO 14064-1:2018 and Intergovernmental Panel on Climate Change (IPCC). Our GHG inventory verification report for 2021 quantifies the Company's Greenhouse Gas (GHG) Emissions by accurately measuring the emissions associated with each stage of our tea operations. The organisational boundaries were set with reference to the methodology described in the ISO 14064-1:2018 standard and encompasses the operations owned or controlled by the estates, located in Upcot - Maskeliya and Lindula regions.

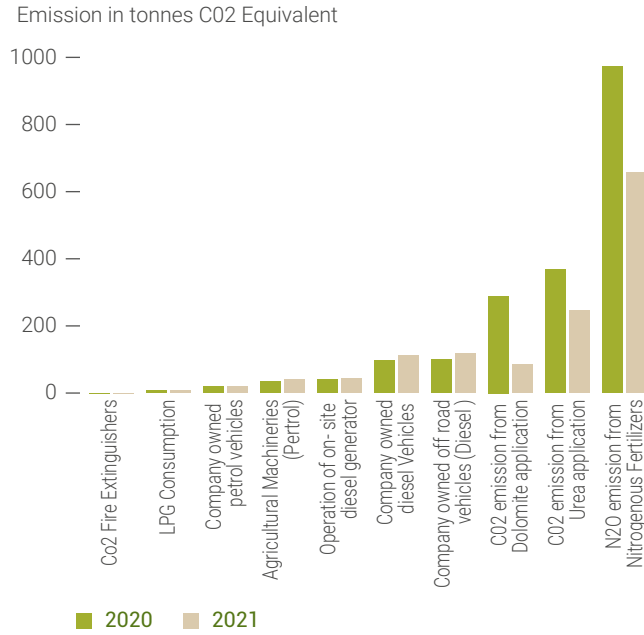
The Company's GHG Inventory Report, which is independently verified by Sri Lanka Climate Fund serves as the basis for identifying new opportunities for carbon reduction in order to systematically improve HPL's environmental impact over time.



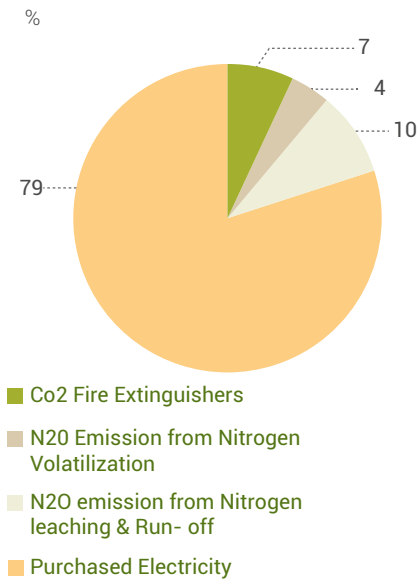
Direct Emission as %



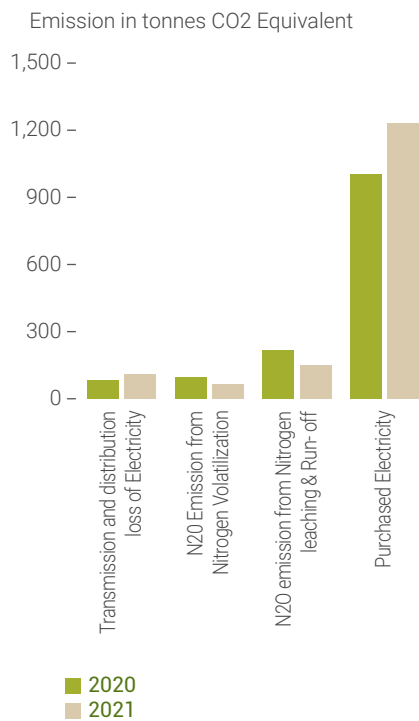
Comparison of Direct Emissions



Direct Emission as %



Indirect Emissions Summary



## NATURAL CAPITAL

Emission Source	Total (tCO <sub>2</sub> e) 2021 (Jan - Dec)	Total (tCO <sub>2</sub> e) 2020 (Jan - Dec)	Variation (tCO <sub>2</sub> e) Base Year 2020
<b>Category 1: Direct GHG emissions in tons CO<sub>2</sub>e</b>	1331.00	1930.00	(31%)
<b>1.1 Direct emission from stationary combustion</b>			
Operation of on-site diesel generators	44.27	40.43	+10 %
LPG Consumption	7.27	7.18	+1%
<b>1.2 Direct emission from mobile combustion</b>			
Company owned diesel vehicles	112.32	97.22	+16 %
Company owned petrol vehicles	19.95	19.04	+5 %
Company owned off road vehicles (Diesel)	118.11	101.20	+17 %
Agricultural Machineries (Petrol)	40.32	34.94	+15 %
<b>1.3 Direct emission from the release of GHG's in anthropogenic systems</b>			
CO <sub>2</sub> emission from Urea application	246.08	367.94	(33%)
CO <sub>2</sub> emission from Dolomite application	86.31	289.21	(70%)
N <sub>2</sub> O emissions from Nitrogenous Fertilisers	655.85	972.20	(33%)
CO <sub>2</sub> fire extinguishers	0.12	0.12	-
<b>Indirect GHG emissions in tons CO<sub>2</sub>e</b>	1555.00	1401.00	+11%
<b>Category 2: Indirect GHG emissions from imported energy</b>			
Purchased electricity	1,230.31	1001.93	+23 %
<b>Category 4: Indirect GHG emissions from product used by the organisation</b>			
N <sub>2</sub> O emissions from Nitrogen Volatilisation	65.58	97.22	(33 %)
N <sub>2</sub> O emissions from Nitrogen leaching & run-off	147.57	218.74	(33 %)
<b>Category 6: Indirect emissions from other sources</b>			
Loss of grid energy in transmission & distribution for Supplying purchased grid electricity	111.71	82.46	+35 %
<b>Total emissions in tones CO<sub>2</sub>e</b>	<b>2886</b>	<b>3331</b>	<b>(13 %)</b>

## Water Management.

GRI 303- 1-5



	2019/20	2020/21	2021/22
Total Water withdrawn (Kl)	5,170	4,665	(504)
Total Water Discharged (Kl)	3,880	3,599	(281)
Total Water Consumption (Kl)	1,290	1,067	(223)

Water is vital for growing activities on our estates. It is also used extensively in our rubber processing factories and in very limited quantities at our tea processing plants. Our rubber factories consume as much as 50,000 litres per day, while tea factories consume on average only about 5,000 litres per day. Water for these purposes is obtained from natural water sources such as streams and ground water.

Water is also a critical resource for the day-to-day sanitation and utility needs of our estate communities. Community water needs are met through the municipal water supply system.

To minimise water wastage, we use global best practices for irrigating our lands. Further, through our Environmental Management System we have implemented best practices for

Rainwater harvesting ponds have been commissioned at all fourteen of HPL's estates. Water collected in these ponds are diverted to plantations during dry season and also channelled for use by estate communities for their needs

### Water Conservation Strategies

- Riparian Buffer Sones
- Chemical Free Sones
- Vegetative Barriers
- Waste Water Treatment Plants
- Regular water testing from Accredited Laboratories
- Use of pressure guns for cleaning operations
- Installing water meters and record the usage
- Rainwater Harvesting

water management including specific water saving goals for all our estates and production facilities.

In line with their respective EPL's, our Rubber Factories are equipped with Effluent Treatment Plants, while Tea Factories have CEA approved soakage pits to control waste water released directly to the environment. As a policy, HPL prohibits extracting water from natural sources such as streams and rivers for the purpose of cleaning and washing machinery and vehicles.



Rainwater Harvesting - Hillstream Estate

# NATURAL CAPITAL

	2021/22	2020/21	Variance
Total weight of Hasardous Waste (MT)	2.3	3.6	(1.30)
Total weight of Non Hasardous Waste (MT)	43.8	38.4	5.4

In line with HPL’s waste management policy, we seek to minimise the generation of hasardous and non hasardous waste materials in all of our estates.

Waste that is considered hasardous is handed over to CEA-approved and licensed waste disposal entities. E-waste, CFL and Fluorescent bulbs collected by the estate are dispatched to the Central Environmental Authority in Hatton or Maskeliya, while clinical waste is sent to the Government hospitals for disposal by the Environmental Management Authority. Such third-party arrangements are facilitated through a formal agreement.

Meanwhile effluents deemed not reusable such as oil and grease generated in the factories are treated at the onsite effluent treatment plants before being channelled for irrigation on our own estates.

All non-hasardous waste is segregated and the 3R principles are strictly applied, wherever possible and practical. Stringent waste management guidelines have been implemented across all our estates and enforced across resident communities therein. Accordingly, polythene, plastic, metal, glass and organic kitchen waste is segregated for collection by the local authorities while estate management these provided with bags or bins to promote responsible waste segregation.

## Waste Circularity GRI 306- 1-2

Organic waste is channelled towards the compost project of estate workers and for domestic use in vegetable cultivation, home gardens for our estate communities. Refuse tea from the tea production process is reclaimed through reprocessing and thereafter used for composting. The weed buy back system implemented at several of our estates is another important circularity initiative by HPL. The bought back weeds are transferred to compost to generate organic fertiliser. Ashes generated from the factory as a result of burning are channelled towards the tea fields to maintain pH and for enhancing composting mixtures.



Waste Bins- Fairlawn Estate

Industrial wastewater generated during the manufacture of rubber is channelled to the wastewater treatment plant. Treated water is tested in line with CEA parameters for PH, BOD (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand) and TSS (Total suspended solids) before being channelled back for irrigation of our rubber lands.



Composting Yard- Mahanilu Estate

## Sustainable Agriculture

As a keen advocate of sustainable agriculture, HPL has adopted the latest integrated plant nutrient system (IPNS) for soil nutrient management. The IPNS formula proposes the ideal combination of organic and inorganic fertiliser accompanied by sound cultural management practices.

Activated Carbon Dust collected as a by product from the Haycarb Factory is channelled to our composting yards and applied to crops in order to increase the soil carbon content, Soil PH level and Soil Microbes availability. Ultimately, this helps to enrich the soil nutrient retention capacity.



Beekeeping with Oil Palm - Neuchatel Estate



Polythene Mulch in Immature Tea - Mahanilu Estate

### Soil Conservation Strategies

- Identifying and mapping the soil erosion areas
- Identifying vacant spaces for mana planting
- Preparation and implementation of an infilling program
- Soil analysis
- Vegetative ground cover
- Mulching of open areas
- Minimal usage of agrochemicals
- Application of compost
- Application of active carbon dust

### Integrated Pest & Weed Management (IPM)

HPL has Integrated Pest Management (IPM) program based on ecological principles which includes prevention, monitoring and intervention measures for the control of harmful weeds, pests and diseases. HPL gives priority to the use of non chemical methods (physical, mechanical, cultural and biological) and the least possible use of agrochemicals. This initiative has been approved by the Tea Research Institute and Rubber Research Institute.

### Manufacture of Organic Fertiliser

Over the past 12 - 18 months, HPL has been working to increase the use of organic fertiliser components used in its growing activities. Organic fertilisers produced in-house through composting techniques have proven to enrich the soil carbon pool and further reduce the atmospheric carbon dioxide concentration and mitigating GHG emissions (Cracknell and Njoroge -2014). The compost application method at our plantations has enabled us to significantly improve soil enrichment through a slow release process thereby reducing the soil erosion and wash off.

### Vermiwash Project

The Vermiwash project is an experimental initiative where we extract the nitrogen rich secretion of worms to produce Vermiwash, a type of organic soil nutrient. Due to the significant amounts of macro and micronutrients, natural growth hormones, beneficial microbes, vitamins, amino acids and nematicidal properties, Vermitech methods are globally accepted as environmentally friendly, economically socially just and user friendly feasible alternative to synthetic agricultural inputs.



Vermiwash Production- Mahanilu Estate

# NATURAL CAPITAL

## Protecting of Biodiversity and Ecosystems

➤ GRI 304- 1, GRI 304 - 2 , GRI 304 - 3, GRI 304 - 4



All HPL estates are located in the hill country and in the low country wet zones, which are rich in biodiversity and also have a substantial impact on the Country's rainfall and climate.

Many streams and waterfalls run through our estates and offer refuge to various species of fauna and flora. We make a conscious effort to encourage our estate communities, in particular youth and students to participate in the preservation of these ecosystems. We focus on environmental sustainability by adopting procedures that will ensure protection of our natural ecosystems in our line of business. Our concept of 'Going Green' is aimed at protecting the and preserving the fauna and flora of the surrounding natural ecosystem.



Oil Palm & Rubber Field- Neuchatel Estate

### Conservations Areas and Buffer Sones at Estates

To enhance biodiversity and ecosystems within our estates and surrounding areas, HPL, has initiated a habitat restoration project whereby 5% of land from each estate has been reserved to provide a healthy home for its native fauna and flora. This project involves preserving existing forest patches, diversification of forestry patches, revegetation of underutilised and unutilised lands, developing home gardens for native flora & fauna and establishment of habitat corridors along river banks. The wildlife habitat gardens replicate the forest ecosystems that provide food, fuel wood & medicine, support wildlife and impact climate change positively.

HPL stands fully committed to protecting biodiversity through a well managed conservation programs that focus on several actionable initiatives coupled with training and awareness.

Area	Extent- Ha
Conservation Forest	75.28
Riparian Reserves	83.91
Ravine & Boundaries	88.28
Jungle & Patna	129.82
Flood Area	5.00
Bamboo Areas	4.30
Total Conservation Area	386.58



Riparian Buffer Sone- Gouravilla Estate

### Biodiversity Assessments

We have adopted a scientific based approach to identify the flora and fauna species at our plantations, where we carry out biodiversity assessment every five years. This is done with the assistance of external experts. In FY 2021/22, we completed the biodiversity assessments for the Frocester and Kobowella Estates through which a total of 21 flora and fauna species were identified as endangered.



### Endangered Flora

Family/ Botanical Name	Common Name	NCS
<i>Calamus seylanicus</i>	Thambotu-Wel	EN
<i>Kokoona seylanica</i>	Kokun	EN
<i>Garcinia seylanica</i>	Ela-Goraka	EN
<i>Utricularia gibba</i>		EN
<i>Memecylon grande</i>	Dedi-kaha	EN

### Endangered Fauna

Family/ Botanical Name	Common Name	NCS
<i>Petrelaea dana</i>	Dingy Lineblue	EN
<i>Argynnis hyperbius</i>	Indian Fritillary	EN
<i>Parantica taprobana</i>	Sri Lanka Tiger (Butterfly)	EN
<i>Aplocheilus dayi</i>	Sri Lanka Day's Killifish	EN
<i>Pethia nigrofasciata</i>	Sri Lanka Black Ruby Barb	EN
<i>Puntius titteya</i>	Sri Lanka Cherry Barb	EN
<i>Pethia cumingii</i>	Sri Lanka Cuming's Barb	EN
<i>Hylarana aurantiaca</i>	Golden frog	EN
<i>Pseudophilautus reticulatus</i>	Reticulated thigh shrub frog	EN
<i>Cercaspis carinata</i>	The Sri Lanka wolf snake	EN
<i>Bradypterus palliseri</i>	Sri Lanka Bush Warbler	EN
<i>Prionailurus viverrinus</i>	Fishing cat	EN
<i>Prionailurus rubiginosus</i>	Rusty-spotted cat	EN
<i>Saxicola caprata</i>	Pied Bushchat	EN
<i>Arhopala orimostoni</i>	Sri Lanka Ormiston's Oakblue	CR
<i>Alcedo meninting</i>	Blue Eared Kingfisher	CR



### Peak-Ridge Forest Corridor

HPL's flagship biodiversity conservation effort, the "Peak-Ridge Forest Corridor" initiative was launched in response to the findings from the annual ESIA for the Upcot region. The aim of the initiative is to protect the leopard population and other endemic species in the area by establishing a forest corridor spanning 18 km between Castlereagh and Maussakelle reservoirs. The corridor cuts across HPL's Stockholm, Mahanilu and Alton estates and extends to the Ballapennumgala forest reserve.

The initiative is a collaborative effort between HPL, Biodiversity of Sri Lanka, Dilmah conservation and the Wilderness and Wildlife Conservation Authority.



Endemic and Native Plants Planting Program in the Peak Ridge Forest Corridor

- *Wendlandia bicuspidate* (Wanaidala)
- *Oncosperma fasciculatum* (Kastukithul)
- *Loxococcus rupicola* (Dothalu)
- *Acronychia pedunculata* (Ankenda)
- *Maesa indica* (Wild berry)
- *Mussaenda frondosa* (Mussenda)
- *Macaranga indica* (Kennda)
- *Toddalia asiatica* (Kudu mirissa)
- *Ficus hispida* (Kotadimbula)
- *Litsea longifolia* (Rath keliya)
- *Trema orientalis* (Gadumba)

# NATURAL CAPITAL

## Reforestation - "Green Planet" tree planting program

The "Green Planet" tree planting program was officially launched on 1st January 2022 with the planting of 1,000 native plants at HPL's estates in the Central hill country and Horana areas. Our goal with this initiative is to plant 500,000 trees by 2030.



### Shade Planting

HPL's Shade planting program aims to ensure adequate shade and to create a micro-climate to increase the physiology of Tea. We have also found that a good shade cover helps to break the rain droplets and reduce the damage caused to the open soil, in turn preventing soil erosion and reducing the risk of earth slips.

### Training and Awareness

HPL's Sustainability Team attends regular training to improve their knowledge on environment matters. In FY 2021/22, the Sustainability Team attended following special trainings;

- GHG Auditor Training organised by Sri Lanka Climate Fund
- Energy Manager Training organised by National Cleaner Production Centre (NCPC)
- Partnerships and Innovative Financing to Mainstream Biodiversity and Sustainable Land Management in the Wet Climatic Sone in Sri Lanka organised by UNDP
- Rainforest Alliance Sustainable Agriculture Standard training to all executives organised by ASLM
- Consultant Development in Energy Management Systems 2021 organised by NCPC
- Awareness Program on Eco Labelling Global Experience organised by NCPC
- Participate to 2nd International Conference on 'Resource Efficiency and Circular Economy' organised by NCPC
- Colombo Development Dialogues on Green Development organised by UNDP & Ministry of Environment.

- Carbon Credit Options of Sri Lanka Carbon Crediting Scheme (SLCCS) for Corporate Level GHG Neutrality conducted by Sri Lanka Climate Fund
- National Green Reporting Systems of Sri Lanka organised by Ministry of Environment.
- The Need for Life Cycle Thinking and LCA Infrastructure in Sri Lanka organised by National Cleaner Production Centre (NCPCC), Sri Lanka and Eco invent Association, Switzerland.
- Technical workshop for development of Industry sector project proposals for CTCN assistance organised by Ministry of Environment
- Webinar on feasibility of developing a Carbon Credit for fuel wood farming on Tea Estate organised by Ethical Tea Partnership.

The Sustainability Team in turn works to facilitate the knowledge transfer to the granular level.

Furthermore, at all our estates and factory premises, we have established proper signage including awareness posters and warning boards to educate employees, community and visitors on the importance of protecting the environment and biodiversity. Moreover, our environmental policy along with the Rainforest Alliance principles, corporate values and strategic direction to conserve our environment are displayed in the Rainforest Educational and Information Centres, Muster Sheds, Notice Boards, Child Development Centres and other suitable places across the estates and factory premises.

# NATURAL CAPITAL



Renewable Energy and Energy Management	Biodiversity Conservation	Sustainable Agriculture
<ol style="list-style-type: none"> <li>Invest in commissioning rooftop solar systems at all factories</li> <li>Increase hydropower generation capacity to 500KWh</li> <li>Register the solar project under Sri Lanka Carbon Crediting Scheme</li> <li>Net Zero Carbon emission by 2027</li> <li>Carbon Neutral Tea products by 2030</li> <li>Reduce the energy cost by 25% in 2030</li> </ol>	<ol style="list-style-type: none"> <li>Expedite the "Green Planet" tree planting program to complete the planting of 500,000 trees by 2030.</li> <li>Increase the land extent allocated for biodiversity conservation to 10%</li> <li>Complete the Peak ridge forest Corridor by 2040</li> </ol>	<ol style="list-style-type: none"> <li>Soil rehabilitation by application of Carbon Dust</li> <li>Increase annual compost production up to 3Mn Kgs</li> <li>Reduce the use of inorganic fertiliser by 75%.</li> <li>Increase soil nutrient levels using the vermi compost mixture</li> <li>Promote Climate Smart Agriculture</li> </ol>



# Committed to Sustainability

Commitment to increasing our positive  
impact on society.

GOVERNANCE

# CORPORATE GOVERNANCE

➔ GRI 102-18, GRI 102-19, GRI 102-20

## HPL's CORPORATE GOVERNANCE FRAMEWORK AND GOVERNANCE STRUCTURE

### Horana Plantations PLC (HPL) strongly believes that good Corporate Governance

is a journey which leads to corporate growth and the incremental improvement in shareholder value. This philosophy adopted by the Company since its inception has contributed to the HPL's sustained growth over the past years.

### CORPORATE GOVERNANCE FRAMEWORK AND STRUCTURE

HPL's Corporate Governance Framework and governance structure together provide the foundation to support the Company growth strategy and the creation of stakeholder value.

Apart from its own Board, HPL's corporate governance framework is strengthened by the Board oversight and good governance practices of two of Sri Lanka's leading conglomerates - Vallibel One PLC (HPL's ultimate parent) and Hayleys PLC (the managing agent appointed by the HPL Board).

#### External Frameworks

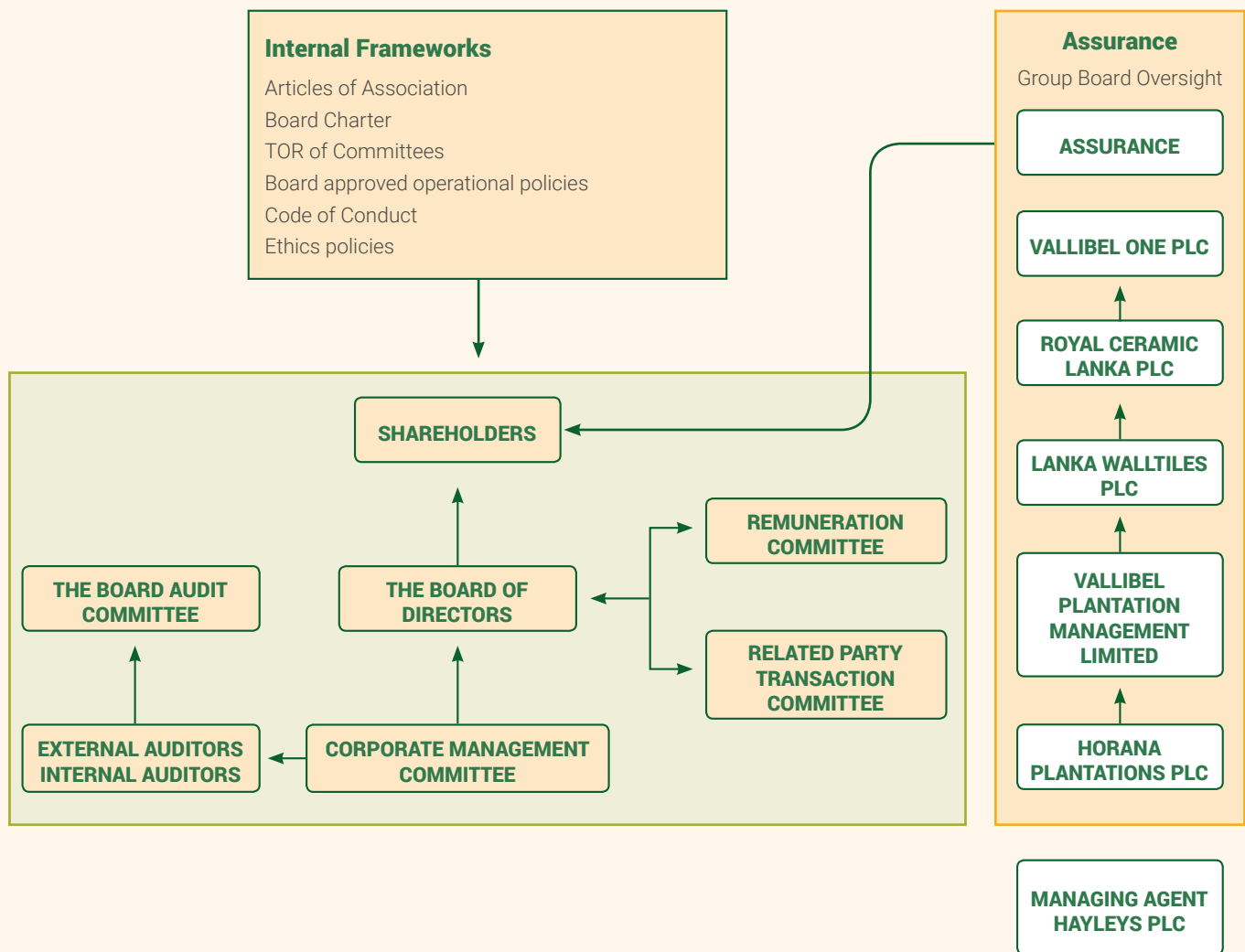
Companies Act No 07 of 2007, Securities and Exchange Commission of Sri Lanka, Code of Best Practice on Corporate Governance issued by CA Sri Lanka, Listing Rules – Colombo Stock Exchange Wages Board Ordinance, EPF Act, ETF Act and Payment of Gratuity Act

#### Governing Bodies

Central Environmental Authority Geological, Mines Bureau National Building Research Organisation, Ministry of Plantations, Sri Lanka Tea Board, Tea Research Institute, Rubber Development Authority, Rubber Research Institute, Coconut Development Authority and Coconut Research Institute

#### Voluntary Best Practices

Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)  
GRI Standards for Sustainability Reporting Issued by the Global Reporting Initiative UNGC  
Climate Neutral Now  
Rainforest Stewardship Council Certification  
Rainforest Alliance Certification  
Ethical Tea Partnership Certification  
Eco Label Certification  
GHG Inventory Certification- ISO 14064 - 1  
Fair Trade Certification  
Fair Rubber Certification  
ISO 14001 Certification  
ISO 22000 Certification  
ISO 9001 Certification



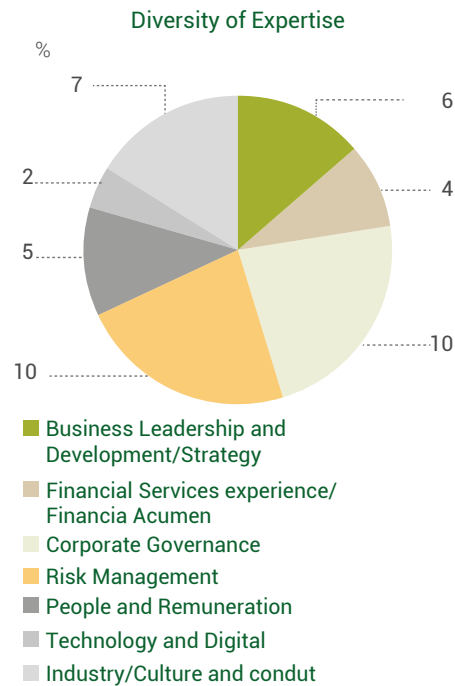
# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

GRI 102-22

The Board of Directors is the apex body constituted by the shareholders for overseeing HPL's overall functioning. The Board provides oversight for the Company's strategic direction in order to ensure that shareholders' long-term interests are being served.

Composition	
Executive Directors	3
Non Executive Directors	7
Independent Directors	5
Non Independent Directors	5
Male	10
Over 5 Years	6
Below 5 Years	4



## BOARD COMPOSITION

GRI 102-23

HPL's Board comprises the correct balance of individuals whose capabilities are appropriate for the scale, complexity and strategic positioning of the business. To ensure no one individual or group of individuals is able to dominate the decision-taking process, the Current HPL Board is well balanced with 03 Executive Directors, 02 Non-Executive Directors and 05 Independent Non – Executive

Directors. Collectively they bring a strong and in-depth mix of business skills and experience and considerable knowledge to assist with Board decisions. Complete Board Profiles are available on pages 14 to 17.

## Independence of Non-Executive Directors

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

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

## ROLE OF THE BOARD

GRI 102-26

As the main governing body within the Company, the Board formulates HPL's vision, mission, values and strategy and provides oversight and direction to ensure that the management and all employees work towards the Company's vision.

## Matters Reserved for Board Approval

- Reviewing and approving the Company's strategic plan, including medium-term and short-term plans
- Reviewing and approving the Company's annual budgets
- Reviewing the Company's performance vis-a-vis strategy, objectives, business plans and budgets and assessing HPL's viability and ability to continue as a going concern;
- Approval of capital expenditure, including annual approval of annual capital expenditure budgets and any material changes to the policy on capital expenditure
- Review and approval of the Company's risk appetite
- Approval of acquisitions, disposals and other transactions outside delegated limits
- Appointment and removal of Directors
- Dividend policy, including annual review of the dividend policy and declaration of the interim dividend and recommendation of the final dividend



- Approval of Shareholder documentation, including approval of resolutions and corresponding documentation to be put to the shareholders and approval of all press releases concerning matters decided by the Board
- Approval of all regulatory filings
- Review and approval of the Terms of Reference (TOR) and membership of Board Committees
- Reviewing and updating the Corporate Governance framework, including business and operational policies

### Board Responsibilities

The HPL Board is responsible for ensuring that laws and regulations applicable to the Company are being complied with and that HPL's operations are conducted in line with good governance best practices at all times.

The Board is also the ultimate authority responsible for managing risks by determining the Company's risk profile and risk appetite limits in line with the corporate strategy.

The Board is further responsible for maintaining a proper mechanism for financial reporting to present a fair and balanced view of the Company's financial position, performance and prospects. The Board seeks to uphold the shareholders right information through the timely publication of quarterly and annual results to enable stakeholders to make informed decisions. Quarterly financials are uploaded to the CSE website on or before the stipulated dates, while HPL annual report containing both financial and non-financial information, including the Company's sustainability performance, is uploaded to the CSE and published on the corporate website [www.horanaplantations.com](http://www.horanaplantations.com).

All publications are first reviewed by the Board Audit committee and then submitted for Board approval prior to being released publicly. The Board exercises its duty to shareholders by convening the Annual General Meeting, to provide them with the opportunity to address their queries or concerns with any member of the HPL Board or the Company's Corporate Management team.

Assurance regarding the efficacy of the Company's financial reporting frameworks is placed under the stewardship of the Board Audit Committee.

As the highest governing body within the company, the HPL Board is also accountable for implementing all reasonable measures to protect the Company's data assets.

The Board is further responsible for ensuring that the Company has adequate human resources and that these human resources are skilled and competent enough to achieve HPL's strategic objectives. At the same time, the Board is charged with setting the tone from the top for promoting good behaviours and strong business ethics at all levels of the business.

### DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE MANAGING DIRECTOR

The roles of the Chairman of the Board and that of Managing Director are distinct and different, with the division of responsibilities between these roles clearly established. The Chairman is the head of the HPL Board, while the Managing Director operates under the authority granted by the Board.

### RESPONSIBILITY OF INDIVIDUAL DIRECTORS

All Directors on the HPL Board are required to always work in the best interest of the Company at all times. They are expected to take great care when exercising their powers and always act in good faith to prevent any conflict between their other interests and the interests of the Company.

Further, the Company requires Non-Executive Directors and all Independent Non-Executive Directors to submit a signed declaration disclosing any related party involvements that could substantively interfere with the exercise of their unfettered and independent judgment.

Moreover an affected Director is expected to recuse from participating in any meetings where the item in which he has an interest is being discussed.

### INDUCTION OF AND TRAINING FOR DIRECTORS

➔ GRI 102-27

At the time of appointing a Director, a formal Letter of Appointment is given to him, which explains the role, function, duties and responsibilities of a Director of the Company. The Director also receives a detailed explanation regarding the duties and responsibilities of Directors as outlined by the Companies Act No 07 of 2007, Securities and Exchange Commission of Sri Lanka and other relevant Regulations.

Additionally new Directors are provided with the requisite documents and reports to enable them to familiarise with the Company's performance and practices.

## CORPORATE GOVERNANCE

Throughout their tenure, all HPL Directors are encouraged to undertake training as part of their continuous professional development. During the period, two directors have participated training programs; Rainforest Alliance Forum.

### BOARD MEETINGS

➔ GRI 102- 23-24, GRI 102-33

HPL's Board of Directors meets quarterly to discuss and decide on business strategies / policies and review the financial and operational performance of the Company.

Board meetings are scheduled as per the annual meeting calendar prepared by the Company Secretary in consultation with the Chairman. The meeting calendar is prepared annually in advance and communicated to all Board members.

The agenda for each Board meeting is set by the Chairman with advice from the Company Secretary. Prior to each Board meeting, the Company Secretary ensures that the relevant board papers containing the agenda and other reference material is made available to all Directors, at least seven (7) days prior to the meeting.

It is mandatory for all Directors to attend Board Meetings and actively participate in all matters outlined under the agenda. Directors are allowed to make a written request to the Chairman requesting any additional matters to be included in the agenda.

Directors are expected to prepare for each meeting and in doing so are given access to the Company's Corporate Management to obtain information or clarifications. They also have the right to seek independent professional advice. Members of the Corporate Management may also be invited to attend meetings to address specific agenda items.

The Directors who are unable to attend the meetings are required to inform the Chairman in writing stating appropriate reasons. Directors not present at Board Meetings are updated through the documented minutes.

The Company secretary is required to maintain minutes of every Board meeting. Minutes are circulated among the Directors and other members of Corporate Management who were present at the particular meeting.

### BOARD COMMITTEES

To assist in executing its governance and oversight responsibilities, the Board has appointed several committees. Each committee comprises entirely of non-executive Directors who have been selected based on their qualifications and expertise to execute the duties as per the TOR of the respective committee. Board committees act as a bridge between the Board and the Corporate Management in overseeing specific operational aspects of the business.

Independent Non-Executive Director		04.05.2021	02.08.2021	01.11.2021	31.01.2022	Total
1	Mr. A M Pandithage	✓	✓	✓	✓	4/4
2	Mr. Dhammika Perera (Represented by his Alternative Director - Mr. K D G Gunaratne)	✓	✓	✓	✓	4/4
3	Dr. Roshan Rajadurai	✓	✓	✓	✓	4/4
4	Mr. J A Rodrigo	✓	✓	✓	✓	4/4
5	Mr. S C Ganegoda	✓	✓	✓	✓	4/4
6	Mr. K D G Gunaratne	✓	✓	✓	✓	4/4
7	Mr. Sunil S Sirisena	✓	✓	-	-	2/2
8	Mr L N de S Wijeyeratne	✓	✓	✓	✓	4/4
9	Mr. N Wickremasinghe	✓	✓	✗	✓	3/4
10	Mr. S M Liyanage	✓	✓	✓	✓	4/4
11	Mr. J M J Perera	-	-	✗	✓	1/2

### Audit Committee

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. S S Sirisena (Resigned w.e.f. 31st August 2021)

Mr L N de S Wijeyeratne

Mr. J M J Perera (Appointed w.e.f. 03rd May 2022)

### Remuneration Committee

Mr. K D G Gunaratne - Chairman

Mr. S C Ganegoda

Mr. S S Sirisena (Resigned w.e.f. 31st August 2021)

Mr. J M J Perera (Appointed w.e.f. 03rd May 2022)

## Related Party Transactions Review Committee

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. S S Sirisena (Resigned w.e.f. 31st August 2021)

Mr. J M J Perera (Appointed w.e.f. 03rd May 2022)

## CORPORATE MANAGEMENT

The Managing Director (MD) heads the Corporate Management Team. Other members of the Corporate Management Team include Chief Executive Officer (CEO), Director Plantations, Regional General Manager, General Manager – Finance, General Manager - Corporate Affairs. Together they represent HPLs Management Committee.

The Managing Director, the CEO and the other members of the Management committee are responsible for the establishment and monitoring financial controls on operations. The MD, CEO and the Management Committee are also collectively responsible for reviewing the annual budgets, monthly operational reviews, capital expenditure proposals and quarterly performance appraisals, prior to submission for Board approval.

The Management Committee meetings are held monthly to ensure that the Company's strategies and plans are carried out effectively to the satisfaction of the Board.

Internal Reviews		Group Assurance Reviews	
Description and Frequency	Participants	Description and Frequency	Participants
Monthly Finance Review	GM Finance	Quarterly performance reviews with Royal Ceramics	CEO
Monthly IT Review	GM Finance and Manager IT	Hayleys Group Monthly Management Committee	Managing Director
		Hayleys Group Plantation Sector Review	Managing Director and CEO
Weekly Sales Review	CEO/Director Plantation/RGM	Hayleys CFO Cluster Monthly Meetings headed by the Group CFO	GM Finance
Monthly reviews with MD	CEO and Corporate Management	Hayleys Group Monthly HR Meeting	GM Corporate Affairs
Monthly Reviews with CEO	Corporate Management	Annual Estate Audits and Head Office Functions	Group Internal Auditor – Hayleys PLC

# CORPORATE GOVERNANCE

## COMPANY SECRETARY

The Company Secretary plays an important role in assisting the Board to discharge their duties and responsibilities. Among the key duties of the Company Secretary are to inform the Board of all legislation and regulations relevant to the Group. Directors have unrestricted access to the Company Secretary.

## DISCLOSURE OF INFORMATION AND COMPLIANCE

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

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

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

Section	Subject	Applicable Rule	Compliance Status	Reference within the Report	Pages	
7.10.	(a)	Compliance with Corporate Governance Rules	Publishing a statement in the Annual Report for the financial year confirming compliance with the Corporate Governance Rules.	Complied	Corporate Governance Report	124 to 138
7.10.	(b)	Relevant Affirmative Statements on complying with Corporate Governance Rules	Giving an affirmative statement in the Annual Report with regard to complying with Corporate Governance Rules or vice versa.	Complied	Corporate Governance Report	124 to 138
7.10.1	(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Board Composition	126
7.10.2	(a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be	Complied	Board Composition	126
	(b)	Independent Director's Declaration	Each Non-Executive Director should submit a declaration of independence / non- independence in the prescribed format.	Complied	Independence of Non-Executive Directors	126

Section	Subject	Applicable Rule	Compliance Status	Reference within the Report	Pages
7.10.3	(a) Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied	Independence of Non-Executive Directors Board of Directors	126 14 to 17
	(b) Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Corporate Governance Report	124 to 138
	(c) Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Board of Directors	14 to 17
	(d) Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the Exchange	Complied	Board of Directors	14 to 17
7.10.4	(a) Defining to Independence (h)	Criteria for defining independence	Complied	Independence of Non-Executive Directors	126
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied	Remuneration Committee Report	144
	(a) Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied	Remuneration Committee Report	144
	(b) Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied	Remuneration Committee Report	144
	(c) Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Remuneration Committee Report	144

## CORPORATE GOVERNANCE

Section	Subject	Applicable Rule	Compliance Status	Reference within the Report	Pages
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	Audit Committee Report	147 to 148
(a)	Composition of Audit Committee	<ul style="list-style-type: none"> <li>a) Shall comprise of Non-Executive Directors a majority of whom will be Independent</li> <li>b) One Non- Executive Director shall be appointed as Chairman of the Committee</li> <li>c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings</li> <li>d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body</li> </ul>	Complied	Audit Committee Report	147 to 148
(b)	Audit Committee Functions	<p>Functions shall include:</p> <ul style="list-style-type: none"> <li>a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.</li> <li>b) Overseeing of the compliance with financial reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements.</li> <li>c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>d) Assessment of the independence and performance of the External Auditors.</li> <li>e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.</li> </ul>	Complied	Audit Committee Report	147 to 148
(c)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> <li>a) Names of Directors comprising the Audit Committee.</li> <li>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</li> <li>c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.</li> </ul>	Complied	Audit Committee Report	147 to 148

Section	Subject	Applicable Rule	Compliance Status	Reference within the Report	Pages
9.2.1 & 9.2.3	RPT Review	<p>To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.</p> <p>Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.</p> <p>Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.</p> <p>To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</p> <p>To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.</p> <p>To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.</p>	Complied	Related party Committee Report	145 to 146

## CORPORATE GOVERNANCE

Section	Subject	Applicable Rule	Compliance Status	Reference within the Report	Pages
		<p>Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.</p> <p>To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</p> <p>To review the economic and commercial substance of both recurrent/non recurrent related party transactions.</p> <p>As per the Listing Rules of the CSE this is mandatory from 1 January 2016.</p> <p>If the Parent Company and the subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the subsidiary.</p>			
9.2.2	Composition	03 Independent Non-Executive Directors	Complied	RPT Review Committee Report & Annual Report of the Board of Directors.	145 to 146 139 to 142
9.2.4	RPT Review Committee-Meetings	Shall meet once a calendar Quarter	Complied	RPT Review Committee Report & Annual Report of the Board of Directors.	145 to 146 139 to 142
9.3.2	RPT Review Committee Disclosure in the Annual Report	<p>a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower.</p> <p>b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts</p> <p>c) Report by the Related Party Transactions review Committee</p> <p>d) A declaration by the Board of Directors</p>	Complied	RPT Review Committee Report & Annual Report of the Board of Directors.	145 to 146 139 to 142



Levels of compliance with the Companies Act No. 7 of 2007 are given in the following table:-

Rule	Requirement	Complied	Reference within the Report	Pages
168 (1) (a)	The nature of the business together with any change thereof	Complied	About Horana Plantations	8 to 9
168 (1) (b)	Signed financial statements of the company	Complied	Financial Statements	151 to 220
168 (1) (c)	Auditors' Report on financial statements	Complied	Independent Auditor's Report	152 to 156
168 (1) (d)	Accounting policies and any changes therein	Complied	Note 1 to 3.10 to the Financial Statements	163 to 175
168 (1) (e)	Particulars of the entries made in the Interests Register	Complied	Annual Report of the Board of Directors	139 to 142
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Complied	Note 31.3 to the Financial Statements	209
168 (1) (g)	Corporate donations made by the Company	Complied	Annual Report of the Board of Directors	139 to 142
168 (1) (h)	Information on the Directorate of the Company during and at the end of the accounting period	Complied	Board of Directors	14 to 17
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Complied	Note 10 to the Financial Statements	178
168 (1) (j)	Auditors' relationship or any interest with the Company.	Complied	Report of the Audit Committee	147 to 148
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Annual Report of the Board of Directors	139 to 142

## CORPORATE GOVERNANCE

Levels of compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 are given in the following table:-

Code Ref	Requirement	Complied	Reference within the Report	Pages
A.	Directors			
A.1	An effective Board should direct, lead and control the Company			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Complied	Board Meetings	128
A.1.2	Role and Responsibilities of the Board	Complied	Board Responsibilities	127
A.1.3	Act in accordance with laws of the Country Independent professional advice	Complied	Corporate Governance	124 to 138
A.1.4	Access to advise and services of the Company Secretary	Complied	Company Secretary	130
A.1.5	Independent judgement	Complied	Board Meetings	128
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Complied	Directors Interests, Related Party Transactions	140 and 145 to 146
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Complied	Board Meetings	128
A1.8	Board induction and Training	Complied	Induction and training for Directors	127
A.2	Chairman and CEO	Complied	Division of Responsibilities Between the Chairman and The Managing Director and CEO	127
A.3	Chairman's role in preserving good corporate governance	Complied	Division of Responsibilities Between the Chairman and The Managing Director and CEO	127
A.4	Availability of financial acumen	Complied	Board Composition	126
A.5	Board Balance	Complied	Board Composition	126
A.5.1	The Board should include sufficient number of NEDs	Complied	Board Composition	126
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A		
A.5.3	Independence of Directors	Complied	Audit committee report	147 to 148
A.5.4	Annual declaration of independence by Directors	Complied	Corporate Governance	124 to 138
A.5.5	Annual determination of independence of NEDs	Complied	Corporate Governance	124 to 138
A.5.6	Alternate Directors	Complied	Board of Directors	14 to 17
A.5.7 & A.5.8	Senior Independent Director (SID)	No	Considering business exigences of the Company	-
A.5.9	Annual meeting with NEDs	Complied	When required executive directors and members of staff are excused from meetings	-
A.5.10	Recording of dissent in minutes	Complied	Meetings	145
A.6	Supply of Information	Complied	Corporate Governance	124 to 138

Code Ref	Requirement	Complied	Reference within the Report	Pages
A.7	Appointments to the Board and Re-election	Complied	Annual Report of the Board of Directors	139 to 142
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	No		
A.7.2	Annual assessment of Board composition	Complied	Corporate Governance	124 to 138
A.7.3	Disclosures on appointment of new directors	Complied	Annual Report of the Board of Directors	139 to 142
A.8	Directors to submit themselves for re-election	Complied	Corporate Governance	124 to 138
A.9	Appraisal of Board and sub-Committee Performances	Working towards compliance	Considering business exigences of the Company	-
A.10	Annual Report to disclose specified information regarding Directors	Complied	Board of Directors	14 to 17
A.11	Appraisal of the CEO	Complied	Corporate Management	129
B.	Directors Remuneration			
B.1	Establish process for developing policy on executive and director remuneration.	Complied	Remuneration Committee report	144
B.2	Level and Make Up of Remuneration	Complied	Remuneration Committee report	144
B.3	Disclosures related to remuneration in Annual Report <ul style="list-style-type: none"> <li>• Remuneration Policy statement</li> <li>• Aggregate Board remuneration paid</li> <li>• HRRC report</li> </ul>	Complied	Responsible and Fair Remuneration Note 10 to Financial Statements Remuneration Committee report	178
C.	Relations with Shareholders			
C.1.	Constructive use of the AGM & Other General Meetings	Complied	Annual General Meeting Notice of Meeting	142
C.2	Communication with shareholders	Complied	Corporate Governance	124 to 138
C.3	Disclosure of major and material transactions	Complied	There were no major or material transactions during the year, which materially affected the net asset base of Company.	-
D	Accountability & Audit			
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance, and prospects	Complied	Financial Statements	151 to 220
D1.1	Balanced Annual Report	Complied	Financial Statements	151 to 220
D.1.2	Balanced and understandable communication	Complied	Financial Statements	151 to 220
D.1.3	CEO/CFO declaration	Complied	Chief Executive Officer's and General Manager Finance's Responsibility Statement	150

## CORPORATE GOVERNANCE

Code Ref	Requirement	Complied	Reference within the Report	Pages
D.1.4	Directors Report declarations	Complied	Annual report of the Board of Directors on the Affairs of the Company	139 to 142
D.1.5	Financial reporting -statement on board responsibilities, Statement on internal control	Complied	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control	150
D.1.6	Net Assets < 50%	Complied	Respective Capital Reports	60 to 65
D.1.7	Related Party Transactions	Complied	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	-
D.1.8	Related Party Transactions	Complied	Directors Interests, Related Party Transactions & Conflicts of interest	139 to 142 and 207
D.2.	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied	Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control	47 to 51 147
D.3.	Audit Committee	Complied	Audit Committee Report	147 to 148
D.4	Related Party Transactions Review Committee	Complied	Related Party Transactions Review Committee report	145 to 146
D.5	Code of Business Conduct and Ethics	Complied	Code of Conduct & Ethics	136 to 138
D.6	Corporate Governance Disclosures	Complied	Corporate Governance Report	124 to 138
E/F	Institutional and other investors	Complied	Relations with Shareholders	
G.	Internet of Things & Cyber security	Complied	Risk Management	
H	Environment, Society and Governance (ESG)	Complied	Social & Relationship Capital, Natural Capital and Corporate Governance Report	92 to 122 124 to 138

By Order of the Board

**Horana Plantations PLC**



**P W Corporate Secretarial (Pvt) Ltd**

Secretaries

Colombo

03rd May 2022

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

The Directors of Horana Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2022.

## General

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

## Principal activities of the Company and review of performance during the year

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

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained on the Chairman's Message and the Managing Director's Review (pages 26 to 34).

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

## Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 151 to 220.

## Summarised Financial Results

	31st March 2022 Rs. '000	31st March 2021 Rs. '000
Revenue	2,563,636	2,125,306
Total Comprehensive Income for the year	48,314	(67,039)
Retained Earnings	546,124	497,810

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 152 to 156.

## Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Financial Reporting Standards

(SLFRS/LKAS) and the policies adopted thereof are given on pages 152 to 156.

## Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 14 to 17.

## Executive Directors

Mr. A M Pandithage - Executive Chairman  
Dr. Roshan Rajadurai - Managing Director  
Mr. J A Rodrigo - Executive Director / CEO

## Non - Executive Directors

Mr. Dhammika Perera - Deputy Chairman\*  
Mr. S M Liyanage - Director

## Independent Non - Executive Directors

Mr. A N Wickremasinghe - Director  
Mr. S C Ganegoda - Director  
Mr. K D G Gunaratne - Director  
Mr. L N de S Wijeyeratne - Director  
Mr. J M J Perera - Director (Appointed w.e.f.01st September 2021)

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

Mr. S S Sirisena resigned from the Board on 31st August 2021.

Mr. S C Ganegoda and Mr. S. M. Liyanage retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 92 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mr. J M J Perera who was appointed to the Board during the year, retires under Articles 98 of the Articles of Association and is recommended by the Directors for re-election.

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

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

## Interests Register

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

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

The relevant interests of Directors in the shares of the Company as at 31st March 2022 as recorded in the Interests Register are given in this Report under Directors' Shareholding.

## Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 31.3 to the Financial Statements on page 209.

## Directors' Interests in Contracts

Directors' interests in contracts with the Company are stated in Note 31.2 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 31.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities;

Vallibel Plantation Management Ltd  
Uni-Dil Packaging Ltd.  
Uni-Dil Paper Solutions Ltd  
Lanka Ceramic PLC  
Lanka Walltiles PLC  
Royal Ceramics Lanka PLC  
Lanka Tiles PLC  
Fentons Limited  
Hayleys Lifesciences (Pvt) Ltd  
Hayleys Agriculture Holdings Limited

Hayleys Agro Fertiliser (Pvt) Ltd  
Hayleys PLC  
Hayleys Business Solutions International (Pvt) Ltd  
Hayleys Aventura (Pvt) Ltd  
Logiwis Limited  
Singer Sri Lanka PLC  
Kelani Valley Plantations PLC  
Talawakelle Tea Estates PLC  
Delmage Forsyth & Co.,Ltd

## Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 143.

## Auditors

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

The audit fee payable to the Auditors for the year under review is Rs. 2,810,000/-.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 3rd May 2022 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## Stated Capital

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

## Directors' Shareholding

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

	Name of Directors	31st March 2022		31st March 2021	
		No. of Shares	%	No. of Shares	%
1	Mr. A M Pandithage	-	-	-	-
2	Mr. Dhammika Perera	-	-	-	-
3	Dr. Roshan Rajadurai	1,000	0.004	1,000	0.004
4	Mr. Johann Rodrigo	-	-	-	-
5	Mr. S C Ganegoda	-	-	-	-
6	Mr. K D G Gunaratne	-	-	-	-
7	Mr. L N de S Wijeyeratne	-	-	-	-
8	Mr. A N Wickremasinghe	-	-	-	-
9	Mr. S M Liyanage	-	-	-	-
10	Mr. J M J Perera	-	-	-	-

## Major Shareholders, Distribution Schedule and Other Information

Information on the distribution of shareholding, analysis of shareholders, twenty three largest shareholders of the Company and percentage of shares as per the Listing Rules of the Colombo Stock Exchange are given on pages 224 to 226 under Share Information. Market values per share, earnings, dividends and net assets per share are given on page 222 to 223

## Employment Policy

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

As at 31st March 2022 4,186 persons were in employment (4,895 persons as at 31st March 2021).

## Reserves

The reserves of the Company with the movements during the year are given in Statement of Changes in Equity on page 160.

## Land Holdings

The Company does not own any freehold property.

## Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 15 to the Financial Statements on page 188.

## Capital Expenditure

The total capital expenditure during the year including the capitalisation of borrowing cost amounted to Rs. 303,583,334/- compared to Rs.177,720,018/- incurred in the previous year.

## Dividends

No dividends were declared during the period under review.

## Donations

The Company has not made any donations to approved charities during the year under review (2020/21 - Rs. 0.2 Mn).

## Risk Management

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 47 to 51.

## Statutory Payments

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

## Contingent Liabilities

Except as disclosed in Note 28 to the Financial Statements on page 204 and 205 there were no material Contingent Liabilities as at the Balance Sheet date.

## Events occurring after the Statement of Financial Position date

Except for the matters disclosed in Note 30 to the Financial Statements on page 205 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

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

## Corporate Governance

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

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 124 to 138 explains the measures adopted by the Company during the year.

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

### Audit Committee

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. Lalit N de S Wijeyeratne

Mr. J M J Perera (Appointed w.e.f.03rd May 2022)

### Remuneration Committee

Mr. K D G Gunaratne - Chairman

Mr. S C Ganegoda

Mr. J M J Perera (Appointed w.e.f.03rd May 2022)

### Related Party Transaction Review Committee

Mr. S C Ganegoda - Chairman

Mr. K D G Gunaratne

Mr. J M J Perera (Appointed w.e.f.03rd May 2022)

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2022.

## Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 92 to 105 of this Report.

## Annual General Meeting

The Notice of the Twenty Ninth (29th) Annual General Meeting appears on page 246.

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



**A M Pandithage**  
Chairman



**Dr. Roshan Rajadurai**  
Managing Director



**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries

Colombo  
3rd May 2022



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

By Order of the Board

Horana Plantations PLC



P W Corporate Secretarial (Pvt) Ltd  
Secretaries

3rd May 2022

# REPORT OF THE REMUNERATION COMMITTEE

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

Mr. K D G Gunaratne - Chairman

Mr. S.C Ganegoda

Mr S S Sirisena (Resigned w.e.f. 31st August 2021)

Mr. J M J Perera (Appointed w.e.f. 03rd May 2022)

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

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

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



**K.D.G Gunaratne**

Chairman – Remuneration Committee

Colombo

03rd May 2022

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

GRI 102-25

## Adoption of the Code of Best Practices on Related Party Transactions

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

## Purpose of the Committee

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

## Composition of the Committee

Mr. S.C Ganegoda - Chairman

Mr. K. D. G. Gunaratne

Mr. S. S. Sirisena (Resigned w.e.f. 31st August 2021)

Mr. J. M. J. Perera (Appointed w.e.f. 03rd May 2022)

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

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

## Meetings

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

Name of the Member	04.05.2021	02.08.2021	01.11.2021	31.01.2022	Total
Mr. S C Ganegoda	✓	✓	✓	✓	4/4
Mr. K D G Gunaratne	✓	✓	✓	✓	4/4
Mr. Sunil S Sirisena	✓	✓	✓	N/A	3/3

## Responsibilities of the Related Party Transactions Review Committee

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

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

## Procedures for Reporting Related Party Transactions

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

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

## Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2021/22. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 31.2 to the Financial Statements, on page 207 of this Annual Report.

## Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 139 and 142 of this Annual Report.



**S.C Ganegoda**

Chairman - Related Party Transactions Review Committee

Colombo  
03rd May 2022

# AUDIT COMMITTEE REPORT

GRI 102-17

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

## Composition of the Committee

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

Mr S.C Ganegoda - Chairman

Mr K.D.G Gunaratne

Mr L N de S Wijeyeratne

Mr. S S Sirisena (resigned w.e.f 31st August 2021)

Mr. J M J Perera (appointed w.e.f. 03rd May 2022)

Brief profiles of each member are given on pages 14 to 17 of this report. Individually and collectively financial knowledge, business acumen and independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's preview.

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

## The Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make sure that new developments relating to the function of the Committee. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

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

## Meetings of the Committee

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

Name of the Member	04.05.2021	02.08.2021	01.11.2021	31.01.2022	Total
Mr. S C Ganegoda (Chairman)	✓	✓	✓	✓	4/4
Mr. K D G Gunaratne	✓	✓	✓	✓	4/4
Mr. Sunil S Sirisena	✓	✓	✓	N/A	3/3
Mr L N de S Wijeyeratne	✓	✓	✓	✓	4/4

## The Authority of The Audit Committee

- Recommend appointment, dismissal, service period and audit fee of the external auditors.
- The audit committee shall establish and maintain a direct communication channel with the external auditors.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the external audit firm and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management, external auditors as necessary to carry out the assigned duties.

## Financial Reporting System

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

## Internal Audit

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

# AUDIT COMMITTEE REPORT

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

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

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

The Committee evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Group MA&SRD and other internal auditors, in the conduct of their assignments.

## Risk Management

The committee obtained and reviewed statements from the management identifying their respective major Business Risks, mitigatory action taken or contemplated for management of these risks.

Review of the risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial actions recommended to the board.

## External Audit

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

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

## Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants: continued as Auditor

for the financial ending 31st March 2023 after evaluating the scope, delivery of audit resources and the quality of the assurance initiatives taken during the year 2021/22.

## Compliance

The Committee obtained representations from the management on the adequacy of provisions made for possible liabilities and reviewed reports tabled and certifying their compliance with relevant statutory requirements. Obtained regular updates from the management regarding compliance matters.

## Ethics and Good Governance

GRI 102-17

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

## Sri Lanka Accounting Standards

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

## Audit Committee Report

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

## Support to the Committee

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



**S C Ganegoda**

Chairman

Audit Committee

Colombo

03rd May 2022

# DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on Internal Controls as per the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted committee to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies and annual budget.
- The Hayley's Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment in the Company. Audits are carried out in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by MA & SRD and Management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits.
- Estate audits are outsourced to leading audit firms in the Country based on agreed audit scope and their audit observations on internal controls together with management rectification actions are reviewed by Audit Committee on every audit committee meeting.

- The adoption of new Sri Lanka Accounting Standards, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.
- The comments made by External Auditors in connection with the internal control system during the financial year 2021/22 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

## Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.



**Dr. Roshan Rajadurai**  
Managing Director



**Johann A. Rodrigo**  
Director/Chief Executive Officer

03rd May 2022

# MANAGING DIRECTOR'S, CHIEF EXECUTIVE OFFICER'S AND GENERAL MANAGER - FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of Horana Plantations PLC as at 31st March, 2022 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- Listing rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by the institute of Chartered Accountants of Sri Lanka; and
- Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

Significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the financial statements. The significant accounting policies estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this annual report.

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves

management or other employees. Our internal auditors also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits, and to discuss auditing, internal control and financial reporting issues. The independent auditors and the internal auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by Messrs.' KPMG, Chartered Accountants, the Independent External Auditors. Their report is presented on pages 152 to 156 of this Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services does not impair their independence.

We confirm that the company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the company other than those arising in the normal course of conducting Plantation business.



**Dr. Roshan Rajadurai**  
Managing Director



**Johann A. Rodrigo**  
Director / Chief Executive Officer



**N A A K. Nissanka**  
General Manager - Finance

03rd May 2022





# Sustainable Successes

Ensuring the highest levels of sustainability.

	2021/22	2020/21
<b>Financial Calendar</b>		
Three months ended 30th June	2-Aug-21	13-Aug-20
Six months ended 30th September	1-Nov-21	20-Oct-20
Nine months ended 31st December	31-Jan-22	25-Jan-21
Twelve months ended 31st March	3-May-22	4-May-21
<b>Annual Report</b>	7-Jun-22	7-Jun-21
29th Annual General Meeting	30-Jun-22	
28th Annual General Meeting		30-Jun-21

## FINANCIAL INFORMATION

# INDEPENDENT AUDITORS' REPORT



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

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## TO THE SHAREHOLDERS OF HORANA PLANTATIONS PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Horana Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 157 to 220.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

#### Key Audit Matters

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

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA
R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA
M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K.Sumanasekara FCA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS		

## Measurement of Biological Assets

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

Risk Description	Our response
<p>The Company has reported bearer biological assets amounting to Rs. 2,173 Million and consumable biological assets amounting to Rs. 596 Million as at 31st March 2022. The Biological assets represents 70% of the total assets as at 31st March 2022.</p> <p>Bearer biological assets mainly include mature and immature tea, rubber and other trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported losses as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations fields to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.</p> <p>The Consumer Biological assets are carried at fair value less cost to sell whereas the bearer biological assets are carried at the cost less accumulated depreciation and impairment loss.</p> <p>The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber quantity could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. The Management has used an external valuation expert to assist in determining the fair value of the consumable biological assets at the reporting date.</p> <p>We considered the measurement of biological assets as a key audit matter due to the magnitude of the amounts involved and significant management judgment involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of consumable biological assets involved significant judgment exercised by the management and external valuation expert and were subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer of bearer biological asset require management to exercise their judgment in determining the point at which a plant is deemed ready for commercial harvesting.</p>	<p><b>Our audit procedures included among others;</b></p> <p><b>Bearer Biological Assets</b></p> <ul style="list-style-type: none"> <li>– Assessing the processes and controls in place to ensure; proper capitalization of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis.</li> <li>– Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.</li> <li>– Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year was consistent with the Company accounting policy and industry norms.</li> <li>– Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies.</li> </ul> <p><b>Consumable Biological Assets</b></p> <ul style="list-style-type: none"> <li>– Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare and evaluating the appropriateness of those assumptions.</li> <li>– Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert engaged by the Company.</li> <li>– Comparing the average market price to historical data and market available data.</li> <li>– Verifying the mathematical accuracy of the consumable biological asset valuation.</li> <li>– Assessing the adequacy of the related disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.</li> </ul>

# INDEPENDENT AUDITORS' REPORT



## Recoverability of deferred tax assets

(Refer to Note 3.4.9.2 significant accounting policies and explanatory Note 25 to the financial statements).

Risk Description	Our response
<p>The Company has recognized deferred tax asset of Rs. 149 Million on temporary differences which include deferred tax asset recognition of Rs. 93 Million in respect of accumulated tax losses of Rs. 886 Million as at 31st March 2022. The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and existing future taxable temporary differences. The Company has considered the availability of qualifying taxable temporary differences and the probable taxable profits for the foreseeable future for the purpose of recognizing deferred tax assets.</p> <p>We considered this as a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.</p>	<p>Our audit procedures included among others;</p> <ul style="list-style-type: none"> <li>– Evaluating the assumptions used by the management in the preparation of revised forecast of future taxable profits of the Company with our understanding of the business and the industry based on internal and external sources of information.</li> <li>– Assessing the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets by comparing the consistency of management profit forecasts with those included in the financial budgets approved by the board of directors.</li> <li>– Evaluating the adequacy of the related disclosures in the financial statements in accordance with the relevant Accounting Standards.</li> </ul>

## Valuation of Retirement benefit obligation

(Refer to Note 3.3.1.1 significant accounting policies and explanatory Note 23 to the financial statements).

Risk Description	Our response
<p>The retirement benefit obligation of the Company as at 31st March 2022 amounting to Rs. 484 Million. The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Further, uncertainty of judgments and estimates has increased due to the rapidly changing economic factors of the Country.</p> <p>The Management has used an independent actuary to assist them in the computation of retirement benefit obligation at the reporting date.</p> <p>We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the liability.</p>	<p>Our audit procedures included among others;</p> <ul style="list-style-type: none"> <li>– Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company.</li> <li>– Testing the samples of the employees' details used in the computation to the human resource records.</li> <li>– Evaluating the reasonableness of the total annual salaries used in the computation by comparing to the historical data</li> <li>– Challenging the key assumptions used in the valuation, in particular the discount rate, inflation rate, mortality rates and future salary increases</li> <li>– Comparing the discount rate, inflation rate, mortality rate and future salary increases to market available data.</li> <li>– Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation.</li> <li>– Assessing the adequacy of the related disclosures made in the financial statements including sensitivity analysis.</li> </ul>



## Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

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

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

# INDEPENDENT AUDITORS' REPORT



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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

A handwritten signature in black ink, appearing to read 'KPMG'.

**Chartered Accountants**

Colombo, Sri Lanka

3rd May 2022

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March		2022	2021
	Note	Rs'000	Rs'000
<b>Revenue</b>	4	2,563,636	2,125,306
Cost of Sales		(2,192,626)	(1,924,851)
<b>Gross Profit</b>	5	371,010	200,455
Other Operating Income	6	7,564	7,446
Change in Fair Value of Biological Assets	7	31,464	40,089
Administrative Expenses		(185,153)	(174,949)
Management Fees	8	(16,200)	(12,211)
<b>Profit from Operations</b>		208,685	60,830
Net Finance Expenses	9	(140,363)	(136,960)
<b>Profit/(Loss) before Tax</b>	10	68,322	(76,130)
Tax Expense	11.1	(25,868)	(1,742)
<b>Profit/(Loss) for the year</b>		42,454	(77,872)
<b>Other Comprehensive Income:</b>			
<b>Items that will not be reclassified to Profit or Loss</b>			
Actuarial Gain on Retirement Benefit Obligations	23.3	6,547	12,597
Tax Expense on Other Comprehensive Income	11.4.1	(687)	(1,764)
Other Comprehensive Income for the year, net of tax		5,860	10,833
<b>Total Comprehensive Income for the year</b>		48,314	(67,039)
<b>Basic Earning/(Loss) per Share (Rs.)</b>	12.1	1.70	(3.11)
<b>Diluted Earning/(Loss) per Share (Rs.)</b>	12.2	1.70	(3.11)

The accounting policies and explanatory notes set out on pages 163 to 220 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2022 Rs'000	2021 Rs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Right of Use Assets	13	194,693	214,372
Bearer Biological Assets	14.1	2,172,955	2,155,964
Consumable Biological Assets	14.2	595,643	630,578
Property, Plant & Equipment	15	442,750	362,035
<b>Total Non-Current Assets</b>		<b>3,406,041</b>	<b>3,362,949</b>
<b>Current Assets</b>			
Non-harvested Produce on Bearer Biological Assets	14.5	8,129	7,999
Inventories	16	350,398	255,625
Advance Company Tax (ACT) Recoverable	17	17,586	19,185
Trade and Other Receivables	18	137,620	128,636
Holding Company Receivable	31.1.1	-	654
Other Related Companies Receivables	31.1.1	6,170	747
Cash and Cash Equivalents	19	38,261	13,741
<b>Total Current Assets</b>		<b>558,164</b>	<b>426,587</b>
<b>Total Assets</b>		<b>3,964,205</b>	<b>3,789,536</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	20	250,000	250,000
Retained Earnings		546,124	497,810
<b>Total Equity</b>		<b>796,124</b>	<b>747,810</b>
<b>Non-Current Liabilities</b>			
Interest bearing Loans & Borrowings	21.1	796,364	1,081,523
Lease Liabilities	22	181,691	186,648
Retirement Benefit Obligations	23	483,611	548,770
Deferred Income	24	113,324	118,995
Deferred Tax Liability	25	129,110	110,527
<b>Total Non-Current Liabilities</b>		<b>1,704,100</b>	<b>2,046,463</b>



As at 31st March	Note	2022 Rs'000	2021 Rs'000
<b>Current Liabilities</b>			
Trade and Other Payables	26	291,547	259,278
Related Companies Payables	31.1.2	55,896	21,345
Interest bearing Loans & Borrowings	21.1	404,069	381,984
Lease Liabilities	22	10,314	9,302
Short Term Borrowings	27	702,154	323,354
<b>Total Current Liabilities</b>		1,463,981	995,263
<b>Total Liabilities</b>		3,168,081	3,041,726
<b>Total Equity and Liabilities</b>		3,964,205	3,789,536

The accounting policies and explanatory notes set out on pages 163 to 220 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

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

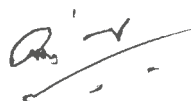


**N A A K Nissanka**

General Manager - Finance

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

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



**A M Pandithage**

Chairman



**Dr. Roshan Rajadurai**

Managing Director

Colombo  
03rd May 2022

# STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st March	Stated Capital	Sinking Fund	Develop- -ment Reserve	Retained Earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 1st April 2020	250,000	35,000	35,000	494,849	814,849
Comprehensive Income/(Expenses) for the year					
Loss for the year	-	-	-	(77,872)	(77,872)
Other Comprehensive Income	-	-	-	10,833	10,833
Transferred to Retained Earnings*		(35,000)	(35,000)	70,000	-
Total Comprehensive Income/(Expenses) for the year	-	(35,000)	(35,000)	2,961	(67,039)
Balance as at 31st March 2021	250,000	-	-	497,810	747,810
<b>Balance as at 1st April 2021</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>497,810</b>	<b>747,810</b>
Comprehensive Income for the year					
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,454</b>	<b>42,454</b>
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,860</b>	<b>5,860</b>
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,314</b>	<b>48,314</b>
<b>Balance as at 31st March 2022</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>546,124</b>	<b>796,124</b>

\*Note - Since the purposes of having Sinking Fund and Development Reserves are already fulfilled, they have been transferred to Retained Earnings in 2020/21.

The accounting policies and explanatory notes set out on pages 163 to 220 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

For the Year ended 31st March	Note	2022 Rs'000	2021 Rs'000
<b>Cash Flows from Operating Activities</b>			
Profit/(Loss) before Tax		68,322	(76,130)
<b>Adjustments for non-cash items :</b>			
Change in Fair Value of Consumable Biological Assets	14.2.2 & 14.5	36,713	(75)
Depreciation and Amortization	10	201,572	190,713
Provision for Retirement Benefit Obligations	23.3	75,478	92,941
Provision for Obsolete Inventories	16.1	(774)	159
Reversal for Impairment of Trade & Other Receivables	18.1	(402)	(460)
Finance Expenses	9	114,816	111,828
Finance Income	9	(700)	(402)
Lease Interest	9	26,563	26,045
Profit on Disposal of Property, Plant and Equipment	6	-	(60)
Amortization of Capital Grants	6	(7,564)	(7,386)
Field Development/Other Capital Expenditure Written-off	14.1,14.2 & 15	19,592	43,145
<b>Operating Profit before Working Capital Changes</b>		<b>533,615</b>	<b>380,318</b>
Increase in Inventories		(85,999)	(67,745)
Increase in Trade and Other Receivables		(14,955)	(53,616)
(Increase)/Decrease in Related Companies Receivables		(5,424)	20,295
Increase/(Decrease) in Related Companies Payables		35,206	(4,336)
Increase in Trade and Other Payables		15,232	32,393
<b>Cash Generated from Operations</b>		<b>477,675</b>	<b>307,309</b>
Interest paid		(114,063)	(118,539)
Payments made for Retirement Benefit Obligations	23	(117,807)	(75,448)
Refund of Taxes		-	41
<b>Net Cash Inflow from Operating Activities</b>		<b>245,805</b>	<b>113,363</b>

## STATEMENT OF CASH FLOWS

For the Year ended 31st March	Note	2022 Rs'000	2021 Rs'000
<b>Cash Flows from Investing Activities</b>			
Purchase/Construction of Property, Plant and Equipment	15	(121,790)	(54,619)
Expenditure incurred on Biological Assets	14.1.1 & 14.2.1	(181,794)	(123,101)
Capital Grants and Subsidies received	24	1,893	3,550
Proceeds on Disposal of Property, Plant and Equipment	6	-	60
Interest Income	9	700	402
<b>Net Cash Outflow used in Investing Activities</b>		<b>(300,989)</b>	<b>(173,706)</b>
<b>Cash Flows from Financing Activities</b>			
Receipt of Project Loans	21	-	600,000
Repayment of Project Loans	21 & 27.2.1	(286,127)	(20,770)
Receipts of Other Term Loans	21.6 & 27.2.1	263,477	112,688
Repayment of Other Term Loans	21 & 27.2.1	(100,423)	(283,481)
Payment of Lease Rentals	22	(36,024)	(33,087)
<b>Net Cash (used in) / Inflow from Financing Activities</b>		<b>(159,097)</b>	<b>375,350</b>
<b>Net (Decrease)/Increase in Cash and Cash Equivalents during the Year</b>		<b>(214,281)</b>	<b>315,007</b>
At the beginning of the Year		(269,613)	(584,620)
<b>At the End of the Year</b>		<b>(483,894)</b>	<b>(269,613)</b>

The accounting policies and explanatory notes set out on pages 163 to 220 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# SIGNIFICANT ACCOUNTING POLICIES

GRI 102-45

## 1. REPORTING ENTITY

### 1.1. Domicile and Legal form

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

### 1.2. Principal Activities and Nature of Operations

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

### 1.3. Immediate and Ultimate Parent Enterprise

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

## 2. BASIS OF PREPARATION

### 2.1. Statement of Compliance

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

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

### 2.2. Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors on 3rd May 2022.

### 2.3. Basis of Measurement

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

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

### 2.4. Functional and Presentation Currency

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

### 2.5. Presentation of Financial Statements

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

### 2.6. Going Concern

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

### 2.7. Materiality and Aggregation

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

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

### 2.8. Use of Estimates and Judgments

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

## SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Critical Accounting Estimate / Judgment Disclosure Reference

Critical Accounting Estimate / Judgment	Disclosure Reference	
	Note	Page
Biological Assets	14	184-187
Inventories	16	190
Income Tax Expense	11	178-179
Deferred Tax Assets / Liabilities	11.4	179-180
Retirement Benefit Obligation	23	199-201

### 2.9. Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the

Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

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

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

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

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

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

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where

applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

### Fair value of non-financial assets

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1. Foreign Currency

#### 3.1.1. Foreign Currency Transactions

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

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

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

### 3.2. Assets and Bases of their Valuation

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

#### 3.2.1. Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

##### 3.2.1.1. Right of Use Asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement

date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right of use assets are subsequently depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

#### Lease Liabilities

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

## SIGNIFICANT ACCOUNTING POLICIES

are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### Short Term Leases

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

### 3.2.2. Property, Plant and Equipment

#### 3.2.2.1. Recognition and Measurement

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

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

#### 3.2.2.2. Subsequent Expenditure

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

#### 3.2.2.3. Capital Work in Progress

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

#### 3.2.2.4. De-recognition

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

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

#### 3.2.2.5. Permanent Land Development Cost

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

### 3.2.3. Biological Assets

Biological assets are classified as Bearer Biological Assets and Consumable Biological Assets. Bearer Biological Assets include tea, rubber, oil palm and other diversify crops those that are not intended to be sold or harvested but are however used to grow for harvesting agricultural produce from such Biological Assets. Consumable Biological Assets include managed timber trees those that are to be sold as Biological Assets.

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

#### 3.2.3.1. Recognition and Measurement

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



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

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

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

### 3.2.3.2. Bearer Biological Assets

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

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

the year of occurrence after ascertaining the loss.

### 3.2.3.3. Infilling cost on Bearer Biological Assets

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

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

### 3.2.3.4. Growing Crop Nurseries

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

### 3.2.3.5. Consumer Biological Assets

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

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber Content	Estimate based on physical verification of girth, height and considering the growth of each species.  Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic Useful Life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company.
Selling Price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

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

### 3.2.3.6. Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get

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ready for its intended use or sale, are capitalized as a part of the asset.

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

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

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

### 3.2.4. Depreciation and Amortization

#### a) Amortization of Assets on JEDB / SLSPC Lease

The leasehold rights to JEDB/SLSPC are amortized in equal amounts over the following years since 1992 (Lower of lease period and economic useful life).

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

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

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

Amortization of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

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

#### c) Depreciation

Depreciation is charged on a straight-line basis over the estimated useful economic life of such assets based on the cost or re-valued amount of all Property, Plant and Equipment. Assets are depreciated over the shorter of the lease term or their useful lives.

Description	No. of Years	Rate
Buildings	40	2.50%
Permanent Land Development Costs	40	2.50%

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

The remaining lease period as at Statement of Financial Position Date is 23 Years.

### 3.2.5. Intangible assets

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

#### a) Software

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

#### b) Subsequent Expenditure

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

### a) Amortization

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

	No. of Years	Rate
Computer Software	4	25.00%

### 3.2.6. Non-Harvested Produce on Bearer Biological Asset

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

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

### 3.2.7. Inventories

#### Agricultural Produce harvested from Biological Assets

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

valued by adding the cost of conversion to the fair value of agricultural produce.

#### Agricultural Produce after further processing

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

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

#### Input Material

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

#### Spares and Consumables

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

#### Produced Stocks

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

### 3.2.8. Trade and Other Receivables

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

### 3.2.9. Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and

subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

### 3.3. Liabilities and Provisions

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

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

#### 3.3.1. Employee Benefits

##### 3.3.1.1. Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by LKAS 19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs Actuarial and Management Consultants (Private) Limited as at 31st March 2022. The liability is not externally funded.

Remeasurements of the defined benefit liability actuarial gains and losses are recognized immediately in OCI. When the benefits of the plan are changed or

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when a plan is curtailed, the resulting change in benefit that related to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on resettlement of a defined plan when the settlement occurred.

### 3.3.1.2. Defined Contribution Plans - Provident Funds and Trust Fund

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

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

### 3.3.2. Contingent Liabilities

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

### 3.3.3. Trade and Other Payables

Trade and other payables are stated at their amortized costs.

### 3.3.4. Deferred Income Grants and Subsidies

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

match the grant on a systematic basis to the costs that are intended to compensate.

Government Grants related to Property, Plant and Equipment other than grants received for Consumer Biological Assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment, more fully mentioned in Note 24 to the Financial Statements.

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

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

### 3.3.5. Ordinary Shares

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

## 3.4. Financial Instruments

### 3.4.1. Recognition and initial measurement

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

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

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

### 3.4.2. Classification and subsequent measurement

#### 3.4.2.1. Financial assets

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

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

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

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

**a) Business model assessment:**

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the

financial assets held within the business model) and how those risks are managed;

- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

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

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

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

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

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

**c) Subsequent measurement and gains and losses:**

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

**3.4.2.2. Financial liabilities**

**3.4.2.2.1. Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

## SIGNIFICANT ACCOUNTING POLICIES

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

### 3.4.3. Derecognition

#### 3.4.3.1. Financial Assets

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

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

#### 3.4.3.2. Financial Liabilities

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

On derecognition of a financial liability, the difference between the carrying amount

extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### 3.4.4. Offsetting

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

### 3.4.5. Impairment – Financial Assets

#### Non-derivative financial assets

##### 3.4.5.1. Financial instruments

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

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

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

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

##### 3.4.5.2. Measurement of ECLs

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

##### 3.4.5.3. Credit-impaired financial assets

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

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

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

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

##### 3.4.5.4. Write-off

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

### Impairment of Non-Financial Assets

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

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

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss.

### Statement of Profit or Loss and Other Comprehensive Income

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

### 3.4.6. Revenue and Income Recognition

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

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

### Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue

and cash flows are affected by economic factors. The Company's revenue comprises only service income coming from parent Company and no disaggregation is required.

### 3.4.6.1. Gain and Losses on Disposal

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

### 3.4.6.2. Interest Income

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

### 3.4.6.3. Other Income

Other income is recognized on an accrual basis.

### 3.4.6.4. Deferred Income

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

### 3.4.7. Expenditure Recognition

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

## SIGNIFICANT ACCOUNTING POLICIES

### 3.4.8. Net Finance Income / Expense

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

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

### 3.4.9. Income Tax

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

The Company has determined that interest and penalties related to income taxes including uncertain tax treatments, do not meet the definition of income taxed, and therefore accounted for them under LKAS 37 - Provisions, contingent liabilities and contingent assets.

#### 3.4.9.1. Current Tax

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act. No. 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date. Relevant details are disclosed in Note 11.1 to 11.3 to the Financial Statements.

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

### 3.4.9.2. Deferred Taxation

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

Temporary differences in relation to a right of use asset and a lease liability are regarded as a net purchase. (Net Lease Liability) for the purpose of recognizing deferred tax.

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

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

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

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

### 3.5. Segmental Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and

expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Managing Director the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 3.6. Related Party Transactions

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

A detailed Related Party Transaction analysis is presented in Note 31.

### 3.7. Statement of Cash Flows

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

### 3.8. Events Occurring After the Reporting Period

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



### 3.9. Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 28 to the Financial Statements. Commitments are disclosed in Note 29 to the Financial Statements.

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

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1st January 2021. Accordingly, the Company has not applied the following new standards in preparing these Financial Statements.

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

#### A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply/ for annual reporting periods beginning on or after 1st January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate.

#### B. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

#### C. Other Standards

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

- COVID-19-Related Rent Concessions beyond 30th June 2021 (Amendment to SLFRS 16)
- Annual Improvements to SLFRS/LKAS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).
- Reference to Conceptual Framework (Amendments to SLFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).

- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to LKAS 8).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st March		2022	2021
		Rs'000	Rs'000
<b>4.</b>	<b>REVENUE</b>		
	Segmental Analysis of Revenue:		
	Main Sectors - Tea	1,856,996	1,572,860
	- Rubber	430,443	399,513
		2,287,439	1,972,373
	Diversified Crops	177,081	89,255
	Sale of Trees	86,072	58,432
	Other Operating Revenue	13,044	5,246
		2,563,636	2,125,306
<b>4.1</b>	<b>Timing of Revenue Recognition</b>		
	Goods transferred at point in time	2,563,636	2,125,306
	Total Revenue	2,563,636	2,125,306
<b>4.2</b>	<b>Contract Balances</b>		
	Receivables, which are included in "trade and other receivables"	73,208	50,694
For the Year ended 31st March		2022	2021
		Rs'000	Rs'000
<b>5.</b>	<b>GROSS PROFIT</b>		
	Segmental Analysis of Gross Profit		
	Main Sectors - Tea	176,828	146,261
	- Rubber	65,408	16,561
		242,236	162,822
	Diversified Crops	99,026	13,969
	Sale of Trees	17,372	18,418
	Other Operating Revenue	12,376	5,246
		371,010	200,455
Segmental Revenue, Expenses, Assets and Liabilities are more fully described in Note 35 to the Financial Statements.			
For the Year ended 31st March		2022	2021
		Rs'000	Rs'000
<b>6.</b>	<b>OTHER OPERATING INCOME</b>		
	Profit on Disposal of Property, Plant & Equipment	-	60
	Amortization of Capital Grants (Refer Note No.24)	7,564	7,386
		7,564	7,446

For the Year ended 31st March	2022	2021
	Rs'000	Rs'000
<b>7. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS</b>		
Change in Fair Value of Consumable Biological Assets (Managed Timber Plantations) (Refer Note No.14.2.2)	23,335	32,090
Gain on Fair Value of Bearer Biological Assets (Non-harvested Crop) (Refer Note No.14.5)	8,129	7,999
	31,464	40,089

For the Year ended 31st March	2022	2021
	Rs'000	Rs'000
<b>8. MANAGEMENT FEES</b>		
Management Fee	15,000	11,306
Value Added Tax on Management Fee (Unclaimed)	1,200	905
	16,200	12,211

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

For the Year ended 31st March	2022	2021
	Rs'000	Rs'000
<b>9. NET FINANCE EXPENSES</b>		
<b>Finance Expenses :</b>		
Project Loan Interest	109,422	78,644
Term Loan Interest	5,734	21,389
Bank Overdraft Interest	37,334	50,675
Interest on Short Term Advances	-	1,818
Interest on Government Lease & Other Finance Leases	26,248	25,534
Stamp Duty and Other Finance Charges	616	868
Sub-Total	179,354	178,928
Capitalization of Borrowing Costs on Immature Plantations	(45,808)	(41,390)
Total Finance Expense	133,546	137,538
<b>Finance Income :</b>		
Interest Income	(700)	(402)
Foreign Exchange Loss/(Gain)	7,517	(176)
<b>Net Finance Expenses</b>	140,363	136,960

## NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31st March		2022	2021
		Rs'000	Rs'000
<b>10.</b>	<b>PROFIT/(LOSS) BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING</b>		
	Auditors Fees -Statutory Audit	2,810	2,600
	Secretarial Fees and Expenses	552	519
	Legal Fees and Expenses	6,346	6,290
	Donations	-	571
	<b>Depreciation and Amortisation:-</b>		
	Right of Use Assets	25,194	21,522
	Bearer Biological Assets	135,303	129,879
	Property, Plant & Equipment	41,075	39,312
	<b>Total</b>	<b>201,572</b>	<b>190,713</b>
	<b>Personnel Costs include:-</b>		
	Provision for Retirement Benefit Obligations :-		
	-Current Service Cost	31,862	38,691
	-Past Service Cost	(285)	-
	-Interest Cost	43,902	54,251
	Defined Contribution Plan Costs (Provident Funds & ETF)	154,027	149,933
	Other Staff Costs	1,204,731	1,071,726
For the Year ended 31st March		2022	2021
		Rs'000	Rs'000
<b>11.</b>	<b>TAX EXPENSE</b>		
<b>11.1</b>	<b>Current Taxes on Continuing Operations:</b>		
	Income Tax for the year (Refer Note No.11.2)	-	-
	Deferred Tax (Reversal)/Charge (Refer Note No.11.4.1)	17,896	(16,530)
	Economic Service Charge (non-claimable)	6,373	10,172
	Provision for Advanced Company Tax (ACT)	1,599	8,100
	Tax Expense on Profit or Loss	25,868	1,742
<b>11.2</b>	<b>Reconciliation between Profit/(Loss) before Tax and Current Tax Expense:</b>		
	Profit/(Loss) before Tax	68,322	(76,130)
	Add: Disallowable expenses	330,872	353,137
	Less: Allowable expenses	(418,617)	(310,716)
	Taxable Loss for the year	(19,423)	(33,709)
	Taxable Profit/(Loss) from Agro Farming	6,600	(27,444)
	Taxable Loss from Agro Processing	(26,023)	(6,265)
		(19,423)	(33,709)

## 11. TAX EXPENSE

For the Year ended 31st March	2022	2021
Tax Rates Applicable - Agro Farming	Exempt	Exempt
- Agro Processing	14%	14%
- Other Income	24%	24%
Current Income Tax Expense	-	-

For the Year ended 31st March	2022 Rs'000	2021 Rs'000
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### 11.3 Accumulated Tax Losses:

Tax Losses Brought Forward	1,836,519	2,219,672
Adjusted Tax Loss due to Exempted Income (Agro Farming)	-	(385,611)
Under Provision Adjustment (Agro Processing)	2,785	-
Loss incurred during the year (Agro Processing)	26,023	6,265
Investment Income claimed	(4,119)	(3,807)
Tax Loss Carried Forward	1,861,208	1,836,519

Gains and profits earned or derived from the sale of produce of an undertaking for agro farming without subjecting such produce to any process of production or manufacture are exempted within the period of five years of assessment commenced on April 1, 2019. Agro Processing and Other Income liable at the rates of 14% and 24% respectively. Further, a 25% reduction in the tax payable is allowed on the agro processing component commencing from year of assessment 2021/22.

For the Year ended 31st March	Temporary Differences 2022 Rs'000	Tax Effect 2022 Rs'000	Temporary Differences 2021 Rs'000	Tax Effect 2021 Rs'000
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### 11.4 Deferred Tax

On Property, Plant & Equipment	261,862	27,496	281,543	39,416
On Bearer Biological Assets	1,902,841	199,798	1,857,073	259,990
On Consumable Biological Assets	479,107	50,306	444,101	62,174
On Net Lease Liabilities	2,688	282	18,421	2,579
On Retirement Benefit Obligation	(526,658)	(55,299)	(575,533)	(80,574)
On Provision for Slow Moving Stocks/Bad Debts	(4,090)	(429)	-	-
On Tax Loss Carried Forward	(886,129)	(93,044)	(1,236,129)	(173,058)
	1,229,622	129,110	789,477	110,527
Tax Rates Applicable		10.50%		14.00%
Provision/(Reversal) of Deferred Tax (Refer Note 25)		18,583		(14,766)

## NOTES TO THE FINANCIAL STATEMENTS

### 11. TAX EXPENSE (CONTD.)

For the Year ended 31st March	Temporary	Tax	Temporary	Tax
	Differences	Effect	Differences	Effect
	2022	2022	2021	2021
	Rs'000	Rs'000	Rs'000	Rs'000
<b>11.4.1 Recognized through</b>				
On Profit or Loss		17,896		(16,530)
On Other Comprehensive Income		687		1,764
		18,583		(14,766)
<b>11.4.2 Charge during the year</b>				
Arising on during the year Movement		46,215		(14,766)
Due to change in Tax Rates		(27,632)		-
		18,583		(14,766)

**11.4.3** Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax (asset)/liability has been computed taking into consideration the effective tax rate, which is 10.5% (2020/21 - 14%) for the Company.

The deferred tax asset has been recognized in the Financial Statements to the extent that it is probable that future taxable profit will be available against which the accumulated tax losses can be utilized. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st March 2022. The unutilized tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs. 102,383,237/- has not been recognized in respect of unutilized tax losses of Rs. 975,078,451/- as at 31st March 2022.

### 12. EARNING PER SHARE

#### 12.1 Basic Earnings/(Loss) Per Share

Basic Earning/(Loss) per Share has been calculated by dividing the profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year.

For the Year ended 31st March	2022	2021
Profit/(Loss) for the year -Rs'000	42,454	(77,872)
Weighted Average Number of Ordinary Shares in issue during the year -Numbers (in Thousands)	25,000	25,000
Basic Earnings/(Loss) Per Share -Rs.	1.70	(3.11)

#### 12.2 Diluted Earnings Per Share

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

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

As at 31st March		2022	2021
		Rs'000	Rs'000
<b>13.</b>	<b>RIGHT OF USE ASSETS</b>		
	Right of Use Land (Note 13.1)	152,478	153,463
	Right of Use Immovable Estate Assets (Note 13.2)	16,090	25,258
	Right of Use Building (Note 13.3)	24,371	32,494
	Right of Use Other Assets (Note 13.4)	1,754	3,157
		194,693	214,372
<b>13.1</b>	<b>Right of Use Land</b>		
	Capitalized Value : As at 22.06.1992	204,931	204,931
	Net book value carried forward as at 1st April	153,463	156,261
	Remeasurement of leasehold right as at 1st July	5,516	3,495
		158,979	159,756
	<b>Amortization</b>		
	Charge for the year	6,501	6,293
	<b>Amortization as at 31st March</b>	6,501	6,293
	<b>Carrying Amount as at 31st March</b>	152,478	153,463

The Right of Use Asset of Lands consist of the lease rights on Janatha Estates Development Board / Estates of Sri Lanka State Plantations Corporation and Land located in Dumbara Estate. This right to use asset is amortized over the remaining lease period of 24 years from 1st April 2021.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. RIGHT OF USE ASSETS (CONTD.)

	Bearer Biological Assets (Mature) Rs'000	Permanent Land Development Costs Rs'000	Buildings Rs'000	Plant & Machinery Rs'000	Total as at 31.03.2022 Rs'000	Total as at 31.03.2021 Rs'000
<b>13.2 Right of Use Immovable Estate Assets</b>						
<b>Capitalized Value :</b>						
As at 22.06.1992	214,810	4,014	47,173	6,818	272,815	272,815
At the end of the year	214,810	4,014	47,173	6,818	272,815	272,815
<b>Amortization :</b>						
Opening Balance	189,839	3,726	47,173	6,818	247,557	240,188
Charge for the year	9,043	125	-	-	9,168	7,369
At the end of the year	198,882	3,851	47,173	6,818	256,725	247,557
<b>Carrying Amount :</b>						
As at 31.01.2022	15,928	163	-	-	16,090	-
As at 31.03.2021	24,971	288	-	-	-	25,258

### 13.3 Right of Use Building

As at 31st March	2022 Rs'000	2021 Rs'000
As at 1st April	38,950	-
Recognition of Right of Use Asset	-	28,110
Remeasurement of leasehold right as at 1st December	-	10,840
As at 31st March	38,950	38,950
<b>Depreciation</b>		
As at 1st April 2021	6,456	-
Depreciation charge for the year	8,123	6,456
As at 31st March	14,579	6,456
<b>Carrying Value as at 31 March</b>	<b>24,371</b>	<b>32,494</b>

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



As at 31st March	2022 Rs'000	2021 Rs'000
<b>13.4 Right of Use Other Assets</b>		
<b>Leasehold Machinery</b>		
<b>Cost :</b>		
Balance as at 1st April	14,980	14,980
Transfers to Freehold	(9,369)	-
Balance as at 31st March	5,611	14,980
<b>Depreciation :</b>		
Balance as at 1st April	11,823	10,420
Charge for the year	1,403	1,403
Transfers to Freehold	(9,369)	-
Balance as at 31st March	3,857	11,823
<b>Carrying Value as at 31 March</b>	<b>1,754</b>	<b>3,157</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. BIOLOGICAL ASSETS

#### 14.1 Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- fication	Total as at 31.03.2022	Total as at 31.03.2021
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>14.1.1 Immature Plantations</b>						
<b>Cost :</b>						
At the beginning of the year	87,687	114,036	64,392	127,908	394,023	523,056
Additions	35,710	17,927	15,747	101,904	171,288	114,369
Transfers to Mature	-	(72,560)	(29,305)	(24,254)	(126,119)	(207,243)
Transfers (from)/to	-	(543)	(660)	1,203	-	-
Write off during the year	-	(16,892)	-	(1,053)	(17,945)	(36,159)
At the end of the year	123,397	41,968	50,174	205,708	421,247	394,023
<b>14.1.2 Mature Plantations</b>						
<b>Cost :</b>						
At the beginning of the year	868,897	1,524,147	192,008	118,959	2,704,011	2,516,528
Transfers from Immature	-	72,560	29,305	24,254	126,119	207,243
Disposal During the Year	-	(7,145)	-	-	(7,145)	(19,760)
At the end of the year	868,897	1,589,562	221,313	143,213	2,822,986	2,704,011
<b>Amortisation :</b>						
At the beginning of the year	270,530	617,789	20,319	33,433	942,071	830,642
Charge for the year	31,777	83,854	9,618	10,054	135,303	129,879
Disposal During the Year	-	(6,096)	-	-	(6,096)	(18,450)
At the end of the year	302,307	695,547	29,937	43,487	1,071,278	942,071
<b>Carrying Amount</b>	566,590	894,015	191,376	99,726	1,751,708	1,761,941
<b>14.1.3 Total Bearer Biological Assets</b>	689,988	935,984	241,550	305,434	2,172,955	2,155,964

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

## 14.2 Consumable Biological Assets

As at 31st March	2022 Rs'000	2021 Rs'000
<b>14.2.1 Immature Plantations</b>		
<b>Cost :</b>		
At the beginning of the year	49,464	44,273
Additions during the year	10,505	8,730
Transfers to Mature	(20,078)	(1,135)
Charged to Statement of Profit or Loss	(598)	(2,404)
At the end of the year	39,293	49,464
<b>14.2.2 Mature Plantations</b>		
<b>Fair Value :</b>		
At the beginning of the year	581,114	587,904
Decrease due to Harvest	(68,177)	(40,014)
Increase due to new plantations	20,078	1,135
Change in Fair Value less costs to sell	23,335	32,090
At the end of the year	556,350	581,114
<b>14.2.3 Total Consumable Biological Assets</b>	<b>595,643</b>	<b>630,578</b>

### 14.2.4 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2022 comprised approximately 330 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.39.3 Million as at 31st March 2022. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature , the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr.A.A.M.Fathihu- Proprietor of FM Valuers for 2021/22 using Discounted Cash Flow (DCF) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. BIOLOGICAL ASSETS (CONTD.)

### 14.2 Consumable Biological Assets (Contd.)

Key assumptions used in valuation are;

#### 14.2.4.1 The prices adopted are net of expenditure

#### 14.2.4.2 Discounted rates used by the Valuer are within the range of 13%-15%.

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

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

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

#### 14.2.5.1 Regulatory and Environmental Risks

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

#### 14.2.5.2 Supply and Demand Risks

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

#### 14.2.5.3 Climate and Other Risks

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

### 14.3 Sensitivity Analysis

#### 14.3.1 Sensitivity Variation on Sales Price

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

Managed Timber (Rs'000)	-5.0%	5.0%
31 March 2022	(55,635)	55,635
31 March 2021	(29,055)	29,055

#### 14.3.2 Sensitivity Variation on Discount Rate

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

Managed Timber (Rs'000)	-1%	1%
31 March 2022	32,412	(28,068)
31 March 2021	23,374	(20,788)

### 14.4 Capitalization of Borrowing Costs

Borrowing costs amounting to Rs.45.808 Million (Rs.41.390 Million in 2020/21) directly relating to investment in Biological Assets (Immature Plantations) have been capitalized during the period, at an average borrowing rate of 8.54% (9.15% in 2020/21).

As at 31st March	2022 Rs'000	2021 Rs'000
<b>14.5 Non-harvested Produce on Bearer Biological Assets</b>		
At the beginning of the year	7,999	3,361
Gain on Fair Value of Non-harvested Produce	8,129	7,999
Charged to Profit or Loss	(7,999)	(3,361)
<b>At the end of the year</b>	<b>8,129</b>	<b>7,999</b>

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT & EQUIPMENT

	Infrastructure and Buildings	Plant & Machinery	F & F / Equipment	Computer Software	Motor Vehicles (Freehold)	Motor Vehicles (Leasehold)	Capital Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Cost :</b>								
Balance as at 1st April 2020	363,505	389,458	107,918	16,158	171,997	7,836	15,366	1,072,238
Additions	-	1,707	11,153	-	15,800	-	25,958	54,618
On disposals	-	-	-	-	-	-	(3,269)	(3,269)
Transfers from/(to)	8,017	19,622	311	375	7,836	(7,836)	(28,326)	-
Balance as at 31st March 2021	371,522	410,787	119,382	16,533	195,633	-	9,729	1,123,587
<b>Depreciation :</b>								
Balance as at 1st April 2020	131,314	304,569	91,740	16,158	170,623	7,836	-	722,240
Charge for the year	11,801	20,742	4,479	-	2,290	-	-	39,312
Transfers from/(to)	-	-	-	-	7,836	(7,836)	-	-
Balance as at 31st March 2021	143,115	325,311	96,219	16,158	180,748	-	-	761,552
<b>Cost :</b>								
<b>Balance as at 1st April 2021</b>	371,522	410,787	119,382	16,533	195,633	-	9,729	1,123,587
<b>Additions</b>	-	17,433	64,974	-	-	-	39,384	121,790
<b>Transfers from/(to)</b>	3,499	12,977	29	-	-	-	(7,136)	9,369
<b>Balance as at 31st March 2022</b>	375,021	441,197	184,385	16,533	195,633	-	41,977	1,254,746
<b>Depreciation :</b>								
Balance as at 1st April 2021	143,115	325,311	96,219	16,158	180,748	-	-	761,552
<b>Charge for the year</b>	12,015	20,195	5,364	94	3,407	-	-	41,075
<b>Transfers from/(to)</b>	-	9,348	21	-	-	-	-	9,369
<b>Balance as at 31st March 2022</b>	155,130	354,854	101,604	16,252	184,155	-	-	811,996
<b>Carrying Amount :</b>								
<b>As at 31.03.2022</b>	219,890	86,343	82,781	281	11,478	-	41,977	442,750
As at 31.03.2021	228,407	85,477	23,163	375	14,884	-	9,729	362,035

- (a) These Property, Plant and Equipment are those movable assets vested in the Company by Gazette Notification on the date of formation of the company (i.e.22nd June 1992), and all investment in tangible assets(both movables and immovables) by the Company since its formation, other than plantation improvements.
- (b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the year end is Rs. 422.4 Million (2020/21-Rs.400.1 Million).
- (c) Details of assets pledged as mortgage are more fully described under Note No 21 "Interest Bearing Loans & Borrowings".
- (d) Capital Work in Progress as at 31 March 2022 mainly includes construction of Buildings and installation of Equipment.

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

Location	Planting District	Leasehold Lands		Buildings			Total
		Extents Hectares.	Valuation* Rs'000	Numbers	Leasehold Valuation* Rs'000	Freehold Cost Rs'000	
<b>Upcot/Maskeliya</b>							
Alton	Nuwara Eliya	350	12,914	269	4,368	22,393	26,761
Fairlawn	Nuwara Eliya	448	17,132	228	3,754	23,907	27,660
Gouravilla	Nuwara Eliya	381	13,912	770	7,700	25,203	32,902
Mahanilu	Nuwara Eliya	236	9,058	145	4,923	11,774	16,697
Stockholm	Nuwara Eliya	305	11,393	521	5,034	32,784	37,817
<b>Regional Total</b>		1,720	64,409	1,933	25,779	116,060	141,837
<b>Lindula</b>							
Bambrakelly	Nuwara Eliya	591	19,728	357	4,347	24,193	28,540
Eildon Hall	Nuwara Eliya	162	6,301	303	2,941	18,224	21,165
Tillicoultry	Nuwara Eliya	377	13,807	691	3,608	12,054	15,662
<b>Regional Total</b>		1,130	39,836	1,351	10,895	54,471	65,365
<b>Up-Country Total</b>		2,850	104,245	3,284	36,674	170,531	207,203
<b>Low Country</b>							
Millakande	Kalutara	387	14,822	177	1,680	17,992	19,672
Halwatura	Kalutara	612	16,110	80	1,198	12,517	13,716
Hillstream	Kalutara	400	12,317	24	561	3,483	4,044
Neuchatel	Kalutara	902	20,172	105	1,361	32,344	33,706
Mirishena	Kalutara	487	12,908	152	1,376	10,161	11,537
Frocester/Kobowella	Kalutara	881	24,358	140	3,069	29,623	32,692
<b>Low-Country Total</b>		3,669	100,687	678	9,245	106,120	115,366
<b>Total</b>		6,519	204,932	3,962	45,919	276,651	322,570

\* Capitalised Values of the Lands and Buildings as at 22nd June 1992.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2022 Rs'000	2021 Rs'000
<b>16. INVENTORIES</b>		
Harvested Crops (Tea & Rubber)	233,014	206,306
Input Materials	-	82
Consumables and Spares	116,959	52,827
Shading Tree Nurseries	3,369	128
	353,342	259,343
Provision for Obsolete/Slow Moving Inventories (Refer Note 16.1)	(2,944)	(3,718)
	350,398	255,625
<b>16.1 Provision for Obsolete Inventories</b>		
Balance as at 1st April	3,718	3,559
Provisions made during the Year	(774)	159
Balance at the end of the Year	2,944	3,718
<b>As at 31st March</b>	<b>2022</b> <b>Rs'000</b>	<b>2021</b> <b>Rs'000</b>
<b>17. ADVANCE COMPANY TAX (ACT) RECOVERABLE</b>		
Advance Company Tax	27,285	27,285
<b>Provision for Advance Company Tax (ACT)</b>		
Balance as at 1st April	8,100	-
Provisions made during the Year	1,599	8,100
Balance at the end of the Year	9,699	8,100
Carrying Value as at 31 March	17,586	19,185



As at 31st March		2022	2021
		Rs'000	Rs'000
<b>18.</b>	<b>TRADE AND OTHER RECEIVABLES</b>		
	Trade Receivables	73,208	50,694
	Staff Debtors	27,634	32,627
	Tax Recoverable	5,190	11,564
	Other Receivables	3,240	6,026
	Deposits, Advances and Prepayments	29,494	29,273
		138,766	130,184
	Provision for Impairment of Other Receivables	(1,146)	(1,548)
		137,620	128,636
<b>18.1</b>	<b>Provision for Impairment of Other Receivables</b>		
	Balance as at 1st April	1,548	2,008
	Reversal made during the Year	(402)	(460)
	Balance at the end of the Year	1,146	1,548

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2022 Rs'000	2021 Rs'000
<b>19. CASH AND CASH EQUIVALENTS</b>		
<b>19.1. Favorable Balances</b>		
Short Term Monetary Investments	25,157	8,509
Cash at Bank and in Hand	11,491	3,409
Cash in Transit	1,613	1,823
Cash and Cash Equivalents shown in the Statement of Financial Position	38,261	13,741
<b>19.2. Unfavorable Balances</b>		
Bank Overdrafts (Note 27.1)	(522,154)	(283,354)
Cash and Cash Equivalents shown in the Statement of Cash Flows	(483,894)	(269,613)

As at 31st March	2022 Rs.	2021 Rs.
<b>20. STATED CAPITAL</b>		
<b>Issued and Fully Paid :-</b>		
25,000,000 Ordinary Shares	250,000,000	250,000,000
1 Golden Share held by Secretary to the Treasury (Refer Note 20.1)	10	10
	250,000,010	250,000,010

### 20.1. Rights of the Golden Shareholder :

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

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

The Golden Shareholder or his nominee, will have the right to examine the books and accounts of the company at any time with two weeks written notice.

The Company will be required to submit a detailed quarterly report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each fiscal year.

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

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

## 21. INTEREST BEARING LOANS & BORROWINGS

As at 31st March	2022 Rs'000	2021 Rs'000
At the beginning of the year	1,463,507	1,031,371
Loans obtained during the year	43,477	615,000
Repayments during the year	(306,550)	(182,864)
At the end of the year	1,200,434	1,463,507
<b>21.1 Payable as follows:-</b>		
Amount repayable within one year	404,069	381,984
Amount repayable more than one year	796,364	1,081,523
Total Payable	1,200,434	1,463,507

### 21.2 Project Loans repayable in seventy two (72) months, after a twenty four (24) months grace period/\*sixty (60) months, after a twelve (12) months grace period :

Purpose	Date of Receipt	Hatton National Bank PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Main & Minor Crops	23-Jan-13	150,000	AWPLR + 1.00%	3,000	19,800
Replanting of Main & Minor Crops	4-Sep-13	200,000	AWPLR + 1.00%	25,175	50,150
Replanting of Main & Minor Crops	19-May-14	200,000	AWPLR + 0.75%	50,150	72,350
Replanting of Main & Minor Crops	24-Mar-17	250,000	AWPLR + 2.00%	146,000	187,600
Replanting of Main & Minor Crops	30-May-18	200,000	AWPLR + 1.75%	162,200	195,800
Replanting of Main & Minor Crops	31-Dec-20	250,000*	AWPLR + 1.25%	234,376	250,000
		1,250,000		620,901	775,700

#### Security Offered :

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 21. INTEREST BEARING LOANS & BORROWINGS (CONTD.)

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

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Main Crops	7-Sep-17	100,000	AWPLR + 2.00%	65,250	81,930
		100,000		65,250	81,930

**Security Offered :**

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

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

Purpose	Date of Receipt	Sampath Bank PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Oil Palm	31-Jul-19	200,000	Monthly AWPLR + 1.80%	166,400	200,000
		200,000		166,400	200,000

**Security Offered :**

Primary Mortgage for Rs.150 Million, over the leasehold rights land and buildings of Gouravilla Estate.

Primary Mortgage for Rs.150 Million, over the leasehold rights land and buildings of Alton Estate.

#### 21.5 Project Loans repayable in sixty (60) monthly installments:

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Replanting of Tea, Rubber, Coconut and Other Crops	26-Mar-21	350,000	Fixed Rate 8.50%	279,992	350,000
		350,000		279,992	350,000

**Security Offered :**

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

**21.6 Project Term Loan repayable in sixty (60) monthly installments :**

Purpose	Date of Receipt	Hatton National Bank PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Borrowing Restucture Facility	19-Oct-15	100,000	AWPLR + 0.75%	15,820	26,860

**Security Offered :**

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

**21.7 Other Term Loan repayable in sixty (60) monthly installments :**

Purpose	Date of Receipt	Hatton National Bank PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Relief Package Scheme for Tea Sector introduced by the Government	16-Nov-15	130,114	AWPLR + 1.50%	-	17,352

**Security Offered :**

Primary mortgage over leasehold rights of Bambarakelly Estate.

**21.8 Term Loan, repayable in twenty four (24) monthly installments :**

Purpose	Date of Receipt	Seylan Bank PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
COVID-19 Facility for Working Capital	31-Jul-20	15,000	4.00%	8,594	11,665

**Security Offered :**

No security has been offered.

**21.9 Term Loan, repayable in sixty (60) monthly installments, after a six (06) months grace period:**

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2022	2021
		Capital (Rs'000)	Interest Rate (p.a.)	Rs'000	Rs'000
Installation of Rooftop Solar Panels and related equipment (Alton, Fairlawn & Stockholm Estates)	31-Jan-22	43,477	Fixed Rate 7.75%	43,477	-

**Security Offered :**

Primary mortgage bond over Solar Panels and related equipment of Alton, Fairlawn and Stockholm Estates.

	2022	2021
	Rs'000	Rs'000
Total Payable	1,200,434	1,463,507

## NOTES TO THE FINANCIAL STATEMENTS

### 21. INTEREST BEARING LOANS & BORROWINGS (CONTD.)

#### 21.10 Maturity Analysis :

Financial Institution	Within 1 Year	Between 1 Year & 2 Years	Between 2 Years & 5 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Hatton National Bank PLC (Refer Note 21.2)	3,000	-	-	3,000
	25,175	-	-	25,175
	33,300	16,850	-	50,150
	62,400	62,400	21,200	146,000
	50,400	50,400	61,400	162,200
	62,496	62,496	109,384	234,376
Commercial Bank of Ceylon PLC (Refer Note 21.3)	16,680	16,680	31,890	65,250
Sampath Bank Bank PLC (Refer Note 21.4)	50,400	50,400	65,600	166,400
Commercial Bank of Ceylon PLC (Refer Note 21.5)	70,008	70,008	139,976	279,992
Hatton National Bank PLC (Refer Note 21.6)	15,820	-	-	15,820
Seylan Bank PLC (Refer Note 21.8)	8,594	-	-	8,594
Commercial Bank of Ceylon PLC (Refer Note 21.9)	5,797	8,696	28,983	43,476
<b>Total</b>	<b>404,070</b>	<b>337,930</b>	<b>458,433</b>	<b>1,200,434</b>

### 22. LEASE LIABILITIES

As at 31st March	2022			2021		
	Payable Within One Year	Payable After One Year	Total	Payable Within One Year	Payable After One Year	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Lease Liabilities - Land (Refer Note 22.1)	982	162,592	163,574	815	158,217	159,032
Lease Liabilities - Building (Refer Note 22.2)	7,909	19,099	27,008	6,983	27,008	33,991
Lease Liabilities - Other Leased Assets (Refer Note 22.3)	1,423	-	1,423	1,503	1,423	2,926
	10,314	181,691	192,005	9,302	186,648	195,949

## 22.1 Lease Liabilities - Land

As at 31st March	2022			2021		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>22.1.1 Movement :</b>						
As at 1st April	545,621	(386,589)	159,032	556,056	(399,744)	156,312
Interim remeasurement of right-of-use asset as at 1st July	18,436	(12,920)	5,516	12,158	(8,664)	3,494
	564,057	(399,509)	164,548	568,214	(408,407)	159,806
Repayments during the year	(23,362)	-	(23,362)	(22,593)	-	(22,593)
Interest Expense for the year	-	22,388	22,388	-	21,819	21,819
As at 31st March	540,695	(377,121)	163,574	545,621	(386,589)	159,032
<b>22.1.2 Payable as follows :</b>						
<b>Payable within One Year</b>						
Payable by due dates	23,362	(22,380)	982	22,593	(21,778)	815
	23,362	(22,380)	982	22,593	(21,778)	815
<b>Payable after One Year :-</b>						
Payable within Two to Five Years	93,983	(87,605)	6,378	90,910	(85,635)	5,276
Payable after Five Years	423,352	(267,138)	156,214	432,118	(279,176)	152,941
	517,335	(354,743)	162,592	523,028	(364,811)	158,217
<b>Total Payable</b>	<b>540,697</b>	<b>(377,123)</b>	<b>163,574</b>	<b>545,621</b>	<b>(386,589)</b>	<b>159,032</b>

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

The rental payable under the JEDB/SLSPC lease is Rs. 5.840 Million per quarter until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 22. LEASE LIABILITIES (CONTD.)

#### 22.2 Lease Liabilities - Building

As at 31st March	2022			2021		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>22.2.1 Movement:</b>						
As at 01 April	43,373	(9,382)	33,991	-	-	-
Initial Recognition of Lease Liability	-	-	-	37,951	(9,841)	28,110
Remeasurement of leasehold right as at 01st December 2020	-	-	-	14,096	(3,256)	10,840
Accretion of Interest	-	3,860	3,860	-	3,716	3,716
Payments during the year	(10,843)	-	(10,843)	(8,675)	-	(8,675)
<b>Balance as at 31 March</b>	<b>32,530</b>	<b>(5,522)</b>	<b>27,008</b>	<b>43,373</b>	<b>(9,382)</b>	<b>33,991</b>
<b>22.2.2 Payable as follows:</b>						
Payable within One Year	10,844	(2,935)	7,909	10,843	(3,860)	6,983
Payable after One Year	21,686	(2,587)	19,099	32,530	(5,522)	27,008
<b>Total Lease Liability as at 31 March</b>	<b>32,530</b>	<b>(5,522)</b>	<b>27,008</b>	<b>43,373</b>	<b>(9,382)</b>	<b>33,991</b>

The weighted average incremental borrowing rate applied to the lease liabilities was 12.51% (01 April 2020).

#### 22.3 Lease Liabilities - Other Leased Assets

As at 31st March	2022			2021		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>22.3.1. Movement :</b>						
As at 1st April	3,335	(409)	2,926	5,154	(920)	4,234
Repayments	(1,819)	-	(1,819)	(1,819)	-	(1,819)
Interest Expense for the year	-	316	316	-	511	511
As at 31st March	1,516	(93)	1,423	3,335	(409)	2,926
<b>22.3.2. Payable as follows :</b>						
<b>Payable within One Year</b>	<b>1,516</b>	<b>(93)</b>	<b>1,423</b>	<b>1,819</b>	<b>(316)</b>	<b>1,503</b>
<b>Payable after One Year :-</b>						
Payable within Two to Five Years	-	-	-	1,516	(93)	1,423
	-	-	-	1,516	(93)	1,423
<b>Total Payable</b>	<b>1,516</b>	<b>(93)</b>	<b>1,423</b>	<b>3,335</b>	<b>(409)</b>	<b>2,926</b>



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

As at 31st March	2022 Rs'000	2021 Rs'000
<b>Amounts recognized in statement of profit or loss and other comprehensive income</b>		
- Interest on lease liabilities	26,564	26,045
- Amortization of ROU Assets	25,194	21,522
<b>Amounts recognized in statement of cash flows</b>		
- Total cash outflows for leases	36,024	33,087

### 23. RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	2022 Rs'000	2021 Rs'000
Balance as at 1st April	575,533	570,636
Provision made during the Year	68,932	80,345
Payments made during the Year	(117,807)	(75,448)
Balance at the end of the Year	526,658	575,533
Payable for retired employees included under current liabilities	(43,047)	(26,763)
Present Value of Obligation as at 31st March	483,611	548,770

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2022 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

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

According to the actuarial valuation report as at 31 March 2022, the actuarial present value of promised retirement benefits amounted to Rs.483,610,544 /-. If the Company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 774,392,266 /-.

Retirement age of the head office staff were changed during the year to reflect new legal requirements in the country. As a result of the amendment the corresponding past service cost was recognised in profit or loss during the year.

#### 23.1. The amount recognized in the Statement of Financial Position is as follows:-

As at 31st March	2022 Rs'000	2021 Rs'000
Present Value of Unfunded Obligation	483,611	548,770
Present Value of Funded Obligation	-	-
Total Present Value of Obligation	483,611	548,770
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	483,611	548,770
Unrecognized Actuarial (Gain)/Losses	-	-
Recognized liability for Retirement Benefit Obligation	483,611	548,770

## NOTES TO THE FINANCIAL STATEMENTS

### 23. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

#### 23.2. Movement in the Present Value of Retirement Benefit Obligation:-

As at 31st March	2022 Rs'000	2021 Rs'000
Liability for Retirement Benefit Obligation as at 1st April	548,770	542,506
Actuarial Gain - due to experience adjustments	139,606	(64,612)
Actuarial Loss - due to changes in financial assumptions	(146,153)	52,016
Benefit payable by the Plan	(134,091)	(74,081)
Past Service Cost	(285)	-
Current Service Cost	31,862	38,691
Interest Cost	43,902	54,251
Liability for Defined Benefit Obligation as at 31st March	483,611	548,770

#### 23.3. Expenses recognized in Statement of Profit or Loss and Other Comprehensive Income:-

As at 31st March	2022 Rs'000	2021 Rs'000
Current Service Cost	31,862	38,691
Past Service Cost	(285)	-
Interest Cost	43,902	54,251
Actuarial Gain during the year	(6,547)	(12,597)
	68,932	80,345

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

As at 31st March	2022	2021
23.4.1. Rate of Interest	-15% per annum	-8% per annum
23.4.2. Rate of Salary Increase		
-Workers	-8% per annum	-5.68% per annum
-Estate Staff	-13.50% per annum	-8.00% per annum
-Head Office Staff	-13.50% per annum	-8.00% per annum
23.4.3. Retirement Age		
-Workers	-60 years	-60 years
-Estate Staff	-60 years	-60 years
-Head Office Staff	-60 years	-55 years
23.4.4. Staff Turnover	- range of 0.7 to 0.2	- range of 0.7 to 0.2

23.4.5. The Company will continue as a going concern.

23.4.6. The weighted average duration of the Retirement Benefit Obligation at the end of the reporting period is 9.33 years and 7.35 years for staff and workers respectively.

### 23.5. Sensitivity Analysis:-

The following sensitivity analysis shows the significance of the change in liability of Present Value of the Retirement Benefit Obligation due to change in salary/wage escalation rate and discount rate assumed in this valuation, for all employees as at 31st March 2022 :-

Discount Rate	Salary Escalation Rate	Impact to Present Value of the Retirement Benefit Obligation Rs '000
Increase of 1%	As per Note No.23.4.2	(30,643)
Decrease of 1%	As per Note No.23.4.2	34,630
As per Note No.23.4.1	Increase of 1%	38,417
As per Note No.23.4.1	Decrease of 1%	(34,352)

### 23.6. Maturity Profile of the Retirement Benefit Obligation :-

Future Working Life Time	Present Value of the Retirement Benefit Obligation Rs'000
Within the next 12 months	66,416
Between 1 - 5 years	141,360
Between 5 -10 years	128,347
Beyond 10 years	147,488
<b>Total</b>	<b>483,611</b>

## 24. DEFERRED INCOME

As at 31st March	2022 Rs'000	2021 Rs'000

### 24.1. Deferred Capital Grants & Subsidies

#### 24.1.1. Grant and Subsidies Received :

At the beginning of the year	207,426	203,876
Received during the year	1,893	3,550
At the end of the year	209,319	207,426

#### Accumulated Amortisation :

At the beginning of the year	88,431	81,047
Amortisation for the year	7,564	7,384
At the end of the year	95,995	88,431

<b>Net Grants and Subsidies</b>	<b>113,324</b>	<b>118,995</b>
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The amounts spent are included under the relevant category of Property, Plant & Equipment and Biological Assets and the grants/subsidies received for such is reflected under Deferred Income. When the Company complies with the conditions attached to the grants/subsidies the grants/subsidies will be credited to the Statement of Profit or Loss over the useful life of the respective assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. DEFERRED INCOME (CONTD.)

#### 24.1 Deferred Capital Grants & Subsidies (Contd.)

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

Granted By	Purpose of the Grant	Amount Received (to-date) Rs'000	Basis of Amortisation	Balance as at 31-Mar-21 Rs'000	Received During the Year Rs'000	Amortised During the Year Rs'000	Balance as at 31-Mar-22 Rs'000
Sri Lanka Tea Board	Tea Factory Modernization	756	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	258	840	(39)	1,059
	Tea Replanting Subsidy	2,105	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	6,992	110	(173)	6,928
Plantation Development Project (PDP) -Asian Development Bank (ADB)	Improvement of workers living environment	31,588	Rate of Depreciation applicable to Buildings (2.50% p.a.)	14,316	-	(1,128)	13,188
Plantation Human Development Trust (PHDT)	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	23,937	-	(1,600)	22,337
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	236	-	(17)	219
Plantation Development Project (PDP) -ADB/JBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	12,466	-	(716)	11,750
	Internal Road Development and Boundry Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	2,969	-	(165)	2,804
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	6,569	-	(361)	6,208
Rubber Development Department (RDD)	Rubber Replanting Subsidy	51,311	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	51,135	944	(3,354)	48,725
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	76	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	119	-	(9)	110
		166,239		118,995	1,893	(7,564)	113,324

**25. DEFERRED TAX LIABILITY**

As at 31st March	2022 Rs'000	2021 Rs'000
At the beginning of the year	110,527	125,293
Charged/(Reversal) during the period (Refer Note 11.4.1)	18,583	(14,766)
Balance at the End	129,110	110,527

**26. TRADE AND OTHER PAYABLES**

As at 31st March	2022 Rs'000	2021 Rs'000
Trade and Service Creditors	43,438	37,031
Retiring Benefit Obligations (Current) (Refer Note 23)	43,047	26,763
Bank Interest Payable	3,566	2,813
Other Payables and Accrued Charges (Refer Note 26.1)	201,496	192,671
	291,547	259,278

**26.1 Other Payables and Accrued Charges :**

Staff Creditors	74,161	86,615
Government Departments and Statutory Bodies	27,875	27,708
Others including Provisions and Accrued Charges	99,460	78,348
	201,496	192,671

**27. SHORT TERM BORROWINGS****27.1 Bank Overdrafts (Secured) :**

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

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000	2022 Rs'000	2021 Rs'000
Seylan Bank PLC Millennium Branch Colombo 3	Mortgage over leasehold rights of Mahanilu Estate, including land and buildings, fixed and floating assets.	Monthly AWPLR + 2% (With the Floor Rate of 9.5%)	100,000	99,056	11,355
Commercial Bank of Ceylon PLC Foreign Branch Colombo 1	Mortgage over leasehold rights of Stockholm Estate and Frocester Estate, including buildings, fixed and floating assets.	Weekly AWPLR + 0.5%	200,000	188,090	123,744
Hatton National Bank PLC Dehiwala.	Mortgage over leasehold rights of Eildon Hall Estate and Frocester Estate including buildings, fixed and floating assets.	Weekly AWPLR + 0.75%	150,000	136,701	142,355
Sampath Bank PLC Headquarters Branch Colombo 2	Primary Mortgage Bond for Rs.100 Million over leasehold rights of Gouravilla Estate.	Monthly AWPLR + 1.8%	100,000	98,308	5,900
				522,154	283,354

## NOTES TO THE FINANCIAL STATEMENTS

### 27. SHORT TERM BORROWINGS (CONTD.)

#### 27.2 Other Short Term Loans (Secured) :

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000	2022	2021
				Rs'000	Rs'000
Hatton National Bank PLC, Dehiwala	N/A	Monthly AWPLR + 0.75%	80,000	80,000	-
Hatton National Bank PLC, Dehiwala	N/A	Monthly AWPLR + 1%	60,000	60,000	-
Hatton National Bank PLC, Dehiwala	N/A	Monthly AWPLR + 1%	40,000	40,000	-
Seylan Bank PLC Millennium Branch Colombo 3	N/A	Monthly AWPLR + 2%	40,000	-	40,000
<b>Total Other Short Term Loans ( Refer Note 27.2.1)</b>				180,000	40,000
<b>Total Short Term Borrowings</b>				702,154	323,354

#### 27.2.1 Other Short Term Loans Movement

At the beginning of the year	40,000	63,698
Loans obtained during the year	220,000	97,689
Less: Repayment during the year	(80,000)	(121,387)
At the end of the year	180,000	40,000

### 28. CONTINGENT LIABILITIES

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

#### 28.1 Legal Proceedings on Labour and Other Disputes: -

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

### **28.1.1 Legal case on Retirement Benefit Obligation wage rate change: -**

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

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. However, matter is under the purview of the Court of Appeal at the time of approval of these financial statements.

## **29. COMMITMENTS**

### **29.1 Financial Commitments:-**

There are no material Financial Commitments other than the JEDB/SLSPC. Lease Rentals Payable to the Secretary to the Treasury as explained in Note 22.1. 'Lease Liabilities - Land'

### **29.2 Capital Commitments:-**

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

## **30. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31. RELATED PARTY TRANSACTIONS AND BALANCES

As at 31st March	2022 Rs'000	2021 Rs'000
<b>31.1 The following balances were outstanding as at the year end :-</b>		
<b>31.1.1 Amounts due from Related Companies:</b>		
<b>Holding Company:-</b>		
Vallibel Plantation Management Limited	-	654
<b>Other Related Companies Receivables :-</b>		
Lanka Ceramic PLC	10	19
Lanka Tiles PLC	-	455
Uni-Dil Pakaging Limited	80	-
Hayleys Agro Fertilizer (Pvt) Limited	-	223
Delmage Forsyth & Co., Limited	6,080	50
	6,170	747
<b>31.1.2 Related Companies Payables</b>		
<b>Holding Company:-</b>		
Vallibel Plantation Management Limited	6,838	-
<b>Other Related Companies:-</b>		
Fentons Limited	38,362	-
Uni-Dil Pakaging Limited	750	740
Uni-Dil Pakaging Solutions Limited	3,343	2,736
Hayleys PLC -Shared Services	5,220	1,148
Hayleys PLC -Management Fee	-	12,211
Hayleys Agriculture Holdings Limited	861	1,269
Hayleys Agro Fertilizer (Private) Limited	1	645
Hayleys Business Solutions International (Private) Limited	-	13
Kelani Valley Plantations PLC	515	2,350
Talawakelle Tea Estates PLC	6	217
Puritas (Private) Limited	-	13
Logiwiz Limited	-	3
	49,058	21,345
<b>Total</b>	<b>55,896</b>	<b>21,345</b>



**31.2 Transactions with Related Companies:-**

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

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2022	2021
				Rs'000	Rs'000
Vallibel Plantation Management Ltd Immediate Parent	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr. Johann A. Rodrigo	Executive Chairman Managing Director Director	Reimbursement of Expenses	10,165	1,188
			Settlement of Expenses	(17,657)	(15,150)
Uni-Dil Packaging Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Sale of Tea	560	240
			Settlements	(480)	(240)
			Purchase of Packing Materials	317	351
			Settlements	(306)	(392)
Uni-Dil Paper Solutions Ltd Affiliate	Mr. A.M.Pandithage	Executive Chairman	Purchase of Packing Materials Settlements	17,401 (16,794)	10,261 (9,228)
Lanka Ceramic PLC Affiliate	Mr. Dhammika Perera Mr. K.D.G.Gunaratne	Chairman Director	Sale of Tea Settlements	38 (47)	38 (18)
Lanka Walltile PLC Affiliate	Mr. Dhammika Perera	Chairman Director	Purchase of Tiles Settlements	31 (31)	- -
Royal Ceramics Lanka PLC Affiliate	Mr. Dhammika Perera Mr. L. N. De S. Wijeyeratne	Chairman Director	Purchase of Tiles Settlements	60 (60)	51 (51)
Lanka Tiles PLC Affiliate	Mr. Dhammika Perera	Chairman	Purchase of Sanitaryware Settlements	3 (458)	- -
Fentons Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Purchase of Solar Power System Settlements	76,724 (38,362)	- -
Hayleys PLC Managing Agent	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Finance & Group Executive Director	Office Premises Rentals & Related Services	11,786	8,749
			Insurance Premium	17,869	-
			Office Premises Reimbursement of Expenses	1,780	1,771
			Settlements	(27,363)	(9,373)
			Management Fee Settlements	12,211 (12,211)	- -
Hayleys Business Solutions International (Private) Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Salary Processing Fee	164	167
			Settlements	(177)	(154)
Hayleys Aventura (Private) Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Office Premises Related Services Settlements	260 (260)	- -

## NOTES TO THE FINANCIAL STATEMENTS

### 31. RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

#### 31.2 Transactions with Related Companies (Contd.)

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2022	2021
				Rs'000	Rs'000
Logiwiz Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Document Storage	42	40
			Rental Settlements	(45)	(37)
NYK Lanka (Private) Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Office Premises	-	179
			Related Services Settlements	-	(179)
Hayleys Agriculture Holdings Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Chemicals	5,633	3,207
			Settlements	(5,817)	(2,557)
Hayleys Agro Fertilizer (Private) Limited	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Fertilizer	14,602	24,231
			Settlements	(15,246)	(26,105)
Singer Sri Lanka PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Equipment	129	404
			Settlements	(129)	(404)
Kelani Valley Plantations PLC Affiliate	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr. S. C. Ganegoda Mr. L. N. De S. Wijeyeratne	Executive Chairman Managing Director Director Director	Reimbursement of Management Expenses	1,778	1,140
			Purchase of Chemicals/Materials Settlements	- (3,613)	3,347 (1,289)
Talawakelle Tea Estates PLC Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera Dr. Roshan Rajadurai Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Managing Director Director	Reimbursement of Management Expenses	46	862
			Settlements	(257)	(547)
Delmage Forsyth & Co., Limited Affiliate	Mr. Dhammika Perera Mr. A.M.Pandithage	Chairman Director	Sale of Tea	41,051	33,153
			Settlements	(35,021)	(37,036)
Hayleys Lifesciences (Private) Limited Affiliate	Mr. A.M.Pandithage Mr. Dhammika Perera	Executive Chairman Co-Chairman	Purchase of Medical & Analytical Equipments	1,237	-
			Settlements	(1,237)	-
Diesel & Motor Engineering PLC Affiliate	Mr. A.M.Pandithage	Director	Purchase of Motor Vehicle Spares	-	220
			Settlements	-	(220)
Hayleylines Limited Affiliate	Mr. A.M.Pandithage	Executive Chairman	Reimbursement of Expenses	-	25
			Office Premises Related Services	-	28
			Settlements	-	(53)
Yusen Logistics Lanka Limited. Affiliate	Mr. A.M.Pandithage	Executive Chairman	Reimbursement of Expenses	-	20
			Settlements	-	(20)

### 31.3 Transactions with Key Management Personnel

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

For the year ended 31st March	2022 Rs'000	2021 Rs'000
Fees paid to Directors	13,550	13,326

### 31.4 Related Party Transactions

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

## 32. IMPACT ARISING FROM THE PREVAILING SITUATION IN THE COUNTRY

The Company understands that the current economic conditions affect the business operations and financial performance and position, thereby, is in the process of assessing the impact from the macroeconomic factors including the movement of interest rate, inflation rate, foreign exchange rates, and other market behaviors. The volatility of policy rates affects the retirement benefit obligation valuation, consumable biological asset valuation, interest expense and income, related gains/losses of the financial investments etc. Further, the current economic depression and spending capability of the public is also expected to affect the Company.

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

The Company manages its liquidity risk and ensure that it meets the working capital requirement effectively with undrawn credit facilities, daily cash inflow from sales and cost controlling mechanisms to overcome the risk of rising cost of production.

The valuations of consumable biological assets and Retirement Benefit Obligation involves key assumptions. Changes in those could have a material impact on the fair value gain/loss for the year and the carrying value of consumable biological assets and retirement benefit obligation as of the reporting date. The Management has considered the latest available economic conditions for the valuations of consumable biological assets and Retirement Benefit Obligation as at 31st March 2022.

The Company believes that it is still early for a more accurate and realistic assessment. However, closely monitoring the economic and social developments and developing mitigating factors for potential downside risks to the business to ensure stable business operations without any disruption.

# NOTES TO THE FINANCIAL STATEMENTS

## 33. FINANCIAL RISK MANAGEMENT

### 33.1 Overview :

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

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

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

#### 33.1.1 Risk Management Framework

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

### 33.2 Credit Risk :

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

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

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

#### Risk exposure

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

As at 31st March	2022 Rs'000	2021 Rs'000
Trade and Other Receivables	138,766	130,184
Amount Due From Related Companies	6,170	1,401
Cash and Cash Equivalents	38,261	13,741
	183,196	145,325

### 33.2.1 Management of Credit Risk

#### Trade Receivables

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

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

#### Credit Quality of Financial Assets

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31st March 2022 is as follows

As at 31st March	Carrying value	
	2022 Rs'000	2021 Rs'000
Below 30 days	73,208	50,694
30 - 45 days	-	-
46 - 60 days	-	-
61 - Over	-	-
	73,208	50,694

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

As at 31st March	Impairment	
	2022 Rs'000	2021 Rs'000
Balance as 1 April 2021	1,548	2,008
Provision for Impairment	(402)	(460)
Balance as 31 March 2022	1,146	1,548

#### Impairment loss recognized

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

#### Amounts due from related companies

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 33. FINANCIAL RISK MANAGEMENT (CONTD.)

### 33.2 Credit Risk (Contd.)

#### 33.2.2 Cash & Cash Equivalents

The Company held cash and cash equivalents of Rs. 38.261 Mn at 31 March 2022 (2021: Rs.13.741 Mn.), the following table shows the credit ratings of the main banks with whom the Company has invested.

Bank	Credit rating
Peoples Bank	AA-
Sampath Bank PLC	AA-
Commercial Bank of Ceylon PLC	AA-

### 33.3 Liquidity Risk :

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

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

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

### 33.3.1 Liquidity Risk Management

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

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

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

As at 31 March 2022	Current		Non Current		
	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Above 5 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Bank Overdrafts	522,154	-	-	-	-
Interest Bearing Loans & Borrowings	180,000	404,070	337,930	458,433	-
Lease Liabilities	-	10,314	9,185	16,292	156,214
<b>Total</b>	<b>702,154</b>	<b>414,384</b>	<b>347,115</b>	<b>474,725</b>	<b>156,214</b>

As at 31 March 2021	Current		Non Current		
	Carrying value	Up to 1 year	Up to 2 years	Up to 5 years	Above 5 years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Bank Overdrafts	283,354	-	-	-	-
Interest Bearing Loans & Borrowings	40,000	381,984	375,967	705,856	-
Lease Liabilities	-	9,302	14,607	19,099	152,941
<b>Total</b>	<b>323,354</b>	<b>391,286</b>	<b>390,574</b>	<b>724,955</b>	<b>152,941</b>

### 33.4 Market Risk :

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

#### 33.4.1 Interest Rate Risk :

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

## NOTES TO THE FINANCIAL STATEMENTS

### 33. FINANCIAL RISK MANAGEMENT (CONTD.)

#### 33.4 Market Risk (Contd.)

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

As at 31 March	Nominal Amount	
	2022 Rs'000	2021 Rs'000
<b>Variable Rate Instruments</b>		
<b>Financial Assets</b>		
Short term investments	25,157	8,509
<b>Financial Liabilities</b>		
Interest Bearing Loans & Borrowings	1,200,434	1,463,507
Short Term Loans & Borrowings	180,000	40,000
Bank Overdrafts	522,154	283,354
<b>Total</b>	<b>1,902,588</b>	<b>1,786,861</b>

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

As at 31 March	Nominal Amount	
	2022 Rs'000	2021 Rs'000
<b>Variable Rate Instruments</b>		
100 bp increase	(17,706)	(14,986)
100 bp decrease	17,706	14,986

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

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

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



### 33.4.2 Capital Management:

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

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

As at 31st March	Nominal Amount	
	2022 Rs'000	2021 Rs'000
Total Liabilities	3,168,081	3,041,726
Less: cash and cash equivalents	(38,261)	(13,741)
Net debt	3,129,821	3,027,985
Total equity	796,124	747,810
Net debt equity ratio	3.93	4.05

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

The Company is not subject to externally imposed capital requirements.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (CONTD.)

#### 34.2 Analysis of financial instruments by measurement basis

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

As as 31st March 2022	Note	Mandatory at FVTPL - Others	FVOCI - Equity Instruments	Financial Assets at Amortized Cost	FVOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Financial Assets</b>							
Trade and other receivables	18	-	-	137,620	-	-	137,620
Amounts due from related companies	31.1.1	-	-	6,170	-	-	6,170
Cash and cash equivalents	19	-	-	38,261	-	-	38,261
<b>Total</b>		-	-	182,051	-	-	182,051

<b>Financial Liabilities</b>							
Interest bearing borrowings	21.1	-	-	-	-	1,200,434	1,200,434
Financial lease liabilities	22	-	-	-	-	192,005	192,005
Trade and other payables	26	-	-	-	-	291,546	291,546
Amounts due to related companies	31.1.2	-	-	-	-	55,897	55,897
Short Term Loans & Borrowings	27.2	-	-	-	-	180,000	180,000
Bank overdrafts	27.1	-	-	-	-	522,154	522,154
<b>Total</b>		-	-	-	-	2,442,036	2,442,036

As as 31st March 2021	Note	Mandatory at FVTPL - Others	FVOCI - Equity Instruments	Financial Assets at Amortized Cost	FVOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Financial Assets</b>							
Trade and other receivables	18	-	-	128,636	-	-	128,636
Amounts due from related companies	31.1.1	-	-	1,401	-	-	1,401
Cash and cash equivalents	19	-	-	13,741	-	-	13,741
<b>Total</b>		-	-	143,778	-	-	143,778

<b>Financial Liabilities</b>							
Interest bearing borrowings	21.1	-	-	-	-	1,463,507	1,463,507
Financial lease liabilities	22	-	-	-	-	195,949	195,949
Trade and other payables	26	-	-	-	-	259,278	259,278
Amounts due to related companies	31.1.2	-	-	-	-	21,345	21,345
Short Term Loans & Borrowings	27.2	-	-	-	-	40,000	40,000
Bank overdrafts	27.1	-	-	-	-	283,354	283,354
<b>Total</b>		-	-	-	-	2,263,433	2,263,433

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

### 34.3 Fair Value Hierarchy for Assets Carried at Fair Value

	Note	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Level 4 Rs'000
<b>As at 31st March 2022</b>					
Consumable biological assets	14.2.2	-	-	556,350	556,350
<b>As at 31st March 2021</b>					
Consumable biological assets	14.2.2	-	-	581,114	581,114

#### Valuation technique and significant unobservable inputs

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

	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs		Relationship of Unobservable Inputs to Fair Value
			2022	2021	
Consumable Managed Biological Assets	Discounted Cash flows	Discounting Rate	13% - 15%	13% - 15%	The fair value decreases/ increases when discount rate is increased/decreased.
		Optimum rotation (Maturity)	25-35 Years	25-35 Years	The fair value decreases/ increases when rotation period is increased/decreased.
		Volume at rotation	15-65 cu.mt	15-15 cu.mt	The fair value increased/ decreases when volume at rotation is increased/decreased.
		Price per cu.mt.	Rs.10,000/- to Rs.53,500/-	Rs.9,500/- to Rs.50,000/-	The fair value increased/ decreases when price is increased/decreased.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FINANCIAL INSTRUMENTS (CONTD.)

#### 34.4 Financial Assets and Liabilities by fair value hierarchy

As as 31st March 2022					
	Note	Fair value			Total
		Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Rs'000
<b>Financial Assets not measured at fair value</b>					
Trade and other receivables	18	-	-	137,620	137,620
Amounts due from related companies	31.1.1	-	-	6,170	6,170
Cash and cash equivalents	19	-	38,261	-	38,261
<b>Total</b>		-	38,261	143,790	182,051
<b>Financial Liabilities</b>					
Interest bearing borrowings	21.1	-	-	1,200,434	1,200,434
Lease liabilities	22	-	-	192,005	192,005
Trade and other payables	26	-	-	291,546	291,546
Amounts due to related companies	31.1.2	-	-	55,897	55,897
Short Term Loans & Borrowings	27.2	-	-	180,000	180,000
Bank overdrafts	27.1	-	522,154	-	522,154
<b>Total</b>		-	522,154	1,919,882	2,442,036
As as 31st March 2021					
	Note	Fair value			Total
		Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Rs'000
<b>Financial Assets not measured at fair value</b>					
Trade and other receivables	18	-	-	128,636	128,636
Amounts due from related companies	31.1.1	-	-	1,401	1,401
Cash and cash equivalents	19	-	13,741	-	13,741
<b>Total</b>		-	13,741	130,037	143,778
<b>Financial Liabilities</b>					
Loans and borrowings	21.1	-	-	1,463,507	1,463,507
Financial lease liabilities	22	-	-	195,949	195,949
Trade and other payables	26	-	-	259,278	259,278
Amounts due to related companies	31.1.2	-	-	21,345	21,345
Short Term Loans & Borrowings	27.2	-	-	40,000	40,000
Bank overdrafts	27.1	-	283,354	-	283,354
<b>Total</b>		-	283,354	1,980,079	2,263,433

### 35. INFORMATION ON BUSINESS SEGMENTS

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Segmental Revenue</b>								
Main Sectors	1,856,996	1,572,860	430,443	399,513	-	-	2,287,439	1,972,373
Diversified Crops	-	-	-	-	177,081	89,255	177,081	89,255
Sale of Timber Trees	-	-	-	-	86,072	58,432	86,072	58,432
Other Operating Revenue	-	-	-	-	13,044	5,246	13,044	5,246
	1,856,996	1,572,860	430,443	399,513	276,197	152,933	2,563,636	2,125,306
<b>Segmental Gross Profit</b>	176,828	146,261	65,408	16,561	128,774	37,633	371,010	200,455
Other Operating Income					7,564	7,446	7,564	7,446
Change in Fair Value of Biological Assets					31,464	40,089	31,464	40,089
Administrative Expenses					(185,153)	(174,949)	(185,153)	(174,949)
Management Fees					(16,200)	(12,211)	(16,200)	(12,211)
<b>Profit from Operations</b>							208,685	60,830
Net Finance Expense					(140,363)	(136,960)	(140,363)	(136,960)
<b>Profit/(Loss) before Taxation</b>							68,322	(76,130)
Tax Expense					(25,868)	(1,742)	(25,868)	(1,742)
<b>Profit/(Loss) for the year</b>							42,454	(77,872)
<b>Other Comprehensive Income:</b>								
Actuarial Gain on Retirement Benefit Obligation					6,547	12,597	6,547	12,597
Tax Expense on Other Comprehensive Income					(688)	(1,764)	(687)	(1,764)
<b>Other Comprehensive Income for the year</b>							5,860	10,833
<b>Total Comprehensive Income for the year</b>							48,314	(67,039)

## NOTES TO THE FINANCIAL STATEMENTS

### 35. INFORMATION ON BUSINESS SEGMENTS (CONTD.)

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>OTHER INFORMATION</b>								
<b>Segmental Assets</b>								
Non-current Assets	1,121,667	1,028,862	1,073,943	1,164,634	1,210,431	1,169,453	3,406,041	3,362,949
Current Assets	277,193	250,432	58,063	47,909	222,908	128,246	558,164	426,587
Total Assets	1,398,860	1,279,294	1,132,006	1,212,543	1,433,338	1,297,699	3,964,205	3,789,536
<b>Segmental Liabilities</b>								
Non-current Liabilities	485,104	528,141	165,070	161,283	1,053,926	1,357,039	1,704,100	2,046,463
Current Liabilities	167,059	147,043	38,821	47,687	1,258,101	800,533	1,463,981	995,263
Total Liabilities	652,163	675,184	203,891	208,970	2,312,027	2,157,572	3,168,081	3,041,726
<b>Capital Expenditure</b>								
	126,022	43,267	21,121	27,963	156,440	106,488	303,583	177,720
<b>Amortisation and Depreciation</b>								
	55,859	59,395	79,111	98,136	66,600	33,181	201,569	190,713
<b>Non-Cash Expenditure other than Amortisation and Depreciation</b>								
	75,140	88,852	23,759	26,000	163,775	150,883	262,674	265,735



# A Sustainable Future

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SUPPLEMENTARY INFORMATION

# TEN YEAR SUMMARY

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Operating Results</b>										
Revenue	2,220,225	2,269,092	2,164,859	1,806,106	1,947,278	2,248,463	2,020,360	1,762,154	2,125,306	2,563,636
Gross Profit	369,330	271,161	141,575	(1,574)	102,743	265,515	196,608	(217,542)	200,455	371,010
Profit from Operations	305,138	212,961	115,827	(35,885)	45,774	191,589	136,970	(324,002)	60,830	208,685
Interest	(61,623)	(50,399)	(28,848)	(39,859)	(88,656)	(86,915)	(129,622)	(146,373)	(136,960)	(140,363)
Profit/(Loss) before Tax	243,515	162,562	86,979	(75,744)	(42,882)	104,674	7,348	(470,375)	(76,130)	68,322
Tax Expenses	(38,652)	(25,325)	(25,003)	2,625	1,160	(20,330)	(2,546)	(24,494)	(1,742)	(25,868)
Profit/(Loss) for the year	204,863	137,237	61,976	(73,119)	(41,722)	84,344	4,802	(494,868)	(77,872)	42,454
Other Comprehensive Income/(Expense)	19,403	(66,451)	14,709	43,847	27,095	(35,196)	(75,184)	(18,155)	10,833	5,860
Total Comprehensive Income/(Expense)	224,266	70,786	76,685	(29,272)	(14,627)	49,148	(70,382)	(513,023)	(67,039)	48,314
<b>Net Assets Employed</b>										
Non Current Assets	2,400,057	2,692,466	2,930,464	3,054,576	3,151,998	3,285,020	3,324,470	3,384,566	3,362,949	3,406,041
Current Assets	385,338	389,842	420,646	322,531	400,281	408,986	471,655	336,828	426,587	558,164
<b>Total Assets</b>	<b>2,785,395</b>	<b>3,082,308</b>	<b>3,351,110</b>	<b>3,377,107</b>	<b>3,552,279</b>	<b>3,694,006</b>	<b>3,796,125</b>	<b>3,721,394</b>	<b>3,789,536</b>	<b>3,964,205</b>
Current Liabilities excluding Borrowings	(312,377)	(290,354)	(248,102)	(230,918)	(272,611)	(332,632)	(286,181)	(266,067)	(289,924)	(357,757)
Non-Current Liabilities excluding Borrowings	(681,612)	(774,366)	(815,835)	(781,233)	(744,576)	(783,239)	(831,931)	(949,170)	(964,940)	(907,736)
<b>Total Liabilities excluding Borrowings</b>	<b>1,791,406</b>	<b>2,017,588</b>	<b>2,287,173</b>	<b>2,364,956</b>	<b>2,535,092</b>	<b>2,578,135</b>	<b>2,678,013</b>	<b>2,506,157</b>	<b>2,534,671</b>	<b>2,698,712</b>
<b>Capital Employed</b>										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	-	-
Revenue Reserves	1,035,768	1,056,554	1,104,224	1,066,278	1,051,652	1,100,798	1,017,916	491,578	497,810	546,124
Shareholder's Funds	1,355,768	1,376,554	1,424,224	1,386,278	1,371,652	1,420,798	1,337,916	811,578	747,810	796,124
Borrowings	435,638	641,034	862,950	978,679	1,163,440	1,157,336	1,340,097	1,694,579	1,786,861	1,902,588
	1,791,406	2,017,588	2,287,173	2,364,956	2,535,092	2,578,135	2,678,013	2,506,157	2,534,671	2,698,712



	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Cash Flow</b>										
Net Cash Inflow/(Outflow) from Operating Activities	358,517	235,388	105,620	111,493	48,366	284,016	14,218	(152,283)	113,363	245,805
Net Cash Outflow from Investing Activities	(276,282)	(361,631)	(261,167)	(187,868)	(202,572)	(252,141)	(170,736)	(160,955)	(173,706)	(300,989)
Net Cash Inflow/(Outflow) from Financing Activities	6,228	8,798	147,154	7,992	109,132	(38,353)	64,598	99,219	375,350	(159,097)
Net Increase/(Decrease) in Cash and Cash Equivalents	88,463	(117,445)	(8,393)	(68,383)	(45,074)	(6,478)	(91,920)	(214,019)	315,007	(214,281)
Cash and Cash Equivalents at the beginning	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)	(370,600)	(584,620)	(269,613)
Cash and Cash Equivalents at the end	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)	(370,600)	(584,619)	(269,613)	(483,894)
<b>Key Indicators</b>										
Earning/(Loss) per Share (Rs.)	8.19	5.49	2.48	(2.92)	(1.67)	3.37	0.19	(19.79)	(3.11)	1.70
Market Value per Share (Rs.)	26.50	22.90	22.50	16.90	16.50	22.00	17.00	17.00	23.20	21.90
Dividend per Share (Rs.)	2.00	1.00	0.50	-	-	-	0.50	-	-	-
Net Assets per Share (Rs.)	54.23	55.06	56.97	55.45	54.87	56.83	53.52	32.46	29.91	31.84
Price Earnings Ratio (Times)	3.23	4.17	9.08	(5.78)	(9.89)	6.52	88.51	(0.86)	(7.45)	12.88
Earning Yield (%)	30.92	23.97	11.02	(17.31)	(10.11)	15.34	1.13	(116.44)	(13.43)	7.76
Interest Cover (Times)	4.95	4.23	4.02	(0.09)	0.52	2.20	1.06	(2.21)	0.44	1.49
Dividend Cover (Times)	4.10	5.49	4.96	-	-	-	0.38	-	-	-
Dividend Payout (%)	24.41	18.22	20.17	-	-	-	260.33	-	-	-
Effective Dividend Rate (%)	20.00	10.00	5.00	-	-	-	5.00	-	-	-
Dividend Yield (%)	7.55	4.37	2.22	-	-	-	2.94	-	-	-
Current Ratio (Times)	0.81	0.75	0.84	0.53	0.57	0.52	0.49	0.27	0.43	0.38
Revenue to Capital Employed (Times)	1.24	1.12	0.95	0.76	0.77	0.87	0.75	0.70	0.84	0.95
Property, Plant & Equipments to Shareholders' Funds (Times)	1.59	1.75	1.81	1.88	1.94	1.93	2.05	0.43	0.48	0.56
Equity to Total Assets (%)	48.67	44.66	42.50	41.05	38.61	38.45	35.24	21.81	19.73	20.08
Return on Equity (%)	15.11	9.97	4.35	(5.27)	(3.04)	5.94	0.36	(60.98)	(10.41)	5.33
Return on Capital Employed (%)	17.03	10.56	5.06	(1.52)	1.81	7.43	5.11	(12.93)	2.40	7.98
Return on Total Assets (%)	7.35	4.45	1.85	(2.17)	(1.17)	2.28	0.13	(13.30)	(2.05)	1.07
Gearing (%)	24.32	31.77	37.73	41.38	45.89	44.89	50.04	67.62	70.50	70.50

# SHAREHOLDER AND INVESTOR INFORMATION

## TWENTY THREE MAJOR SHAREHOLDERS OF THE COMPANY

GRI 102-07

Names	31st March 2022		31st March 2021	
	No. of Shares	%	No. of Shares	%
1 Vallibel Plantation Management Limited	12,750,000	51.000	12,750,000	51.000
2 Naratha Ventures Private Limited	2,153,733	8.615	2,153,733	8.615
3 Associated Electrical Corporation Ltd	962,784	3.851	1,421,186	5.685
4 Hatton National Bank Plc/Mushtaq Mohamed Fuad	523,619	2.094	-	-
5 Bank of Ceylon No. 1 Account	465,700	1.863	513,000	2.052
6 LOLC Finance PLC/V.M.S. Gavasker	359,275	1.437	-	-
7 Merchant Bank of Sri Lanka & Finance PLC/K.V.W.S. Maddumage	240,329	0.961	-	-
8 Mr. I. D. Bandarigodage	197,000	0.788	-	-
9 Mr K.C.Vignarajah	196,255	0.785	196,205	0.785
10 People's Leasing & Finance PLC/Mr. S.V. Munasinghe	180,440	0.722	-	-
11 Sandwave Limited	145,000	0.580	-	-
12 Mr H.A.A.H.Algharabally	131,500	0.526	131,500	0.526
13 Seylan Bank PLC/Punsisi Parakrama Hewa Matarage	130,383	0.522	-	-
14 Seylan Bank PLC / Anuja Chamila Jayasinghe	123,500	0.494	-	-
15 Mr P.F.Nandasiri	113,320	0.453	113,320	0.453
16 Merchant Bank of Sri Lanka & Finance PLC/F.H.T.C.Silva	106,915	0.428	-	-
17 Mr H. Guruge	102,500	0.410	-	-
18 Hatton National Bank PLC/Anuja Chamila Jayasinghe	100,500	0.402	-	-
19 People's Leasing & Finance PLC/Mr. H. A. D. U. G. Gunasekera	100,100	0.400	-	-
20 Merchant Bank of Sri Lanka PLC/ J.A.S. Priyantha	100,000	0.400	77,263	0.309
21 Mrs S. A. Gamage	100,000	0.400	-	-
22 Mr A. A. Page	100,000	0.400	100,000	0.400
23 Mr A. J. M. Jinadasa	100,000	0.400	-	-
	19,482,853	77.931	17,456,207	69.825
OTHERS	5,517,148	22.069	7,543,794	30.175
	25,000,001	100.000	25,000,001	100.000

## SHARE DISTRIBUTION

Shareholding as at 31st March 2022

From	To	No of Holders	No of Shares	%
1	1,000	9,970	1,971,371	7.89
1,001	10,000	287	1,057,427	4.23
10,001	100,000	88	2,888,350	11.55
100,001	1,000,000	17	4,179,120	16.72
Over 1,000,000		2	14,903,733	59.61
		10,364	25,000,001	100.00

## CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	10,237	5,128,982	20.52
Local Institutions	107	19,562,261	78.25
Foreign Individuals	18	148,708	0.59
Foreign Institutions	2	160,050	0.64
	10,364	25,000,001	100.00

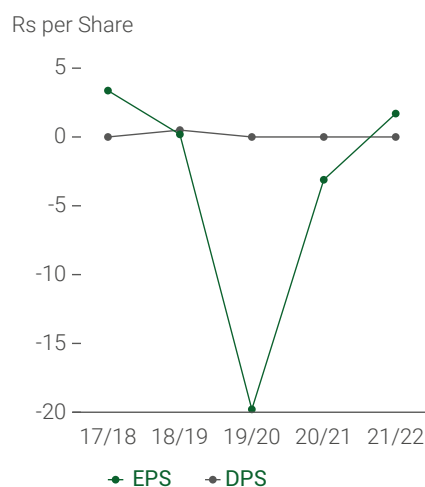
## SHARE PRICES FOR THE YEAR

As at	31st March 2022	31st March 2021
<b>Market Price per Share</b>		
Highest during the year	Rs. 45.00 (05.01.2022)	Rs. 27.20 (20.10.2020)
Lowest during the year	Rs. 18.00 (30.03.2022)	Rs. 14.40 (13.05.2020)
As at end of the year	Rs. 21.90	Rs. 23.20
Number of Transactions during the year	6,084	2,466
Number of Shares traded during the year	16,768,824	2,431,841
Value of shares traded during the year (Rs.)	531,609,082.50	56,782,638.10

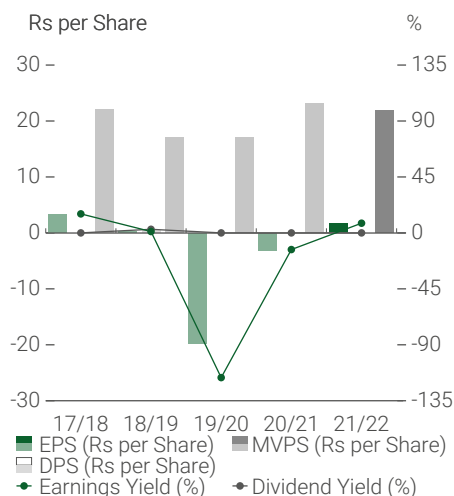
## PUBLIC HOLDING

- Public holding percentage as at 31st March 2022 = 48.996%
- Number of shareholders representing the above Percentage = 10,362
- The float adjusted market capitalization as at 31st March 2022 = Rs. 268,253,121.90
- The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

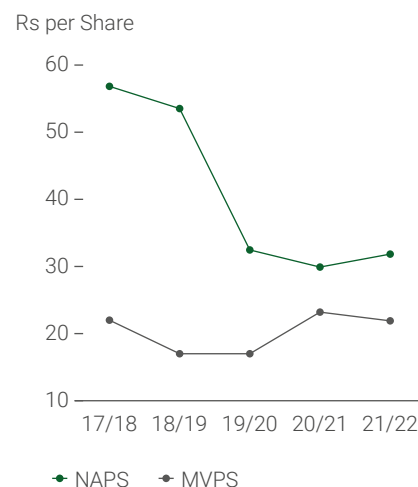
### Earnings Per Share(EPS) Vs Dividend per Share(DPS)



### Earnings & Dividend Yield (%)

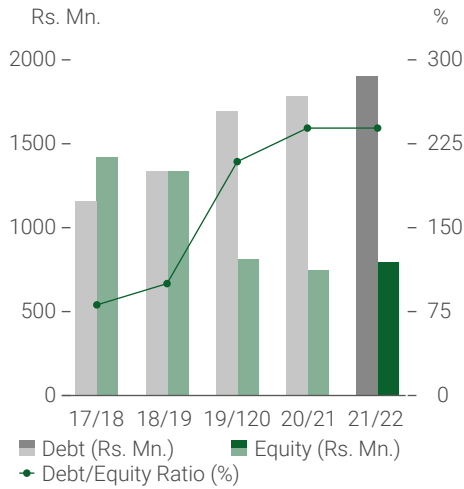


### Net Assets per Share Vs. Market Value per Share

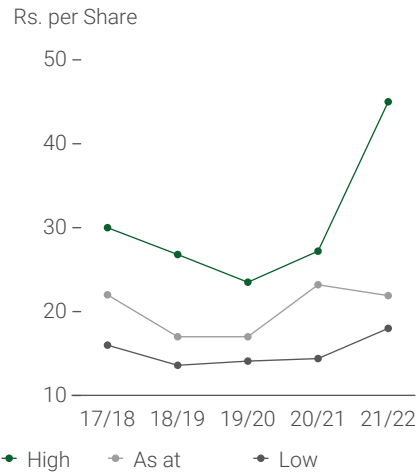


# SHAREHOLDER AND INVESTOR INFORMATION

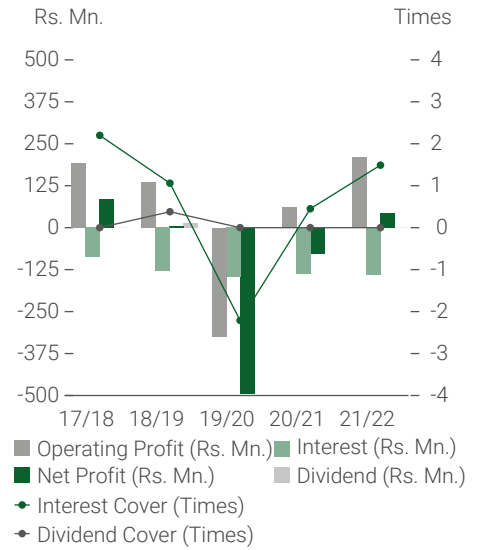
### Debt/Equity Ratio(%)



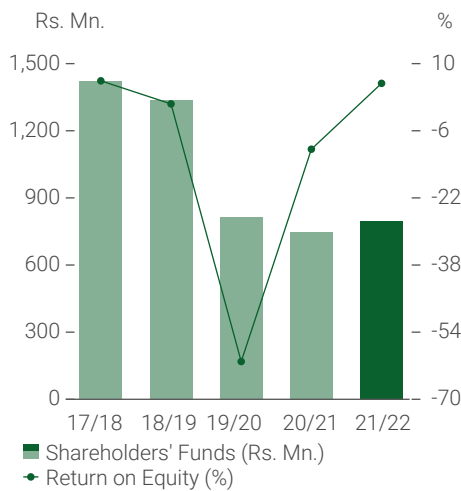
### High-Low Market Prices



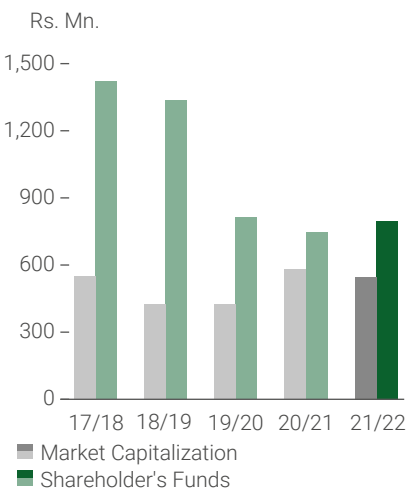
### Interest & Dividend Cover (Times)



### Return on Equity (%)



### Market Capitalisation Vs. Shareholders' Funds



# GRI INDEX

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# GLOSSARY

## A

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### **Accounting Policies**

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

### **Accrual Basis**

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

### **Actuarial Gains and losses**

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions

### **ADRA**

Adventist Development and Relief Agency

### **Agricultural Activity**

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

### **Agricultural Produce**

Agricultural produce is the harvested produce of the entity's biological assets..

### **AGM**

Annual General Meeting.

### **Amortization**

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

### **AWPLR**

Average Weighted Prime Lending Rate.

## B

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### **Basic Earnings per Share (EPS)**

Profit after tax divided by the weighted average number of ordinary shares outstanding during the period.

### **BDO**

Biochemical oxygen demand

### **Bearer Biological Assets**

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

### **Biological Assets**

Is a living animal or plant.

### **Biological Transformation**

It comprises the process of growth, degeneration, production, and procreation that cause qualitative or quantitative change in biological assets.

### **Borrowing Costs**

Borrowing Costs are interest and other costs incurred by an enterprise in connection with borrowing of funds.

### **BOD**

Board of Directors

## C

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### **Cash Equivalents**

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Capital Employed**

Total equity and interest bearing borrowings.

### **Capital Reserves**

Part of earnings reserved without distributing in current year, for future specified purpose or future business commitment or distributions.

### **CDO**

Chemical oxygen demand

### **CDO's**

Child Development Officers

### **CEA**

Central Environment Authority

### **CPFP**

Child Protection Focal Points

### **CGU**

Cash Generating Units.

### **Consumable Biological Assets**

The biological assets those that are to be harvested as agricultural produce or sold as biological assets.

### **Contingent Liabilities**

Conditions or situations at the reporting date, the financial effect of which are to be determined by future events which may or may not occur.

### **Cost of production (COP)**

Cost of producing a kilo/unit of tea/rubber/coconut/oil palm at estate level.

### **COC**

Chain of Custody

### **CPSS**

Ceylon Planters' Provident Society

### **CRI**

Coconut Research Institute of Sri Lanka

### **CSE**

Colombo Stock Exchange.

### **CSR**

Corporate Social Responsibility.

### **Current ratio**

Current assets divided by Current liabilities.

## **D**

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### **DCF**

Discounted Cash Flow

### **Debt Equity Ratio**

Total liabilities divided by its shareholders' equity.

### **Debt Ratio**

Total borrowings divided by Total assets

### **Deferred taxation**

The tax effect of timing differences deferred to/ from other periods, which would only qualify for inclusion on a tax return at a future date.

### **Derivative**

Is a financial instrument or other contract whose prices is dependent upon or derived from one or another underline asset.

### **Diluted Earnings per Share**

Diluted Earnings per Share calculated by net income minus Preferred Dividends divided by Weighted Average Shares Outstanding plus Conversion of Dilutive Securities.

### **Dividends**

Distribution of profits to holders of equity investments.

### **Dividend Pay out**

Dividend per share as a percentage of the earning per share

### **Dividend Yield**

Dividend per share as a percentage of the Market prices measure of return on investment.

### **DPS**

Dividend per Share

### **Dividend cover**

Profits after tax divided by dividends.

### **Dividend Payout**

The Percentage of Earnings paid to shareholders in dividends.

### **Dividend Yield**

Annual dividend divided by current stock price.

### **Discount Rate**

The discount rate refers to the interest rate used in discounted cash flow analysis to determine the present value of future cash flows.

## **E**

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### **Earnings Yield**

The earnings per share for the most recent 12 months period divided by the current market price per share.

### **EBIT**

Earnings before Interest and Tax

### **EBITDA**

Earnings before Interest, Tax, Depreciation, and Amortization.

# GLOSSARY

## **EFC**

Employers' Federation of Ceylon

## **Effective Tax Rate**

Income tax expenses divided by profit from ordinary activities before tax

## **EIR**

Effective Interest Rate

## **EPF**

Employees' Provident Fund

## **EMS**

Eco Management system

## **EMS**

Environmental Management System

## **EPS**

Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

## **EPI's**

Environment Protection license

## **ESG**

Environment Social and Governance

## **Equity**

The value of an ownership interest in property, including shareholders' equity, in a business. Equity or shareholders' equity is part of the total capital of a business.

## **Equity / Assets ratio**

Shareholders' funds divided by Non current assets plus current assets.

## **Equity Instruments**

Any contract that evidences a residual interest in the assets of a entity after deducting all of its liabilities.

## **ERP**

Enterprise resource planning

## **ESIA**

Social Impact assessment

## **ESPS**

Estate Staff's Provident Society

## **ESIA**

Environmental and Social Impact Assessment

## **F**

### **Fair value**

Fair value is the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in arm's length transaction.

### **Fair Value Through Profit and Loss (FVTPL)**

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract).

## **FFB**

Fresh Fruit Bunch

## **Field**

A unit extent of land. Estates are divided into fields in order to facilitate management

## **Financial Asset**

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## **Financial Instrument**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

## **Financial liability**

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

## **Float Adjusted Market Capitalization**

Float Adjusted Market Capitalization is calculated by multiplying the Public Holding Percentage of the company by the Market Capitalization.

## **FSC**

Forest Stewardship Council

## **FSMS**

Food Safety Management System



## **FVOCI**

Fair Value through Other Comprehensive Income

## **FY**

Financial Year

## **G**

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### **GDP**

Gross Domestic Production.

### **Gearing ratio**

Total interest bearing loans and borrowings as a percentage of total Shareholders' funds plus total interest bearing loans and borrowings.

### **GHG**

Green House Gas

### **Goodwill**

Goodwill in accounting is an intangible asset that arises when a buyer acquires an existing business.

### **GRI**

Global Reporting Initiatives

### **Gross dividends**

Portion of profits inclusive of tax withheld, distributed to shareholders during they ear.

### **GSA**

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

## **H**

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### **HACCP**

Hazard Analysis Critical Control Point system. Internationally accepted food safety standard.

### **Ha**

Hectare.

### **HOPL.N0000 Share**

CSE stock code for the company.

### **HPL**

Horana Plantations PLC

## **I**

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### **ICASL**

Institute of Chartered Accountants of Sri Lanka

### **IFRS**

International Financial Reporting Standards.

### **IIRC**

International Integrated Reporting Council

### **ILO**

International Labor organization

### **Immature plantation**

The extent of plantation that is under development and is not being harvested.

### **Infilling**

A method of field development where by planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

### **Interest cover ratio**

Profit before tax and interest divided by interest charge.

### **IPM**

Integrated Pest Management

### **IPNS**

Integrated plant nutrient system

### **IPCC**

Intergovernmental Panel on Climate Change

### **ISO**

International Standards Organization.

## **J**

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### **JEDB**

Janatha Estate Development Board.

## **K**

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### **Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

# GLOSSARY

## KPI

Key Performance indicators.

## L

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### Liquidity

An asset or security can be quickly bought or sold in the market without affecting the asset's price.

## LKR

Sri Lanka Rupee

## M

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### Mature plantation

The area of land developed with a perennial crop, which has been brought into bearing ready for commercial

harvesting. A perennial crop is a crop with a useful economic life which extends over more than one accounting period.

### Market capitalization

Number of shares in issue multiplied by the market value of each share at the reporting date.

## MOU

Memorandum of Understanding

### MVPS (Market value per share)

Total Market Value of the business, Divided by the total number of shares outstanding.

## N

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### NAITA

National Apprentice and Industrial Training Authority

## NCPC

National Cleaner Production Center

### Net assets

Total assets less Current liabilities and non-current liabilities.

### Net assets per share

Net assets at the end of period divided by the number of Ordinary Shares issued.

## NGSA

National Gross Sales Average

## NCPC

National Cleaner Product Center

### Net sale average (NSA)

This is the average sale price obtained(Over a period of time) after deducting brokerage fees and cost of gratis from Gross Sale Average (GSA).

## NIPM

National Institute of Plantation Management.

## NRV

Net Realizable Value

## NVQ

National Vocational Qualification

## O

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### OCI

Other Comprehensive Income

Items of income and expenses that are not recognized in profit or loss as required or permitted by other SLFRS's.

## OHS

Occupational Health & Safety

## P

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### PAT

Profit After Tax

### PFWO's

Plantation family welfare officers.

## PHDT

Plantation Human Development Trust.

### Price earnings

Market price of a share divided by Earnings per Share.

## PRCs

Regional Plantation Companies.

## PUC

Projected Unit Credit

## PBT

Profit before Tax

## R

### Receivables Turnover Ratio

Total Revenue divided by Average accounts receivable

### Related parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

### Replanting

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

### Retirement Benefits

Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

- Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.
- Current service cost is the increase in the present value of the defined benefit obligation resulting from em

### Return on total assets

Profit before tax plus net interest cost divided by total assets

### Return on capital employed

Profit before interest and tax as a percentage of total Capital Employed. (Shareholders' funds plus total Interest bearing borrowings).

### Return on equity

Profit after tax as a percentage of shareholder's funds.

### Revenue Reserves

Reserves considered as being available for distributions and investments.

### Revenue to capital employed

Dividend net operating profit or earring before interest and tax (EBIT), by capital employed.

### ROI

Return on Investment.

### ROE

Return on Equity

### ROCE

Return on Capital Employed

### RPTs

Related Party Transactions

### RRI

Rubber Research Institute.

### RSS - 1

Ribbed Smoked Sheet - Grade 1.

### RSM

Revenue Share Model

### RTE

Rare Tridents Engagement

## S

### Segments

Constituent business units grouped in terms of similarity of operations and location.

### SDG's

Sustainable Development Goals

### Shareholders' funds

Funds attributable to Shareholders and comprising of share capital, reserves and retained profit.

### SLFRS/LKAS

Sri Lanka Accounting standards corresponding to international Financial Reporting Standards.

### SLAuSs

Sri Lanka Auditing Standards

### SLCCS

Sri Lanka Carbon Crediting Scheme

### SLSPC

Sri Lanka State Plantations Corporation.

### SEC

Exchange Commission of Sri Lanka

# GLOSSARY

## **SIA**

Social Impact Assessment

## **T**

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### **TVEC**

Tertiary and Vocational Education Commission

### **TRI**

Tea Research Institute of Sri Lanka

### **TSS**

Total suspended solids

### **TVEC**

Vocational Education Commission

### **TRI**

Tea Research Institute.

## **U**

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### **UNFCCC**

United Nation Framework Convention on Climate Change

### **UNGC**

United Nation Global Compact

### **UN**

United Nation

### **UKAS**

United Nation Accreditations

## **UNGC**

United Nation Global Compact

## **V**

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### **Value addition**

The quantum of wealth generated by the activities of the Company and its application.

### **VFD**

Variable Frequency Drivers

## **W**

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### **WACC**

Weighted average cost of capital.

### **WHO**

World Health Organization

### **Working capital**

Capital required financing the day to day operations computed as the excess of current assets over current liabilities.

## **Y**

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### **Yield (YPH)**

Average Periodical output of produce from hectare of plantation.

### **YOY**

Year on Year

# CORPORATE INFORMATION

➤ GRI 102-1, GRI 102-3, GRI 102-5

## COMPANY NAME

Horana Plantations PLC

## DOMICILE AND LEGAL FORM

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

## DATE OF INCORPORATION

22nd June 1992

## REGISTRATION NUMBER

PQ 126

## DIRECTORS

Mr. A. M. Pandithage – Chairman  
Mr. Dhammika Perera – Deputy Chairman  
(Alternate Director Mr. K. D. G. Gunaratne)  
Dr. Roshan Rajadurai – Managing Director  
Mr. Johann A. Rodrigo – Director/Chief Executive Officer  
Mr. A. N. Wickremasinghe  
Mr. S. C. Ganegoda  
Mr. K. D. G. Gunaratne  
Mr. L. N. de S. Wijeyeratne  
Mr. S. M. Liyanage  
Mr. J. M. J. Perera

## REGISTERED OFFICE ADDRESS

No.400 Deans Road,  
Colombo 10.  
Telephone: 011 2627000,  
011 2627301-7322  
Facsimile: 011 2627323  
E Mail: horanap@hplnet.com  
Web: www.horanaplantations.com

## PARENT COMPANY

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

## ULTIMATE PARENT COMPANY OF THE GROUP

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

## MANAGING AGENT

Hayleys PLC  
No.400 Deans Road,  
Colombo 10.

## SECRETARIES

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

## INDEPENDENT AUDITORS

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

## LEGAL ADVISORS

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

## TAX ADVISORS

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

## BANKERS

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

# NOTES

A series of horizontal dotted lines for writing notes.



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Ninth Annual General Meeting of Horana Plantations PLC will be held by way of electronic means on the 30th day of June 2022 at 11.30 a.m. centered at the Auditorium of Hayleys PLC, No.400, Deans Road, Colombo 10 and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2022 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. S C Ganegoda who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
3. To re-elect as a Director Mr. S M Liyanage who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
4. To elect as a Director Mr. J M J Perera who retires in terms of Article 98 of the Articles of Association of the Company.
5. To pass the ordinary resolution set out below to re- appoint Mr. A N Wickremasinghe who is over 70 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. A N Wickremasinghe who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

6. To pass the ordinary resolution set out below to re- appoint Mr. Lalit N de S Wijeyeratne who is over 70 years of age, as a Director of the Company;  
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. Lalit N de S Wijeyeratne who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"
7. To pass the ordinary resolution set out below to re- appoint Mr. A M Pandithage who is over 70 years of age, as a Director of the Company;  
"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. A M Pandithage who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"
8. To authorise the Directors to determine donations for the ensuing year.
9. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board

Horana Plantations PLC



**P W CORPORATE SECRETARIAL (PVT) LTD**

Director/Secretaries

25th May 2022

Colombo

## Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, not less than forty-five (45) hours before the time fixed for the commencement of the Meeting.



# FORM OF PROXY

I/We\* the undersigned ..... NIC No.....

of .....

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

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

of .....

my/our \* Proxy to vote and speak as indicated hereunder for me/us\* and on my/our\* behalf at the Twenty Ninth Annual General Meeting of the Company to be held on 30th June 2022 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
<b>Resolution 1</b> To re-elect as a Director Mr. S C Ganegoda who retires in terms of Article No. 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> To re-elect as a Director Mr. S M Liyanage who retires in terms of Article No. 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> To elect as a Director Mr. J M J Perera who retires in terms of Article No. 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> To pass the ordinary resolution as set out in the Notice to re-appoint Mr. N A Wickremasinghe who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b> To pass the ordinary resolution as set out in the Notice to re-appoint Mr. L N de S Wijeyeratne who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b> To pass the ordinary resolution as set out in the Notice to re-appoint Mr.A M Pandithage who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 7</b> To authorise the Directors to determine donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 8</b> To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
**Signature of Shareholder/s**

\* Please delete the inappropriate words.  
Instructions as to completion appear on the reverse.

#### **INSTRUCTIONS AS TO COMPLETION**

1. This Form of Proxy must be deposited at No. 400, Deans Road, Colombo 10 not less than forty five (45) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

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HORANA PLANTATIONS PLC

PQ 126