Band Together.

Talawakelle Tea Estates PLC Integrated Annual Report

2019/20

Talawakelle Tea Estates®

Band Together.

The year under review taught us the value of unity and the power of the indomitable human spirit. While some faltered, we at Talawakelle Tea Estates PLC relied on a successful combination of ingenuity, hard work and strategy in order to succeed. The year has also been a proving ground for the diverse actions we undertook in order to be better, not just as a company but as a responsible corporate citizen. We stepped away from the tried and true and ventured into new territory with regard to our team, our environment and our long-term sustainability; none of which would have been possible without a strong and united workforce.

That's why we band together, for this is not a feat that is achieved alone, but in union with every valued member of our team, our stakeholders and our customers, in consistently revitalising, renewing and rebuilding the industry and in the long term, our nation.

Contents

Develop Together.

Overview.

Our Vision

To be the most admired plantation company in Sri Lanka.

Mission

Manage the plantations to enhance Quality of life of all employees. Produce and market quality teas that delight our customers. Drive sustainable growth. Enhance share holder value.

Business Philosophy

We Believe in...

- Manufacturing Quality Tea that fetch Premium Prices
- Increasing Shareholder Value
- The Spirit of Entrepreneurship
- Making Profit without loss of Honour
- Motivating and Training our people to reach their full potential Rewarding Performance
- Being a Learning Organisation and continuously improving Building mutually beneficial long term relationships with our Customers and Suppliers
- Positively contributing to the conservation of the environment

About This Report

Reporting Period

The annual report of Talawakelle Tea Estates PLC (TTE) follows a reporting cycle of 12 months, covering 1st April to 31st March. This annual report is published for the financial year ended 31st March 2020. Building on our reporting, we draw relevant data and information from the annual report published in the preceding year as references and for comparisons. We also make pertinent comparisons against the industry performance. Future outlook and our way forward including our strategy, plans, targets and forecasts are set out for the ensuing financial year, 2020/21.

Reporting Boundary

This report covers our tea plantations and processing operations spanning 16 estates and 15 operating factories Including 3 Reprocessing factories and 1 Green Tea factory in the high and low grown areas in the country along with our corporate office located in Colombo. The report also covers our two subsidiary operations in the hydro-power sector, when deemed material, particularly, in terms of operational and financial performance and within the natural capital section of this report.

Content and Scope

Following the integrated reporting principles, this year, we continue to provide a balanced, fair and a holistic account on how we create shared value over short, medium to long-term. This year integrated report is concise and aligned well towards business strategy embedded integrated thinking. We highlight and discuss in detail on material matters from an economic, environmental, social and governance standpoint.

The report sets out our principal risks and opportunities, business model, strategy, along with the progress we have made in the financial year under review and our future outlook in a volatile plantation industry backdrop. We discuss at length on how we engage our stakeholders, manage our core capitals and the trade-offs we make in our decision-making process to optimise value and ensure sustainability of operations. We also elaborate on our risk management, internal controls and good governance practices and the latest initiatives. With equal emphasis to both quantitative and qualitative information and data, the report content is prioritised as per the materiality analysis as set out on pages 29 to 30.

Reporting Guidelines and Frameworks

Reporting Guidelines and Frameworks

Overall Reporting

- Integrated Reporting <IR> Framework, IIRC, 2013

Sustainability Reporting

- GRI Standards, 2016 - Comprehensive
- UN Sustainable Development Goals
- UN Global Compact Principles
- National Green Reporting System (NGRS) Sri Lanka - Tier 5
- Recognised ISO 26000 as a reference document that provides guidance

Financial/Operational

- Company's Act No. 07 of 2007
- International Financial Reporting Standards, IFRS Foundation
- Sri Lanka Accounting Standards, Institute of Chartered Accountants

Corporate Governance

- Code of Best Practice on Corporate Governance, 2017
- Continuous Listing Rules, Colombo Stock Exchange

For the seventh consecutive year, our report is prepared in line with the Integrated Reporting <IR> guidelines published by the International Integrated Reporting Council (IIRC). We also give due considerations to 17 UN Sustainable Development Goals and the ten principles covering human rights, labour, social and environmental issues, as guided by the UN Global Compact Framework.

NGRS Tier 5 and ISO 26000 guidelines were referred when designing this report and has been used as a reference document.

Aside from sustainability reporting guidelines, our operational and financial reporting conforms with the guidelines set by the Company's Act No. 07 of 2007 and the relevant accounting standards. The report on governance complies with the latest code on corporate governance and the regulatory requirements as a listed entity.

Targeted Stakeholders

Our annual report is principally aimed at supporting information requirements of our shareholders and prospective investors. As an integrated report, this report is also intended to address other stakeholders including our buyers, employees, resident communities and regulators.

Joint Assurance

The reporting process and the content developed are jointly assured, both internally as well as externally. From an internal standpoint, the report is assured by the Board Audit Committee, the internal auditors and the senior management. From an external standpoint, our financial statements and the related notes are audited by M/s Ernst & Young – Chartered Accountants as set out on pages 86 to 89.

Methodology

The report content was largely developed based on the data and information given in the management information reports, corporate strategy and plans and reports compiled for our certification programmes. We also held detailed discussions with the corporate management team and with the management and executive level staff at the estate level. The report content with regard

Information Sources

Operations and Finance

- Interim financial statements
- Past and present audited annual financial statements and notes
- Management information reports
- Board progress reports

Economy and Industry

- World Economic Outlook, International Monetary Fund
- Annual Report, Central Bank of Sri Lanka
- Industry sources

Workforce and Labour Relations

- HR clusters at estates
- HR department - corporate office
- Collective agreements

Product Responsibility

- Buyer review reports
- ISO certification

Community Development and Relations

- 'A Home for Every Plantation Worker' programme
- Ethical Tea Partnership

Environmental Issues

- Rainforest Alliance-Sustainable Farm
- Ethical Tea Partnership
- Biodiversity surveys

Governance

- Board progress reports
- Compliance reports on codes of ethics and governance
- Board disclosures

Risk Management

- Risk Management Governance Framework of TTE

About This Report contd.

to external matters is developed based on publicly available information sourced through desk research. The report content is validated by the senior management. There is a restatement of GHG calculation as mentioned in page 27.

Disclaimer

The forward-looking statements and information herein this Annual Report in terms of the future outlook, strategy, plans and forecasts are developed with due care and consideration, factoring past and present data and trends under diverse scenarios. However, we are not accountable for such statements and we do not guarantee that they may materialise as expected. We urge our stakeholders to be conscious that our futuristic statements may be subject to change in reality and we advise not to place undue reliance on these statements. We are not under obligation and do not undertake responsibility to publicly update our forward-looking statements in response to the changes in our business backdrop after the date of publication.

Board Endorsement

The TTE Board assures the veracity, reliability and transparency of our integrated reporting process. The Board gives its assurance that we follow best practices in reporting, addressing material matters that represents the Company's integrated thinking in value creation, the overall performance in the year under review along with future prospects. The Board Audit Committee hereby endorses the publication of our Annual Report 2019/20, themed "Band Together".

Inquiries

Any questions or inquiries regarding our integrated Annual Report 2019/20 may be directed to the sustainability monitoring unit as follows:

Deputy General Manager - Finance
Talawakelle Tea Estates PLC
400, Deans Road
Colombo 10
Tel : +94 11 2627785
Email : tpl.tea@ttel.hayleys.com

Our Estates and Factories

Estate	Total Extent	Area in Tea	Area in Rubber	Others	Total Cultivated	No.of Workers	Crop with B/L	Factory Elevation	Type of Factory
	Ha	Ha	Ha	Ha	Ha		Kg	m	
Talawakelle									
Bearwell	423.41	318.32	-	55.02	373.34	386	533,069	1,280	Ortho/RV
Great Western	628.48	404.78	-	82.02	486.80	579	596,368	1,448	Ortho/RV
Holyrood	465.96	328.20	-	78.90	407.10	403	384,056	1,341	Ortho/RV
Logie	329.88	213.80	-	44.62	258.42	254	264,795	1,220	Ortho/RV
Mattakelle	361.96	273.34	-	28.66	302.00	546	425,301	1,372	Ortho/RV
Palmerston	203.11	149.61	-	23.75	173.36	211	234,709	-	-
Wattegoda	529.89	311.25	-	104.15	415.40	425	431,273	1,219	Ortho/RV
Sub Total	2,942.69	1,999.30	-	417.12	2,416.42	2,804	2,869,571	-	-
Nanu Oya									
Calsay	282.25	190.03	-	39.36	229.39	231	212,754	1,463	RP
Clarendon	191.42	149.28	-	21.66	170.94	155	143,134	1,455	Ortho/RV
Dessford	431.99	314.38	-	33.33	347.71	445	374,126	1,382	Ortho/RV
Radella	458.76	256.64	-	121.45	378.09	231	368,233	1,402	Ortho/GR.T
Wangi Oya			-	-	-	223	-	-	RP
Somerset	456.64	330.90	-	48.97	379.87	570	505,021	1,102	Ortho/RV
Sub Total	1,821.06	1,241.23	-	264.77	1,506.00	1,855	1,603,268	-	-
Galle									
Moragalla	384.78	95.42	114.84	82.07	292.33	162	261,656	38	Ortho
Pitiyagoda	-	-	-	-	-	10	-	-	RP
Sub Total	384.78	95.42	114.84	82.07	292.33	172	261,656	-	-
Deniyaya/Urubokka									
Deniyaya	578.15	221.66	13.35	91.50	326.51	264	548,056	310	Ortho
Indola	282.16	85.89	98.14	41.43	225.46	145	71,173	-	-
Kiruwanaganga	482.71	333.50	-	24.08	357.58	433	615,695	310	Ortho
Sub Total	1,343.02	641.05	111.49	157.01	909.55	842	1,234,924	-	-
Grand Total	6,491.55	3,977.00	226.33	920.97	5,124.30	5,673	5,969,419	-	-

Financial Highlights

Rs. 947.6 Mn
Market Capitalisation

Rs. 218.8 Mn
Group Profit Before Tax

Rs. 1,112.5 Mn
Short-Term Investments

Rs. 8.24
Group Earnings Per Share

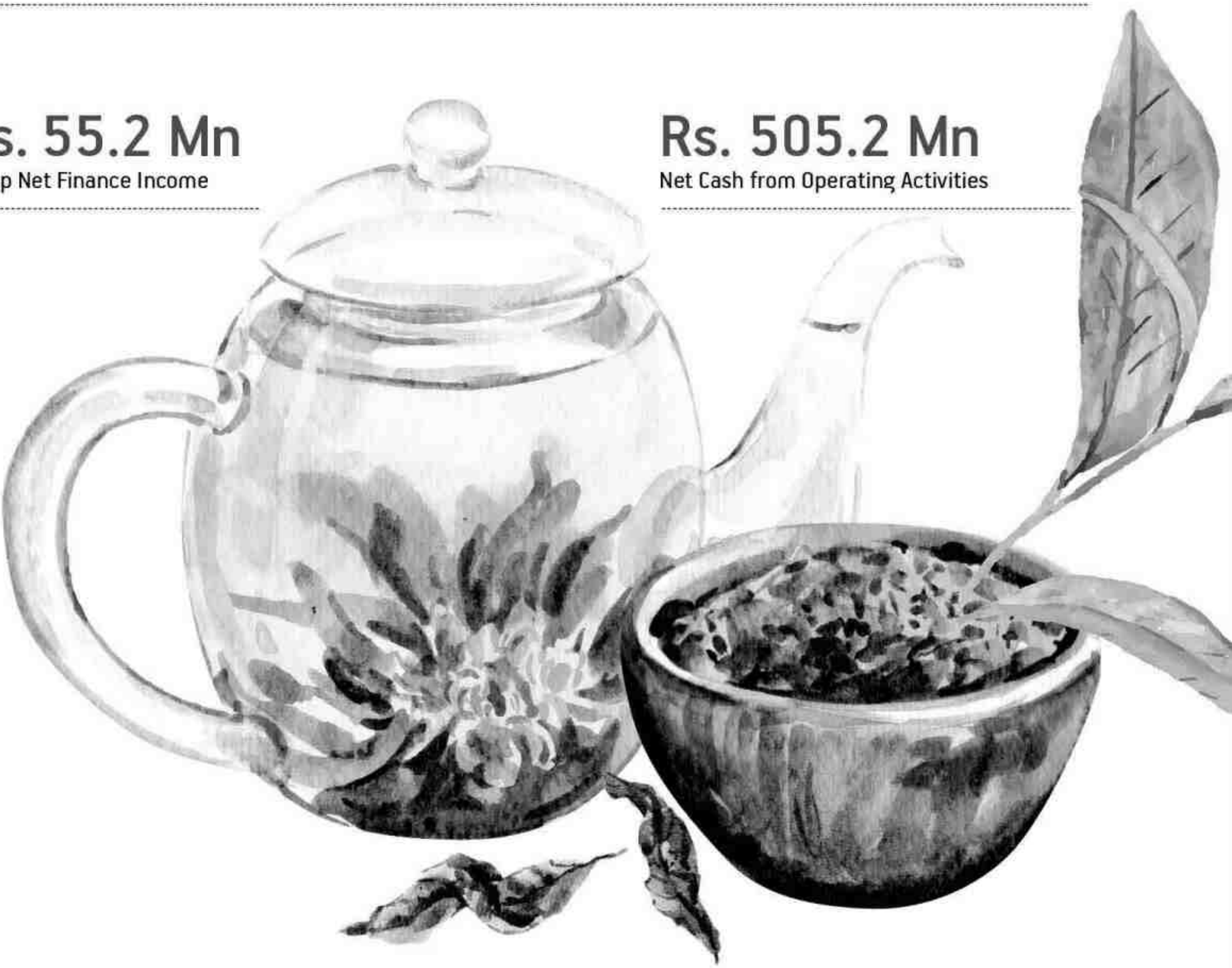
6.84%
Group Return on Equity

Rs. 5.08 Bn
Total Assets

10.02%
Group Debt to Equity

Rs. 55.2 Mn
Group Net Finance Income

Rs. 505.2 Mn
Net Cash from Operating Activities



Non Financial Highlights

GSA Rank No 1

Overall Amongst Regional Plantation Companies

Rs. 85.3 Mn

Community Infrastructure
Development increased by 55%

Gold Award Annual Report

CA Sri Lanka - 6th Consecutive Year

182 Top Prices

Colombo Tea Auctions

8,923 tCO_2e

GHG Emissions Increased by 0.6%

ISO 14064-1: 2018

Certified under Greenhouse Gases Quantification and Reporting standard

7.9%

Average Employee Turnover
increased by 16%

29.8 Hectares

Tea Replanting increased by 20.4 ha

5.2 Mn KWH

Electricity Consumption Reduced by 1%

BOP Grade- Rs. 2,550/- per kilo

All time record price - Great Western Estate

Dust 1 Grade- Rs. 1,150/- per kilo

All time record price - Mattakelle Estate

Chairman's Message

"Delivered a well-deliberated strategy to sustain profitability in an unprecedented year."

Dear Shareholder,
On behalf of my Board, I am pleased to present the Annual Report and the Audited Financial Statements of Talawakelle Tea Estates PLC for the year ended 31st March 2020.

In an unprecedented year, with challenges on multiple fronts, your company continued to exceed average industry performance benchmarks, albeit, at a lower level compared to the previous year. The consolidated turnover touched Rs. 3,886 million whilst profit after tax stood at Rs. 197 million.

Business Backdrop

Amidst a slowdown in the global economy combined with socio-political uncertainty that prevailed within the country–especially in the aftermath of the Easter Sunday attacks–the Sri Lankan economy in the year, 2019, posted a subpar performance. The real GDP growth stood at 2.3 percent, lower than 3.3 percent achieved in the previous year. All three sectors were positive, but subdued; the agriculture sector posted an almost flat growth of 0.6 percent, significantly below 6.5 percent growth in the previous year.

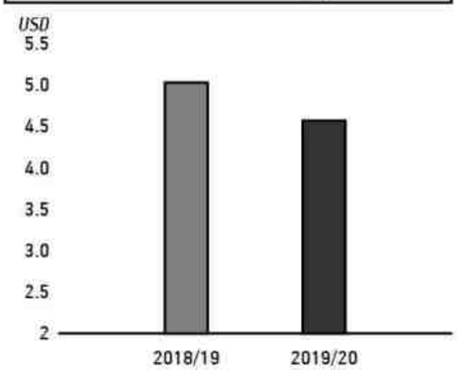
The tea industry witnessed downward trend amidst inclement weather conditions; lower productivity, and the protracted impacts from the ban on chemical weedicide effective up until January 2019. National tea production reached 300.1 million kilograms; 1.3 percent lower than the previous year. Production levels in the high-grown areas were worst hit, with a 3.0 percent decline whilst low grown fell by 1.0 percent.

Turkey led the market as the largest buyer followed by Iraq and Russia. However, our key markets were sluggish–grappling with weak economies and geopolitical tension. This, together with oversupply conditions in the world market led to less remunerative tea prices on the Colombo Tea Auctions–depressing the industry earnings. Tea prices touched US dollars 4.60per kilogram compared with US dollars 5.06 per kilogram recorded in the previous year. Tea export earnings declined by 5.7 percent to US dollars 1,346.4 million–with a significant contribution of 11.3 percent of the total export earnings.

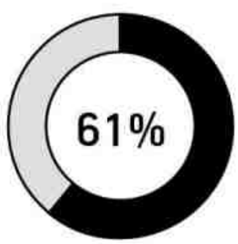
Corporate Performance

The Company recorded a turnover of Rs. 3,834 million in the year under review. This corresponded to a 3.1 percent decline compared to Rs. 3,958 million in the previous year. Lower production levels together with depressive price trends on the Colombo Tea Auctions dampened the Company's earning potential. Anyhow, following through a focused strategy on sustaining our quality

Tea Auction Price Per Kg



Wage Cost vs Revenue



and standards–with sustainable agriculture and manufacturing practices–fortified our competitiveness in a declining market scenario. This paved way for premium prices, exceeding the national averages and retaining our positioning, once again, at the top for 15th consecutive year under low grown category and second consecutive year for high grown category.

With the full impact from the increase in basic wages to Rs. 700 from Rs. 500–which came into effect from January 2019–escalated the wage cost to Rs. 2,339.9 million including the provision for gratuity. This pressured our cost of sales–which increased by 5.0 percent–impacting our profitability margins. Our prudent management approach in terms of productivity as well as finance supported our bottom-line from a steep contraction against a subdued market and high cost scenario. Profit after tax stood at Rs. 203 million, although a 49 percent decline over the previous year of Rs. 398 million.

At the consolidated level, the turnover fell by 3.5 percent over the previous year, to reach Rs. 3,886 million. The net profit after tax stood at Rs 197 million, representing a 52.4 percent drop year-on-year. Taking up Rs.1.7 million contributed to the consolidated profits, our two subsidiaries in hydropower posted a subdued performance amidst severe drought conditions and lower purchase prices from the Ceylon Electricity Board.

Dividends

An interim dividend of Rs. 6.00 per share for the financial year ended 31st March 2019 was paid on 18th April 2019.

Changes to the Board

In the reporting year, Dr. Jerry Jayawardena tendered his resignation from the Board w.e.f. 09th May 2019 after serving for 11 years. We thank him for his valuable contribution to the Board during his tenure. We wish to place on record our appreciation to Dilantha Seneviratne– the former Chief Executive Officer– who retired with effect from 02nd February 2020 after 22 solid years of service to the Company. We warmly welcome the new Chief Executive Officer, Senaka Alawattegama who joined the Board on 02nd February 2020.

Certification Standards

As an integral part of reaching out to business excellence, we continued to invest and follow the principles and guidelines set by some of the most renowned certification programmes. With increasing downside risks in today's context, this assumes greater significance to ensure highest quality and standards in the teas we produce. All our estates are covered under ISO food safety standards and environmental and social responsibility standards under the Rainforest Alliance. Apart from these, some of our estates have also aligned their operational processes to meet Ethical Tea Partnership, UTZ and ISO environmental and energy management standards.

Recognition and Awards

Recognised for our commitment to business excellence, we continued in the year to clinch coveted corporate awards, both at the national and international levels. We were honored to be recognised as the 'National Best Green Reporter of the Year' under the National Green Reporting System. We clinched the Silver award in the sector category at the 'National Green Awards, organised by the Central Environmental Authority. We also received a Silver for national cleaner production and the Gold for energy efficiency.

Reporting Feats

We are responsible and stand committed

Chairman's Message contd.

to meet our reporting obligations. We have always looked at raising the bar, every year, in following best practices in reporting–in terms of Integrated Reporting Framework and sustainability reporting, under the guidelines set by the Global Reporting Initiative. Our Annual Report 2018/19, themed 'Cultured' was recognised at the '55th Annual Report Awards' organised by The Institute of Chartered Accountants of Sri Lanka. We clinched the Gold award in the plantation sector category for the sixth successive year. This year, we shared the Gold with our sister company, Kelani Valley Plantations PLC. We also received a certificate of merit at the 'CMA Excellence in Integrated Reporting 2019', organised by the Institute of Certified Management Accountants of Sri Lanka. On the international arena, we were recognised amongst 30 competing countries with a Silver for Asia's best integrated report and for the best annual report design at the 'Asia Sustainability Reporting Awards 2019'.

Strategic Direction and Outlook 2020/21

The COVID-19 pandemic and the measures adopted to control the spread of the infection including curfew and movement restrictions, had serious implications on economic and social activities of the country and the tea industry with a vast estate community was no exception. It is noteworthy and commendable that we worked together with the industry stakeholders and health authorities to adopt the necessary health and safety protocols; and ensured the well-being of all our estates with wage advances, rations, good advice and care. The Colombo Tea Auctions also successfully moved on to an e-platform, thus, ensuring the continuity of operations whilst safeguarding the buyers and sellers.

The recessionary trends in the key export markets and the increasing geopolitical tension will not portend well on our industry prospects in the ensuing year. The domestic economic woes–escalated by the loss of work days due to the pandemic if continued - combined with extreme weather conditions, will dampen the industry performance. In this scenario, labour outmigration and the flat wage structure–without productivity as a determining factor–will continue to be a cause of concern, exerting immense pressure on costs across the industry.

In this setting, it is significant and even imperative to move towards a new paradigm where we bring in our worker as a partner and share revenue on productivity. It is prudent for all industry stakeholders to work in concert and embrace this model sooner than later to ensure the sustainability of the industry.

We reiterate the importance of launching a fully-fledged tea marketing campaign under the aegis of Sri Lanka Tea Board. This campaign will balance out any negative impacts on the brand, Ceylon Tea, in terms of quality lapses. The Tea Research Institute also has a pivotal role in building up a sustainable brand that can withstand climate change, be in line with the regulatory requirements and add value to the product.

We will also continue to lobby with relevant authorities to formulate a national land use plan for the Regional Planation Companies to prevent any ad-hoc land acquisition and compensation issues. We call upon the industry to fully utilise the land bank that is available for the sector, encouraging crop diversification including energy plantations.

The difficult circumstances in the year ahead, 2020/21, will no doubt test our resilience. Yet, as always, we have the mettle and confidence to rise up to the challenges and deliver a well-deliberated strategy to bolt on the opportunities and maximize the value we create. We will stand committed to our value proposition to produce finest quality teas and be the benchmark in the industry. In this regard, we intend to follow through with best practices in agriculture and manufacturing aligned to our certification programmes whilst investing further on automation of our field and factory processes. Our team as always will be our strength and we will continue to invest on their development–empowering and ensuring their well-being.

In Appreciation

The team worked with dedication and professionalism to deliver a coherent strategy, managing the challenges faced in a crisis-hit year. My sincere appreciation is extended to the Managing Director, Chief Executive Officer and the team for their efforts and sheer determination. A warm thank you to our shareholders, buyers and business partners for standing beside us with confidence and trust. I extend my gratitude to my colleagues on the Board for their support in leading our organisation to achieve our goals and move forward in these unsettling times.

To all stakeholders, thank you

Mohan Pandithage
Chairman

Talawakelle Tea Estates PLC
28th May 2020

Managing Director's Review

"My review this year highlights our pragmatic efforts to bring together our core competencies to secure business excellence, whilst setting out our plans to optimise the value we create against multitudinous challenges we face today."

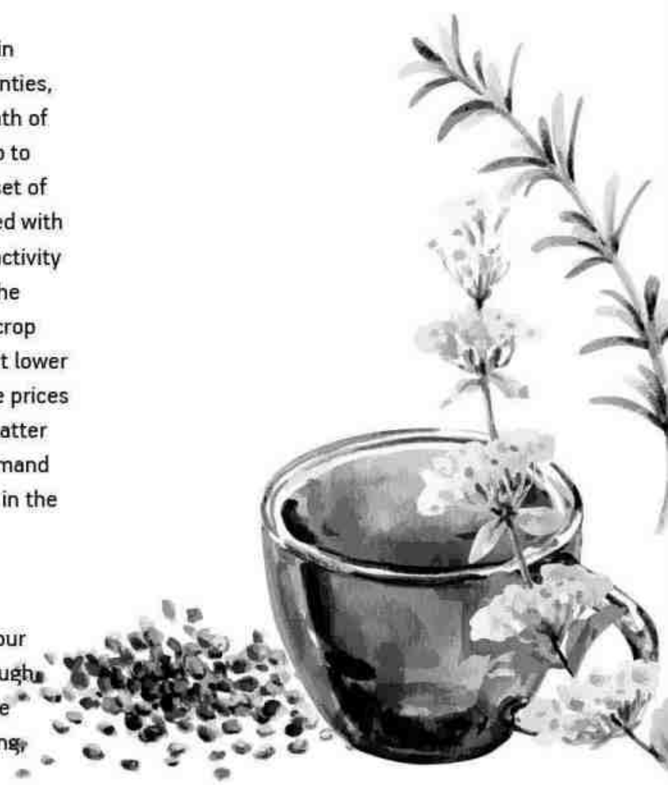
Amidst another difficult year, 2019/20, Talawakelle Tea Estates PLC remained resilient and characteristically resolute in delivering a well-integrated strategy. We continued to be responsible and ethical in our management practices–driving for quality and standards in producing premium teas and sustaining our dominance at the helm of the industry. We consolidated our operations, posting sound results, commendably, against the complexities we faced in the industry landscape. My review this year highlights our pragmatic efforts to bring together our core competencies to secure business excellence, whilst setting out our plans to optimise the value we create against multitudinous challenges we face today.

Industry in Distress

The tea industry continued to grapple with distressing market conditions in the year under review. The country was mired in socio-economic and political uncertainties, particularly, intensified in the aftermath of the Easter Sunday attacks, the run-up to the presidential elections and the onset of the COVID-19 pandemic. This combined with inclement weather along with union activity and labour unrest further pressured the already weakened industry. National crop production, therefore, was 1.3 percent lower than the previous year, whilst average prices were less remunerative–up until the latter part of the year–given the weaker demand combined with oversupply conditions in the global market.

Strategic Imperatives

Steering through the complexities in our operating backdrop, we followed through a cautious and perceptive strategy. We continued to be focused in our planning,



meticulously rolling out our action plans across our estates to ensure business viability; and strengthening our fundamentals to reach out to long-term goals of social and environmental sustainability.

We continued in the year to focus and leverage on our expertise to produce best quality teas, whilst driving for cost optimisation. We upheld best practices in agriculture and factory operations; planned and invested in strategic capex; initiated a total management system to be hands-on in monitoring and managing our estates; and invested in our people across all levels, developing their skills and driving for higher productivity. We also stood by our estate communities, engaging them and ensuring their well-being whilst conserving our environment and managing our carbon footprint.

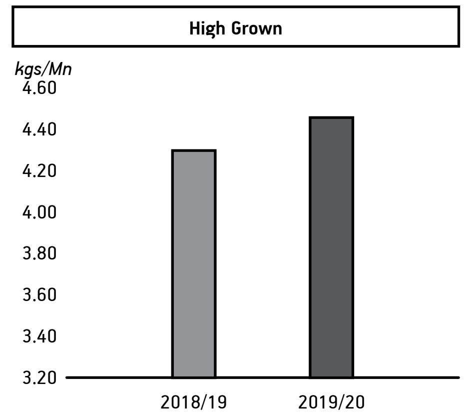
Corporate Results

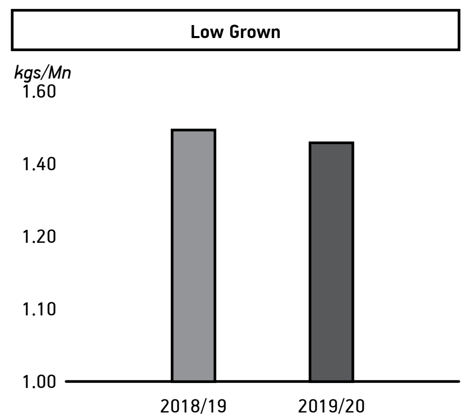
Mirroring the industry trends amidst inclement weather patterns, labour unrest and productivity issues, our crop performance was adversely affected in the year under review. The loss of work days–around two weeks in the month of March 2020–due to the COVID-19 pandemic and the restrictions placed to control the spread of the virus further pressured the downturn performance. Crop production levels in the reporting year increased by 2.3 percent year-on-year to 5.9 million kilograms. High grown production increased by 3.7 percent and low grown production dropped by 1.7 percent. Bought leaf operations also moderated with volumes falling by 1.1 percent.

Bearish market trends on the Colombo Tea Auctions– especially with regard to western high-grown teas–reflected adversely on our earning potential. However, our consistent focus and brand reputation for finest quality teas stood us in good stead. We were still able to fetch premium prices for our teas, surpassing the national elevation averages. Yet, overall prices were 8 percent lower compared to the previous year. Our top-line earnings, therefore, were cushioned in the year from falling steeply. Revenue in the year touched Rs. 3,834.1 million, down by 3.1 percent.

Despite our focused efforts to optimise on costs, our cost of sales remained high, increasing by 4.7 percent year-on-year. The full impact of the wage increase to Rs. 700 from Rs. 500–that came into effect in January 2019–increased our wage cost including gratuity by 24 percent year-on-year to Rs. 2,333.9 million. This pressured our gross profit margin. However, we were able to effectively manage our treasury and cash flow operations in line with an accommodative monetary policy environment. Our finance cost was 84 percent lower than in the previous year. In this scenario, we sustained a positive bottom-line unlike most other planation companies in the industry. Our profit before tax stood at Rs. 220.4 million, although down by 52.7 percent year-on-year. Our return on equity stood at 7.2 percent, lower compared to 15.3 percent in the previous year.

We managed to maintain a healthy financial position as at the year-end 31st March 2020. Our asset position recorded a marginal growth of 1.7 percent to Rs. 4,872.6 million. Total equity stood at Rs. 2,825.9 million and the asset position adequately covered our liability obligations as at the year-end. The current ratio was sound at 3.97 times.





At the consolidated level, including our subsidiary operations in hydro power, our revenue stood at Rs. 3,886.4 million whilst profits before tax was Rs. 218.7 million. The performance of our subsidiaries was subdued with our hydro power plants operating at sub-par capacity levels, combined with lower purchasing prices offered by the Ceylon Electricity Board. Our subsidiaries contributed 1 percent to our consolidated profits.

Quality Management

Staying true to our commitment to produce finest quality teas, we continued to give precedence to quality management across our value chain. We upheld food safety standards under ISO 22000:2005 and HACCP certification. All 16 of our estates conformed and met the principles of social and environmental responsibility under the Rainforest Alliance certification, whilst 14 of our estates obtained recertification under the Ethical Tea Partnership.

As the first in the plantations industry, our estates and the head office obtained certification under ISO 14064-1:2018 greenhouse gas emission (GHG) inventory/ carbon footprint standard, issued by the Sri Lanka Climate Fund, Ministry of Environment and Wildlife Resources. Our flagship estates, Holyrood and Bearwell in the high grown are certified under ISO 14001:2015 environmental management standard. In the reporting year, Holyrood also became the first tea estate to obtain certification for energy management systems aligned to ISO 50001:2011. Currently, two of our estates are stepping up their systems and processes to align with ISO environmental management standards.

We have also made much progress in aligning our operations to meet the blueprint set by the Sustainable Development Goals under the United Nations. At present, we have aligned our operations to meet 17 development goals.

Competitive Positioning

Our focused approach to safeguard quality and standards in our operational processes complemented, gaining buyer confidence especially in a down-turn market. Although prices were depressed on the Colombo Tea Auctions, our teas sustained their competitive positioning and fetched remunerative prices, exceeding the national elevation averages.

For the 15th consecutive year, our low grown tea prices sustained the top most ranking amongst the Regional Plantation Companies. Our high grown teas also maintained their ranking at the top for the 2nd straight year. In the western high grown catalogue, Mattakelle remained at the top whilst 3 of our estate marks ranked amongst the top ten price earners. In the low grown elevation, Kiruwanaganga estate was ranked 2nd and all three of our estate marks were within the first five price earners for RPC estates.

Revenue Share

As a panacea to the waning tea plantation industry, we advocate and have been proactive in moving towards the new paradigm–revenue share–where the estate worker takes responsibility and independence as a ‘block manager’ on an assigned plot of land in terms of planting and harvesting. Remuneration is based on productivity combined with defined benefit obligations and in some instances, wages. Currently, 30 percent of our operations are successfully running on this model across our estates.

Field and Factory Operations

Improving our yields–especially significant in a weakened industry–we continued to pursue and invest in best practices in field operations. We were consistent and systematic in our approach–following through with a well-structured replanting, soil and water management initiatives. We were conscientious and responsible in the use of fertilisers and pest control to maintain the required residue levels. We follow the guidelines and continue to work closely with the Tea Research Institute in this regard. This year, we spent Rs 108.8 million on field development, and, increased by 93 percent as against the preceding year.

Notwithstanding the difficulties in the marketplace, we also continued to invest in our factory operations–revamping the infrastructure, automating our processes and upgrading machinery and equipment. We invested Rs. 25.3 million in our relocation project of the Kiruwanaganga factory in Deniyaya as recommended by the authorities due to landslide risks. The new factory upon completion will be fully equipped with a processing capacity of 15,000 kilograms of green leaf per day. We expect to restart operations in the ensuing financial year. On the overall, our capital expenditure on non-field operations stood at 39.4 percent lower in 2019/20 than the previous year of Rs. 112.1 million.

Key Value Driver Programme

With labour issues intensifying in the year under review, it was imperative that we engaged and maintained positive relationships to ensure worker well-being–thereby, fostering their productivity. Our key value driver programme, encompassing key initiatives in health, nutrition, hygiene, work-life balance, inter-alia, played a pivotal role in this regard. This year, our investment on this programme stood at Rs.11.8 million, covering workers, mainly in the high-grown estates. With the onset of the pandemic, we also stepped up our support–sanitising the work places and community homes; providing necessary protective gear; extending financial assistance and donating dry rations during the curfew and lockdown periods.

Complemented by these initiatives, estate productivity improved–the rate of absenteeism capped in the preceding year compared to last year. This is despite the work disruptions due to wage issues as well as the hold-up of operations in the last month

"In this operating backdrop, our industry which is already battered–has an arduous task ahead. Depressed prices, climate change and productivity issues with ad-hoc wage policies will only worsen the industry woes."

of the financial year due to the restrictions placed to manage the COVID-19 pandemic.

Total Management System

Enabling a dynamic work place, we sought to move towards a total management system where we leveraged on digitalization to monitor our operational processes to be hands-on in performance management. We have invested in necessary systems for real-time data collection throughout the production chain, across our estates, leading up to data analytics and key performance dashboards for management information. With this, we were able to track and assess the level of efficiency in our estates and manage worker activities aligned to our operational targets.

Team Empowerment

We continued to give strategic precedence to our team. Closely engaging our employees across all levels, this year too, we offered well-structured training to develop their skills, boost their morale and build capacity. Both our senior and middle management employees as well external resource persons came on board to deliver the training–reaching out to 10,520 employees, totalling to 15,199 training hours. As initiated in the preceding year in collaboration with the Employer's Federation of Ceylon, we continued to carry out the vocational training programme under Level III for our field team leaders. The first batch of 35 has successfully completed their vocational studies, whilst 35 are currently following this programme. We also extended foreign training in Japan on leadership skills to 10 members of the management cadre, in collaboration with JASTECA. Our executive and staff grade employees at the head office and at the estates were also trained on UN Sustainable Development goals.

The total training investment in the year reached Rs. 8.3 Mn. This however, represented a 97 percent increase compared to the investment made in the previous financial year.

We also duly evaluated the performance of our executive and management level staff aligned to the Balanced Scorecard method. According to that, Employees promotion and performance incentives were based on their merits.

Social Investment

Even amidst industry hardships, we continued to invest in our social initiatives, seeking to secure the well-being and quality of life of our workers and the communities resident within our estates, reaching to over 42,000. Under our dedicated social responsibility programme, 'Home for Each Plantation Worker', we looked at developing our community housing and other infrastructure, sanitation and health and nutrition. Well-structured initiatives were rolled out to build capacity and empower the youth. We also worked to ensure mother and child well-being across our estates in collaboration with the Save the Children Fund based in Hong Kong. In the reporting year, our social investment touched Rs. 106.6 million, including Rs. 85.3 million for infrastructure development.

Environmental Investment

We remained responsible in the way we used our resources–carefully and pragmatically managing our solid waste, energy and water. We also remained committed to biodiversity initiatives and worked towards a lesser lower carbon footprint. This year, we initiated a reforestation programme to mark the World Environment Day. Under this ongoing project, we planted four hectares of native plants out of a 20-hectare water catchment area land of St. Clair waterfall in the Upper Kotmale region. This was undertaken in collaboration with the Central Environment Authority. We also collaborated with the Rotary International on a tree planting campaign. This project envisages to plant one million trees across our upcountry estate lands spanning over five years. We have already planted 50,000 trees under this initiative.

Apart from these initiatives, we are also looking at investing in rooftop solar projects. Following the Bearwell initiative, this year, we invested in rooftop solar in the Moragalla estate in Galle. We also have plans to set up solar panels at the new Kiruwanaganga factory.

On the overall, this year, we invested Rs. 46.7 million on environmental friendly agriculture activities, environmental conservation and management initiatives.

Future and Plans

The world is currently in a state of crisis. The COVID-19 pandemic has changed the status-quo, bringing forth unprecedented consequences across nations. The global economic outlook in the year ahead is bleak with rampant social and political unrest. The implications on our key markets are grave and complicated. The socio-economic and political scenario within our own borders is equally distressing. In this operating backdrop, our industry which is already battered–has an arduous task ahead. Depressed prices, climate change and productivity issues with ad-hoc wage policies will only worsen the industry woes.

Our immediate task at hand is to step up our health and safety measures both amongst the estate workers as well as our resident communities, giving special attention to adopting and strengthening necessary health protocols and best practices as set out by the relevant authorities to prevent infection and the spread of COVID-19.

From the operations standpoint, in the short to medium term, we will stay focused on optimising our yields in the fields across both elevations. We look forward to opening up our new factory in the Kiruwanaganga estate which will make a significant difference to crop production levels in the low grown areas. We will continue to rely and reinforce quality management with sustainable agriculture and manufacturing practices to sustain our market positioning for finest quality teas. It will be imperative to optimise costs whilst prioritising and investing in strategic capex, digitalisation of processes, team building and on key and dedicated social and environmental initiatives. We will continue to give precedence to risk management and good governance–highly warranted, given the complexities in today's context.

There is, however, much hope for recovery, particularly, in the medium to long-term– if, the stakeholders' rally and work together– finding pragmatic solutions to the pressing issues within the industry to clear and lead the way forward towards sustainability. It is in this context that we advocate the revenue-share model of engaging our estate worker as a partner with greater independence and entrepreneurship. This model, we believe is ideal to manage productivity and labour out-migration issues. We expect to expand our exposure in this regard in the ensuing years. We will also pursue to consolidate our revenue streams through crop diversification including cinnamon, coconut and agriculture forestry.

In Appreciation

As always, our stakeholders continued to be our forte in these unprecedented times. Their support and confidence essentially paved the way to deliver our strategic goals in one of the most demanding and challenging years.

My sincere appreciation is extended to our Chairman and the Board of Directors for their far-sighted leadership and guidance in taking our organisation forward against these turbulent times.

I wish to commend and thank our new Chief Executive Officer, Senaka Alawattegama, who took up office in the year, and his team for their determination, hard work and dedication to achieve our targets, notwithstanding the complexities prevalent in our operating backdrop. I am hopeful that the team will be similarly passionate and continue with their good work in the ensuing year.

A warm thank you to our valued shareholders, buyers, brokers, suppliers and all other stakeholders for their loyalty and trust. I call upon all stakeholders to be our strength and support us to secure greater sustainability in reaching out to our future, against all odds.

Dr. Roshan Rajadurai
Managing Director

Talawakelle Tea Estates PLC
28th May 2020

Board of Directors

1. MR A M PANDITHAGE *
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 Talawakelle Tea Estates PLC in July 2009.

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

2. DR W G ROSHAN RAJADURAI *
Managing Director

Appointed to the Board in 2013.

Managing Director of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. A member of the Hayleys Group Management Committee.

Holds a B.Sc. in Plantation Management, an MBA from the Post Graduate Institute of Agriculture, University of Peradeniya, a D.Sc. from Wayamba University and a Ph.D from University of Hawaii, USA.

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 was also the Chairman of the Planters' Association of Ceylon and was/is a member of the Sri Lanka Tea Board, Rubber Research Board, Tea Research Institute, Tea Council of Sri Lanka and the Tea Small Holdings Development Authority of Sri Lanka. He was the Chairman of the Consultative Committee on Estate and Advisory Services, a member

of the Experiment and Extension Forum of the Tea Research Institute, a Member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a Member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

3. MR D S SENEVIRATNE *
(Retired w.e.f. 02.02.2020)

Appointed to the Board in 2013.

Served as the Director/Chief Executive Officer of Talawakelle Tea Estates PLC and a Director of Hayleys Plantation Services (Pvt) Ltd. with over 20 years of experience in the Plantation Sector.

Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of the Institute of Certified Management Accountants (FCMA) with over 30 years of post-qualifying experience in Finance, General Management & Commercial operations in the corporate sector.

Served as a Director of Plantation Human Development Trust, a Committee Member of the Committee of Management of Ceylon Planters' Provident Society. He also served as a member of the Steering Committee on IAS 41 – Agriculture of the Institute of Chartered Accountants of Sri Lanka, Chairman of the CSR Steering Committee of Ceylon Chamber of Commerce and a Trustee of the Plantation Trust Fund.

4. MR MERRILL J FERNANDO **

Appointed to the Board in 1998.

Mr Merrill J Fernando is the founder of the MJF Group of Companies and Sri Lanka's global tea brand, DILMAH. He re-launched Ceylon Tea in the 1980s and was the first tea producer to develop an origin-packed, producer-owned and genuinely ethical tea brand in any tea, coffee or cocoa producing country.

He pioneered value addition, packaging, branding and marketing consumer ready tea from source, enabling Sri Lanka to retain profits which traditionally enriched foreign traders at the expense of tea producers. Dilmah is a model for genuinely ethical trade.

Board of Directors contd.

Mr Merrill J Fernando showed producers of raw material the way out of the commodity trap and by maintaining an uncompromising commitment to its founding principles of Quality and Integrity, Dilmah has become a respected international tea brand.

5. MR MALIK J FERNANDO **

Appointed to the Board in 1998.

He is a Director of MJF Holdings & Dilmah Tea. Established by Mr Merrill J Fernando; Dilmah, named after his two sons Dilhan and Malik, was the first producer owned tea brand, offering tea 'picked, perfected and packed' at origin. Dilmah is founded on a passionate commitment to quality and authenticity in tea, it is also a part of a philosophy that goes beyond commerce in seeing business as a matter of human service.

Mr Fernando has a BSc in Business Management from Babson College in the US.

He is also the Managing Director of Resplendent Ceylon, the first Sri Lankan luxury resort brand. Resplendent Ceylon is developing a collection of small, luxury resorts, offering discriminating travellers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation & Dilmah Conservation.

6. MS MINETTE D A PERERA **

Appointed to the Board in 2012.

Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK.

Was the Group Finance Director of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea' brand around the world.

7. DR N T BOGAHALANDE ***

Appointed to the Board in 2013.

Dr Bogahalande counts over 30 years of Managerial experience in Plantation, Manufacturing, Trading and Financial sectors.

Member of the Institute of Certified Management Accountants Australia and the Chartered Institute of Personnel Management (Inc) Sri Lanka and received his Ph.D. from Management and Science University, Malaysia. During his illustrious career, he has won many national and international accolades including the most prestigious 'Pride of HR Profession' award by the World HRD Congress in 2010 and the 'Lifetime Gold Medal in 2019' awarded by CIPM.

As a researcher and author he published many scholarly articles in international refereed journals and conference proceedings in addition to being appointed as reviewer of a leading USA scholarly journal. He is also a member of the "Happiness Planet" research team of Hitachi Corporation, Japan.

Upon approval of the Committee of High Posts by the Parliament of Sri Lanka,
Dr. Bogahalande has functioned as the Chairman and Board Director of many state and private sector organisations.

8. MR D C FERNANDO * *
(Alternate to Mr Malik J Fernando)

Appointed as Alternate Director to Mr Malik J Fernando in 1998.

Dilhan C Fernando is the younger son of Dilmah Tea Founder Mr Merrill J Fernando. He graduated from the London School of Economics and is CEO of Dilmah Tea, serving also as Chair of Global Compact Network Ceylon and Biodiversity Sri Lanka.

He holds a B.Sc. Economics (Hon) Degree from the London School of Economics.

He manages the Tea operations of the family's MJF Group, focusing on reimagining tea for the 21st Century, and also oversees the work of the MJF Charitable Foundation and Dilmah Conservation in fulfilling his father's philosophy of making business a matter of human service.

9. MR S L ATHUKORALA * * *

Appointed to the Board in 2016.

He is a Fellow of the Institute of Chartered Accountants (FCA), Fellow of Chartered Institute of Management Accountants (FCMA, UK). Master of Business Administration (MBA), University of Warwickshire, UK; Certified Management Accountant (CMA, Australia).

He counts forty years' experience in the fields of Management, Human Resources, Accountancy, Auditing, Consultancy and Finance. Former International Specialist/ Staff at Asian Development Bank, Manila, Philippines and worked in a number of countries mainly in the Asian region.

He currently serves as the Chair of Audit Committee and as an Independent Director of a Number of Leading Companies. He also serves as the Vice Chair of the Audit Committee of the United Nations Industrial Development Organisation.

10. MR M H JAMALDEEN * * *

Appointed to the Board in 2017.

A Finance Professional with over 17 years of experience and a seasoned commercial property investor and advisor.

He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a degree in Engineering and Business from the University of Warwick, UK.

He is the Founding Managing Director of Steradian Capital Investments (Pvt) Ltd., responsible for Financing, Corporate Structuring, Acquisitions and Development.

He serves as a Director of Hayleys PLC, Talawakelle Tea Estates PLC, Haycarb PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC and Lanka Realty Investments PLC. He is also Executive Director of numerous real estate companies focusing on commercial property investment and development.

11. MR S B ALAWATTEGAMA *

(Appointed w.e.f. 02.02.2020)

Appointed to the Board of Talawakelle Tea Estates PLC and as Director/Chief Executive Officer on 2nd February 2020.

Mr Alawattegama has 34 years of experience in the Plantation sector. He joined Sri Lanka State Plantations Corporation as an Assistant Superintendent and since privatisation of the Estates, has been with TTE PLC from its inception. He has held the positions of Group Manager, Visiting Agent, Deputy General Manager, Senior Regional General Manager, in the company, and was Director – Plantations prior to taking over as Director/CEO, in February 2020.

He holds a MBA from the London Metropolitan University, UK.

*	Executive
**	Non-Executive
***	Independent Non-Executive

Corporate Management

Mr. N P Abeysinghe
Director - Plantations

Mr. M T D Rodrigo
Director- Strategic Performance Management

Mrs. V A Perera
General Manager - Finance

Mr. H R L S Bandara
Deputy General Manager - Finance

Mr. L A E A Perera
Deputy General Manager - Marketing

Mr. D M G B Dassanayake
Senior Manager - Agro Forestry & Projects

Mr. M E Suraweera
Senior Manager - Information Technology

Miss. S K Dharmasekara
Manager - Human Resource

Estate Management

Mr. P G G Jayathilake
Regional General Manager - Kiruwanaganga Estate

Mr. G K Wijesekera
Regional General Manager - Great Western Estate

Mr. A C M Bandaranayake
Senior Deputy General Manager - Dessford Estate

Mr. E S B A Egodawela
Deputy General Manager - Somerset Estate

Mr. H P W Vithanage
Group Manager - Clarendon Estate

Mr. D M A S Dissanayake
Senior Manager - Holyrood Estate

Mr. A G R M S Ranaweera
Senior Manager - Radella Estate

Mr. K G M N Gamage
Senior Manager - Deniyaya Estate

Mr. S G N N Kumara
Senior Manager - Mattakelle Estate

Estate Management contd.

Mr. D W A Jayathilake
Senior Manager - Wattegoda Estate

Mr. W D Jayasinghe
Manager - Pitiyagoda Factory

Mr. U B Udawatte
Manager - Logie Estate

Mr. K D Manohar
Manager - Calsay Estate

Mr. V P Pelpola
Manager - Indola Estate

Mr. V S Kanna
Acting Manager - Palmerston Estate

Mr. K M N Prasan
Deputy Manager (In-charge) - Moragalla Estate

Mr. P A R R Pathiraja
Deputy Manager - Bearwell Estate

Mr. Kapila Bandara
Manager - Sustainability & Quality System Development

Subsidiary Review

TTEL Somerset Hydro Power (Pvt) Ltd

Principal Activity: Generation of Hydro Power
Share Ownership: 51%
Date of Incorporation: 25th August 2008

Rs. 60Mn
Stated Capital

Somerset Hydro Power Project
1.1MW Capacity - Nanu Oya

Directors
Mr. A M Pandithage (Chairman)
Mr. Merrill J Fernando
Mr. Malik J Fernando
Dr. W G R Rajadurai
Mr. A R De Zilva
Mr. J A W M Jayasekara

Key Performance Indicators - 2019/20

Rs. 23.10Mn
Revenue

Rs. 0.64Mn
Profit After Tax

Rs. 153.1Mn
Total Assets

0.59%
Return on Equity

TTEL Hydro Company Power (Pvt) Ltd

Principal Activity: Generation of Hydro Power
Share Ownership: 51%
Date of Incorporation: 11th August 2008

Rs. 69Mn
Stated Capital

Radella Hydro Power Project
0.2 MW Capacity - Nanu Oya

Palmerstone Hydro Power Project
0.8MW Capacity - Talawakelle

Directors
Mr. A M Pandithage (Chairman)
Mr. Merrill J Fernando
Mr. Malik J Fernando
Dr. W G R Rajadurai
Mr. A R De Zilva
Mr. J A W M Jayasekara

Key Performance Indicators - 2019/20

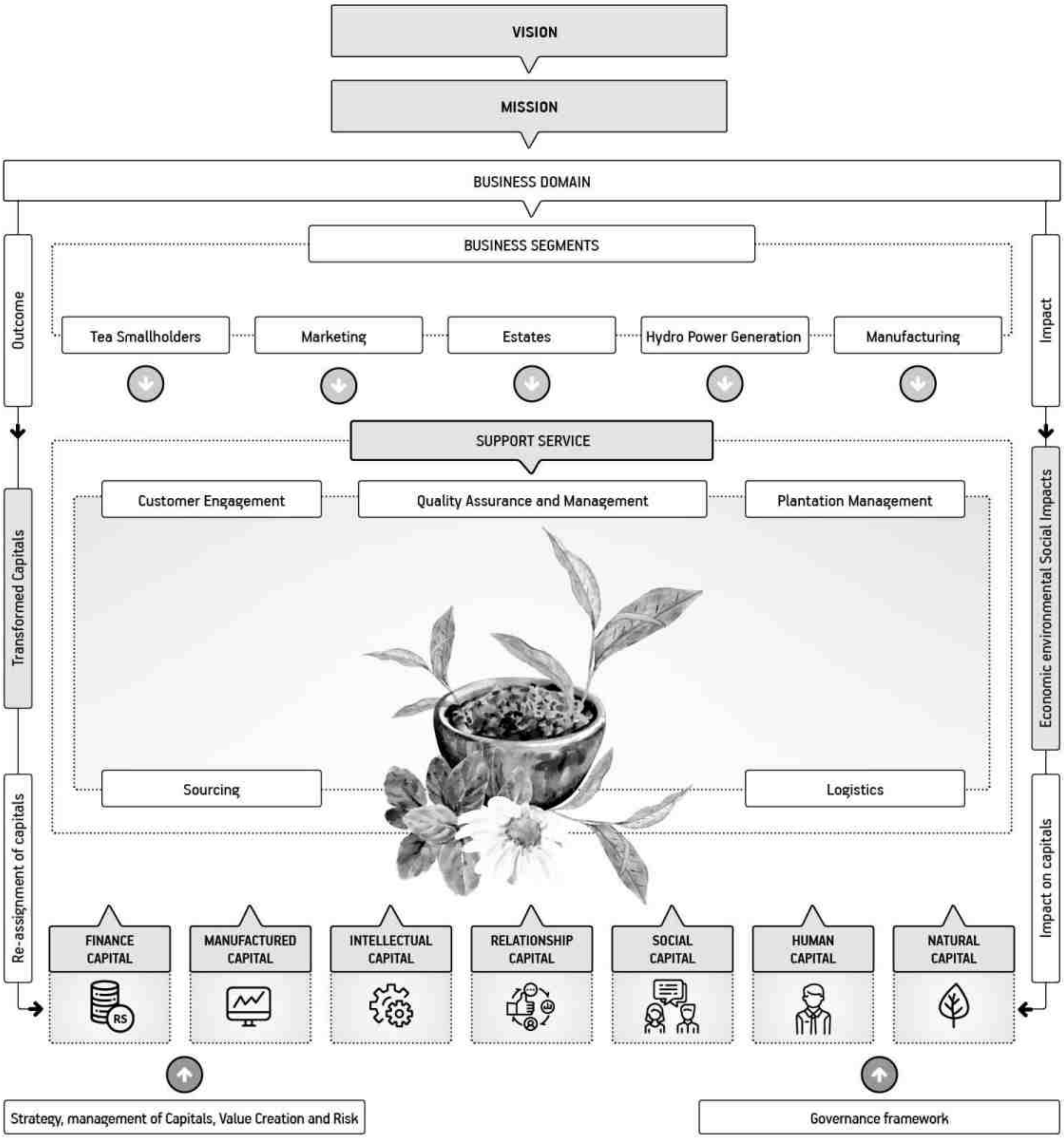
Rs. 29.20Mn
Revenue

Rs. 1.15Mn
Profit After Tax

Rs. 214.3Mn
Total Assets

1%
Return on Equity

Value Creation



Integrated Sustainability Objectives, Goals and Achievements

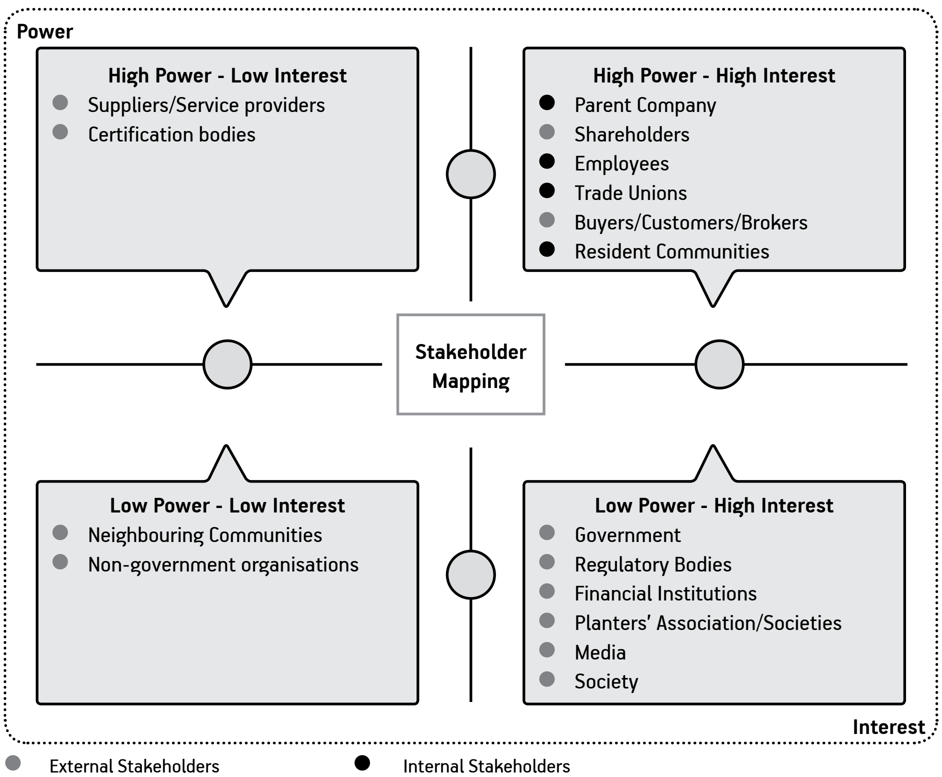
ASPECT	OBJECTIVE	UNIT	GOAL 2019/20	ACHIEVEMENT				
				2019/20	2018/19	2017/18	2016/17	2015/16
FINANCIAL CAPITAL	1. Revenue	Rs.Mn	4,314	3,834	3,958	4,009	3,262	3,323
	2. Gross Profit	Rs.Mn	362	278.6	562.9	740	403	247
	3. Return on Equity (ROE)	%	4	7.18	15.32	22.15	11.9	6.7
	4. Debt to Equity	%	7.39	10.75	9.77	13.93	15.95	30.2
MANUFACTURED CAPITAL	1. New Machinery acquisitions	Rs.Mn	31	16.4	27.34	24.97	13.2	7.66
	2. Production	Kgs.Mn	6.3	5.97	5.83	6.05	5.65	6.8
	3. Made tea out turn	%	22	22.5	22.13	22.77	22.33	22.21
INTELLECTUAL CAPITAL	1. Recognitions & Awards	Number of main awards	20	27	24	27	16	15
	2. Certifications							
	ISO 22000:2005 –FSMS	Number of estates	15	15	12	12	12	13
	Rainforest Alliance	Number of estates	16	14	14	14	14	14
	Ethical Tea Partnership	Number of estates	16	14	14	14	14	14
	ISO 14064-1:2018	Number of estates	16	16	-	-	-	-
	ISO 14001:2015-EMS	Number of estates	2	3	2	-	-	-
	ISO 9001:2015-QMS	Number of estates	1	1	1	-	-	-
	ISO 50001:2011 EnMS	Number of estates	1	1	-	-	-	-
	3. Reputation and brand value	RPC GSA Ranking	1	1	1	2	1	1
HUMAN CAPITAL	1. Total Worker Productivity	kgs/Worker	2.75	2.5	2.48	2.65	2.64	2.7
	2. Worker Attendance	%	80	75	72	78	75	65
	3. Investment on Employee Training	Rs. Mn	2.5	8.3	4.2	2.98	2.2	1.3
	4. Worker Turnover	%	7.0	7.9	6.8	4.5	9	6
SOCIAL & RELATIONSHIP CAPITAL	1. New Housing	Units	25	95	30	66	2	32
	2. New Sanitary Facilities	Units	100	23	113	118	388	242
	3. Investment on Social infrastructure Development	Rs.Mn	70	85.3	54.9	100.6	38.7	54.8
COMMUNITY DEVELOPMENT	4. Investment on Social Activities and community development	Rs.Mn	50	21.3	90.9	26.35	17.4	17.3
CUSTOMER, SUPPLIER & INVESTOR RELATIONSHIP	1. Customer Complaints	Nos	0	7	37	7	7	22
	2. Customer Satisfaction Index	%	100	84	81	73	73	70
	3. Total Local supplier percentage	%	100	100	99	99	100	99.7
	4. Tea Small holder supplies Quantity	Kgs	999,000	754,697	763,012	689,027	690,960	938,751
	5. Price Earnings Ratio	times	3.00	4.84	2.86	2.36	3.25	6.52
NATURAL CAPITAL Field development & performance	1. Yield per Hectare	Kgs/hec/annum	1,635	1,373	1,335	1,407	1,305	1,547
	2. Replanting-Tea	hec/annum	27.16	29.8	12.53	4	19.43	29.41
	3. Planting of Fuel-wood & Timber Species	hec/annum	52	33.5	7.5	27.50	44.77	52.72
	4. Investment on Field Development	Rs.Mn	125.00	109	56.3	64	88.6	105
Environmental stewardship	1. Generation of Hydropower	kWh-mn	10	6.4	7.96	6.7	5.9	8.2
	2. GHG Emissions-Carbon Footprint	tCO2e	8,500	8,923*	8,866*	4,858	4,430	5,385
	3. GHG Emissions Intensity	tCO2e/tonne of Made Tea	0.60	0.72*	0.78*	0.75	0.78	0.79
	4. Investment on Environmental Initiatives	Rs.Mn	45	46.7	40.8	43.3	40.4	33.1

**GHG emission recalculated due to expanded of the quantification scope.*

Stakeholder Engagement

Stakeholder Mapping

According to the Standard of Global Reporting Initiative (GRI), systematic identification and prioritising key stakeholders of the organisation are significant tasks relying on a standard stakeholder mapping tool. Stakeholders are mapped on a two-tier basis-level of power that stakeholders exert and their level of interest in the organisation. As per the findings set out in the stakeholder matrix, we give top priority and closely engage with those stakeholders identified under the 'High Power - High Interest' category.



Approach to Stakeholder Engagement

Our key stakeholder engagement is prioritised under three main levels of High, Medium and Low.

- **Priority of Engagement – High**

Closely engage and manage through Annual general meeting, Annual reports, Collective agreements and bargaining, regular meetings, trade association meetings, etc. The key issues/ concerns are profit, returns, climate change, and crop production, quality of work-life, etc.

- **Priority of Engagement – Medium**

Keep satisfied and meet their needs through regular dialogue and interactions, estates and factory visits, meetings, etc. The key issues/ concerns are price and profitability, credit period, sustainability aspects, etc.

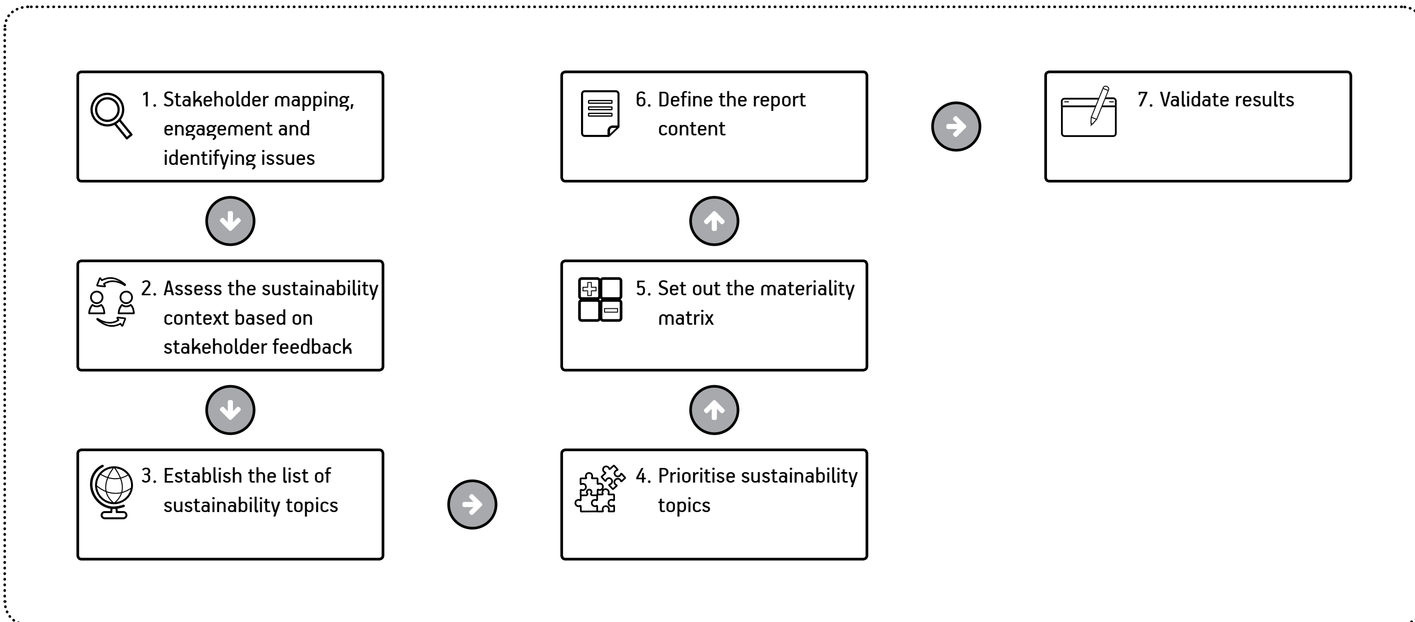
- **Priority of Engagement – Low**

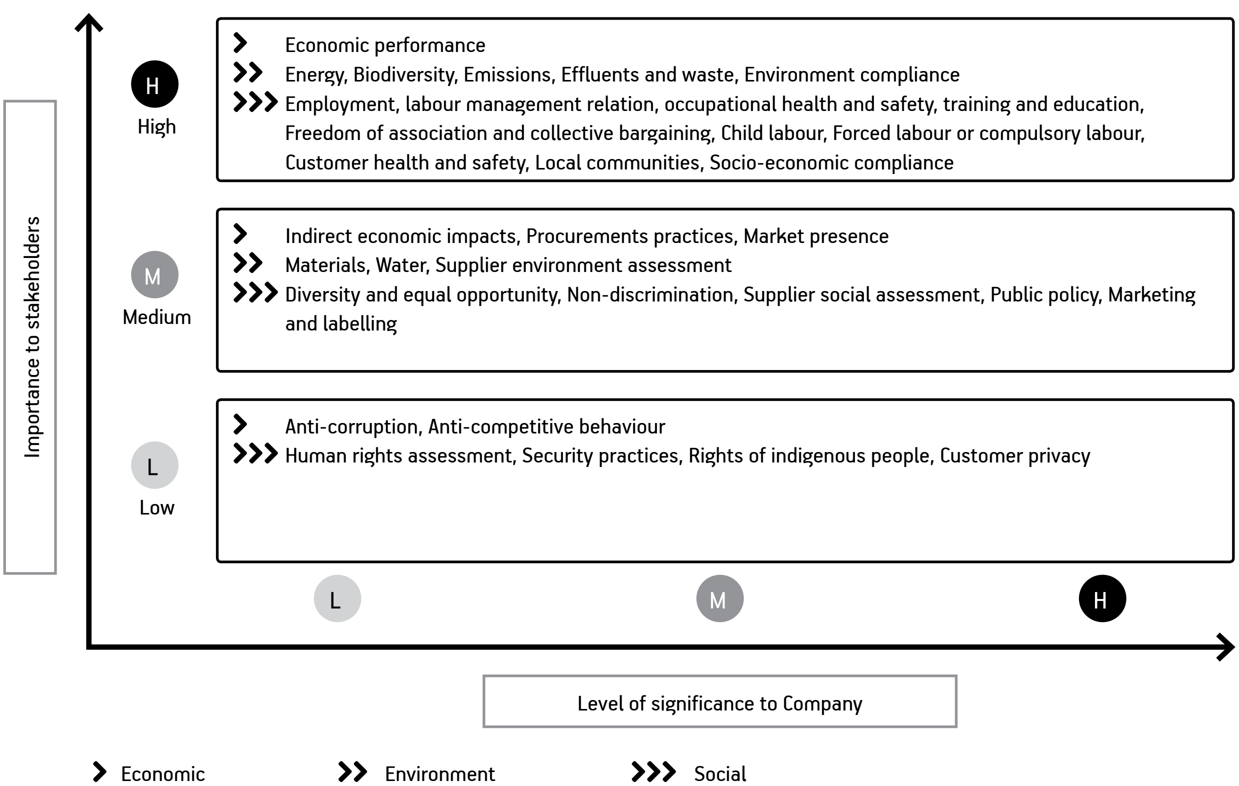
Keep informed through meetings, published accounts, annual reports, etc. The key issues/ concerns are reliability and reputation, responsible corporate management, plantation sector policies, etc.

Materiality Analysis

We continue to give precedence to create a robust business and follow through best practices in reporting that align with stakeholder expectations as well as our corporate goals. The content of the report is established on the 'materiality' concept, in which we aim to prioritise and report on issues that have a significant effect on our economic, environmental and social value formation. As in the previous year, we were guided by GRI Standards and sought to fully comply with the reporting principles of 'stakeholder inclusiveness,' 'sustainability context,' 'materiality' and 'completeness.' This process deliberated and established the sustainability context along with a list of topics covering strategy, operational and financial viability, labour management, community relations, product responsibility, environmental management According finalise material analysis, this year report focuses on 26 material topics deemed as high to medium on significance. Topics considered low on significance are not reported.

Materiality Analysis





Materiality Analysis contd.

Reporting Focus and Management Approach

Related Capital	GRI Standard		Materiality Basis	Management Approach	Evaluation of the Management Approach
Financial	GRI 200	201 203	As a plantation company with extensive value creation, our economic contribution with indirect benefits permeating across society is substantial and significant	We focus on utilising our financial resources efficiently and ensure that we meet our corporate goals in creating optimum value over time.	We have in place a well-structured risk management mechanism along with internal controls to ensure the progress of our financial management decision making.
Manufactured	GRI 200 GRI 400	204 413	A critical enabler to value creation, we remained progressive in our capital investments.	Our investment decisions on fixed assets are carried out systematically as per a comprehensive capital expenditure plan.	We rely on the findings of our surveys, feasibility studies and audits in regard to decisions on our fixed assets.
Intellectual	GRI 400	404 416 417	Intellectual capital stands as our critical drivers in building and reinforcing our value proposition which gives us a point of differentiation in a highly-competitive industry.	We have identified and developed our strategy along with structured plans and necessary budgets to add value and secure our intangible resources whilst mitigating risks and challenges.	We have taken necessary measures to closely monitor the performance of our strategy and plans based on a pre-agreed set of key performance indicators.
Relationship	GRI 200 GRI 400	204 414 416 417	We have a wide-ranging supply chain, supporting our value creation process.	Our management approach includes buyers, investors and suppliers. Product responsibility is key in our management approach.	We evaluate our management approach by using internal audits, factory visits, checks on product quality and independent external audits.
Human	GRI 200 GRI 400	201 202 401 402 403 404 405 406 407 408 409	Upholding labour laws and best practices in managing employees warrant our strategic focus. We are committed to extend a fair and progressive workplace with equal opportunity, employee development and well-being, whilst driving for higher productivity and securing business viability in the long-term.	We are equitable, responsible and ethical in our work place practices by complying with the country's labour laws, rules and regulations and as guided by our HR policy, industry norms and our certification principles and standards. We follow a 'top-down' labour management approach.	Performance is also a key area in our management approach. All incentives, rewards and recognition are based on performance merits. The management invests well and gives due precedence to monitor performance at all levels of the cadre, be it at the corporate office or at the estates and factories.
Social	GRI 200 GRI 400	203 413 415 419	Our economic contribution with indirect benefits permeating across society is substantial and significant.	As aligned to our social policy, our engagement with our communities, both at the estates and the neighbouring villages, is well structured and responsible.	We are also conscientious to carefully manage, assess and mitigate any potential negative impacts from our operations. We rely on our certifications and well-structured community-related programmes to balance our operations and minimise the potential for negative impacts.
Natural	GRI 300	301 302 303 304 305 306 307 308	As a plantation-based entity, we are linked and rely on natural capital. Our operational impacts on the environment and in turn, the impacts from the environment are substantial. Environmental responsibility assumes greater significance to ensure operational viability and sustenance in the long-term.	Our management team is responsible to implement, monitor the progress and take forward our environmental initiatives and campaigns as guided by our environmental policy. We are compliant with Sri Lanka's environmental laws, rules, regulations, standards and policies.	We carry out internal audits across our estates, factories and our corporate office. Our certification bodies also monitor our environmental progress with annual external audits as part of the re-certification process.

Our Commitment towards Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

No Poverty
Page 45

Zero Hunger
Page 45

Good Health and Well-being
Page 45, 47

Quality Education
Page 45

Gender Equality
Page 47

Clean Water and Sanitation
Page 45, 51

Affordable and Clean Energy
Page 39, 51

Decent Work and Economic Growth
Page 37, 43, 47

Industry Innovation and Infrastructure
Page 39, 40

Reduced Inequalities
Page 47

Sustainable Cities and Communities
Page 39, 45

Responsible Consumption and Production
Page 42, 51

Climate Action
Page 51

Life Below Water
Page 51

Life on Land
Page 51

Peace, Justice and Strong Institutions
Page 65

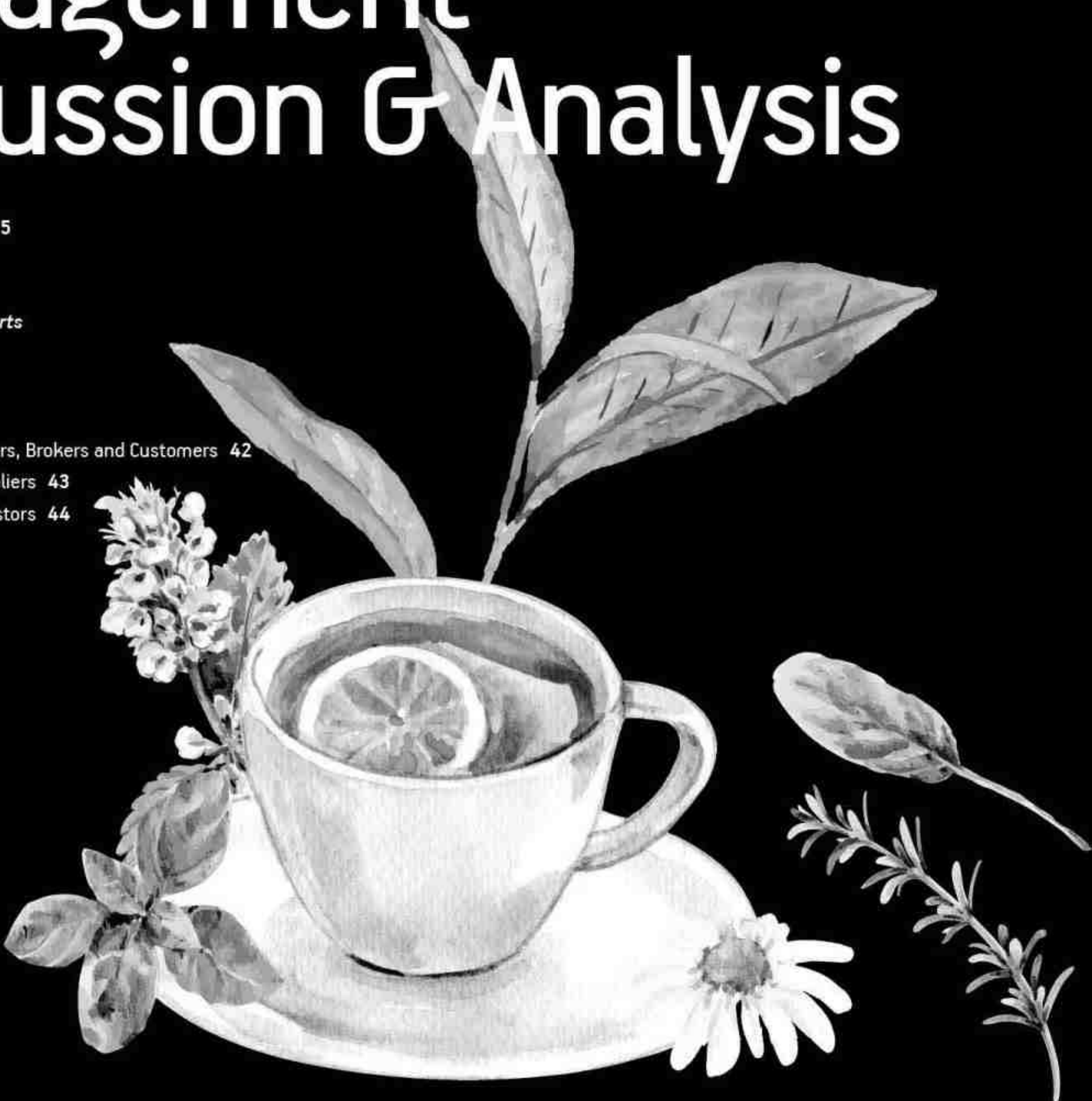
Partnerships for the Goals
Page 40





Inspire Together.

Management Discussion & Analysis



Management Discussion & Analysis

External Review

ECONOMIC REVIEW

Sri Lanka started its 2019/2020 economy with the dismal aftermath of Easter Sunday attack which suppressed its GDP growth at 2.3 percent, lowest for the past five years but moving the country to the “Upper Middle Income” status in terms of per capita Gross National Income (GNI)recording USD 3,741 and per capita GDP recording USD 3,852.

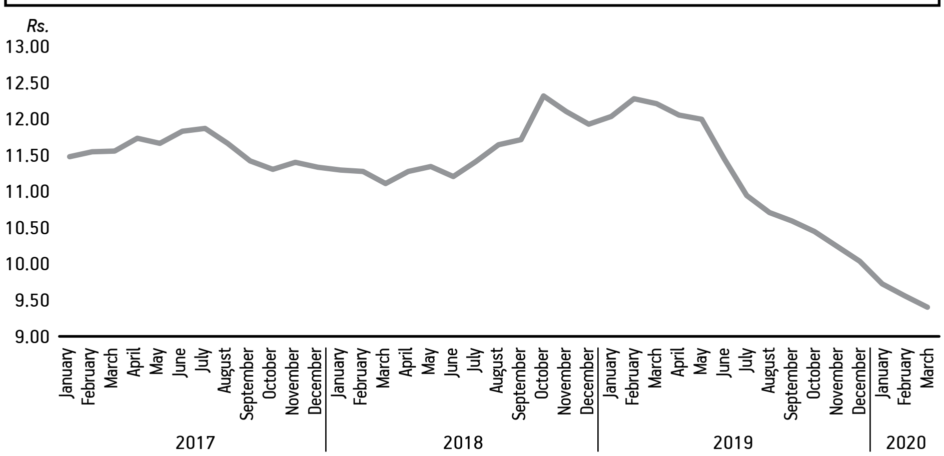
External sectors recorded a YOY increase with a favorable trade balance of -9.5 percent of GDP from a -11.7 percent of GDP in year 2018. Current account balance also reflected the same trend by reducing the difference to -2.2 percent of GDP from -3.2 percent of GDP in year 2018. External Official Reserves strengthened in 2019 with a 9.4 percent increment recording USD 7,642 million.

Government fiscal performances reported a notable turn with significant decline in government revenue due to sizeable import compressions, particularly of motor vehicles, subpar economic activity exacerbated by the Easter Sunday attacks, as well as the rise in recurrent expenditures mainly on subsidies and transfers, salaries and wages. The budget deficit widened to 6.8 percent of GDP in 2019, from 5.3percent of GDP in 2018.

Government of Sri Lanka announced several fiscal measures during the first quarter of 2020 amidst the spread of the COVID 19 outbreak. Following the COVID 19 outbreak in March 2020, Government introduced judicious tax deferment schemes to facilitate impacted Corporate Sector and to revive Small and Medium Businesses apart from the several other measures taken to support general public to face the pandemic situation. In 2019, Central bank of Sri Lanka (CBSL) adopted an Accommodative Monitory Policy stance to support the revival of the economic activities and improved its credit extension to the private sector. Following the reduction of Statutory Reserve Ratio (SRR) by 2.50 basis points in November 2018 and again in January 2019, the market liquidity turned to surplus levels from mid-April 2019. In May and in August 2019, CBSL reduced Policy Interest Rates by 100 basis points aiming to boost credit flows to Private Sector and in response to this Policy Rate reduction, deposit rates also adjusted downward notably. However, with the COVID 19 outbreak in March 2020, CBSL has further reduced Policy Rates by 50 basis points and SRR 1.00 percentage to 4.00 percent in march 2020. Accordingly, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) remained at 6.00 per cent and 7.00 per cent respectively.

Market interest rates declined in 2019 as a result of monetary policy measures and regulatory measures of CBSL. Average Weighted Deposit rate (AWDR) declined by 61 basis points to 8.20 percent in 2019. The weekly Average Weighted Prime Lending Rate (AWPR) declined by 235 basis points to 9.74 per cent during 2019. Yields on primary market treasury bills and bonds also declined by 197-275 basis points while government issued Sri Lanka Development Bonds (SLDB) at competitive yields. With the spread of COVID 19 in first quarter of 2020, Global Interest Rates also declined rapidly.

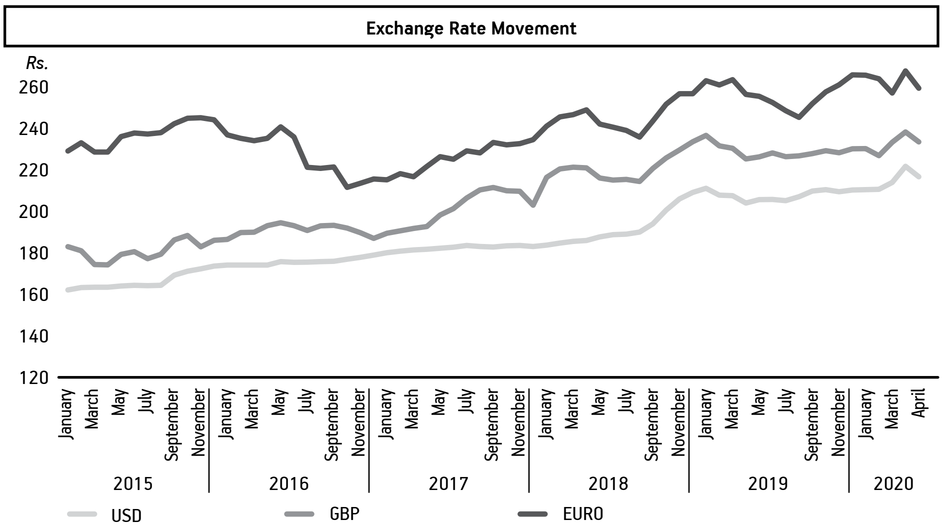
Weighted Average Prime Lending Rate (AWPR)



Source: Central Bank of Sri Lanka

Sri Lanka rupee remained stable with a marginal appreciation against the US dollar in 2019. Exchange rate continued to suffered a tightness with the aftermath of the Easter Sunday attack and again in the latter part of August 2019 in response to the global market uncertainty. COVID-19 pandemic further enhanced this situation by Increased outflows of government securities market coupled with continued global market uncertainties. This situation was further worsened with the significant drop in earnings from tourism, export proceeds, workers’ remittances and speculative market behaviour.

External Review contd.



Source: Central Bank of Sri Lanka

TEA INDUSTRY

GLOBAL TEA OUTLOOK

Global tea production surpassed 6 billion kilograms for the first time in history. This was largely due to the increase of China (90 million) and India (61.1 million), while most of the other major producers including Kenya and Sri Lanka recorded a decline.

GLOBAL AUCTION PERFORMANCE

It's been a tough year for producer countries across the globe as all auction centres recorded a decline YOY. Colombo auctions achieved $3.06 and remained as the top ranked Tea auction centre in the world with more than 20% margin over its closest rival. But it's a far cry from the 2017 figure of $4.11. In fact, this is the second lowest in a decade, only above 2015's $2.96. Mombasa also followed a similar trend dropping from $2.81 in 2017 to $2.04 in 2019. Chittagong's rise in 2018 short lived as it dropped below Kolkata in 2019 to $2.34.

NATIONAL TEA INDUSTRY

Year under review saw the Sri Lankan Tea industry face numerous challenges in its quest to remain the highest quality Tea manufacturer in the world. April 21st Easter bombings shocked the nation when it was getting ready to celebrate a decade of ending a 30-year long conflict. 12-month period came to an end with the COVID-19 pandemic ravaging the globe in unprecedented proportions. Weather has not been kind either with the latter half experiencing drought resulting in crop falls. Q1 (Apr-Jun) recorded 84.9 million kg while Q2 gained 8.2 million kg YOY to 73.1. But Q3 dropped sharply to 66.7 million kg from 80.9 million kg in 2018. January to March 2020 - Q4 also recorded a similar trend down to 61.8 million kg from 72.9 million kg in 2019.

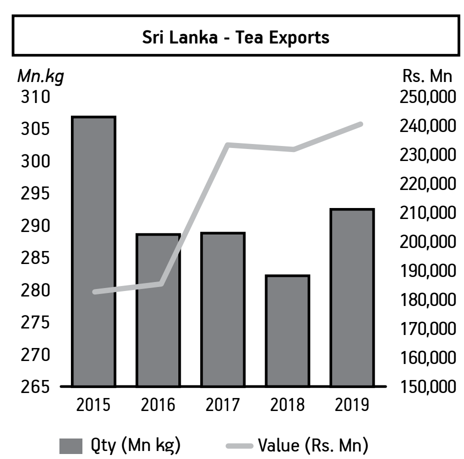
COLOMBO TEA AUCTION PRICES

First nine months of the year under review realized prices far below that of 2018. Q1 recorded a drop of Rs.41.21 while Q2 Rs.32.42 lower to 2018 average price of Rs.536.69. Prices did improve in November and December helping to reduce the deficit to Rs.28.06 at Rs.553.71. However, Q4 saw a change in fortunes with auction averages reaching Rs.594.81 from Rs.585.30 YOY. This was largely due to the short supply of Tea.

TEA EXPORTS

Sri Lanka's Tea exports reached 292.6 million kg, a growth of 10.3 million kg YOY. January to December revenue of Rs.240.6 billion is the highest ever recorded. This is due the sharp depreciation of the Sri Lankan currency. But on US $ earnings, 2019 figure stood at $1.35 billion. Lower to $1.43 billion in 2018 and significantly lower to $1.53 billion achieved in 2017.

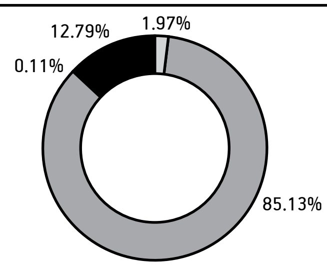
Turkey leapfrogged Iraq to take top spot as the largest importer of Ceylon Tea 39.1 million kg to that of 38.4 million kg by Iraq. Russia, Iran, Libya and China make up the top 6. These six countries account for more than half of Sri Lanka's exports totalling 152.8 million kg. Apart from the Top six, exports to India, United states of America, Germany and Saudi Arabia has grown by more than a million kg. In fact, India's growth is 298%.



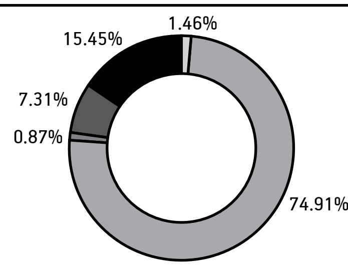
Economic Value Creation

STATEMENT OF VALUE ADDED					
Rs.000'	***2019/20***	***2018/19***	***2017/18***	***2016/17***	***2015/16***
Total Revenue	3,886,417	4,025,913	4,061,310	3,334,494	3,434,579
Purchase of goods and services	(1,057,908)	(1,395,665)	(1,160,402)	(1,065,016)	(991,105)
	2,828,509	2,630,248	2,900,908	2,269,478	2,443,474
Other Income	149,091	131,115	74,407	31,403	70,645
Total Value Added	2,977,600	2,761,363	2,975,315	2,300,881	2,514,119
Distributed as follows					
To Government	58,734	40,392	70,393	50,700	38,531
To employees	2,534,813	2,068,518	2,162,828	1,831,359	2,112,484
To lenders of Capital	3,281	23,925	21,021	43,470	66,342
To Shareholders	-	201,875	118,750	23,750	-
Retained for re-investment and future growth	380,772	426,653	602,323	351,602	296,762
	2,977,600	2,761,363	2,975,315	2,300,881	2,514,119

2019/20

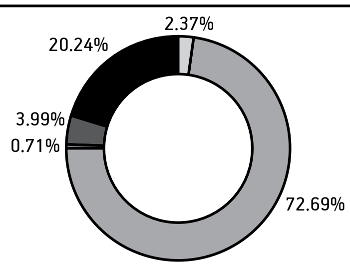


2018/19

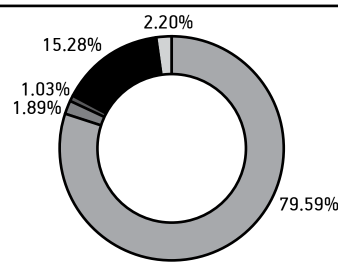


To Government
To employees
To lenders of Capital
To Shareholders
Retained for re-investment and future growth

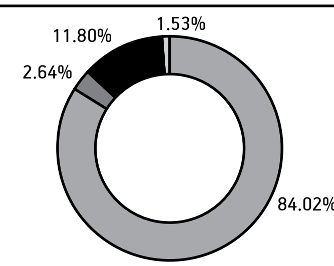
2017/18



2016/17



2015/16



Operations Review

Dynamic challenger of industry, its embedding critical requirement of sustainable operational practices for long-term sustenance special in the plantation sector. With a better understanding of these challenges, we are focused on our efforts and duly invest in developing our agricultural and field operations across all estates. Company policies and procedure that are aligned with national and international sustainable standards give us clear guidelines on adopting and monitoring sustainable operational practices. Furthermore, we work closely and collaborate with the Tea Research Institute, the International Plant Nutrition Institute and the faculties of agriculture at the national university level to further our efforts in this regard. Our management approach takes precedence to nursery management with two nurseries in the high grown and Three in the low grown estates. Our nurseries are well-equipped to carry out research on cultivar that are adaptable to withstand pest, disease and adverse impacts from climate change. Top strategic priority is given to harvesting a quality leaf, which is essentially the core of our operations. We are conscientious and have the expertise to maintain the highest standards in harvesting, focusing on efficient manpower planning and productivity management. We follow through best soil management practices as per the recommended guidelines set under the '4R Nutrient Stewardship' advocated by the International Plant Nutrition Institute. Our tea-replanting programme also aims at increasing the vetiver planting cover to optimise and secure our potential yields. This programme also includes replanting of fuel-wood to support our initiatives to adopt renewable energy and to enhance our biodiversity assets. Managing the impacts from climate change is given due strategic status, with proactive measures to mitigate impacts on our tea cropping patterns, production levels and the quality of the leaf. Our focus is to add value and produce speciality and innovative teas mainly targeting new market segments.

Agricultural and Field Development Strategic Imperatives and Strategy

Nursery Management

- Research and produce tea cultivar that will increase yields, adaptable to climate change and resistant to pest and disease.
- Produce cultivar of fuel-wood, timber and native plants to enhance biodiversity and renewable energy and carbon management.

Harvesting

- Ensure timeliness of operations with 'best-fit' plucking intervals and standards to improve the efficiency in harvesting.
- Closely engage the workforce to boost their work morale.
- Mechanise the harvesting process to increase productivity and production levels.

Soil Management

- Ensure that the soil management process meets the prescribed norms under the Tea Research Institute, Rainforest Alliance and International Plant Nutrition Institute.

Replanting Programme

- Replant tea and fuel-wood under a structured programme and maintain capital clearings following best practices.

Adapting to Climate Change

- Closely monitor temperature and rainfall patterns in different agro-climatic regions.
- Adopt drought, pest and disease tolerant cultivars to ensure soil moisture.
- Resort to compost and organic manure, planting shady trees and irrigation during dry months.
- Follow the '4R' Nutrient Stewardship programme to minimise nitrogen fertiliser applications to prevent greenhouse gas emissions.

Research and development

- Collaborate with agriculture research institutions to develop value-added specialty, innovative tea products and bio fertiliser.

Financial Capital

8 DECENT WORK AND ECONOMIC GROWTH

Financial Performance Review

Key Performance Indicators

In a challenging year, Talawakelle Tea Estates PLC has achieved commendable results among all regional plantation companies. Despite the Easter attack impacts, the adverse weather conditions that prevailed throughout the year and the COVID-19 outbreak at the end of the financial year, the group has recorded a profit after tax of Rs.196.57 million with a generation of net cash flow surplus of Rs. 177.32 million during the year.

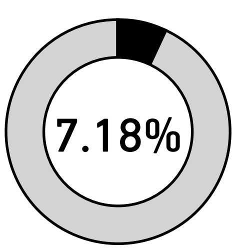
Group - Key Performance Indicators – 2015/16-2019/20

Aspect	*Measure*	*2019/20*	*2018/19*	*2017/18*	*2016/17*	*2015/16*
Revenue Growth	Turnover (Rs. Mn)	3,886.4	4,025.9	4,061.3	3,334.5	3,434.6
Profitability	Gross profit ratio (%)	7.5%	14.8%	18.6%	13.1%	9.2%
	Net profit ratio (%)	5.1%	10.3%	13.5%	7.2%	4.3%
Working capital Management	Current ratio (Times)	3.99	2.46	2.20	1.70	1.23
Liquidity	Cash flow from operations (Rs. Mn)	505.2	629.4	815.8	485.2	393.4
Asset Utilisation	Fixed Assets Turnover (Times)	1.22	1.21	1.22	1.01	1.03
Investments	Capital expenditure (as a % of total assets)	5.62%	5.06%	5.07%	4.03%	3.6%
Capital Structure	Debt/Equity (%)	10.02%	9.01%	13.5%	18.4%	29.7%
	Interest Cover (Times)	4.13	9.26	12.0	4.9	3.81

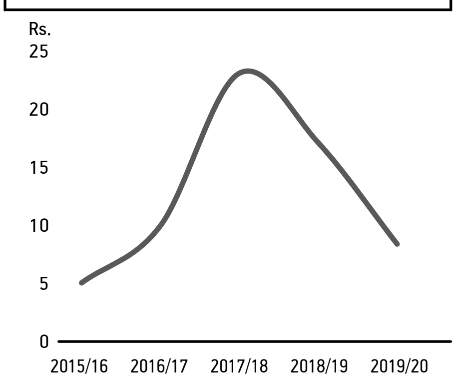
Profitability

Group turnover has decreased by 3.46% while Gross profit ratio has dropped to 7.5% from 14.8% in 2018/19. Group PBT stood at Rs. 218.8 million at the end of 2019/20, whereas Rs. 483.7 million recorded in 2018/19. Cost of sales inflated with the higher share of employee payments and turnover dropping with reduced tea prices from Rs. 637.29 to Rs. 584.20 resulted in a reduction in profitability in the current financial year.

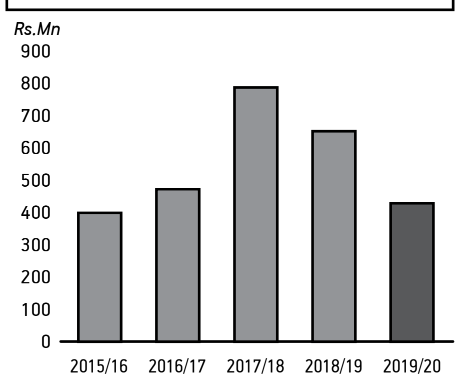
ROE - %



EPS Rs./Share

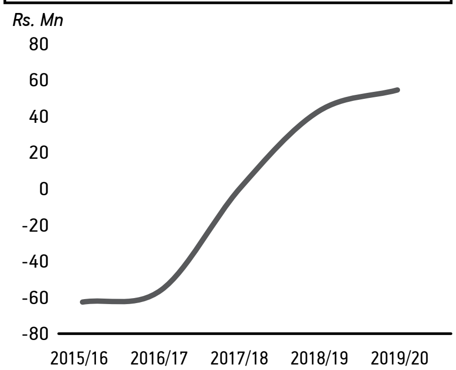


EBITDA

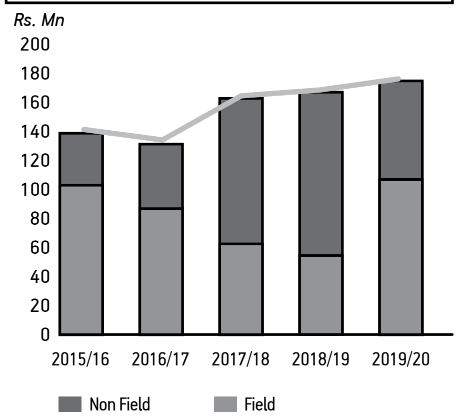


Financial Capital contd.

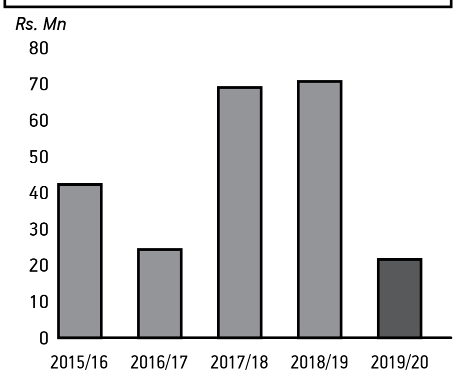
Net Finance Income/Cost Rs.



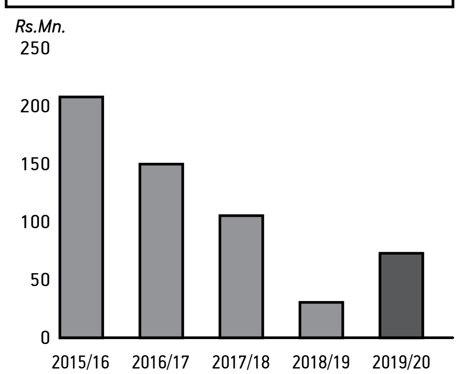
Capital Expenditure



Taxations



Working Capital - Company



Capital Structure

Financial gearing remained steady at 10.02%, recording a slight improvement from 9.77% compared to the previous financial year. Borrowings increased to Rs. 303.8 Mn from Rs. 254 Mn. Company equity strengthened by 8.6% in 2019/20 compared to 2018/19 and stated capital remained unchanged.

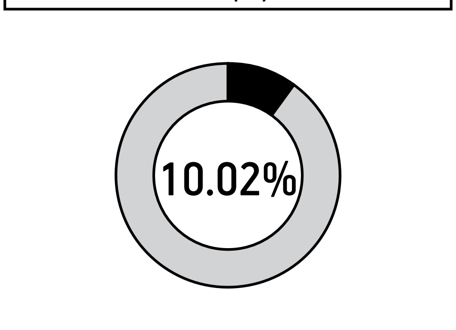
Cash flow and borrowings

TTE PLC generated net cash surplus of Rs. 505.2 million compared to Rs. 629.4 million generated in 2018/19.Net cash used in Investing activities were Rs. 119.1 million and Net cash used in financing activities were Rs. 208.7 million in year 2019/20.

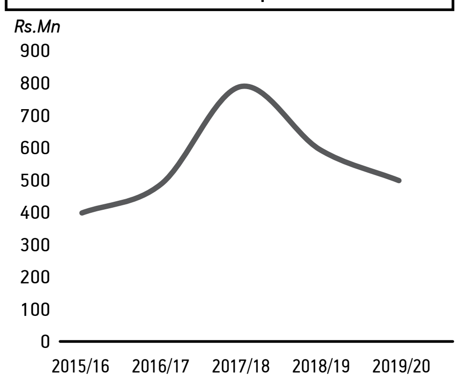
Share performance

TTE is listed on the main board of the Colombo Stock Exchange under ticker symbol “TPL”. Share price as of 31st March 2020 was Rs. 39.90 and declined compared to Rs. 48.70 as of 31st March 2019. Price Earnings Ratio diluted to 4.84 times from 2.86 in 2018/19.

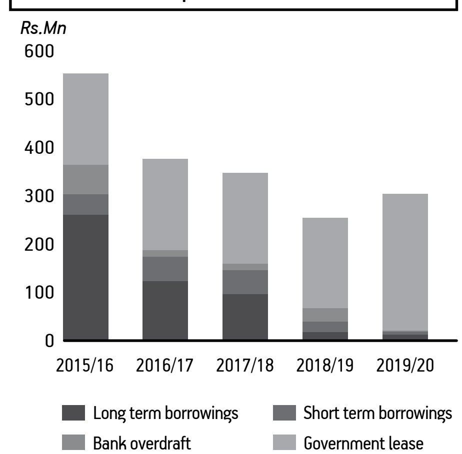
Debt to Equity - %



Cash flow from operations



Composition of Debts



Manufactured Capital

Here we focus on our fixed assets or our capital expenditure and discuss in detail the best practices we have adopted in procuring our machinery and equipment; maintaining our factories; and developing our infrastructure. We make our investment decisions on fixed assets are carried out systematically according to a comprehensive capital expenditure plan. Aligned to our corporate policies, this plan takes into account our strategic priorities from a broader company perspective as well as at the estate level. We are also conscientious and make necessary investments to maintain our factories and manage our spares as per accepted standards, particularly, guided by the Company Policies and Procedures. Apart from an economic perspective, we have also given due attention to social and environmental sustainability aspects.

Our manufactured capital strategy imperatives encompass the procurement of machinery and equipment, regular factory maintenance and developing estate infrastructure. All procurement is systematically carried out as per standard procedures and guidelines. We consider both quality and cost in our procurement evaluations.

Procurement Evaluation Criteria

All procurement is systematically carried out as per standard procedures and guidelines. In the case of minor procurement, we call for three quotations from the general list of suppliers. For bulk and large-scale procurement, we go through a public tender process as per the set guidelines.

We consider both quality and cost in our procurement evaluations. We look into our suppliers' credentials, the nature of their businesses and quality and standards they maintain in their operations; this includes their social and environmental responsibility and compliance with relevant rules and laws.

We give special preference to those suppliers who have obtained certifications from recognised bodies on their products and processes.

Machinery & Equipment

Procurement Evaluation Criteria

- Cost
- Capacity
- Availability of Spares
- Warranty Period
- Manufacturer Credentials
- Manufacturer Social and Environmental responsibility

- Noise Level
- Energy efficiency
- Emissions
- Safety Features
- Certifications

Maintenance of Factories

With periodic servicing of machinery and equipment as per the guidelines set by the manufacturers' specifications, we are following a systematic schedule in factory maintenance. All our engineers and technical staff are enough competent to manage our maintenance work as per best practices, particularly, following through the procedures set under ISO 22000 on food & safety management standards and ISO 9001 total quality management system.

"In the precedence year, we have invested Rs. 85.3 million on estate infrastructure. Community-based infrastructure led by housing, road construction and rehabilitation water and sanitation took up the largest share"

"Investing Rs. 15.45 Mn, we have established the second solar power project at the Moragalla Estate in the low grown region as our second renewable energy project, under the net metering system. The capacity of the solar panels installed is 114.4 kwp."

Cost Component	2018/19 Rs. Mn	2019/20 Rs. Mn
Machinery & Equipment		
Machinery & equipment Factories	29.4	16.4
Equipment – Field Operations	12.5	17.3
IT Hardware & Software	3.7	2.8
Other	66.5	13.1
Total Machinery & Equipment	112.1	49.6
Estate Infrastructure Development		
Housing Construction	26.9	62.8
Water & Sanitation	5.2	1.3
Road Construction rehabilitation & maintenance	14.5	13.8
Other Infrastructure	8.3	7.4
Total Estate Infrastructure Development	54.9	85.3

Intellectual Capital

Intellectual capital is deemed as a fundamental determinant of our value proposition and the competitive advantage. Our value proposition is defined and determined on the premium quality and standards we maintain in producing our teas. In the competitive business environment, we have to be focused, smart, work towards sustaining our positioning as a top-tier plantation company.

Our approach is well-thought-out and focused on sound reputation and brand, ethical & sustainable management system, tea manufacturing know-how and processes, MRL Assurance, Research and development, Process improvement, market intelligence and performance monitoring system.

Sound Reputation and Brand

The awards and the recognition we receive at the national, international and industry levels stand as a testimony to our good corporate reputation.

- Gross sales average ranking – Rank 1 (2019)
- Repeat buyers – 212 (2019/20)

Ethical & Sustainable Management System

- Certified 88% of operations by Ethical Tea Partnership (14 Estates)
- Certified 88% of operations by Rainforest Alliance Sustainable Agriculture Network (14 Estates)
- Certified 100% of operations by ISO 22000: 2005 Food and Safety Systems (13 Estates)
- Certified 7% of operations by ISO 9001: 2015 Quality Management System (1 Estate)
- Certified 20% of operations by ISO 14001: 2015 Environmental Management System (3 Estates)
- Certified 100% of operations by ISO 14064-1: 2018 Greenhouse gas emission quantification certification (16 Estates and Head office)
- Certified 7% of operations by ISO 50001: 2011 Energy Management System (1 Estate)

Tea Manufacturing Know-How and Process

Over the years, We are renowned in the plantation industry for our expertise in producing the finest quality teas as engrained in our value proposition. We have the know-how in the field and factories and the necessary processes across the estates to produce black and green teas in both high and low grown elevations.

As discussed in detail under the 'Human Capital' section, we continue to prioritise and seek to nurture a learning work culture across estates and factories.

Maximum Residue Level (MRL) Assurance

According to the Maximum Residue Level (MRL) assurance procedure of TTE, all agro-chemicals are purchased after supplier's assurance on MRL's and samples of random batches being tested for MRL's for reassurance. Further we carry out random tests of teas to ensure they are processed within the recommended MRL standards.

Process Improvements

We meet the requirements under Good Manufacturing Practice (GMP) and Hazard Analysis and Critical Control Point (HACCP). We follow the Guidelines set by the Ceylon Tea Traders Association. We have invested in improving our processes with the latest tea manufacturing technology and techniques.

Research and Development

We invest well and work closely with the Tea Research Institute and the national universities to further our research and development initiatives including developing special and better-quality cultivar at the tea nurseries; blending specialty teas for product diversification; alternative energy sources and energy conservation techniques.

Market Intelligence

Our market intelligence focuses on five key areas;

- Product - Product profiles, substitutes and competitor products
- Market - Market size, segments, share, analysis on market requirements and forecast
- Socio-economic and political trends - Macroeconomic trend analysis and SWOT analysis
- Buyer - Brand loyalty, preferences and purchasing patterns

- Laws, Regulations and Directives - Human rights, labour laws and compliance requirement.

In a highly volatile external environment, market intelligence is critical to be agile, responsive and smart in strategic planning and in day-to-day decision making. It enables us to identify and mitigate risks and capture the opportunities present in our operating backdrop.

We rely on desk and online research to gather information on the global and domestic socio-economic and political scenario.

Performance Monitoring Mechanism

Our performance monitoring system tracks, monitors and reports on employee performance and productivity in the field, factories and at the corporate office.

- All Staff & Executives are evaluated through "Performance Evaluation System" – Balanced Score Card
- Manual Grade is also evaluated with a "Colour Card System"

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2. Great HR Practices
In recognition of participation & progressive efforts to uplift HR Practices through the concept of "Environment" (Winner) - Hayleys Plantation Sector

5. Employer Branding Awards
Sri Lanka Best Employer Brand Awards

7. CA 55th Annual Report Awards
Plantation Companies – Joint Winner

9. Presidential Environmental Awards-2019 (National Green Reporting System)
Best Green Reporter

11. World-first plantation company and first organisation in Sri Lanka, recognised as committed to Science Based Targets initiative.

13. Asia Sustainability Reporting Awards
Finalist for; Asia's Best Materiality Reporting, Asia's Best Environmental Reporting, Asia's Best Carbon Disclosure, Asia's Best SDG Reporting, Asia's Best Report Design

1. CMA Excellence in Integrated Reporting
"Best Integrated Report-Plantations Sector" (Winner)

3. Asia Sustainability Reporting Awards
Asia's Best Integrated Report (Winner)

4. ACCA Sri Lanka Sustainability Reporting Awards
Asia's Best Integrated Report (Silver)

6. Best Presented Annual Report Awards and SAARC Anniversary Awards
Corporate Governance Disclosures - 2019 Agricultural Sector - Joint Winner (Gold)

8. CA 55th Annual Report Awards
Plantation Companies – Joint Winner

10. Presidential Environmental Awards-2019 (National Green Reporting System)
Best Green Reporter

12. In Recognition of Appreciation & Commitment towards HUMAN CAPITAL DEVELOPMENT in the Plantation Industry -
Siler Award (Private Sector)

Management Discussion & Analysis contd.

Relationship Capital – Buyers, Brokers and Customers

This section will focus on our engagement with our buyers, brokers and customers and on our unwavering commitment to sustaining a premium product with responsibility. Closely engaging with our buyers, we give top strategic priority to build, strengthen and sustain the trust and confidence of our buyers, brokers and customers. Product responsibility is key to our management approach which in effect is the premise underlying our 'Quality and Food Safety Policy'.

We have well-structured systems and processes across our value chain to meet the highest quality and safety standards in the teas we produce. We comply with national food safety policies, laws and regulations.

Being committed to produce finest quality teas, we continued to give precedence to quality management across our value chain. We upheld food safety standards under ISO 22000:2005 and ISO 9001:2015 for total quality management.

Our relationship capital – buyer, broker and customer strategic imperatives encompass proactive engagement and customer satisfaction, product quality and standards, product information and labelling, marketing communication.

Proactive Engagement & Customer Satisfaction

Step 1 - Conduct the customer satisfaction survey through the buyer

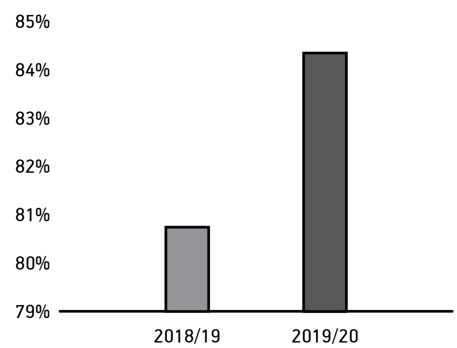
Step 2 - Analyse the collected data of the customer satisfaction survey and identify the poor performing areas

Step 3 - Formulating the improvement action for poor performing areas through brainstorming session

Step 4 - Implement the formulated solution and follow up

Step 5 - Solution and sustaining the successful implementation or reprocess the unsuccessful implementation

Customer Satisfaction Index



Product and Service Labelling

In accordance with the guidelines and standards by The Sri Lanka Tea Board and the Ceylon Tea Traders Association on product information and labelling, our packaging entails the required product information to support our customers to ascertain the quality of our teas.

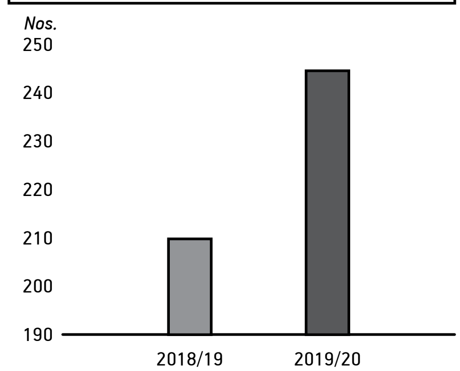
We have not recorded any incidents of non-compliance with regulations concerning product labelling during the reporting year.

Marketing Communication

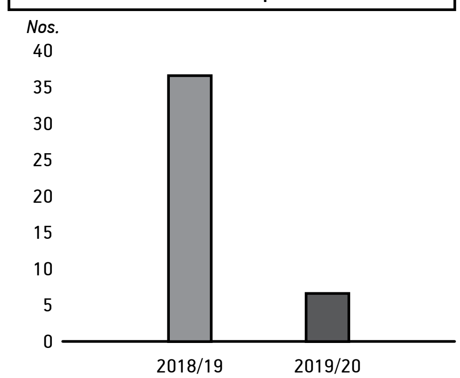
Participate at trade fairs, road shows and networking events for direct marketing. We facilitate site-visits and familiarisation tours to our tea plantations and factories. We also have in place a full range of well-designed and thought out product brochures and leaflets to support our marketing initiatives.

In the year under review, our organisation did not report on any incidents of non-compliance with regulations and voluntary codes with regard to marketing communication aspects.

Number of Buyers



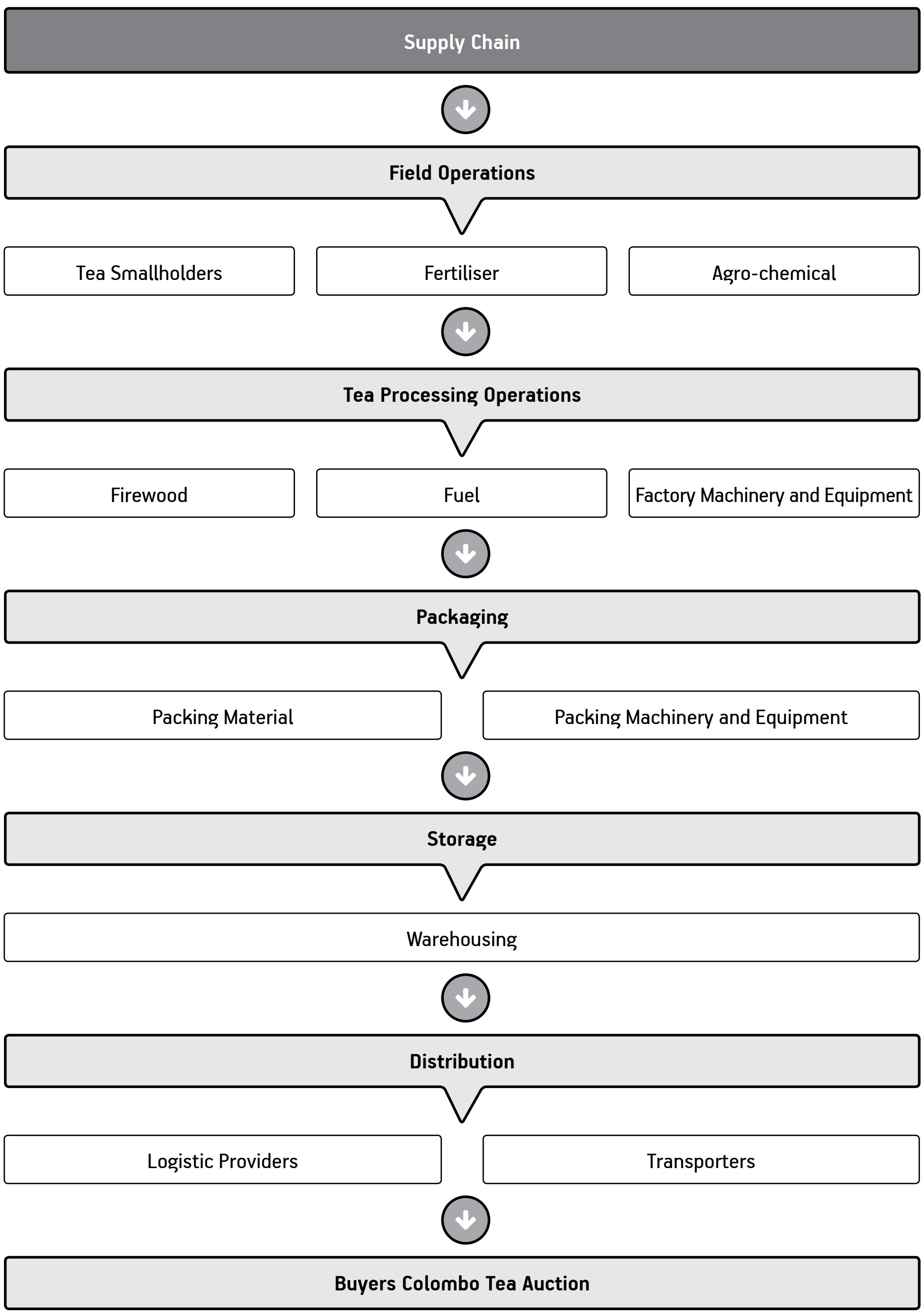
Customer Complaints



Compliance

Our organisation did not record any monetary fines for non-compliance with laws and regulations concerning products and services during the reporting year.

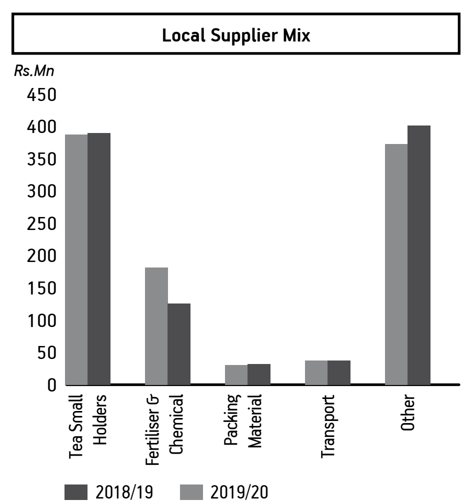
Relationship Capital – Suppliers

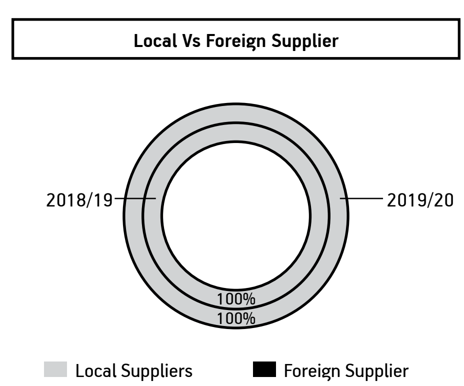


In this section, we discuss how we engage and manage our suppliers to be in line with our strategic priorities while being fair, responsible and accountable in all our dealings.

We have an extensive and rigorous supplier screening mechanism in place to ensure they meet our strategic priorities and are aligned with our corporate values and practices. The screening process takes into account the nature of their businesses, quality and standards in their product offer, fair pricing, timeliness of delivery along with their work values including social and environmental responsibility and compliance with relevant laws, rules and regulations. Suppliers are selected purely on merit ascertained through this screening process.

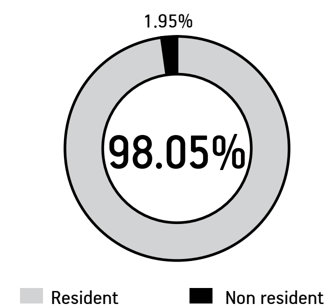
According to the corporate policy, we give priority to our local suppliers, provided that they meet our procurement criteria. 100% percent of our procurement expenditure of Rs. 998 million in the preceding year was taken up by our local suppliers.



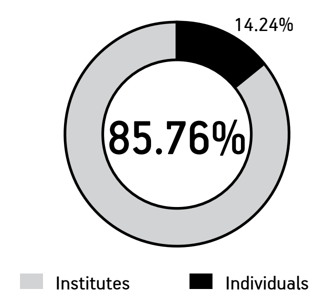


Relationship Capital – Investors

Shareholding Categories



Shareholding Categories

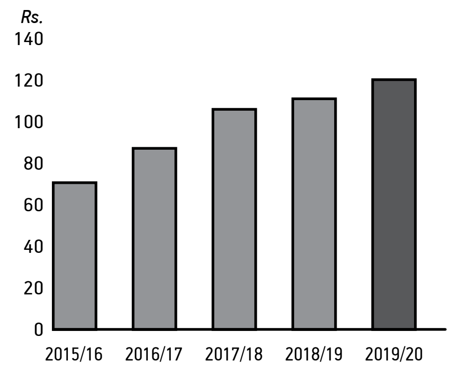


Investor relations section will highlight our commitment to being transparent with our investor dealings, build confidence and meet our obligations including operational viability, good governance and compliance. We are accountable to provide accurate and relevant information on the company as a going concern. Our risk management and internal controls are comprehensive, underscoring our business viability from a long-term perspective. We follow the latest Code on Good Governance 2017 as issued by the Institute of Chartered Accountants of Sri Lanka.

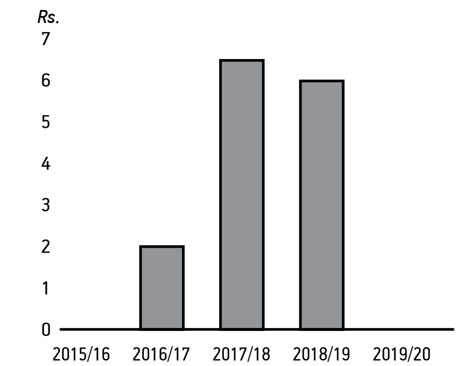
Our approach is to managing investors through financial viability and returns, investor communications and mandatory and voluntary disclosures strategic imperatives.

Financial Viability and Returns

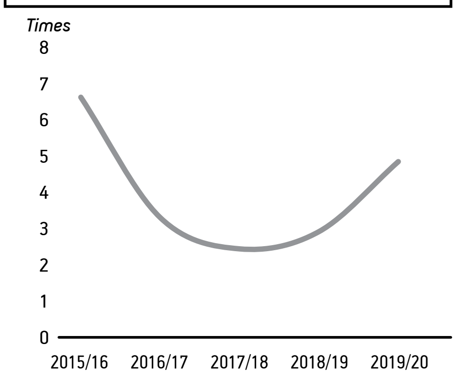
Net assets per share



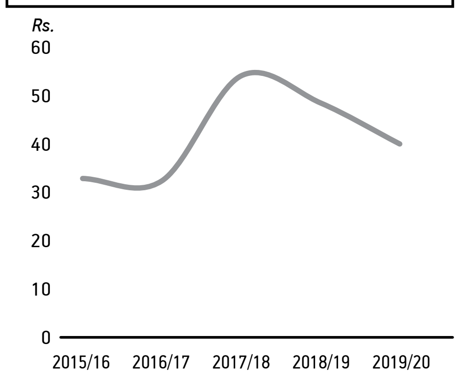
Dividend per share



Price Earning Ratio



Market Price per share



Investor Communications

The year to make our business affairs transparent: It was imperative and we took our obligation seriously to keep our investors well informed about the market problems and the downside risks along with our plan to minimize those uncertainties and ensure our long-term viability. We are focused on our reporting initiatives, following through integrated reporting guidelines combined with the latest GRI standards.

Mandatory and Voluntary Disclosures

Meeting our regulatory obligations under the continuous listing requirements, we are consistent in filing mandatory and voluntary disclosures with the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka. We met all of our required disclosures and obligations in the year under focus.

Social Capital

We invest in our resident communities, providing them with basic amenities, health and nutrition and capacity building to uplift their quality of life.

This section will focus on our dedicated efforts to build relationships and commitment to social responsibility in mitigating potential negative social impacts that may arise from our operations.

Aligning to our social policy, our engagement with our communities, both at the estates and the neighbouring villages, is well structured with our **'A Home for Every Plantation Worker'** programme.

Improving the Living Environment

We invest and work towards developing and improving the living environment of our estate communities in collaboration with the Ministry of Plantation Industries, Plantation Development Project, Plantation Human Development Trust, Estate Worker Housing Cooperative Societies (EWHCS), National Housing Development Authority, Ministry of Livestock and Rural Community Development, MJF Foundation, T-Field Child Development Foundation and other reputed local and non-governmental organisations.

- Road Development
- New Houses and Upgrades
- Field/Factory Rest Rooms
- Child Development Centres
- Providing Water and Sanitation

Beneficiaries :	Investment :
Whole Community	Rs. 85.3 Mn

Community Capacity Building

Focused on our efforts to build capacity, we extend skills development opportunities for our communities, strengthening their livelihoods and uplifting their quality of life.

- EWHCS Housing Loans (Rs. 14.8 Mn)
- EWHCS Saving Schemes (Rs. 11 Mn)
- Household Finance Management
- Microfinance
- Home Gardening, etc.

Beneficiaries :	Investment :
14,680	Rs. 8.7 Mn

Health and Nutrition

Supporting healthy communities, this strategic imperative focuses on healthcare in terms of nutrition and preventing communicable and non-communicable diseases.

- Immunization Programmes
- Health Care & Nutrition Programmes
- Antenatal & Postnatal Care
- Early Childhood Development
- Auxiliary/Medical Service

Beneficiaries :	Investment :
308,793	Rs. 11.8 Mn

Empowerment of Youth

Empowering the youth within our estates, we follow through a focused youth development programme.

- Create Awareness on Significant Social Issues
- Extend Vocational Training Opportunities
- Support to Build Their Skills and Confidence
- Aspire them to Achieve Better Livelihoods & Life Goals

Beneficiaries :	Investment :
24,066	Rs. 0.8 Mn

Creating Mother & Child Friendly Environment in Our Tea Plantation

A Child Protection policy among Talawakelle Tea Estates PLC, Save The Children International (SCI) - Sri Lanka and Ministry of Women and Child Affairs and Dry Zone Development was signed on the 8th August 2019. The **Commitment and Dedication of our Company in ensuring that all our Estates excel in Child protection and Maternal Health**, is the rationale behind this Public Private Partnership (PPP) agreement.

This public-private partnership agreement has been assigned with a set of responsibilities to ensure efficient execution of this project.

The ultimate target group of this project through this agreement will be children, youth, women and men. In addition, capacities and service delivery of welfare staff of tea estates, child rights promotion officers in the department of probation and child care services, child protection officers attached to the national child protection authority, women development officers attached to the women's bureau and early childhood development assistants attached to the children's secretariat will be enhanced through this partnership.

To operationalise this policy, numerous measures were undertaken in line with its scope:

- Mother and Child Safe Guarding Policy was introduced to the Community
- A Child Protection Focal Point was appointed for each Estate.
- Village Child Development Committees were appointed
- Creation of Children's Clubs within Estates
- Breast Feeding Corners were created within the Estates
- Educational Programmes and Street Dramas on Child safeguarding & Protection

Social Capital contd.

Bouncing Forward from COVID-19 : Interventions at Estate Community

The novel corona virus that was discovered in China towards the tail-end of 2019, spread across the globe in the beginning of 2020 and reached pandemic propositions. Sri Lanka too felt victim to this and the Nation-wide lock-down was in effect from Mid-March. However, Plantation sector was afforded special dispensation as government declared Tea as an essential commodity.

As such, our Plantation community continued to work through the island-wide lock-down. We at TTEL as the caretakers of these families took numerous measures to safeguard our employees and also to provide essentials on a regular basis.

Work Environment	Non-work Environment
» The Estate Management was given awareness on how to conduct daily business activities whilst ensuring safety of all personnel in consideration. » Created awareness among the Estate Community on how to cope with COVID-19 and continue day-to-day activities, whilst protecting themselves and their Household from the virus. » Intense training programmes were conducted for Child Development Officers on taking special care of Children at Child Development Centers during this time of pandemic. » Distribution of Face Masks, Sanitizers and Infrared Electronic Thermometers for Estate Management, Pluckers and Estate Community. » To facilitate frequent Hand-washing and Sanitation, Portable Water Tanks were placed at Fields and Outside Factories and CDCs. » Dry Rations required for 2-3 Months were stored and distributed to Estate Personnel as and when required.	» Personnel on Self-isolation were identified within the community and were provided with Dry Rations and Routine Check-up was done by our Medical and Welfare teams. » Disinfectant was sprayed in all living areas, Factories, Offices and Child Development Centres. » Emergency teams were activated to act as stimulant of Change during pandemic at the Estate Community.

Social Impacts and Mitigatory Measures

Labour Exploitation : Mitigatory Measures:

- Labour laws
- Company policies
- Trade unions
- Statutory obligations
- Certifications
- Technology adoption

Female Workforce Issues : Mitigatory Measures:

- Code of ethics and conduct
- Estate grievance mechanism
- Well-women initiative
- Women and child protection

Health and Safety Impacts : Mitigatory Measures:

- Occupational health and safety programme
- Community health care pragramme

Supplier Social Assessment

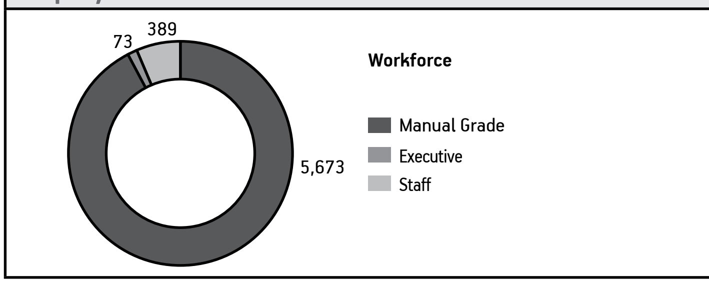
During the reporting period, no new suppliers were engaged and no incidents were reported that may negatively impact the society and environment.

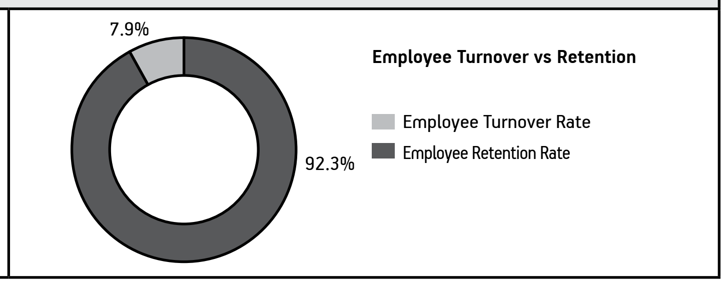
Human Capital

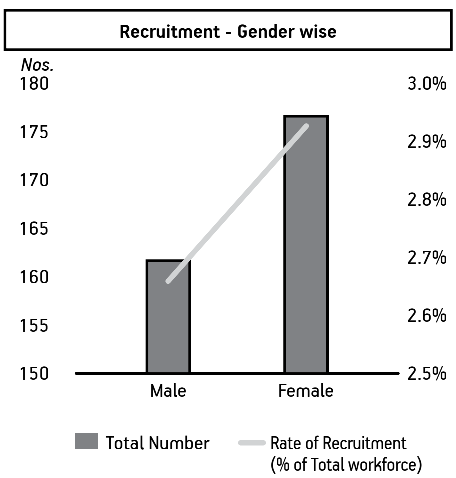
3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

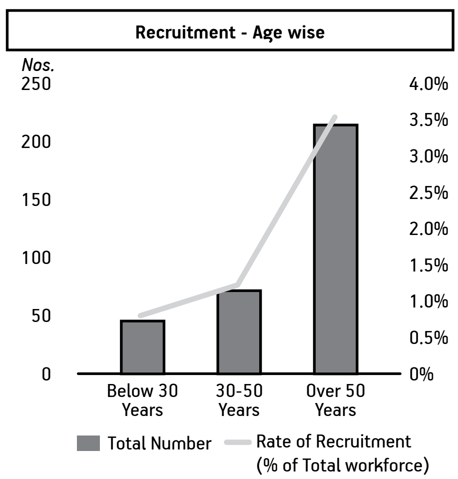
Human Resources are lively assets, who serve as catalysts for generating profits and Revenue to the Organisation. To be precise, Our Pluckers/ Tea Harvesters, the prominent employee category of our Organisation, drive this Business into a better future. Thus, We deeply value our engagement with our people and remain committed to extend a fair and an empowering workplace, upholding best human resources (HR) policies and practices. The Human capital section herein will discuss in detail, employment, labour management relations, occupational health & safety, training & development, diversity & equal opportunity and child labour.

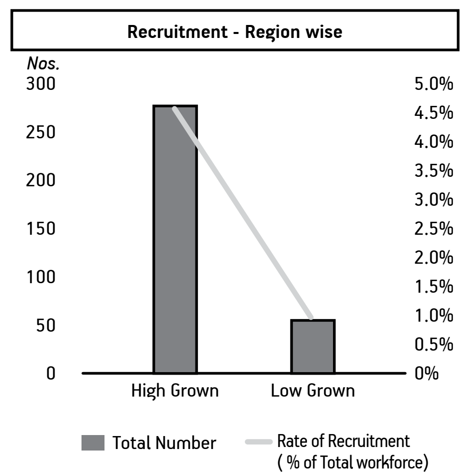
Employment

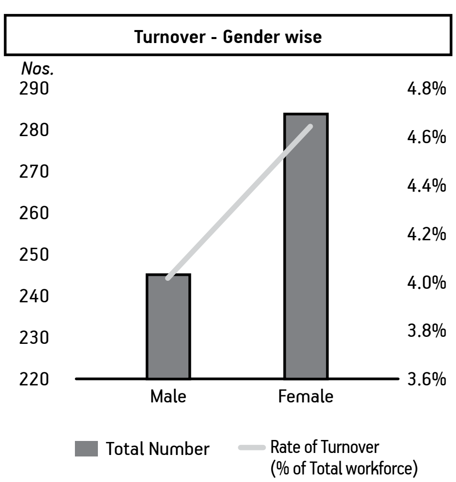


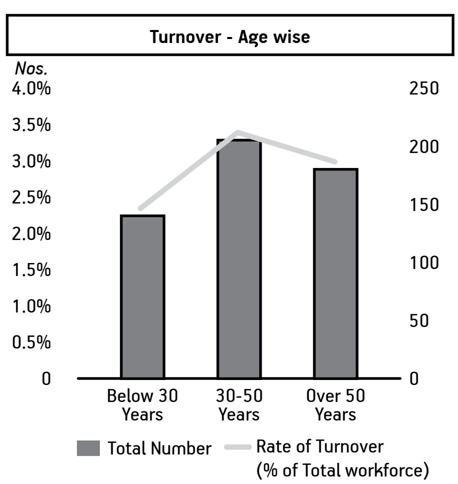


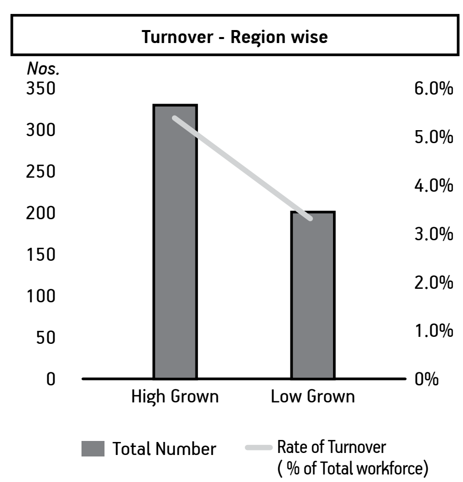












Human Capital contd.

Benefits provided to full-time employees that are not provided to temporary or part-time employees

Estate Level

Manual Category

- Housing with electricity and water
- Medical facilities and free clinics and prescription drugs
- Maternity benefits and child care facilities
- Scholarships for children
- Milk, wheat flour and mid-day-meal nutrition programme for children
- Death donations

Staff Category

- Living quarters with electricity and water
- Employee and immediate family medical insurance for OPD, spectacles and hospitalisation
- Scholarships for children
- Death donations

Executive Category

- Living quarters with electricity and water
- Employee and immediate medical insurance on OPD, spectacles and hospitalisation

Managers Category

- Bungalows with electricity and water
- Employee and immediate family medical insurance on OPD, spectacles and hospitalisation

Corporate Office

Staff/Executive/Manager Category

- Employee and immediate family medical insurance - OPD, spectacles and hospitalisation

Labour Management Relations

- Fair Labour Practices
- Maintain positive Relations with Workers and Trade Unions
- An effective Grievance handling mechanism to handle Labour and Human Rights issues promptly.
- Change to working arrangements - implemented after fort-nightly consultations.

Occupational Health & Safety

- Health & Safety Committee Members - 656
- Health and Safety Training Hours - 4223
- Employees Trained on Health and Safety - 4619
- Health and Safety Programmes - 18
- Number injuries - 101
- Lost days - 103
- Occupational Disease – Zero; Fatalities reported - Zero
- Health and safety topics covered in Collective Agreement - Maternity Benefits, Medical-aid Scheme, Death Grants, Workmen Compensation

Training & Education

- No. of Employees Trained - 10,520
- Training Hours - 15,199
- Training Investment - Rs.8.3 Mn
- All employees were reviewed under the year in consideration and duly rewarded.

Programmes for Upgrading Employee Skills and Transition Assistance Programmes

- AOTS Japan - Programme on the Leadership Management
- Language Proficiency Examination
- Professional Programme in Tea Manufacture & Factory Practices
- Tea Tasting & Grading
- Advance Certificate Course in Plantation Accounting, Financial & Cost Management Good Manufacturing Practices (GMP) & Food Safety Systems
- Corporate Environmental Sustainability through Greening the Industries
- Technical Skill Development Programme (Field Officers)
- National Vocational Qualification (NVQ) Training - skills verifications and competency evaluation
- Mindfulness Training Sessions

Rewarding the Heart Beat of the Industry...

Best Plucker Competition: An Initiative to Motivate & Recognise Our Employees

"In order to build a rewarding employee experience, you need to understand what matters most to your people"
Julie Bevaqua (CRO-Rise People)

Expeditious recognition of Performance will drive the employees to achieve their fullest potential. Hence it was decided by the Management of the Hayleys Plantations Sector to recognise & reward our most valuable asset in the plantation sector and organized our very own Best Tea Plucker Competition, among TTEL and its sister companies.

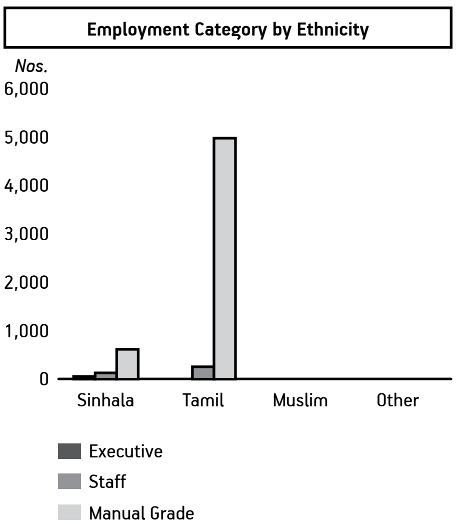
The inaugural Hayleys Best Plucker Competition was held on the 25th January 2020, at the Radella Grounds, Nanu Oya. A total of 39 participants were qualified for the final plucking rounds, where 1st, 2nd & 3rd places were given for each Plantation Company individually. Afterwards, an overall winner was selected among them, based on a meticulous point-based ranking system.

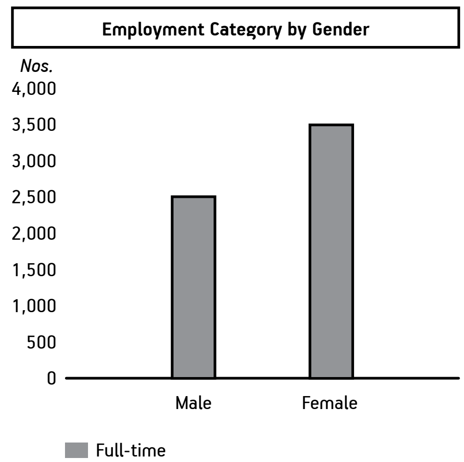
Our very own Mrs. Palaniselvi from Bearwell Estate, Talawakelle, bagged the title "Best Tea Plucker 2020", by plucking 9.7 kg in just 30 minutes with an astonishing score of 88.63%, bringing pride to our Company. As a reward for her impeccable performance, she was awarded an all-expense paid family trip to India. In addition, she was given an instant cash reward of Rs. 40,000/-. Sector wise, all 1st Place winners were awarded with a paid trip to India along with a cash prize, 2nd place winners were allowed to choose a destination in Sri Lanka, for an all-expense paid family trip and the 3rd place winners were provided with trophies and vouchers for valuable items worth Rs. 20,000/-.

Hayleys Group Chairman and Chief Executive Mr. Mohan Pandithage graced this historic Best Plucker Competition and the entire estate community was present to witness this momentous occasion.

Human Capital contd.

Diversity and Equal Opportunity





Ratio of basic salary and remuneration - 1:1 (male : female - performance based)

Freedom of Association and Collective Bargaining

- Recognise the employee's right to freedom of Association and Collective Bargaining. 98% of our Manual and Staff Grade employees are covered by Collective Bargaining.
- No risks or violations of employee rights across supply chain including its operations were recorded.

Non-discrimination

- A duly balanced workforce, focused on Gender, Ethnicity and Age.
- Emphasis on Female Empowerment at our Estate Communities through various Projects and Assignments.
- Annual Audits were conducted and incidents of violation of the Non-discrimination Policy were not recorded. Defined mechanisms are in effect, if such incidents occur.

Child Labour and Forced or Compulsory Labour

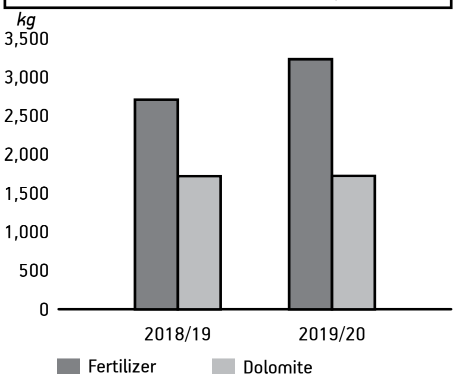
- Non-employment of Minors in our Estates and Factories, as guided by our HR Policy.
- Stringent Procedures to verify if Children are employed in our Supplier Organisations.
- No incidents were recorded in terms of Child and Forced/Compulsory labour, in this reporting period.
- Potential Negative Impacts were identified in Business, Environment and Social Aspects. Strict Protocols are defined to avoid such incidents.

Natural Capital

As a plantation company, we engage with the natural environment on a significant level. Therefore upholding environmental responsibility, efficient resource utilisation and controlling our carbon emissions stands with key initiatives on the environmental management framework that we have in place to engage and initiate key measures and campaigns to conserve and build our natural capital.

In our environmental strategy, we have focus on environmental risks that impact our operations, or vice-versa and opportunities that we could take on to boost our viability and sustainability. Our strategy is built on seven strategic imperatives, encompassing material consumption, solid waste, energy, greenhouse gas (GHG) emission, water, soil conservation, chemical and fertilizer management and biodiversity.

Fertilizer and Dolomite Usage



Materials

Renewable material usage
- Green Leaf - 26,431 tonnes
- Packing Materials - 134,889 (No. of bags)

Non-Renewable material usage
- Fertiliser - 3,240 tonnes
- Dolomite - 1,727 tonnes
- Agro-chemicals - 14 tonnes

Energy

Total energy consumption
- Total electricity consumption 5,247,045 kWh
- Biomass - 10,065tonnes
- Fuel - 259 kilolitres

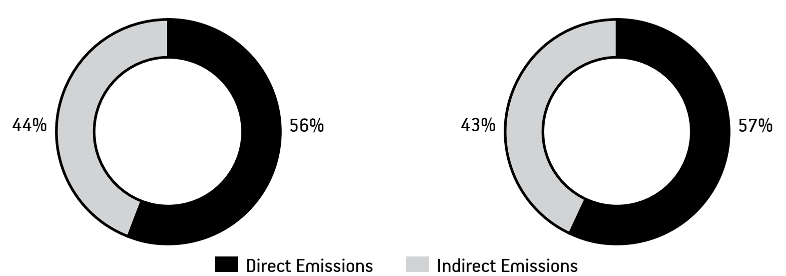
Water
- Water withdrawal 8,063.31 Kilolitres
- Waste water quality 95% of water discharge 7,119 Kilolitres

Biodiversity
- Trees planted 80,000
- Out of the 220 identified faunal species 113 come under the endangered, threatened and vulnerable as per the IUCN
- We have identified 169 floral species including 64 endemic species.

Emissions
- Direct GHG emissions 5,075 tC02e
- Indirect GHG emissions 3,848 tC02e
- Saved emissions from our 3 hydro-power plants and 2 solar power factory rooftops, 5,342 tC02e

Effluents and Waste
- 22,369 kg of non-hazardous solid waste were recycled
- 254 item of hazardous e-waste were recycled

Greenhouse Gas Emissions GHG 2018/19 | **Greenhouse Gas Emissions GHG 2019/20**



Natural Capital contd.

Soil, Agro-Chemicals and Fertiliser

According to the sustainable agricultural practices, soil conservation is key to our operations– underpinning our efforts to improve our yields and thereby, our commercial returns. We give top strategic priority with due investments to minimise soil erosion and enrich its nutrients, acidity and carbon levels. Our soil management practices follow the guidelines set out by the '4R Nutrient Stewardship' initiative as advocated by the International Plant Nutrition Institute.

Material Management

Given our extensive operations in fields and factories, we have to be conscious in using materials responsibly and thereby, curtail our material footprint and our operational costs. Our approach is to bring in more renewable resources into our operations whilst being more efficient and frugal on the use of non-renewable materials.

Solid Waste Management

Impactful measures have been adopted across estates to be responsible in managing bio-degradable as well as non-biodegradable waste. Under this programme, we also carry out awareness building programmes to educate and train employees, resident communities and school children in the neighbouring villages. These efforts have made much progress and enabled the employees and communities to maintain a clean and healthy living environment within the estates.

Energy Management

To reduce our dependence on fossil fuels, we continued in our quest to look for sustainable energy sources. We remained prudent in the way we utilized energy resources, controlling and curtailing our direct and indirect consumption levels in our daily operations.

GHG Emissions Management

Our efforts to control corporate's carbon footprint; and do part in lessening climate change and global warming. We have been consistent in adopting and following through best practices and key initiatives to be energy efficient across operations and thereby, meet our emission targets.

Water Resources Management

As a plantation company, availability of water is a critical factor for our business, an our estate communities as well as for the sustenance of biodiversity so prevalent within the areas in which we operate. Focused efforts are in place to protect and sustain all water sources on our lands, thereby, ensuring adequate and clean water supplies to our operations, estate communities and even to the neighbouring villages and towns. Rainwater harvesting is another key initiatives that we carried out in lakes, ponds and wetland areas available on our estates. We have also constructed special ponds for rainwater harvesting in strategic locations. All rainwater sources/bodies are well protected from possible contamination due to agriculture operations.

Biodiversity Conservation and Protection

Biodiversity is a critical factor for our operation an we stand fully committed to protect biodiversity in the areas in which we operate through a well-managed conservation programme. All estates are located in the hill country and in the low country wet-zones, which are rich in biodiversity with substantial impacts on the country's rainfall and climate.

Our estates are endowed with diverse ecosystems and habitats–lakes, ponds, streams, wetlands with swamps and marshes, waterfalls, riparian habitats, ecoforests and Eucalyptus forests The lakes and the wetland store rainwater and provide seepage water essential to maintain the ground water table, regulate atmospheric temperatures and also enhance the splendor of the ecosystems.

Environmental Investments

We invested a sum of Rs. 46.7 Mn during the year 2019/20 to carry out the following initiatives and measures to protect the environment, underpinned by our strategic imperatives

Environmental Grievance Mechanism

Under an environmental management system that is aligned with Rainforest Alliance and ISO 14001:2015 we have established steering committees across all estates. The members are educated and empowered to monitor environmental aspects in their respective estates and report grievances and complaints estate management or relevant external bodies. The communities within the estates and neighbouring villages along with the general public can access the respective estate management or even the corporate level senior management to address any environmental grievances. In view of the robust environmental management systems and programmes implemented, we have not received any violation of laws and legislation complaints or grievances related to any environmental impacts from any of our operational sites.

Restoration of St. Clair Catchment Area

Ensuring responsible environmental management system and as a environmental conservation, this year we started a restoration programme of the Plantation Ecosystem Surrounding Mahaweli (Upper Kotmale) catchment Area in Talawakelle and Nanuoya through native Trees Planting. Under this programme we have planted 12,500 native tress including Terminalia arjuna, Madhuca longifolia, Neolitsea cassia, Pongamia pinnata etc. with the support of the Central Environment Authority.

Awards, Certifications and Compliance

Our environment management system is accredited by several national and international certifications and awards. All 16 estates and the head office obtained certification under ISO 14064-1:2018 greenhouse gas emission (GHG) inventory standard. Holyrood and Bearwell estates are certified under ISO 14001:2015 environmental management standard. In the reporting year, Holyrood also became the first tea estate to obtain certification for energy management systems aligned with ISO 50001:2011. Reassuring leading position of plantation industry, we became Best green reporter of the year at presidential environment award and won National Green awards, National Cleaner Production awards and Energy Efficiency awards by our estates.

Restoration Project of St. Clair Catchment Area

Awards, Certifications and Compliance

FUTURE OUTLOOK

It is going to be a tough challenge for the world economy in light of COVID 19 outbreak for the year 2020/21 and thereafter and shadows of these implications can certainly be seen on Ceylon Tea as well. Tea is an Industry which endures many challenges and obstacles dealt by nature and also by geopolitical uncertainties, macroeconomic stress, trade tension and tightening financial conditions, inter-alia.

Early estimates predicated that, should the virus become a global pandemic, most major economies will lose at least 2.4 percent of the value their gross domestic product (GDP) over 2020, leading economists to reduce their 2020 forecasts of global economic growth down from around 3.0 percent to 2.4 percent. The economic damage caused by the COVID-19 pandemic is largely driven by a fall in demand, meaning that there are no consumers to purchase the goods and services available in the global economy.

Year 2021 is going to be more volatile due to the pressure from the global economic recession and internal pressures of Tea industry of its own. Cash flow pressures will increase with less demand and reduced buying powers of Buyers and Brokers in the coming year.

The domestic economy which was slowly recovering from the Easter Sunday attack in April 2019, haven't had much freedom to boost its activities at the end of the financial year. The implications of the attack severely affected the Country's tourism industry and further worsened with the COVID 19 outbreak.

With the sluggishness of the global economy together with intense volatility within the domestic front, the Tea industry will continue to be challenged in its way forward. Adding to the distress, climate change implications on crop volumes and the quality of the leaf; poor productivity and irrational Trade Union actions and wage demands, political interferences, lower yields and market dynamics will weigh down on the industry prospects in the short to medium term.

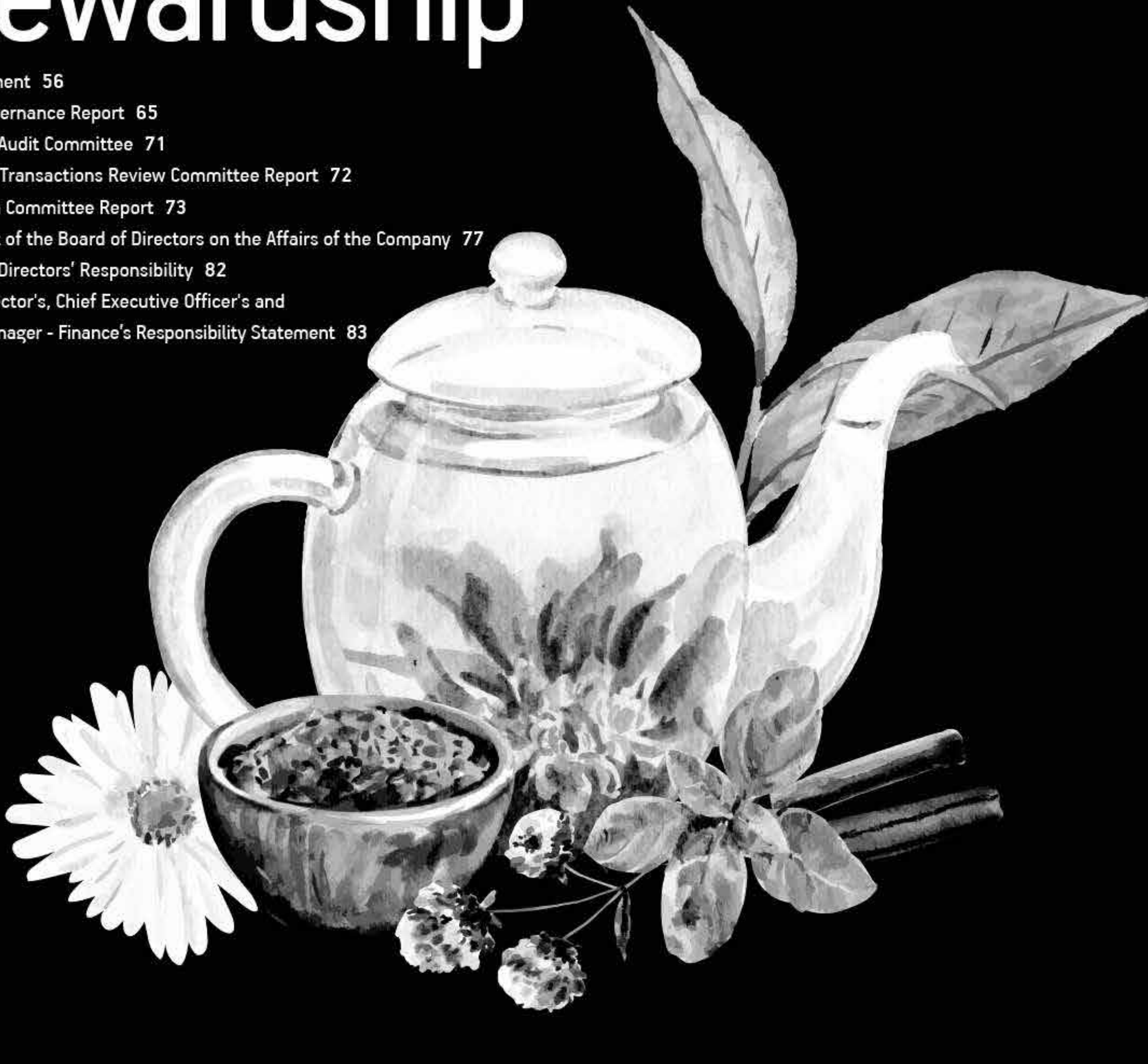
As it was foreseen, the new wage model based on "Revenue Share" would be the way forward for the industry. This model was kicked off in year 2019 and we have already witnessed prospects in light of improved productivity and healthy employee earnings.

The way forward for the industry should be handled smartly and it needs investments in technology and digitalisation to strengthen up its contribution towards success.
Our plans, actions and targets in line with our overall strategic imperatives are set out for the year ahead, 2020/21.

Aspire

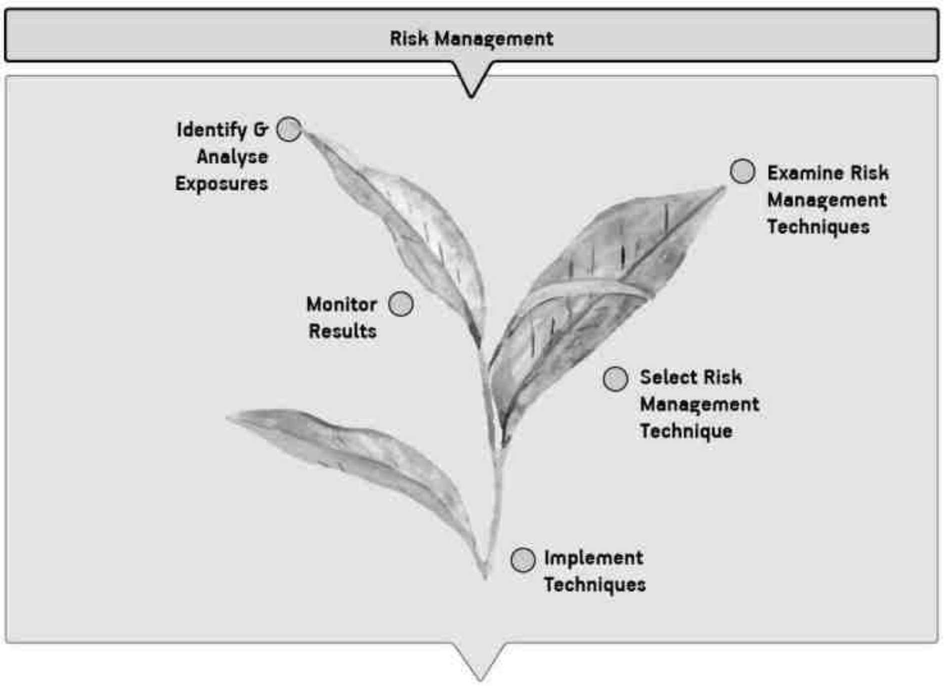
Together.

Stewardship

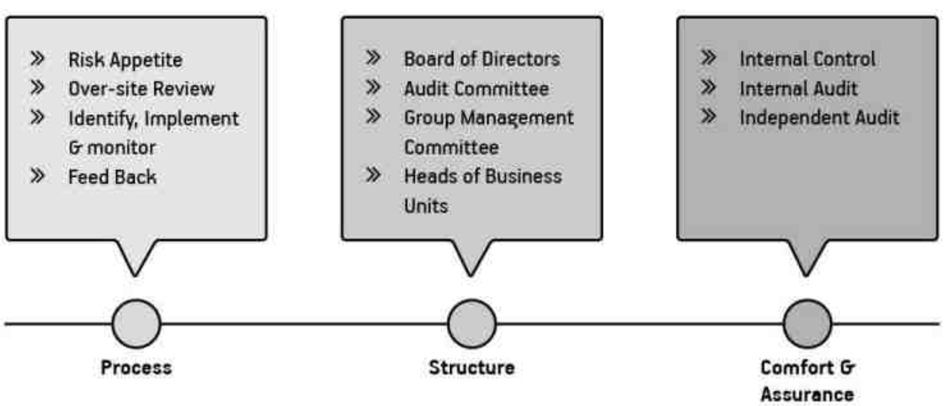


Risk Management

Risk management is dynamic and challenging, more so, in an industry such ours where vulnerability is high in terms of both internal and external factors. Talawakelle Tea Estates PLC has an effective risk management framework in place to safeguard its capital and processes to create value continuously and smoothly. We follow an enterprise risk management (ERM) approach–identifying risks and opportunities in relation to our objectives; assessing them in terms of their likelihood and magnitude of impact; and thereby, determining a response strategy. Risks are identified and mapped along with a comprehensive plan for mitigation. Risk mitigation strategies are formulated after detailed scrutinization of possible impacts and opportunities in respect of all stakeholders. They are well documented to prevent any deviation from our organisation's vision.



Risk Management Framework



The Board of Directors

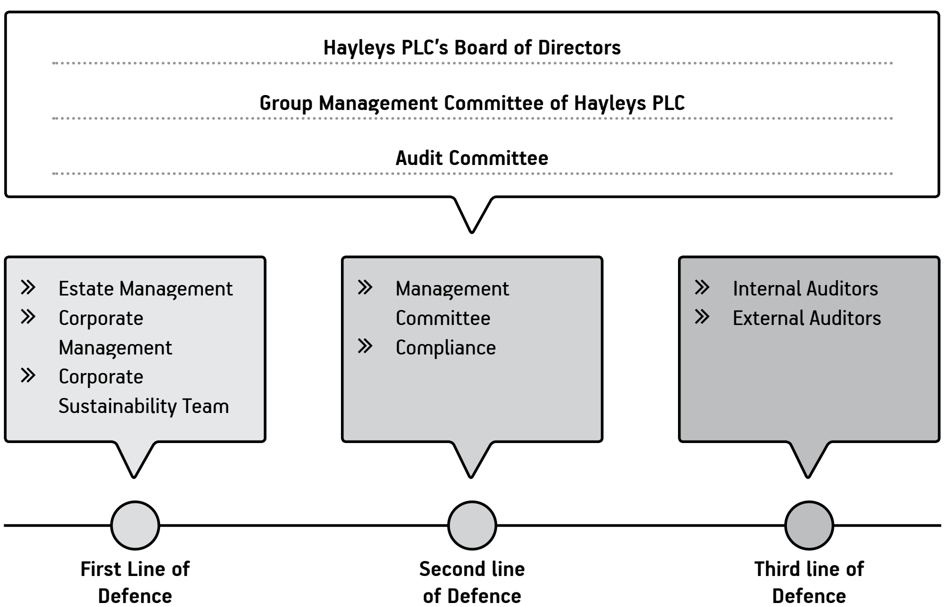
The Board is responsible to ensure effective risk management at the corporate level. Our Board–comprising members with expertise and vast experience in diversified fields–sets out the risk management framework including our approach, the process, administration structure and sources of comfort with regard to its effectiveness. The Board recognises the significance and stands committed to be timely and efficient in identifying risks, evaluating and determining the risk appetite. In this regard, the Board is supported by an effective management and monitoring mechanism as set out below:

Audit Committee: As delegated by the Board, the Audit Committee is responsible to review the existence and effectiveness of policies and processes we have in place for risk management. Represented by members with sound financial and industry expertise, the Audit Committee has the oversight responsibility for risks and internal controls. Both internal and independent external auditors carry out well-structured audits to provide assurance on internal controls and compliance, encompassing financial and operational risks. The Audit Committee meets every quarter, reviews and deliberates on risk assessments and recommends any improvements, if required.

Corporate Management Committee (CMC): Led by the Managing Director, CMC is responsible for risk assessment and mitigation as guided by risk appetite parameters outlined by the Board. The Committee prepares action plans and is tasked to implement the risk management process. The estate management is invited to participate and present their risk management strategies at the CMC every month. The CMC examines the situations, processes, and possible events that may seriously reduce the organisation's earnings, threaten operational sustenance, impair liquidity or create legal, regulatory or reputational risks. Whilst the CMC identifies such risks internally, stakeholder engagement provides an opportunity to ascertain any risks based on their feedback.

The CMC will evaluate options available to mitigate and manage such risks. Continuous monitoring of these activities has been integrated to our operations. The estate management with the support of their respective teams provide useful information and feedback to the CMC to carry out this task. Internal control, internal audit and independent assurance provide comfort and assurance on risk management. The risk management review process is further enhanced by the oversight of the Hayleys Group Management Committee, Treasury, Strategic Business Development and the Group Legal and Management Audit and Systems Review departments.

Risk Management Governance Structure



Risk Evaluation and Mapping

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

The likelihood of an event is assessed on the basis of past occurrences and the preventive measures in place. A ranking as per the probability of occurrence–high, medium and low–is assigned for each risk. The impact of an event is assessed by determining the loss it would cause and the extent of the impact. By considering these two factors, the impact is then categorised as high, medium and low. Subsequently, a risk map is developed based on the results of the risk assessment. The position of a particular risk indicates the risk appetite level and accordingly, the risk mitigation actions plans are formed and reviewed by the management committee.

Risk Assessment on impacts of COVID 19 – Global Pandemic

The 2019 novel coronavirus disease ("COVID-19") was first identified in December 2019 in Wuhan, the capital of Hubei Province in China. Since then the outbreak has significantly expanded across borders, leading the World Health Organisation ("WHO") to declare COVID-19 a pandemic on 11 March 2020.

As the outbreak continues to spread, governments across the world have resorted to varying levels of public health measures, including movement restrictions, nationwide curfews, travel bans and border closures to tackle the pandemic. These measures are having a huge impact on people's lives, families and communities whilst having significant consequences on national economies and global trade.

Contraction in economies are felt all around the world, as the corona virus disrupts global supply chains, distribution channels and demand. This signals a higher possibility of a global recession. Tea industry has been surviving and will face more challenges as it appears in the future. TTEL re-assessed its business operations and introduced a risk management action plan in order to continue its business without a major fallout.

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

1. Socio-Economic and Political Risks

- Fluctuations in global and local market conditions
- Political and economic changes in key markets
- Changes in laws and regulations

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	High	High	High	High	High

Risk Assessment	*Risk Management Strategies*
Since revenue generated from manufacturing of black tea is exceeds 95 percent of the total revenue, changes in macroeconomic, political and global market conditions impact and erode the profit margins.	» Optimisation of the product portfolio from high and low grown to cater to specific market segments » Quality focus production strategy » Promote timber and fuel wood cultivation in low yielding tea fields » Develop revenue streams from hydro power, timber, fuel-wood and leisure projects » Explore new markets and increase value addition with the support of the marketing arm, Mabroc Teas » Work closely with relevant authorities and associations to ensure best interest for the industry

02. Wage Structure

Strong trade unions play an active role in determining wages
Wage structure is not fully aligned to worker productivity and market conditions

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	High	High	High	High	High

Risk Assessment	*Risk Management Strategies*
The higher rate of increase in wage related expenses has a major impact on profitability and competitiveness. » Collective Agreement is revised every two years and wage increments are not based on the market conditions » Industry is highly labour intensive and labour cost accounts for 65 percent of the total cost » Inadequate labour supply for the plantations gives more bargaining power to union and political bodies	» Forecast manpower trends in the tea industry » Increase land and worker productivity through coaching, monitoring, motivation and mechanisation » Optimise deployment of labour to maximise productivity » Introduce technological advancements to fulfill labour deficiencies » Outsource or suspend of non-value adding activities » Negotiate with trade unions and stakeholders for a wage structure that is in line with productivity » Introduce an 'Out Grower' model on estates » Wage negotiations are done collectively with the Employers' Federation of Ceylon and the Planters Association

3. Market and Market Prices

- Changes in customer's buying preferences
- Manufacturing concerns inrespect of complying with Minimum Residual Level (MRL)
- Changes in market rules and regulations

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	High	High	Moderate	Moderate	Moderate

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

Risk Assessment	*Risk Management Strategies*
» Changes in consumer perspectives and requirements » Lowering of threshold MRL causing regulatory barriers for entry » Coalitions of suppliers to change market equilibrium » Increase the demand for substitute products » Competition from global suppliers » Increase in rejects and claims	» Changes in buyer's buying capacities » Close monitoring on agricultural practices and carry out regular laboratory testing to ensure product standards are comply with require parameters » Focus on producing a 'quality tea' » Change grade mix to cater to customer requirements » Expand product range from black tea to other varieties of tea » Monitor market trends and design strategies to meet future trends » Strengthening food safety and quality management systems » Be an ethical organisation with a commitment for global sustainability, hence, obtain international certifications such as Rainforest Alliance – Sustainable Farm, ISO 22000, Food Safety Management, Ethical Tea Partnership

4. Business Risk

Failure to implement strategic plans, revenue enhancing and cost saving measures and initiatives on profitable investments.

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» Stifle future growth » Reduce revenue, cash flow and profitability » Drop of market share and dilution of corporate image	» An annual corporate plan with strategic and operational objectives and related actions is submitted to the Board of Directors for review » The Board of Directors and the Management Committee hold regular meetings to formalise strategies and plans for the future » Operations are monitored and controlled by the management information and budgetary control system and remedial action is taken including sector comparisons and monitoring performances of competitors » Review meetings are held regularly to monitor strategic implementation

5. Ban of weedicides and other chemicals

As a recent policy initiative, the Government has imposed a ban on chemical weedicide hindering best agricultural practices.

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	High	High	Moderate

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

Risk Assessment	*Risk Management Strategies*
» Deploying more labour for manual weeding increases the cost of production and impacts operational viability » Deploying labour and allocating time for manual weeding will lower labour productivity and crop volumes » Slackening on weeding practices will lead to safety issues of the workforce including poisonous snakes and insect bites » Lack of weeding may destroy native plants and habitats	» Identify alternate solutions to ease out and manage the impact of the ban on chemical weeding at the management committee level » Carry out research and development in collaboration with the Sri Lanka Tea Research Institute to find cost effective and alternative solutions to weeding » Allocate resources to use expensive chemicals available in the market for weeding » Conduct training programmes for the workforce to create awareness and develop skills in manual weeding » Introduce new technology on plucking and invest in other agricultural practices to boost efficiency

OPERATIONAL RISK: ARISING FROM REGULAR BUSINESS OPERATIONS

6. Product Quality

» Fluctuations in quality of products
» Buying volumes are lower due to quality issues
» Drop in market price and eroding market share
» Widening working capital deficiencies

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Low	Low	Low	Low	Low

» Adhere to a 'Quality Policy'
» Adopt and implement quality assurance measures such as food hygiene standards and certification of factories under HACCP and ISO
» Carry out buyer feedback programmes and implement corrective strategies

7. Human Resource

» Failure to recruit and retain skilled employees
» Immobility of labour within/between estates
» Failure to maintain appropriate working environment
» Reduction in resident manpower
» Migration of workforce to other sectors

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment

» Human resource management has a major impact on productivity
» Mishandling human resources can lead to labour unrest and damage to business properties

Employee Type	Cadre 31st March 2020
Manual	5,673
Staff	389
Executive	73
Total	6,135

Risk Management Strategies

» Moving towards Block Management Strategy to improve productivity and resolve labour scarcity
» Ensure industrial peace through Collective Agreements entered into with the trade unions as a member of the Employers Federation
» Maintain a close relationship with employees
» Training and development programmes to improve performance
» Maintain healthy working environment through effective two-way communication system
» Determine remunerations in line with the industry and not on an ad-hoc basis
» Direct collective agreements towards the market

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

8. Investments

- Investments made without proper feasibility study and technical know-how.

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» Project failures » May impact future profitability and sustainability » Deficiencies in long-term replanting programme	» Investment plans are reviewed annually together with the corporate plan » Carry out comprehensive feasibility studies with the support of external expertise » Obtain Board approval and discuss at the Group Management Committee prior to embarking on proposed investments » Closely monitor the progress to ensure project deliverables are achieved within given budgets and timelines

9. Information Systems & Cyber Security

- Inability to generate accurate and timely information for management decision making
- Practice of ensuring the integrity, confidentiality and availability of information

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
Malfunctions in the information system may lead to communication of incorrect information to the management and loss of important information. » Loss of business opportunities » Breach of system security » financial and non financial damages	» Proper usage of acceptable IT use policy of Hayleys PLC » Disaster recovery plans and sound back-up system to gear for system failure » A systems failure analysis is performed to identify non-conformance root causes and to recommend appropriate corrective actions » Enter into maintenance contracts for hardware and software with a well-established information technology company » Use of licensed software and registered security arrangements especially those of new ventures and investments » Strengthen internal control systems and procedures to avoid fraud and malpractices » Provide continuous learning opportunities to employees and adhere to Cyber Hygiene

10. Fraud Risk

- Fraud is any intentional act or omission designed to deceive others, resulting in misappropriation of company assets or miscommunication to stakeholders.

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Low	Low	Low	Low	Low

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

Risk Assessment	*Risk Management Strategies*
» Frauds may lead to the downfall of an entire organisation, massive investment losses, significant legal costs, incarceration of key individuals and erosion of confidence in capital markets » Operational and financial loss and dilution of corporate image » Fraudulent financial reporting	» Stringent HR recruitment and performance monitoring systems and policies. » Carry out internal audits regularly to monitor internal control system » Continuous monitoring of fraud preventive controls » Fraud detection techniques should be established to uncover fraud events when preventive measures fail or unmitigated risks are realised. A reporting process in place to solicit input on potential fraud.

FINANCIAL RISK: ARISING FROM INADEQUACY OF CASH FLOW TO MEET FINANCIAL OBLIGATIONS AND MISREPRESENTATION OF FINANCIAL INFORMATION

11. Liquidity

» Risk of not being able to meet financial commitments as an when they fall due.

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» Availability of sufficient funds is crucial as the industry is cyclical with long gestation periods for returns » Reputational damage in risk of default » Risk of widening working capital gap » Potential financial losses will hinder prospects of future business expansion and development plans	» Structure borrowings appropriately to ensure maturity profile is not beyond the Company's ability to repay or re-finance » Monitor borrowing limits and gearing levels constantly » Closely monitor cash flow in every month and identify ways and means of managing funds. » Maintain cash flow and budgetary controls systems for effective monitoring

12. Interest rate risk

» Risk from adverse interest rate fluctuations

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Low	Low	Low	Low	Low

Risk Assessment	*Risk Management Strategies*
» Increases the cost of borrowing » Unfavourable interest rates on investments » Demotivate business expansions » Cash deficits » Reduce cash flow and profitability	» Negotiate with financial institutions for fixed debt servicing arrangements » Follow efficient treasury management procedures » Monitor debt levels constantly and maintain a balance between debt and equity » Short-term assets to be financed with the short- term finance arrangements and long-term assets to be financed with the long-term arrangements.

13. Financial Reporting Framework

» A proper financial reporting framework provides credible information about the organisation to its stakeholders

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

Risk Assessment	*Risk Management Strategies*
» Misrepresentation and fraudulent financial reporting will reduce the credibility of the reporting system » Legal and financial implications	» Availability of good governance structure such as internal and external audits and the Audit Committee » Compliance with regulatory requirements and Sri Lanka Financial Reporting Standards (SLFRS/LKAS) » Existence, review and monitor of internal control system

ENVIRONMENTAL & SOCIAL RISK: ACTUAL OR POTENTIAL THREAT ON LIVING ORGANISMS AND THE ENVIRONMENT ARISING FROM OPERATIONS

14. Climate Change

» Extreme weather conditions
» Changes in rainfall pattern and ambient temperature

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» Landslides and land degradation » Adverse impact on yields and quality of tea » Difficulty in forecasting crop and quality of tea » Drop in crop in-takes and profitability » Reduced employment opportunities » Adverse impacts on biodiversity	» Plant tea, green manure/shade, native and fruit plant species to increase tree canopy cover » Harvest rainwater in reservoirs and ponds to sustain the ground water table and regulate ambient temperatures » Implement sustainable agriculture practices » Plant drought resistant cultivars

15. Water

» Water scarcity due to climate change and high consumption by the expanding estate community

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» Estate community may experience hardships due to water scarcity » Crop in-takes and profitability may be adversely affected due to declining water table » Adverse impacts on biodiversity	» Protect all water sources » Harvest rainwater in reservoirs and ponds to sustain the ground water table » Implement water conservation measures » Train and educate operational teams and the estate community

16. Soil Fertility

» Depletion of soil organic matter and nutrients

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

STRATEGIC RISK: ASSOCIATED WITH FUTURE BUSINESS PLANS AND STRATEGIES

Risk Assessment	*Risk Management Strategies*
» Extreme rainy weather may cause loss of topsoil, soil fertility and soil nutrients » Steep terrain in the tea fields may accelerate the soil erosion intensity	» Plant green manure/shade trees » Compost and bury pruning and weeds » Recut contour and leader drains » Establish stone and live terraces » Establish ground cover crops » Test the soil and follow rational application of Dolomite and chemical fertiliser

17. Green House Gas (GHG) Emissions

» GHG emissions from operational activities and domestic consumption

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» GHG emissions from fuel used in transport and supervisory vehicles » GHG emissions from electricity usage in factories, staff quarters, offices and other buildings	» Measure and monitor GHG emissions at each operational site » Measure and monitor electricity and fuel consumption at each operational site » Install energy saving machinery and lighting and implement other energy conservation measures » Implement cleaner production technologies » Plant trees and increase tree canopy cover for increased carbon sequestration » Train and educate operational teams and the estate community

18. Solid Waste

» Solid waste generated from operational activities and domestic consumption

Year	2019/20	2018/19	2017/18	2016/17	2015/16
Risk Rating	Moderate	Moderate	Moderate	Moderate	Moderate

Risk Assessment	*Risk Management Strategies*
» Solid waste generated may cause land and water pollution » Solid waste generated may cause spread of diseases » Solid waste generated may adversely impact ecosystems and biodiversity	» Implement an integrated solid waste management programme promoting '3-R' concept » Measure and monitor the quantity of different types of solid waste recycled » Produce compost from biodegradable waste » Train and educate operational teams and the estate community including school children

Corporate Governance Report

Statement of Compliance

The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises TTE's responsibility to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability while safeguarding the interests of all its stakeholders.

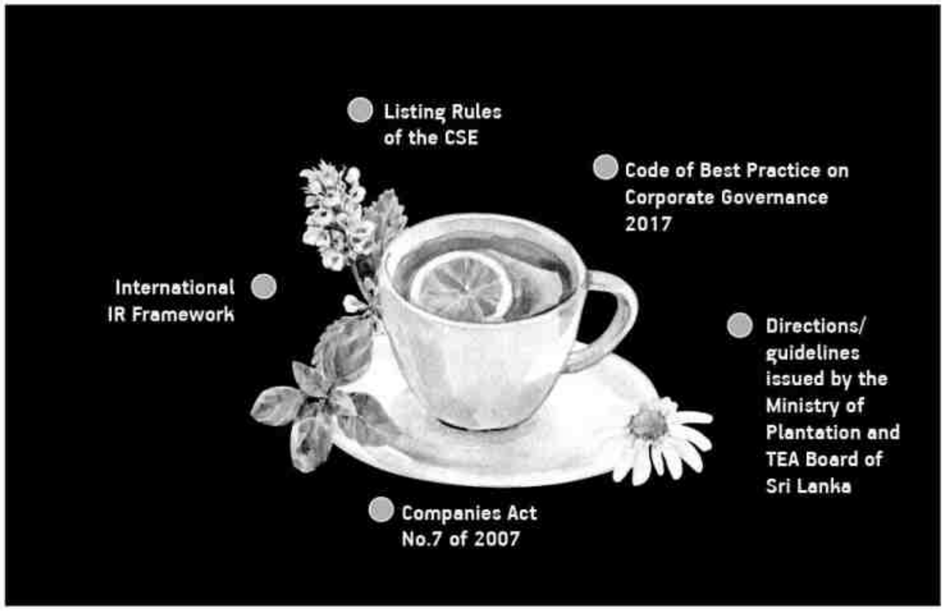
The Board of Directors of TTE wishes to confirm that TTE has complied throughout the year with the provisions of the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (Corporate Governance Code) and Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE) in the manner hereinafter disclosed in this report.

The Board of Directors also wishes to confirm that, to the best of its knowledge and belief, TTE has complied with all requirements under the Companies Act No.7 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/regulatory bodies.

Institutional Governance

Governance Framework

Sound governance principles remain one of the top priorities of the Board and executive management. The Board is satisfied that the governance framework of TTE which is anchored on competent leadership, effective internal controls, a strong risk culture and accountability to shareholders provides clarity and contributes to the effective exercise of authority and responsibilities.



The Board plays a key role in setting TTE's governance standards to meet its stakeholders' expectations, and the Company's leadership model ensures an appropriate balance of power, accountability and independence in decision-making across our various functional units.

TTE continues to review its governance framework to ensure that it supports effective decision-making, establish a corporate culture aligned with its purpose, foster sustainable growth and align to evolving best practice.

Corporate Governance Code and Governance

We support the governance outcomes, principles and practices in the Corporate Governance Code and apply all of the applicable principles of the Code. We view developments and governance trends as opportunities to continuously improve and entrench corporate governance practices. Practices impacting the divisions and operations are identified, assessed and addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports are presented, amongst others, to the Audit Committee.

Applicable Governing Frameworks

TTE complies with the CSE Listing Rules, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct. The principal applicable frameworks are shown in the diagram below.

Governance Framework

STRATEGIC

Shareholders

Board of Directors
Determines the Company's purpose and values, develops strategies in relation thereto, and provides strategic direction and leadership aligned to the Company's value system to ensure the sustainability of the business

Audit Committee
Provides oversight of the Integrated Annual Report and financial reporting, internal controls and risk management and monitors the maintenance and safeguarding of assets as well as the financial sustainability of the Company.

Hayleys PLC Remuneration Committee
Monitors the Company's remuneration policies and ensures that the Company has the optimal remuneration strategy to attract, retain and motivate employees and Non-executive Directors.

Hayleys PLC Nomination Committee
Ensures that the Board is appropriately structured to enable it to execute its functions effectively.

Hayleys PLC Related Party Transactions Review Committee
Implements and oversees policies and procedures relating to related party transactions of the Company and avoidance of conflicts of interests.

TACTICAL

Managing Director
Recommends the Company's strategy and its subsequent implementation, ensures that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

Corporate Management
Assists the Managing Director with the implementation of management policy and considers other operational matters.

OPERATIONAL

Divisional/Operational
Various departmental, regional, specialist, operational and project committees and forums

Board of Directors

The Board of Directors provides strategic direction and leadership, monitors the implementation of business and strategic plans and approves the capital funding for these plans to support a sustainable business.

Independence

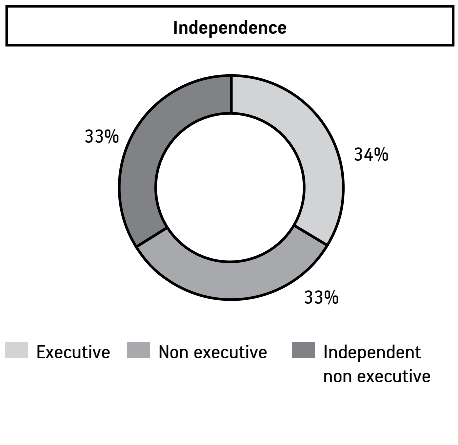
The Independent Non-Executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities. The Board believes that the Independent Non-Executive Directors are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

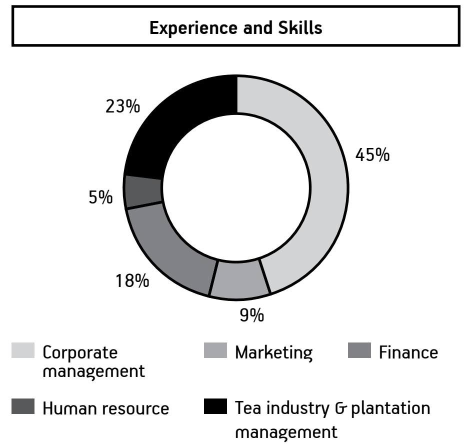
The classification of Independent Non-executive Directors is determined by the Board on the recommendation of the Nomination Committee. In determining the independence of the independent non-executive directors, and with due regard to the criteria for determining independence as set out the Corporate Governance Code and CSE Listing Rules, character and judgement are considered, together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

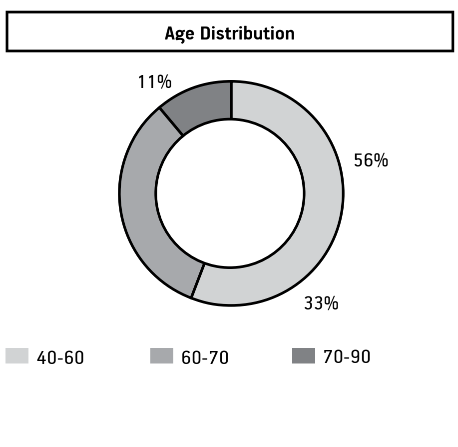
Diversity

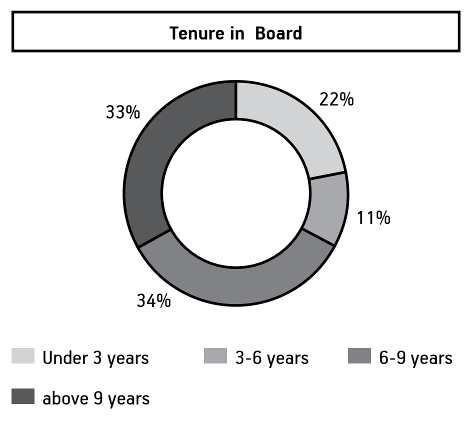
TTE recognises the benefits of a diverse Board. Thus, in selecting candidates due regard is given to the balance of the Board, and to the benefits of different backgrounds and experience.

The average tenure of Directors demonstrates a good balance between continuity and fresh perspectives. The size and composition of the Board is appropriate given the present geographic footprint of its operations.









The proportion of Independent Non-Executive Directors on the Board ensures that the Board is able to exercise objective judgment on corporate affairs and the performance of management against Key Performance Indicators.

Accordingly, Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, and diversity, and that appropriate measures are in place to ensure its independence.

Functions of the Board

Board's key areas of focus

The Board of Directors sets the fundamental principles of business conduct and is responsible for nurturing TTE's business and social culture. The Board performs its governance responsibilities within a framework of policies and controls, which manage Company's economic, environmental and social performance and provides for effective risk assessment.

The scope of powers of the Board of Directors includes:

- setting priority goals and defining Company's development strategy;
- monitoring the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of Company's activities;
- approving the internal control system and procedures, identifying key risks associated with the Company's operation, and implementing risk management initiatives and procedures;
- reviewing management performance.
- determining Company's values and standards (including ethical standards) and ensuring that obligations to its stakeholders are understood and met;
- developing succession plans for the Board and the Management;
- considering sustainability issues (including environmental and social factors) as part of the Company's strategy.

Performance assessment

TTE is committed to transparency in assessing the performance of the Board, its Committees and individual directors as well as the governance processes that support Board activities. This assessment carried out annually through the Remuneration Committee of the parent, Hayleys PLC.
In the year 2019/20, the assessment concluded that the performance of the Board and its committees, when evaluated against the relevant areas were considered effective.

Separation of responsibilities

The Board ensures that the appointment of and delegation to management contribute to role clarity and effective exercise of authority and responsibility. The roles of the Chairman and the Managing Director (MD) are separate and distinct, with their individual responsibilities clearly defined. Mr A M Pandithage is the Executive Chairman of the Company and not independent. He is responsible for leading the Board and ensuring its effectiveness. TTE is satisfied that the non-independence of the Executive Chairman is properly addressed by the composition of the Board.

Dr. Roshan Rajadurai, who is the MD of the Company, is responsible for the Company's strategy, and the day-to-day business of the Company.

Board Meetings

The Board meets at least quarterly to consider business philosophy and strategic issues, set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends, are considered.

Agendas for Board meetings are prepared by the Company Secretary in consultation with the Executive Chairman and the Managing Director. Information provided to the Board is compiled from external sources, such as independent third-party reports, and internally from minutes and plans as well as reports relating to, for example, safety, health, sustainable development, risk, finance, governance and legal matters likely to affect TTE.

Conflicts of Interests

The Hayleys Way', the Group Code of Business Conduct and Ethics, casts a responsibility on each Director to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters. Directors are also required timeously to inform the Board of conflicts, or potential conflicts, of interest that they may have impairing his or her independent judgement.

Further, Directors who have an interest in a matter under discussion at meetings of the Board refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon.

The Board is aware of other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities effectively.

Entrenching values and ethics

Hayleys Group is a large and diverse business. To drive its growth cohesively, the group has agreed on a number of common guidelines, including the Group Code of Business Conduct and Ethics, The Hayleys Way (Code of Ethics). These ensure that the Group does the right business in the right way, by complying with relevant laws and legislation.

The Code of Ethics is informed by the Group's core values – integrity, respect for people, teamwork, enduring customer value, good citizenship, accountability, and a 'will to win'; its ethical standards, as set out in anti-corruption and corporate governance legislation; and globally recognised standards. The Code of Ethics applies to the Board, employees and all operations of the Group.

It is aligned to Group standards, policies and procedures taking into consideration the economic social, political and operational environments in which the business conducts itself. The Hayleys Group Whistle Blower Policy is applicable to TTE and which is proactive and efficient mechanism to ensure Group values and ethics.

The Chairman and the Board set the ethical tone for the Company. The Executive Management is responsible for entrenching the Group's values and Code of Ethics across all levels of the organisation.

Given that the employee conduct is governed by stringent policies described above and the close and strict monitoring thereof by the Board and the management, no material violations of the Code of Ethics or incidents of corruption have been reported during the year under review.

Board Continuity

Appointments and succession

The Board has a formal and transparent process in place for appointing directors. While the appointments are a matter for the Board as a whole, the responsibility to oversee the nomination process and recommend candidates has been delegated to the Nomination Committee of the parent, Hayleys PLC.

To enhance the effectiveness of the Board and strengthen Board dynamics, Directors are selected not just for their experience and competencies but also for their fit with the Group.

Access to advice and information

No restriction is placed on a Director's access to Company information, records, documents and property. Non-Executive Directors have access to management and regular interaction is encouraged. All Directors are entitled to seek, at the Company's expense, independent professional advice concerning the affairs of the Company.

Education and induction

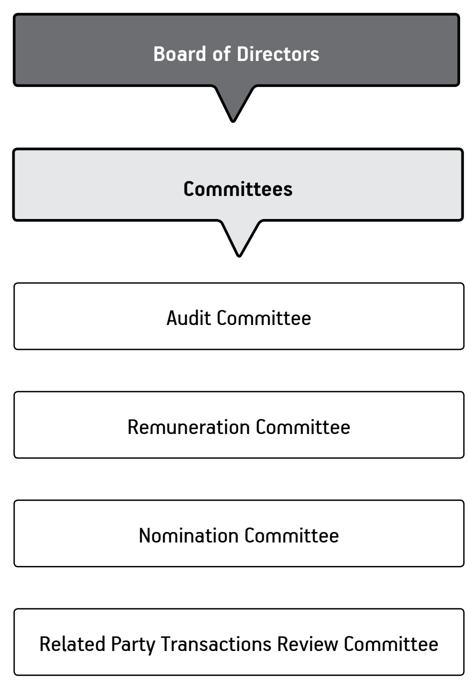
Directors receive a significant bespoke induction programme with a range of information about TTE when they first join the Board. The directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant developments that could affect the Group and its operations covering a wide spectrum of topics including economic, social and environmental aspects. Ongoing support and resources are provided to Board members as required, to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting TTE or its businesses.

Board Committees

The Board has established the standing committees set out in the diagram below to promote independent judgement, to assist with the balance of power and to assist it with effectively fulfilling its responsibilities. Nonetheless, the Board acknowledges that the delegation of authority to its Committees does not detract from the Board's responsibility to discharge its duties.

Except for the Audit Committee, all other sub-committees are constituted at the Group Level and thus oversee the functions of TTE falling within their respective purview. Each Committee has its own terms of reference. These terms of reference set out the committees' roles and responsibilities, functions, scope of authority and composition. Committees report to the Board with recommendations in accordance with their terms of reference.

The assessment process for the year under reference concluded, among others, that each committee was satisfied that it had fulfilled its responsibilities in respect of its terms of reference.



The Composition of the Board and Sub-Committees and Meeting Attendance as at 31st March 2020

Name of Director	Independent	Non-executive	Executive	Board		Board Sub Committees								
						Board Audit Committee		Remuneration Committee		Nomination Committee		Related Party Transactions Review Committee		
				Position	Attendance	Position	Attendance	Attendance	Position	Attendance	Position	Attendance	Position	Attendance
Mr. A M Pandithage	-	-	√	Chairman/ Executive Director	3/4	-	-	-	-	-	Chairman		-	-
Dr W G R Rajadurai	-	-	√	Managing Director	4/4	-	-	-	-	-	-	-	-	-
Mr Merrill J Fernando	-	√	-	Director	0/4	-	-	-	-	-	-	-	-	-
Mr Malik J Fernando	-	√	-	Director	0/4	-	-	-	-	-	-	-	-	-
Mr. D C Fernando (alternate to Mr. Malik J Fernando)	-	√	-	Director	-	-	-	-	-	-	-	-	-	-
Dr S S S B D G Jayawardena*	√	√	-	Director	1/1	Member	4/4	-	-	-	-	-	-	-
Ms Minette D A Perera	-	√	-	Director	4/4	Member	3/4	-	-	-	-	-	-	-
Dr N T Bogahalande	√	√	-	Director	3/4	-	-	-	-	-	-	-	-	-
Mr D S Seneviratne**	-	-	√	Director/Chief Executive Officer	4/4	-	-	-	-	-	-	-	-	-
Mr S L Athukorala	√	√	-	Director	4/4	Member	4/4		-	-	-	-	-	-
Mr M H Jamaldeen	√	√	-	Director	2/4				Member		-	-	-	-
Mr S B Alawattegama***	-	-	√	Director/CEO	-		-	-	-	-	-	-	-	-
Directors of Hayleys PLC who are on the sub-committees applicable to TTE														
Mr. K D D Perera	-	√	-	Co-Chairman		-	-	-	Member		Member		-	-
Dr. H Cabral	√	√	-	Director		-	-	-	Chairman		Member		Chairman	4/4
Mr. M Y A Perera	√	√	-	Director		-	-	-	Member		-	-	Member	4/4
Mr. S C Ganegoda	-	-	√	Executive Director		-	-	-	-	-	-	-	Member	4/4

* Dr S S S B D G Jayawardena resigned as Director with effect from 09.05.2019

** Mr D S Seneviratne retired as Director/Chief Executive Officer with effect from 02.02.2020

*** Mr S B Alawattegama joined as Director/Chief Executive Officer with effect from 02.02.2020

Report of the Audit Committee

The role of the Committee with specific terms of reference is described in the Corporate Governance Report on page 69.

Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises two Independent Non-Executive Directors. The Company Secretary acts as the secretary to the Audit Committee. The Managing Director, and the Chief Financial Officer (CFO) attend the meetings. The Chairman, Head of Management Audits and Systems Review Department and Director Plantations attend meetings by invitation.

The Chairman of the Audit Committee is a Senior Qualified Accountant.

The names of the members of the Committee are given below along with their brief profiles are given on page 70 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgment on matters that come within the Committee's purview.

Meetings of the Audit Committee

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

Mr. S L Athukorala 4/4
Dr. S S S B D G Jayawardena 1/1
Ms. M D A Perera 4/4

Relevant members from the Senior Management, representative from the Hayleys Management Audit & Systems Review Department (MA&SRD), Internal Auditors as well as the External auditors were present at these meetings as appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

Tasks of the Audit Committee

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 recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Group Management Audit & Systems Review Department reports on key control elements and procedure in Group companies that are selected according to an annual plan. These reports were reviewed by the audit committee.

Internal Audits are outsourced to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ensure that audit recommendations are being acted upon.

The Committee obtained and reviewed statements from the management of the company identifying major business risks, mitigatory action taken or contemplated for the management of these risks.

The Committee obtained representations from the Company on the adequacy of provisions made for possible liabilities and reviewed reports tabled, certifying their compliance with relevant statutory Requirements.

External Audits

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of 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 unit. 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 committee has recommended to the Board of Directors that Messrs Ernst & Young continue as Auditors for the year ending 31st March 2021.

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.

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. 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 Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Company.

Conclusion

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the company policies and assets are properly accounted for and adequately safeguarded.

S L Athukorala
Chairman- Audit Committee

28th May 2020

Related Party Transactions Review Committee Report

The Related Party Transaction review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director.

The Committee comprises the Following members.

Dr. H Cabral, PC** – Chairman
Mr. M Y A Perera**
Mr. S C Ganegoda *
*** Independent Non-Executive*
**Executive*

Attendance

Committee met – 04 times in the Financial Year 2019/20

Meetings held on 15th May 2019, 5th August 2019, 5th November 2019 and 10th February 2020

	Meetings
Dr. H. Cabral, PC	4/4
Mr. M.Y.A. Perera	4/4
Mr. S. C. Ganegoda	4/4

The duties of the Committee

- 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.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- 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.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- 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.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- 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.

Task of the Committee

The Committee re-viewed the related party transactions and their compliances of Kelani Valley Plantations PLC and communicated the same to the Board.

The Committee in its re-view process recognised the adequate of the content and quality of the information forwarded to its members by the management.

Dr. Harsha Cabral, PC.
Chairman
Related Party Transactions Review Committee of Hayleys PLC

15th June 2020

Remuneration Committee Report

Composition

Dr. H Cabral, PC (IND/NED) – Chairman
K D D Perera
M Y A Perera (IND/NED)
M H Jamaldeen (IND/NED)

IND/NED – Independent Non-Executive Director
NED - Non-Executive Director

The Remuneration Committee of the parent Company Hayleys PLC functions as the Committee to the Company and consists of three independent Non-Executive Directors.

Refer page 70 for a brief profile of the Directors).

The Chairman & Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

Duties of the Remuneration Committee
The Committee vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include:

- Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies and parameters for the compensation structures for all Executives staff of the Company.
- Review information related to executive pay from time to time to ensure same in in par with the market/industry rates.
- Evaluate the performance of the Chairman & Chief Executive and Key Management Personnel against the predetermined targets and goals.
- Assess and recommending to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses.

Remuneration Policy

The remuneration policy is to attract and retain highly qualified and experienced work force, and reward performance accordingly in the backdrop if industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

Activities in 2019/20

- During the year the Committee reviewed the performance of the Chairman & Chief Executive, Executive Directors and Group Management Committee based on the targets set I the previous year and determined the bonus payable and the annual increments.
- Recommended the bonus payable and annual increments to be paid to Executive and Non-Executive staff based on the ratings of the Performance Management System.

Dr. Harsha Cabral, PC
Chairman
Remuneration Committee

17th June 2020

Operational Governance

Risk Management

TTE continuously manages risks that affect its strategic and operational goals. These efforts include identification and assessment of external and internal risks in terms of their impact on key financial and non-financial metrics, including that relating to social, environmental and economic factors and their associated opportunities.

Risk management embraces all business areas and governance levels:

- strategic risks are managed by the Board of Directors and the Company's Executive Management;
- key operational risks are managed by the Company's Executive Management;
- other material operational risks are managed by heads of business units and sub units.

The Audit Committee assists the Board in the discharge of its duties relating to oversight of risk management whilst the Executive Management is responsible for identifying risks and implementing appropriate mitigation processes and controls within their businesses. The risk-management processes also promote the ownership of risk areas and risk-management accountability within the Company.

Refer page 56 for the details of the Risk Management Framework.

Internal Controls

TTE has an internal control system in place intended to promote the achievement of the Company's goals and enhance investor confidence in its business and corporate bodies. The internal control system is aimed at improving the effectiveness and efficiency of activities, keeping reliable and accurate financial and management accounts, ensuring compliance with the requirements of applicable laws and the Company's policies and procedures.

All internal control processes, principles, mechanisms, means, and procedures make up a system of elements:
control environment;

- assessment of risks to business processes;
- control procedures;
- information and communications;
- monitoring of the internal control system.

Information Technology

The Board takes responsibility for the governance of Information and Technology (IT), and reviews and approves related policies to set direction on the use of technology and information by the Company in line with the IT Governance Framework of the Hayleys Group. The management of IT has been delegated to the Head of Hayleys Group IT who ensures that appropriate governance structures, systems and controls are implemented.

The Board exercises ongoing oversight of IT management practices via the Audit Committee. The committee considers the efficiency of and developments in IT controls, policies and processes, as well as risk and resource optimisation. Prioritised IT systems and processes form part of the internal and external audit programme. The Board ensures that IT is used in an ethical and responsible way, and in compliance with relevant laws and regulation.

Compliance

TTE considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. Thus, TTE promotes a robust compliance culture across the organisation and requires everyone, from the Board down to staff, to consistently comply with applicable laws, regulations and standards.

The responsibility for compliance is delegated by the Board to Executive Management who has adopted a sound mechanism to monitor reporting and compliance with all mandatory reporting requirements with the objective of establishing a fully compliant corporate governance and risk mitigating culture.

Legislative and regulatory developments are monitored on an ongoing basis and group leadership proactively engages with regulators through several industry bodies and business associations. This not only provides the opportunity to advocate for effective policies, but also to inform a common interpretation of requirements and therefore the controls needed to comply.

Sustainability Governance

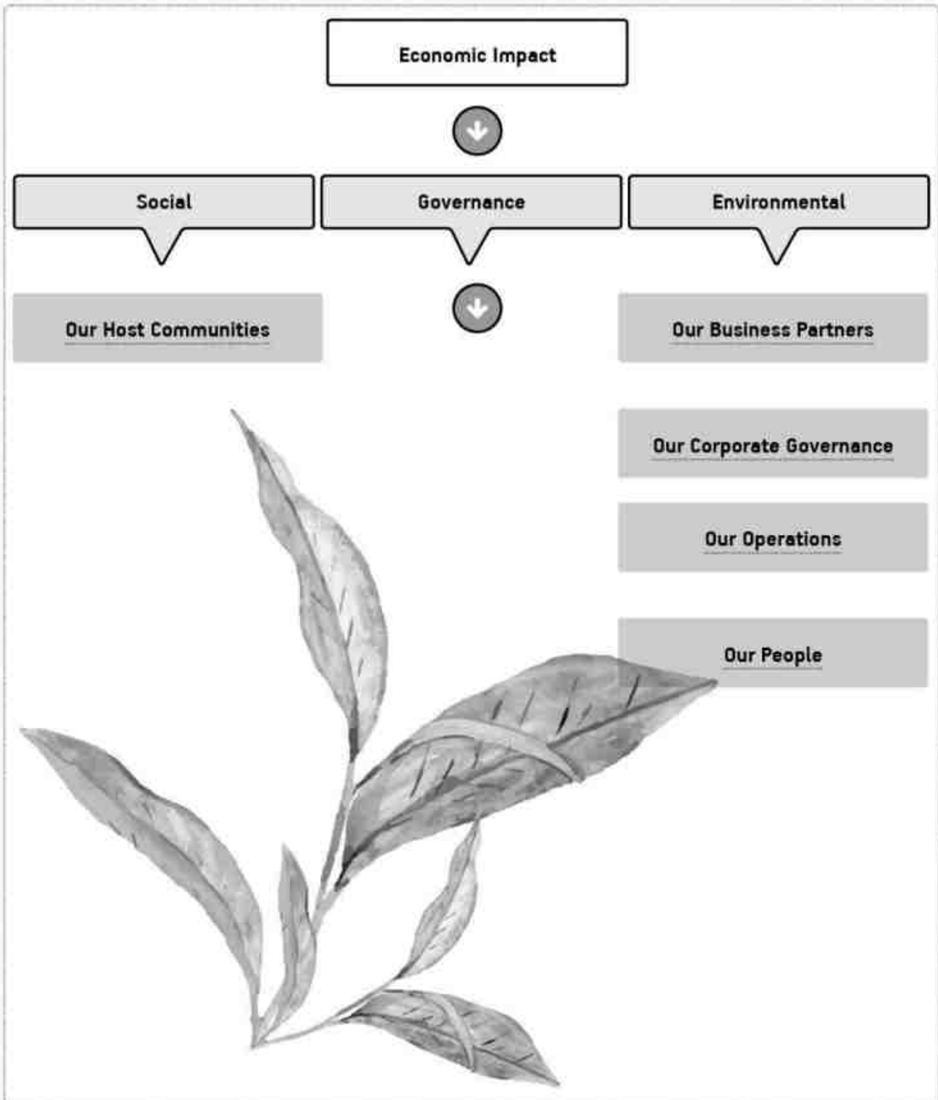
Approach to Sustainability

TTE perceive sustainability as a critical factor to achieving the Company's mission and ensuring its long-term competitiveness. Operating ethically and sustainably is not just a responsibility for TTE; it is a fundamental enabler of its commercial success.

Commitment to Sustainability

Sustainability considerations are firmly embedded into Hayleys Group's governance structures. The Group Management Committee oversees how TTE manages its most material sustainability matters, while the Audit Committee reviews the principal risks to TTE, including those related to sustainability.

Sustainability Framework



The Company's Sustainability Framework highlights its economic impact while adhering to environmental, social and governance best practices. accordingly, the Company performs its social responsibilities by taking management measures methodically and orderly, while considering the possible overall effects of its decisions and actions on the economy, society and environment at large.

To achieve this, the Company has established a social responsibility management system comprising joint actions of three levels, namely leadership level, organisation level and execution level. Such system enables us to fully implement social responsibility management as it effectively procures a deep involvement at the management level, a horizontal coordination between various business departments and estates at organisation level, as well as an implementation by subordinate units at the execution level.

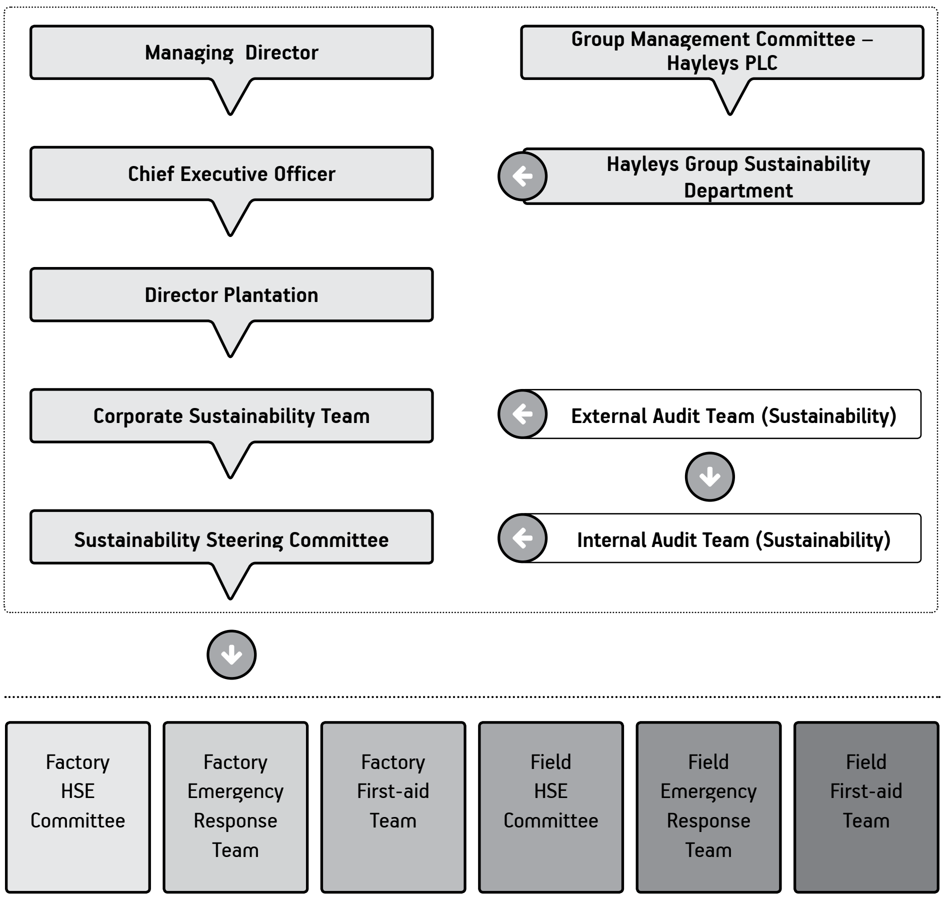
Executive Involvement in Sustainability Governance

The responsibility for the day-to-day management of economic, environmental and social topics rests with the Corporate Management Committee comprising the Managing Director, Chief Executive Officer, Director–Plantations and the Senior Management of the Company thereby making the formal and informal scanning of the environment in which the Company operates an everyday executive responsibility. TTE's Board is regularly apprised of developments that could have a bearing on the performance and sustainability of the Group.

The cross-functional committees formed at the management level ensure the conduct of Company's internal operations within ethical and governance parameters defined by the Board. Under the stewardship of the Board, these committees implement approved policies and strategies and manage the business and affairs to ensure that the Company creates sustainable growth for all its stakeholders.

In addition, the committees formed at the group level namely, the Group Management Committee and Chief Financial Officer Forum provides a platform for the Group to review sector performance, formulate policies, share best practices and discuss risks and concerns impacting the business activities of their respective sectors, thus ensuring the sustainability of the Group as a whole.

Sustainability Governance Structure



Sustainability Reporting

The Corporate Management Committee which is the hierarchy in the management level committees, review, from time to time, the vision, mission and values of the Company as well as the Company's strategies and policies relating to economic, social and environmental impacts and report all critical issues arising or discussed at their meetings to the Board through the Managing Director. Except for the matters arising in the ordinary course of business no critical matters were reported to the Board during 2019/20.

The Sustainability Department of the Company which is headed by an executive level employee is charged with the responsibility of focusing on TTE's sustainability strategy. The Corporate Management Committee who is delegated with the authority for day-to-day management of economic, environmental and social topics, in turn delegates the co-ordination and monitoring of the sustainability initiatives undertaken at various levels of the organisation to the Sustainability Department.

The Sustainability Department submits periodical updates to the Board through the Managing Director on Company's sustainability initiatives, risks and opportunities arising from economic, social and environmental factors impacting its business operations and stakeholder concerns thereon.

The Company's integrated annual report, which is approved by the Board prior to it being released, provides a detailed account to Company's stakeholders of its sustainability strategy and initiatives.

Stakeholder Engagement

TTE acknowledges that engaging with stakeholders is the basis of its licence to trade. Therefore understanding the Company's stakeholders' concerns, expectations and priorities and engaging with them on an ongoing basis through a structured, inclusive, transparent process is one of the key drivers in the continuous improvement of TTE's sustainability performance. to achieve this, TTE strives to be a leader in transparent, open and clear communication with all its stakeholders. In this regard, the Hayleys Group seeks to improve continuously upon its communication efforts through more detailed disclosure of relevant financial and other information.

The Sustainability Department, who, in consultation with the Corporate Management Committee, engages with the Company's stakeholders in identifying economic, social and environmental factors that impact its business operations as well as risks and opportunities arising from the same.

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

The Directors of Talawakelle Tea Estates PLC (TTE PLC) has pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company and audited Consolidated Financial Statements of the Group for the year ended 31st March 2020.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices. The Financial statements were reviewed and approved by the Board of Directors on 28th May 2020.

Principal Activities

Talawakelle Tea Estates PLC is the holding company, of TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Limited. The principal activity of Talawakelle Tea Estates PLC is cultivation and manufacture of black tea and the subsidiaries are engaged in generation of hydro power.

There were no significant changes in the nature of the principal activities of the Company or its subsidiaries during the year under review.

Group Structure

The Group Structure is given on page 25.

Vision, Mission and Corporate Conduct

The company vision and mission are given on page 3. The 'Group Code of Business Principles –Hayleys Way ' provides the frame work for our corporate conduct. The Group is committed to conduct its business operations with honesty, integrity, to comply the laws and regulations of the country and with respect to the rights and interests of all stakeholders.

Business Review/Future Development

A review of financial and operational performance and future business developments of the Group is contained in the Chairman's Statement (Pages 10 To 12) Managing Director's Review (Pages 13 To 17) and Management Discussion and Analysis (Pages 33 to 54) of the Annual Report.

These reports, together with the audited financial statements, reflect the state of affairs of the Company and the Group.

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

Financial Statements

The Financial Statements of the Company and the Group prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) as required by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and comply with the requirements of the Companies Act No. 07 of 2007.

The Financial Statements of the Company and the Group for the year ended, 31st March 2020, have been duly signed by the Chief Financial Officer and two directors of the Board are given on page 92.

Auditor's Report

The Company's Auditors Messrs. Ernst and Young, Chartered Accountants carried out an audit on the Financial Statements of the Company and the Group as at 31st March 2020, and their Report is given on pages 86 to 89.

Accounting Policies

The Significant Accounting Policies adopted in the preparation of the Financial Statements of the company and the group are given on pages 96 to 112.

There were no material changes in the Accounting Policies adopted with those of the last year other than disclosed in Note 2.3 to the financial statements.

Group Revenue

The revenue of the Group during the year was Rs. 3,886.4Mn (2019 Rs. 4,025.9Mn) An analysis of the Group's revenue, profits and asset allocation relating to different segments are given in Note 6 to the Financial Statements.

The contribution to revenue from tea decreased by Rs. 124.6 Mn (2019 – decreased by Rs. 62.4 Mn), whereas revenue from rubber decreased by Rs. 0.2 Mn (2019 - decreased by Rs. 1.1 Mn) Revenue contribution from hydro power decreased by Rs. 15.9 Mn (2019 - increased by Rs. 15.9 Mn) during the year ended 31.03.2020.

Trade between Group Companies is conducted at fair market prices.

Operational Results and Dividends

The Group profit before taxation, amounted to Rs. 218.7 Mn (2019 - Rs. 483.6 Mn) during the period under review. After charging Rs. 22.2 Mn (2019 – Rs. 70.9 Mn) for taxation and a consolidation profit of Rs. 0.87 Mn (2019 – profit of Rs. 7.8 Mn) for non-controlling interests, the Group profit attributable to equity holders of the Company from operating activities for the period was Rs. 195.7 Mn (2019 – Rs. 404.8 Mn). An interim dividend of Rs. 6.00 per share for the financial year ended 31/03/2019 was paid on 18/04/2019.

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

Group Investment

Total capital expenditure of the Group including investments in field development during the year amounted to Rs. 176.8 Mn (2019 – Rs. 168.9 Mn)

Property, Plant & Equipment

Group investment on property, plant & equipment and capital work in progress during the year amounted to Rs. 68.0 Mn (2019 - Rs. 112.6 Mn) whilst that of the Company was Rs. 67.9 Mn. (2019 - Rs. 112.1 Mn). The Company investment on replanting of tea, rubber and timber during the year amounted to Rs. 73.7 Mn.(2019 – Rs. 38.1Mn), Rs.1.3 Mn (2019 – Rs. 3.5 Mn)and Rs. 15.1 Mn (2019 - Rs. 7.8 Mn) respectively.

Information relating to movement in property, plant & equipment and replanting is given in Notes 12 & 13 to the Financial Statements.

Market Value of Properties

The Group does not possess any freehold land.

Stated Capital and Reserves

The stated capital of the Company as at 31st March 2020 consists of 23,750,000 Ordinary Shares and one (01) Golden Share amounting to Rs. 350,000,010. There was no change in the stated capital during the year ended.

Total Group reserves at 31st March 2020 amounts to Rs. 2,511.1 Mn (2019 – Rs. 2,291.9 Mn) comprising retained earnings of Rs. 2,318.3 Mn. (2019 – Rs. 2,097.1 Mn), biological reserve of Rs. 4.4 Mn (2019 - Rs. 8.4 Mn) and timber reserves of Rs. 188.3 Mn (2019 - Rs. 186.3 Mn). The movement in reserves during the period is shown in the Statement of Changes in Equity in the Financial Statements.

Provision for Taxation

The Company profit earned on agriculture farming is exempted and agriculture processing is liable at 14% for the year.

TTEL Hydro Power Company (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd are liable at 14%.

The Group has also provided deferred tax on all known temporary differences under the liability method.

Information on the income tax and deferred tax of the Company and the Group is given in Note 10 to the Financial Statements.

Preferences Shares

As at 31st March 2020 the company holds 14% Redeemable Cumulative Preference Shares of TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Ltd amounting to Rs. 53.1Mn (31.03.2019 – Rs. 53.1 Mn) and Rs. 16 Mn (31.03.2019 – Rs. 16Mn) respectively. Information relating to the preference shares is given in Note 14 to the Financial Statements.

Interests Register

The Company, in compliance with the Companies Act No. 07 of 2007, maintains an Interests Register. Shareholders of subsidiary Companies have unanimously agreed to dispense with the requirement to maintain an Interest Register. There were no changes in holdings during the year.

Directors' Interests in Shares

Directors of the Company who have shares in the Company have disclosed their shareholdings and any acquisitions/disposals to the Board, in compliance with Section 200 of the Companies Act.

Details of Directors shareholdings in the Company are given later in this report.

Directors' Interests in Transactions;

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007, Note 33 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Insurance & Indemnity

The Company is covered by Directors and Officers (D & O) cover of the Parent Company, Hayleys PLC and premium of Rs. 9.2 million and the limit on liability of the cover is USD 5 million.

Payment of Remuneration to Directors:

Executive Directors' remuneration is determined within an established framework by the Board's Remuneration Committee to whom this task is entrusted.

The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration for Executive Directors for the year ended 31st March 2020 is Rs. 9.1 Mn (31.03.2019 - Rs. 8.5 Mn), which includes the value of perquisites granted as part of terms of service and is formally approved. The total remuneration of Non-Executive Directors for the year ended 31.03.2020 is Rs. 2.7 Mn (31.03.2019 – Rs. 2.8 Mn) determined according to scales of payment decided upon by the Board previously.
The Board is satisfied that the payment of remuneration is fair to the Company.

Corporate Donations

No donations were made during the year ended 31.03.2020 (31.03.2019- Nil) by the Company and its Subsidiaries.

Directorate

The names of the Directors of the Company who held office at the end of the financial year are given below and their brief profiles appear on pages 18 to 21.

Executive Directors

Mr. A M Pandithage (Chairman)
Dr. W G R Rajadurai (Managing Director)
Mr. S B Alawattegama (CEO)

Non-Executive Directors

Mr. Merrill J Fernando
Mr. Malik J Fernando (Alternate Mr. D C Fernando)
Ms. M D A Perera

Independent Non-Executive Directors

Dr. N T Bogahalande
Mr. S L Athukorala
Mr. M H Jamaldeen

The basis on which Directors are classified as Independent Non–Executive Directors is discussed in the Corporate Governance Statement.

Resignations, New Appointments and Re-Elections to the Board

Dr. S S B D G Jayawardena, an Independent Non-executive Director of the Company resigned from the Board with effect from 09.05.2019 .

Mr. D S Seneviratne, an Executive Director of the Company retired from the Board with effect from 02.02.2020.

Messrs. M H Jamaldeen and Malik J Fernando retire by rotation and being eligible, offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No 07 of 2007, of the intention to propose an ordinary resolution for re-election of Mr. Merrill J Fernando, who is 90 years old, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

Board Committees

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the company, has appointed an Audit Committee, Remuneration Committee, Nomination Committee and Related Party Review Committee a with specific terms of reference. Audit and Related Party Transactions Review Committee Reports are given on pages 71 and 72 of this report.

Management Fees

No management fees has been charged by Hayleys Plantation Services (Pvt) Ltd w.e.f. 01/04/2014 consequent to a Board decision to waive off management fee hereafter.

Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance section on pages 65 to 83 discusses this further.

Auditors

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed as Auditors of the Company, in accordance with Section 158 of the Companies Act No. 07 of 2007.

A resolution proposing the Directors be authorised to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors Messrs Ernst & Young Chartered Accountants were paid Rs. 5.7 Mn (31.03.2019 –Rs. 5.0 Mn) as audit fees and audit related work of the Company and Rs. 0.53 Mn (31.03.2019- Rs. 0.506 Mn) as audit fees by the two subsidiaries, TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Ltd.

The Auditors of the company and its subsidiaries have confirmed that they do not have any relationship (other than that of an auditor) with, or interests in, the Company or any of its Subsidiaries other than those disclosed above.

Share Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 141 and 142.

Golden Shareholder

Rights of the Golden Shareholder as given in the Articles of Association of the Company are as follows;

Definition of the 'Golden share' - a share allotted to the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the state of the Democratic Socialist Republic of Sri Lanka, and or by any transferee permitted in terms of the Articles.

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

Definition of 'Golden shareholder' – The holder of the 'Golden Share'.

- The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(12) of the Articles of Association of the Company which deals with the Golden shareholder.
- The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.
- The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in the Article of Association of the Company.
- The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
- The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns ninety nine (99) per centum or more of the issued share capital.
- The Golden Shareholder and/or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- The Company shall submit to the Golden Shareholder, within sixty (60) days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
- The Company shall submit to the Golden Shareholder, within ninety (90) days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.
- Golden shareholder has power to appoint not more than 03 persons as his proxies to attend on the same occasion at the General Meetings.

Events Occurring After the Balance Sheet Date

No circumstances have arisen since the Balance Sheet date that would require adjustment, or disclosure, other than those disclosed in Note 32 to the Financial Statements on page 134.

Human Resource

The number of persons employed by the Company at year end was 6,135 (31.03.2019 -6,650) of which 6,105 (31.03.2019- 6,619) are engaged in employment outside the District of Colombo.

Shareholders

It is the Group's policy to endeavor to ensure equitable treatment to its shareholders.

Statutory Payments

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 82.

Environmental Protection

The Group's efforts to conserve scarce and non renewable resources, as well as its environmental objectives and key initiatives, are described in the Sustainability Report on pages 51 to 53.

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to minimise any adverse effects its activities have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions:

The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC and are in compliance with the Section 09 of the CSE Listing Rules.

The details of related party transactions of the Company and the Group are given in Note 33 into the Financial Statements.

Report of the Related Party Transaction Review Committee appears on page 72.

Internal Controls

The Directors acknowledge their responsibility for the Group's system of internal controls. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness of these controls for the period up to the date of signing the Financial Statements.

Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, going concern basis has been adopted in preparation of the Financial Statements.

Ratios and Market Price Information

The ratios relating to equity and debt as required by the listing requirement of the Colombo Stock Exchange are given in pages 8, 44 and 158 of this report.

Directors' Shareholdings

Directors' holdings of ordinary shares as at 31.03.2020 in the Company are given below.

Mr. Merrill J Fernando	- 1,184,700 (01.04.2019 -1,184,700). These shares are held through Merrill J Fernando & Sons (Private) Limited.
Dr. W G R Rajadurai	- 1000 (01.04.2019 –1000 shares)

No shares are held by the Directors in the subsidiaries of the Company

Shareholding

As at 31st March, 2020, there were 13,544 (31.03.2019 - 13,468) registered shareholders. The percentage of shares held by the public was 20.27% (31.03.2019 -20.27%) of the issued shares held by 13,541 shareholders (31.03.2019 - 13,464).

The twenty major shareholders as at 31st March, 2020 and the number of shares held and their percentage share holdings are given on page 142 of this report.

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No. 400, Deans Road, Colombo 10 at 4.00 p.m. on 23rd July, 2020. The Notice of the Annual General Meeting appears on page 163.

For and on behalf of the Board

Mohan Pandithage
Chairman

Dr. Roshan Rajadurai
Managing Director

Hayleys Group Services (Pvt) Ltd.
Secretaries

28th May 2020

Statement of Directors' Responsibility

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable, determination of financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. Further, the Financial Statements provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The external Auditors, Messrs Ernst & Young who were deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 86 to 89 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for

By order of the Board,

HAYLEYS GROUP SERVICES (PVT) LTD.
Secretaries

28th May, 2020

Managing Director's, Chief Executive Officer's and General Manager - Finance's Responsibility Statement

The Financial Statements of Talawakelle Tea Estates PLC and the Consolidated Financial Statements of the Group as at 31st March, 2020 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; and
- Code of Best Practice on Corporate Governance-2017 issued jointly by the institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

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.' Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is presented on pages 86 to 89 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 and its subsidiaries have 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

Mr. S B Alawattegama
Chief Executive Officer

Ms. Vindya Perera
General Manager - Finance

28th May, 2020

Progress Together.

Financial Reports

Financial Calendar - 2019/2020

Annual General Meeting (AGM) Calendar

	2019/20	**2020/21**
Annual Report and Accounts for the year signed/to be signed	On May 28, 2020	in May 2021
Annual General Meeting to be held	On July 23, 2020	in June 2021

Interim Financial Statements Calendar-Submission to the Colombo Stock Exchange (CSE)
(In terms of Rule 7.4 of the Colombo stock exchange)

	2019/2020 Submitted on	**2020/2021 To be submitted on or before**
For the three months ended/ending June 30 (unaudited)	August 1, 2019	August 15, 2020
For the six months ended/ending September 30 (unaudited)	October 31, 2019	November 15, 2020
For the nine months ended/ending December 31 (unaudited)	January 22, 2020	February 15, 2021
For the year ended/ending March 31 (audited)	May 29, 2020	May 31, 2021

Dividend Calendar

Interim dividend of Rs. 6.00 per share for the year 2018/19 was paid on 18 April 2019.

Independent Auditors' Report

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Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TALAWAKELLE TEA ESTATES PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Talawakelle Tea Estates PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss, statement of 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.

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

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key audit matter	How our audit addressed the key audit matter
Valuation of Retirement Benefit Obligation	
The retirement benefit obligation of the Group is significant (Rs. 1,024 Mn) in the context of the total liabilities of the Group (49% of total liabilities). Valuation of the Group's Retirement Benefit Obligation involves a complex calculation; the calculation requires the use of significant assumptions such as rate of increase in salary & discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Accordingly, actuarial valuation of retirement benefit obligation is considered to be a key audit matter.	We evaluated the assumptions made in relation to the actuarial valuation of the retirement benefit obligation. In particular: » We assessed the assumption for salary increases against the group's historic trend. » We agreed the discount rate used, to our internally developed benchmarks. » We validated the key data used by the actuary to the underlying data held by the Group. » Evaluated and understood the possible impact on gratuity on wage negotiations. » We evaluated the adequacy of the related disclosures given in Note 23 in the financial statements
Bearer Biological Assets	
As at 31 March 2020, 35% of the total assets of the Group consisted of bearer biological assets amounting to Rs. 1,758 Mn which comprised with Rs. 216 Mn Immature and Rs. 1,542 Mn Mature plantations. During the financial year Group capitalised an amount of Rs. 94 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 84 Mn. Management's identification of capitalizable portion of the cost incurred relating to immature plantations, identification of the point at which transfer out to mature plantation to be made and the assessment of if the indicators of impairment are present, are significant in arriving at the value of such plantations. Due to the above factors and the magnitude of the amounts involved, we considered this area as a key audit matter.	Our audit procedures to address this area of focus included (amongst others) the following: » We assessed the processes and controls in place to ensure; proper capitalisation 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. » We validated the significant amounts capitalised (including capitalized labor and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. » We inspected the ageing profile of the immature biological assets as of the reporting date as well as at the points of transfers out to ensure appropriate and timely transfers are made to respective matured plantation. » We evaluated the adequacy of the related disclosures given in Notes 3.7.7.1 and 13B in the financial statements.

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Other information included in The Company's 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Responsibilities of management and those charged with governance

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-2440.

Ernst + Young

Ernst & Young
Chartered Accountants

28 May 2020
Colombo

Statement of Profit or Loss

For the year ended 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Revenue	6.1	**3,886,416**	4,025,913	**3,834,115**	3,957,641
Cost of Sales		**(3,593,339)**	(3,431,906)	**(3,555,463)**	(3,394,668)
Gross Profit		**293,077**	594,007	**278,652**	562,973
Change in Fair Value of Biological Assets	13 C.1	**13,347**	7,457	**13,347**	7,457
Other Income And Gains	7	**54,284**	40,200	**61,792**	42,131
Administrative Expenses		**(197,153)**	(201,338)	**(188,071)**	(190,341)
Results from Operating Activities		**163,555**	440,326	**165,720**	422,220
Finance Income	8.1	**94,807**	90,915	**94,259**	90,730
Finance Expenses	8.2	**(2,405)**	(16,047)	**(2,405)**	(15,209)
Interest Paid to Government and Other on Leases	8.3	**(37,168)**	(31,512)	**(37,158)**	(31,512)
Net Finance Income		**55,234**	43,356	**54,696**	44,009
Profit Before Tax	9	**218,789**	483,682	**220,416**	466,229
Income Tax Expense	10	**(22,215)**	(70,966)	**(17,441)**	(68,043)
Profit for the Year		**196,574**	412,716	**202,975**	398,186
Attributable To:					
Equity holders of the Parent		**195,698**	404,838	**202,975**	398,186
Non- Controlling Interest		**876**	7,878	**-**	-
		196,574	412,716	**202,975**	398,186
Basic/Diluted Earnings Per Share (Rs.)	11	**8.24**	17.05	**8.55**	16.77

The Accounting Policies and Notes on pages 96 to 140 form an integral part of the Financial Statements.

Statement of Comprehensive Income

For the year ended 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Profit for the Year		**196,574**	412,716	**202,975**	398,186
Other Comprehensive Income					
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Actuarial Gain/(Loss) on Retirement Benefit Obligations	23	**(9,410)**	(96,899)	**(9,512)**	(96,927)
Income Tax Effect	10.2	**1,317**	13,566	**1,332**	13,570
Other Comprehensive Income For The Year, Net of Tax		**(8,093)**	(83,333)	**(8,180)**	(83,357)
Total comprehensive income for the year, net of tax		**188,481**	329,383	**194,795**	314,829
Attributable to:					
Equity holders of the Parent		**187,562**	321,493	**194,795**	314,829
Non- Controlling Interest		**919**	7,890	**-**	-
		188,481	329,383	**194,795**	314,829

The Accounting Policies and Notes on pages 96 to 140 form an integral part of the Financial Statements.

Statement of Financial Position

		Group		Company	
As at	**Notes**	**31.03.2020 Rs.'000**	**31.03.2019 Rs.'000**	**31.03.2020 Rs.'000**	**31.03.2019 Rs.'000**
ASSETS					
Non Current Assets					
Right-of-use Assets	12	**329,921**	214,512	**329,845**	214,512
Tangible assets other than Immature/Mature Plantations	13A	**1,039,068**	1,074,021	**740,043**	758,718
Immature/Mature Plantations	13B	**1,769,342**	1,765,545	**1,769,342**	1,765,545
Consumable Biological Assets	13C	**306,236**	273,159	**306,236**	273,159
Development Cost		**3,358**	4,319	**-**	-
Investments in Subsidiaries	14	**-**	-	**134,933**	134,933
Deferred Tax Asset	10.4	**8,127**	11,236	**-**	-
		3,456,052	3,342,792	**3,280,399**	3,146,867
Current Assets					
Produce on Bearer Biological Assets	15	**4,389**	8,456	**4,389**	8,456
Inventories	16	**303,822**	452,416	**301,708**	450,302
Trade and Other Receivables	17	**154,251**	203,694	**128,865**	190,888
Amounts due from Related Companies	18	**3,857**	2,004	**3,781**	2,004
Short Term Investments	19	**1,112,522**	994,016	**1,112,522**	976,516
Cash and Bank Balances		**53,384**	19,122	**40,962**	17,728
		1,632,225	1,679,708	**1,592,227**	1,645,894
TOTAL ASSETS		**5,088,277**	5,022,500	**4,872,626**	4,792,761
EQUITY AND LIABILITIES					
Equity					
Stated Capital	20	**350,000**	350,000	**350,000**	350,000
Revenue Reserves		**2,511,116**	2,291,936	**2,475,998**	2,249,585
Equity attributable to equity holders of the parent		**2,861,116**	2,641,936	**2,825,998**	2,599,585
Non-Controlling Interests	21	**170,533**	176,828	**-**	-
Total Equity		**3,031,649**	2,818,764	**2,825,998**	2,599,585
Non Current Liabilities & Deferred Income					
Interest Bearing Loans & Borrowings	22	**13,097**	17,582	**13,097**	17,582
Retirement Benefit Obligations	23	**1,024,164**	969,573	**1,021,655**	967,294
Deferred Tax Liability	10.4	**200,446**	204,222	**200,446**	204,222
Deferred Income	24	**139,526**	144,826	**139,526**	144,826
Lease Liability	25	**270,471**	185,425	**270,394**	185,425
		1,647,704	1,521,628	**1,645,118**	1,519,349
Current Liabilities					
Trade and Other Payables	26	**370,109**	616,831	**355,046**	608,084
Interest Bearing Loans & Borrowings	22	**5,065**	22,443	**5,065**	22,443
Lease Liability	25	**12,172**	928	**12,168**	928
Amounts due to Related Companies	27	**18,476**	14,250	**26,129**	14,716
Bank Overdraft		**3,102**	27,656	**3,102**	27,656
		408,924	682,108	**401,510**	673,827
TOTAL LIABILITIES		**2,056,628**	2,203,736	**2,046,628**	2,193,176
TOTAL EQUITY AND LIABILITIES		**5,088,277**	5,022,500	**4,872,626**	4,792,761
Net Assets Per Share (Rs.)		**120.47**	111.24	**118.99**	109.46

The Accounting Policies and Notes on pages 96 to 140 form an integral part of the Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Vindya Perera
General Manager-Finance

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board by

Mohan Pandithage
Chairman/Director

Dr. Roshan Rajadurai
Managing Director

28 May 2020
Colombo.

Statement of Changes in Equity

For the year ended 31 March		Attributable to equity holders of the parent					
		Revenue Reserves					
Group	**Stated Capital Rs.'000**	**Retained Earnings Rs.'000**	**Biological Crop Reserve Rs.'000**	**Timber Reserve Rs.'000**	**Total Rs.'000**	**Non Controlling Interest Rs.'000**	**Total Equity Rs.'000**
Balance as at 01 April 2018	350,000	1,980,539	12,125	179,655	2,172,318	170,793	2,693,111
Profit for the Year	-	404,838	-	-	404,838	7,878	412,716
Other Comprehensive Income	-	(83,345)	-	-	(83,345)	12	(83,333)
Transferred to the Timber Reserve	-	(11,125)	-	11,125	-	-	-
Transferred to Biological Crop Reserve	-	3,668	(3,668)	-	-	-	-
Realised Gain on Timber Sales	-	4,476	-	(4,476)	-	-	-
Dividends	-	(201,875)	-	-	(201,875)	(1,855)	(203,730)
Balance as at 31 March 2019	350,000	2,097,176	8,457	186,304	2,291,936	176,828	2,818,764
Effect of adoption SLFRS 16, as at 01st April 2019	-	31,618	-	-	31,618	-	31,618
Balance as at 01 April 2019	350,000	2,128,794	8,457	186,304	2,323,554	176,828	2,850,382
Profit for the Year	-	195,698	-	-	195,698	876	196,574
Other Comprehensive Income	-	(8,136)	-	-	(8,136)	43	(8,093)
Transferred to the Timber Reserve	-	(17,414)	-	17,414	-	-	-
Transferred to Biological Crop Reserve	-	4,067	(4,067)	-	-	-	-
Realised Gain on Timber Sales	-	15,380	-	(15,380)	-	-	-
Dividends	-	-	-	-	-	(7,214)	(7,214)
Balance as at 31 March 2020	350,000	2,318,389	4,390	188,338	2,511,116	170,533	3,031,649

		Revenue Reserves				
Company	**Stated Capital Rs.'000**	**Retained Earnings Rs.'000**	**Biological Crop Reserve Rs.'000**	**Timber Reserve Rs.'000**	**Total Rs.'000**	**Total Equity Rs.'000**
Balance as at 01 April 2018	350,000	1,944,852	12,125	179,655	2,136,631	2,486,631
Profit for the Year	-	398,186	-	-	398,186	398,186
Other Comprehensive Income	-	(83,357)	-	-	(83,357)	(83,357)
Transferred to the Timber Reserve	-	(11,125)	-	11,125	-	-
Transferred to Biological Crop Reserve	-	3,668	(3,668)	-	-	-
Realised Gain on Timber Sales	-	4,476	-	(4,476)	-	-
Dividends	-	(201,875)	-	-	(201,875)	(201,875)
Balance as at 31 March 2019	350,000	2,054,825	8,457	186,304	2,249,585	2,599,585
Effect of adoption SLFRS 16, as at 01st April 2019	-	31,618	-	-	31,618	31,618
Balance as at 01 April 2019	350,000	2,086,443	8,457	186,304	2,281,203	2,631,203
Profit for the year	-	202,975	-	-	202,975	202,975
Other Comprehensive Income	-	(8,180)	-	-	(8,180)	(8,180)
Transferred to the Timber Reserve	-	(17,414)	-	17,414	-	-
Transferred to Biological Crop Reserve	-	4,067	(4,067)	-	-	-
Realised Gain on Timber Sales	-	15,380	-	(15,380)	-	-
Dividends	-	-	-	-	-	-
Balance as at 31 March 2020	350,000	2,283,271	4,390	188,338	2,475,998	2,825,998

The Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

The Biological Crop Reserve relates to change in fair value of harvestable produces growing on bearer biological assets.

The Accounting Policies and Notes on pages 96 to 140 form an integral part of the Financial Statements.

Statement of Cash Flow

For the year ended 31 March	Notes	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit Before Taxation		**218,789**	483,682	**220,416**	466,229
ADJUSTMENTS FOR					
Provision for Retirement Benefit Obligations	23	**174,748**	143,884	**174,239**	143,437
Depreciation/Amortisation	9	**197,772**	169,061	**180,459**	151,755
Amortisation of Grants	24	**(5,300)**	(5,300)	**(5,300)**	(5,300)
Dividend Income	7	**-**	-	**(7,508)**	(1,931)
Finance Costs	8.2	**2,405**	16,047	**2,405**	15,210
Government & Other Lease Interest	8.3	**37,167**	31,512	**37,157**	31,512
Profit on disposal of Property, Plant & Equipments	7	**(8,195)**	(11,304)	**(8,195)**	(11,304)
Profit on Sale of Trees	7	**(34,126)**	(16,111)	**(34,126)**	(16,111)
Debtors/Stocks write off		**151**	2,425	**151**	2,425
Gains on Fair Value of Biological Assets	13C.1	**(13,347)**	(7,457)	**(13,347)**	(7,457)
Operating Profit before Working Capital Changes		**570,064**	806,439	**546,351**	768,465
(Increase)/Decrease in Inventories		**148,518**	2,468	**148,518**	2,238
(Increase)/Decrease in Trade and Other Receivables		**50,502**	(5,738)	**63,082**	(6,846)
Increase/(Decrease) in Trade and Other Payables		**(112,212)**	(38,966)	**(119,343)**	(34,916)
(Increase)/Decrease in amounts due from Related Companies		**(1,853)**	(189)	**(1,777)**	(189)
Increase/(Decrease) in amounts due to Related Companies		**4,225**	3,574	**11,413**	3,476
Cash Generated from Operations		**659,244**	767,588	**648,244**	732,228
Finance Costs Paid	8.2	**(2,405)**	(16,047)	**(2,405)**	(15,210)
Payment of ESC/Income Tax		**(22,062)**	(39,080)	**20,383**	(39,080)
Retirement Benefit Obligations Paid	23	**(129,567)**	(83,062)	**(129,389)**	(83,062)
Net Cash from Operating Activities		**505,210**	629,399	**496,067**	594,876
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Trees		**49,506**	22,253	**49,506**	22,253
Proceeds from Disposal of Property, Plant & Equipments		**8,195**	12,480	**8,195**	12,480
Field Development Expenditure (Note A)	13B/ 13C	**(108,840)**	(56,337)	**(108,840)**	(56,337)
Purchase of Property, Plant & Equipment (Note B)		**(68,003)**	(112,604)	**(67,932)**	(112,109)
Dividend Income Received	7	**-**	-	**7,508**	1,931
Net Cash used in Investing Activities		**(119,142)**	(134,208)	**(111,563)**	(131,782)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		**(150,537)**	(59,375)	**(142,500)**	(59,375)
Payment of Government lease rentals		**(25,781)**	(32,957)	**(25,781)**	(32,957)
Payment of Other lease rentals		**(10,566)**	-	**(10,566)**	-
Repayment of loans		**(21,863)**	(121,974)	**(21,863)**	(105,850)
Net Cash from Financing Activities		**(208,747)**	(214,306)	**(200,710)**	(198,182)
Net Increase in Cash & Cash Equivalents		**177,320**	280,885	**183,794**	264,912
Cash & Cash Equivalents at the beginning of the year (Note C)		**985,484**	704,599	**966,588**	701,676
Cash & Cash Equivalents at the end of the year (Note D)		**1,162,804**	985,484	**1,150,382**	966,588

The Accounting Policies and Notes on pages 96 to 140 form an integral part of the Financial Statements.

For the year ended 31 March	Tea Rs.'000	Rubber Rs.'000	Group Others Rs.'000	Hydro Rs.'000	Total Rs.'000
NOTE A: Investment in Field Development Expenditure					
Investment in Immature Plantations 2020	73,692	1,323	33,825	-	108,840
Investment in Immature Plantations 2019	38,143	3,524	14,670	-	56,337
NOTE B: Investment in Property, Plant & Equipment					
Investment in Property, Plant & Equipment 2020	67,932	-	-	71	68,003
Investment in Property, Plant & Equipment 2019	112,109	-	-	495	112,604

For the year ended 31 March	Tea Rs.'000	Rubber Rs.'000	Company Others Rs.'000	Hydro Rs.'000	Total Rs.'000
NOTE A: Investment in Field Development Expenditure					
Investment in Immature Plantations 2020	73,692	1,323	33,825	-	108,840
Investment in Immature Plantations 2019	38,143	3,524	14,670	-	56,337
NOTE B: Investment in Property, Plant & Equipment					
Investment in Property, Plant & Equipment 2020	67,932	-	-	-	67,932
Investment in Property, Plant & Equipment 2019	112,109	-	-	-	112,109

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
NOTE C				
Cash & Cash Equivalents at the beginning of the year				
Cash & Bank Balances	**19,123**	16,169	**17,728**	12,646
Short Term Investments	**994,017**	702,448	**976,516**	702,449
Bank Overdrafts	**(27,656)**	(14,018)	**(27,656)**	(13,419)
	985,484	704,599	**966,588**	701,676
NOTE D				
Cash & Cash Equivalents at the end of the year				
Cash & Bank Balances	**53,384**	19,123	**40,962**	17,728
Short Term Investments	**1,112,522**	994,017	**1,112,522**	976,516
Bank Overdrafts	**(3,102)**	(27,656)	**(3,102)**	(27,656)
	1,162,804	985,484	**1,150,382**	966,588

NOTE

During the Financial year, the Group & the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 68,003,045/= and Rs. 67,931,616/= in respectively. (2019-Group- Rs. 112,604,058/= , Company- Rs. 112,109,167/=).

The Accounting Policies and Notes on pages 96 to 140 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

Talawakelle Tea Estates PLC was incorporated on 22 June 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 400, Deans Road, Colombo 10, and Plantations are situated in the planting districts of Talawakelle, Nanuoya, Galle and Deniyaya. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

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

The Consolidated Financial Statements of Talawakelle Tea Estates PLC comprises the Company and its Subsidiaries namely TTEL Hydro Power Co (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd (together referred to as the 'Group').

1.1 Principle Activities and nature of the operations

During the year, the principal activities of the company were the producing and processing of Tea and Rubber.

Principal activities of other companies in the Group are as follows.

Company	Nature of the business	Registered office
TTEL Hydro Power Co (Pvt) Ltd	Generating hydropower	No. 400, Deans Road, Colombo 10
TTEL Somerset Hydro Power (Pvt) Ltd	Generating hydropower	No. 400, Deans Road, Colombo 10

1.2 Holding Company

The Company is a subsidiary of Hayleys Plantation Services (Pvt) Ltd which is a subsidiary of Dipped Products PLC whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorization for issue

The financial statements of Talawakelle Tea Estates PLC for the year ended 31 March 2020 were authorized for issue by the Board of Directors on 28 May 2020.

1.4 Responsibility for Financial Statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with the Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

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

Where appropriate, the specific policies are explained in the succeeding Notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 New accounting standards, interpretations and amendments adopted by the group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 01st April 2019 The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied SLFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group.

2.3.1 SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of financial position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 01 April 2019. The Group elected to use the transitional practical expedient to not to reassess whether a contract is, or contains, a lease at 01 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short term leases), and lease contracts for which the underlying asset is low value (low-value asset).

As per the JEDB/SLSPC lease agreement which entered with the Government in 1992, Lease rentals were payable on Right of use asset -land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to Right of Use asset – Land.

The Group has accounted Right of Use Land and Right of Use Building under SLFRS 16. The accounting policy for the Right of Use Assets and Lease liabilities is included in detail in the Note 3.7.4 Leases (3.7.4.1 Right of Use Assets and 3.7.4.2 Lease Liabilities).

2.3.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities (Refer Note 4.1).

2.4 Functional and Presentation Currency

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

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

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

Impact on COVID-19 and Going Concern Assessment

In March 2020, the World Health Organisation declared the novel coronavirus (COVID-19) outbreak as a pandemic. There have been mandates from Government authorities requiring forced closures of various schools, businesses and other facilities and organisations. As a result, during the latter part of March 2020, there was a restriction on operations of the Company. However, After Government has declared the plantation sector as an essential service, normal operations were continued.

Financing and Liquidity

Since April 2020, the impact on cash flow considerably improved with the startup of Online Tea Auctions from 6th April and with the increased in price and demand resulted from the recognition of Black tea as a healthy beverage. Further, the Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments

Impact on Assets & Impairments

The company got back to its normal operations when the Plantation sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. The measures the company has taken to mitigate the impact of COVID 19 on crop intake, revenue from the month of April 2020 is successful and therefore no requirement to impair of Biological Assets, Debtors and Other Assets of the company.

Impact on Internal Operations & Business Continuity

Since plantations are mainly based in districts which are not severely affected by the COVID 19 and also due to the Government policies on agricultural industry as an essential service, it allowed us soon to operate normally while implementing strict health care & safety measures. However, the operations at Head office level got disrupted due to the strict enforcement of curfew in Colombo but operational work continued under the concept of work from home.

The company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees in Tea Centers, Factories and fields to control the outbreak of Corona Virus. The Company will continue its policy of Human Resources development to meet the future challenges that will arise in skill and competency levels.

In this context, ensuring health and safety of our employees is of paramount important and we have facilitated work from home for head office employees, sanitization and other safety measures have been implemented at all our estates and manufacturing facilities. Several welfare measures such as providing dry rations, cash advances to maintain livelihood of our estate employees during this period were undertaken.

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

The company is quite optimistic about the tea prices and the demand for Black Tea as it has been recognised as a healthy beverage. We assume Sri Lanka will be able to reach the market in a better way due to the disruption of production facilities in other countries affected by COVID19. Further company is confident in carrying the business and its operations as normal under the health and safety measures recommended by the Government authorities.

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

At the Company level investments in subsidiaries are recognised at cost.

3.2.1 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition - related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period.

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period.

Or

- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Managed Consumable Biological Assets Note 13C
- Produce Growing on Bearer Biological Assets Note 15

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. The fair value measurement 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 for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as managed biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.5 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.6 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.7 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.7.1 Basis of Recognition

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

3.7.2.1Borrowing Cost

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

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of profit or loss.

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

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

3.7.3 Owned Assets

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.7.4 Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.7.4.1 Right of Use Assets

The Group recognises right to use of assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right to use of assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group 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.

3.7.4.2 Lease Liabilities

At the commencement date of the lease, the Group recognises 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 include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised 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 Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. 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.

3.7.5 Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit or loss when the asset is derecognised.

3.7.6 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalised and amortised over the remaining lease period.

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.7.7 Biological assets

Biological assets are 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 specification. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets includes tea and rubber plants, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognise 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.

3.7.7.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – “Property, Plant & Equipment”.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, 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. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.7.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of profit or loss in the year in which they are incurred.

3.7.7.3 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is 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. 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 are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 13C.

The main variables in DCF model concerns

Variable	Comment
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. 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 fulfill in bringing the trees in to saleable condition.
Planting cost	Estimated costs for the further development of immature areas are deducted.

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.

Permanent impairments to Biological Asset are charged to the Statement of profit or loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.7.7.4 Nursery Plants

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

3.7.8 Depreciation and Amortisation

(a) Depreciation

Depreciation is recognised in the Statement of profit or loss or on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this is most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of Years
Buildings	26.3 (Over the remaining lease period)
Roads	5
Plant & Machinery	20
Electronic Machinery	13
Solar System	15
Hydro Power Plant	30
Motor Vehicles-Utility	10
Motor Vehicles-Supervisory	5
Equipment	4
Furniture & Fittings	10
Computer Accessories	4

Mature Plantations (Replanting and New Planting)

	No. of Years
Mature Plantations	
Tea	26.3 (Over the remaining lease period)
Rubber	20
Cinnamon	20

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

(b) Amortisation

The leasehold rights of assets taken over from SLSPC are amortised in equal amounts over the shorter of the remaining lease period and the useful lives as follows:

	No. of Years
Right to Use of Land	26.3 (Over the remaining lease period)
Improvements to land	26.3 (Over the remaining lease period)
Right to Use of Building	5
Buildings	25
Machinery	20
Development Cost	15

3.7.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.7.9.1 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policy applied to the Group.

Development Cost

Useful lives	Finite
Amortisation Method Used	Amortised Straight line over the right to generate hydro power.
Period of amortisation	15 Years
Internally generated or acquired	Acquired

3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 Financial Assets

3.8.1.1 Initial Recognition & Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, investments and trade and other receivables.

3. 8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial instruments at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any debt instruments at fair value through OCI.

c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3.8.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group

has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.8.1.4 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.8.2 Financial liabilities

3.8.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.8.2.2 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

(b) Financial liabilities at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Profit or Loss Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.8.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 35.

3.9 Harvestable agricultural produce on bearer biological assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell.

Change in the fair value of such agricultural produce recognised in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

- Tea – Bought Leaf rate (current month) less cost of harvesting & transport
- Rubber – latex Price (95% of current RSS1 Price) less cost of tapping & transport

3.10 Inventories

Finished Goods Manufactured from Agricultural Produce of Biological Assets.

These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

Input Material, Spares and Consumables
At actual cost on weighted average basis.

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

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flow.

3.12 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31st March 2020 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31st March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

3.14 Employees Benefits

(a) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

(b) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in statement of profit or loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 23.

3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

3.16 Events Occurring after the Reporting Date

All material events after the Statement of Financial Position Date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.17 Earnings per Share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 Deferred Income

3.18.1 Grants and Subsidies

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

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

	No. of Years
Buildings	26.3 years (Over the remaining lease period)
Roads	5 Years

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.19 Statements of Profit or Loss

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

3.19.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

3.19.1.1 Revenue from contracts with customers

» **Sale of Plantation produce**

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Rendering of services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognised at the point of hydro energy releases to the national grid at a pre-determined unit price.

» **Fee from Management Services**

Fee from management services are recognised as revenue over the time during the period in which the services are rendered.

3.19.1.2 Other Source of Income

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

» **Rental Income**

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

» **Dividend Income**

Dividend income is recognised when the right to receive payment is established.

» **Interest Income**

Interest income is recognised based on effective interest method.

Interest income on financial assets at FVTPL is recognised as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognised as other income.

3.19.2 Expenses

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

3.19.2.1 Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.19.2.2 Taxes

3.19.2.2.1Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.19.2.2.2Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

» When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
» In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

» When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
» In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.20 Statement of Cash Flows

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

3.21 Segment Reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group 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 Group’s other components.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described on Note 6.2 in the Notes to the Financial Statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

According to the Notice to the Tax payers issued in February 2020 by the department of Inland Revenue under the Implementation of Proposed Changes to the Inland Revenue Act No 24 of 2017, the gains or profits derived by any person from the sale of produce of an undertaking for Agro farming of such person without subjecting such produce to any process of production or manufacture, is exempt with effect from 01 April 2019.

The management of the company is of the view that the 68% of its profits is from Agro Farming and therefore, opted to utilize the above exemption.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the Inland Revenue Act no 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the expert opinion obtained, the management is of the view that the company is predominantly engaged in agricultural business.

4.2 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

Further details about Retirement benefit obligations are provided in Note 23.

4.3 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and nonfinancial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 13C.

4.4 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

4.5 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

5.2 Amendments to LKAS1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.

6. REVENUE

6.1 Summary

For the year ended 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Sale of Goods				
Tea	3,761,758	3,886,357	3,761,758	3,886,357
Rubber	13,246	13,453	13,246	13,453
Mini Hydro Power	52,301	68,272	-	-
Others	59,111	57,831	59,111	57,831
	3,886,416	4,025,913	3,834,115	3,957,641

6.2 Segment Information

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
a) Segment Revenue				
Tea				
Revenue	3,761,758	3,886,357	3,761,758	3,886,357
Revenue Expenditure	(3,172,614)	(3,073,149)	(3,172,614)	(3,073,149)
Depreciation	(174,465)	(147,160)	(174,465)	(147,160)
Other Non Cash Expenditure	(174,239)	(143,437)	(174,239)	(143,437)
Segment Results	240,440	522,612	240,440	522,612
Rubber				
Revenue	13,246	13,453	13,246	13,453
Revenue Expenditure	(28,151)	(26,328)	(28,151)	(26,328)
Depreciation	(5,994)	(4,595)	(5,994)	(4,595)
Other Non Cash Expenditure	-	-	-	-
Segment Results	(20,899)	(17,470)	(20,899)	(17,470)
Mini Hydro Power				
Revenue	52,301	68,272	-	-
Revenue Expenditure	(20,054)	(19,486)	-	-
Depreciation	(17,313)	(17,305)	-	-
Other Non Cash Expenditure	(509)	(447)	-	-
Segment Results	14,425	31,034	-	-
Others				
Revenue	59,111	57,831	59,111	57,831
Revenue Expenditure	-	-	-	-
Depreciation	-	-	-	-
Other Non Cash Expenditure	-	-	-	-
Segment Results	59,111	57,831	59,111	57,831
Total				
Revenue	3,886,417	4,025,913	3,834,115	3,957,641
Revenue Expenditure	(3,220,819)	(3,118,962)	(3,200,765)	(3,099,476)
Depreciation	(197,773)	(169,060)	(180,459)	(151,755)
Other Non Cash Expenditure	(174,748)	(143,884)	(174,239)	(143,437)
Segment Results	293,077	594,007	278,652	562,973

6.2 Segment Information contd.

	Group		Company	
For the year ended 31 March	**2020**	**2019**	**2020**	**2019**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Change in Fair Value of Biological Assets	**13,347**	7,457	**13,347**	7,457
Other Income & Gains	**54,284**	40,200	**61,792**	42,131
Administrative Expenses	**(197,153)**	(201,338)	**(188,071)**	(190,341)
Finance Income	**94,806**	90,915	**94,259**	90,730
Finance Expense	**(2,405)**	(16,047)	**(2,405)**	(15,209)
Interest Paid to Government and Other Leases	**(37,167)**	(31,512)	**(37,158)**	(31,512)
Profit Before Tax	**218,789**	483,682	**220,416**	466,229
b) Segment Assets				
Non Current Assets				
Tea	**2,737,444**	2,633,407	**2,737,445**	2,633,407
Rubber	**101,785**	105,367	**101,785**	105,367
Mini Hydro Power	**310,587**	330,858	**-**	-
Investment	**-**	-	**134,933**	134,933
Consumable Biological Asset	**306,236**	273,159	**306,236**	273,159
	3,456,052	3,342,792	**3,280,399**	3,146,867
Current Assets				
Tea	**1,591,401**	1,644,533	**1,591,401**	1,644,533
Rubber	**826**	1,361	**826**	1,361
Mini Hydro Power	**39,997**	33,815	**-**	-
	1,632,224	1,679,708	**1,592,227**	1,645,894
Total Assets	**5,088,277**	5,022,500	**4,872,626**	4,792,761
c) Segment Liabilities				
Non Current Liabilities and Deferred Income				
Tea	**1,645,118**	1,519,349	**1,645,118**	1,519,349
Mini Hydro Power	**2,586**	2,279	**-**	-
	1,647,704	1,521,628	**1,645,118**	1,519,349
Current Liabilities				
Tea	**401,510**	673,828	**401,510**	673,827
Mini Hydro Power	**7,414**	8,280	**-**	-
	408,924	682,108	**401,510**	673,827
Total Liabilities	**2,056,628**	2,203,736	**2,046,628**	2,193,176
d) Segment Capital Expenditure				
Cost				
Tea	**141,624**	150,252	**141,624**	150,252
Rubber	**1,323**	3,524	**1,323**	3,524
Others	**33,825**	14,670	**33,825**	14,670
Mini Hydro Power	**71**	495	**-**	-
	176,843	168,942	**176,772**	168,447

7. OTHER INCOME AND GAINS

	Group		Company	
Year ended	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Profit on Sale of Trees	**34,126**	16,111	**34,126**	16,111
Amortisation of Capital Grants	**5,300**	5,300	**5,300**	5,300
Profit on Disposal of Property,Plant & Equipments	**8,195**	11,304	**8,195**	11,304
Dividend Income	**-**	-	**7,508**	1,931
Income from Towers	**3,094**	4,716	**3,094**	4,716
Sale of Cinnamon	**841**	825	**841**	825
Solar Income	**2,728**	1,944	**2,728**	1,944
	54,284	40,200	**61,792**	42,131

8. FINANCE INCOME/ EXPENSE

8.1 Finance Income

	Group		Company	
Year ended	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Interest Income	**94,807**	90,915	**94,259**	90,730
	94,807	90,915	**94,259**	90,730
8.2 Finance Expenses				
Overdraft Interest	**(661)**	(3,320)	**(661)**	(3,318)
Term Loan Interest	**(1,744)**	(12,727)	**(1,744)**	(11,891)
	(2,405)	(16,047)	**(2,405)**	(15,209)
8.3 Interest Paid To Government and Other Leases				
Interest paid on Government Lease	**(32,612)**	(31,512)	**(32,602)**	(31,512)
Interest paid on Other Lease	**(4,556)**	-	**(4,556)**	-
	(37,168)	(31,512)	**(37,158)**	(31,512)
Net Finance Income	**55,234**	43,356	**54,696**	44,009

9. PROFIT BEFORE TAX IS STATED AFTER CHARGING

	Group		Company	
Year ended	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Directors Emoluments	**11,903**	11,456	**11,903**	11,456
Key Management Compensation	**10,430**	9,600	**10,430**	9,600
Auditors Fees	**5,013**	4,886	**4,483**	4,546
Depreciation/Amortisation	**197,772**	169,061	**180,459**	151,755
Defined Benefit Plan Costs	**174,748**	143,884	**174,239**	143,437
Defined Contributions Plan Costs - EPF & ETF	**188,951**	175,529	**187,999**	174,570
Others - Staff Costs	**2,171,114**	1,749,104	**2,159,747**	1,738,694

10. INCOME TAX EXPENSE

The major component of income tax expenses for the period are as follows :

10.1. INCOME STATEMENT

	Group		Company	
Year ended	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Current Tax Expenses				
Current Income Tax Charges	**21,566**	14,085	**19,886**	13,662
Under/(over) provision in respect of previous years	**-**	(5,205)	**-**	(5,205)
	21,566	8,880	**19,886**	8,457
Deferred Tax Expense				
Deferred Taxation Charge/(Reversal)	**649**	62,086	**(2,445)**	59,586
	649	62,086	**(2,445)**	59,586
Total Tax Expense	**22,215**	70,966	**17,441**	68,043

10.2. STATEMENT OF COMPREHENSIVE INCOME

	Group		Company	
	2020 Rs.'000	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Deferred tax related to items charged or credited directly to OCI during the year;				
Net (gain)/loss on actuarial benifit obligation	**(1,317)**	(13,566)	**(1,332)**	(13,570)
Income tax charged directly to other comprehensive income	**(1,317)**	(13,566)	**(1,332)**	(13,570)

10.3. Reconciliation between tax expenses and the product of accounting

Profit multiplied by the statutory effective tax rates are as follows:

	Group		Company	
Year ended	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Profit before Tax	**218,789**	483,681	**220,416**	466,228
Tax Rate	**14.00%**	14.00%	**14.00%**	14.00%
Tax effect on Accounting Profit Before Tax	**31,541**	67,716	**30,858**	65,272
Tax effect on Aggregate disallowed items	**57,814**	49,700	**54,859**	47,047
Tax effect on Aggregate allowable items	**(68,001)**	(49,882)	**(65,794)**	(49,674)
	21,354	67,534	**19,923**	62,645
Tax effect on Non Tax Receipt	**(13,471)**	-	**(13,548)**	-
Tax effect on Tax Loss B/F & Utilised	**(1,507)**	(66,793)	**-**	(61,684)
	6,376	741	**6,375**	961
Other Income	**13,511**	12,728	**13,511**	12,702
Dividend Tax @ 14%	**1,680**	616	**-**	-
Income Tax Charge/(Reversal)	**21,567**	14,085	**19,886**	13,663
Income Tax Provided in the Accounts	**21,567**	14,085	**19,886**	13,663

10.4. Deferred Tax (Assets) and Liabilities

	2020		2019	
Group	**Temporary Difference Rs.'000**	**Tax Effect Rs.'000**	**Temporary Difference Rs.'000**	**Tax Effect Rs.'000**
As at 1 April	**1,378,447**	**192,986**	1,014,624	144,465
Amount originating during the year	**(4,745)**	**(667)**	363,823	48,521
As at 31 March	**1,373,702**	**192,319**	1,378,447	192,986
Temporary difference of Right-of-use asset	**272,558**	**38,158**	-	-
Temporary difference of Property, Plant and Equipment	**527,839**	**73,898**	528,275	73,958
Temporary difference of Immature/Mature	**1,769,342**	**247,708**	1,765,545	247,176
Temporary difference of Biological Asset	**310,625**	**43,488**	281,615	39,430
Temporary difference of Retirement Benefit Obligation	**(1,024,164)**	**(143,383)**	(969,573)	(135,740)
Temporary difference of Deferred Income	**(139,526)**	**(19,534)**	(144,826)	(20,276)
Carried Forward Tax Losses	**(60,410)**	**(8,457)**	(82,589)	(11,562)
Temporary difference of Lease Liability	**(282,562)**	**(39,559)**	-	-
As at 31 March	**1,373,702**	**192,319**	1,378,447	192,986
Company				
As at 1 April	**1,458,703**	**204,222**	1,130,042	158,206
Amount originating during the year	**(26,947)**	**(3,776)**	328,661	46,016
As at 31 March	**1,431,756**	**200,446**	1,458,703	204,222
Temporary difference of Right-of-use asset	**272,558**	**38,158**	-	-
Temporary difference of Property, Plant and Equipment	**522,974**	**73,217**	523,663	73,313
Temporary difference of Immature/Mature	**1,769,343**	**247,708**	1,765,545	247,176
Temporary difference of Biological Asset	**310,625**	**43,488**	281,615	39,430
Temporary difference of Retirement Benefit Obligation	**(1,021,655)**	**(143,032)**	(967,294)	(135,421)
Temporary difference of Deferred Income	**(139,526)**	**(19,534)**	(144,826)	(20,276)
Temporary difference of Lease Liability	**(282,563)**	**(39,559)**	-	-
As at 31 March	**1,431,756**	**200,446**	1,458,703	204,222

	Group		Company	
	2020 Rs.'000	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Deferred Tax Assets	**(8,127)**	(11,236)	**-**	-
Deferred Tax Liabilities	**200,446**	204,222	**200,446**	204,222
	192,319	192,986	**200,446**	204,222

11. EARNINGS PER SHARE

11.1. Basic Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

11.2. 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.

Basic/diluted earning per share calculated as follows.

	Group		Company	
	2020 Rs.'000	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Amounts used as the Numerator :				
Net profit attributable to equity holders of the parent	**195,698**	404,837	**202,975**	398,185
Amounts used as the Denominator :				
Weighted average number of ordinary shares of the parent	**23,750,000**	23,750,000	**23,750,000**	23,750,000
Basic/Diluted Earnings Per Share (Rs.)	**8.24**	17.05	**8.55**	16.77

12. RIGHT OF USE ASSETS

		Group		Company	
	Notes	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Right-of-use asset-Land	12.1	**241,324**	154,735	**241,248**	154,735
Right-of-use asset-Building	12.2	**31,310**	-	**31,310**	-
Right-of-use asset-Immovable estate assets	12.3	**57,287**	59,777	**57,287**	59,777
		329,921	214,512	**329,845**	214,512

12.1 Right-of-use asset-land

"Right-of-use asset-land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 was applicable with effect from 01 January 2019, and therefore, above "Right-of-use asset-land" has accounted in accordance with such standard with effect from 01 April 2019. "Right-of-use asset-land" have been executed for all estates for a period of 53 years.

This Right-of-use asset-land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset-land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset-land" and "Lease Liability" has been enhanced.

The Company has adopted SLFRS 16 using the modified retrospective method from 01 April 2019, without restating comparative information. instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in this standard. The effect of adoption of SLFRS 16 to the Retained Earning as of 01 April 2019 is given in the Note 25 to the Financial Statements.

12.1 Right-of-use asset-land contd.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Cost				
As at 1st April	**200,927**	200,927	**200,927**	200,927
Transferred in Due to Initial Application of SLFRS 16	**(46,192)**	-	**(46,192)**	-
Transition adjustment due to Initial Application of SLFRS 16	**96,128**	-	**96,048**	-
As at 31st March	**250,863**	200,927	**250,783**	200,927
Amortisation				
As at 1st April	**46,192**	40,309	**46,192**	40,309
Transferred Due to Initial Application of SLFRS 16	**(46,192)**	-	**(46,192)**	-
Amortisation charge for the year	**9,539**	5,883	**9,535**	5,883
As at 31st March	**9,539**	46,192	**9,535**	46,192
Written Down Value	**241,324**	154,735	**241,248**	154,735

The unexpired period of the lease as at the statement of financial Position date is 25.3 years.

12.2 Right-of-use asset-Building

Talawakelle Tea Estates PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent) and which was previously accounted as an operating lease under LKAS 17. Since, the SLFRS 16 supersedes LKAS 17 Leases, The Company adopted SLFRS 16 using the modified retrospective method of adoption to above lease arrangement. The effect to the Statement of Financial Position and depreciation of building to 31 March 2020 are as follows:

	Group	Company
	2020	**2020**
	Rs.'000	**Rs.'000**
Cost As at 1st April 2019	-	-
Effect of adoption SLFRS 16, as at 01st April 2019	**39,137**	**39,137**
Additions	-	-
As at 31st March 2020	**39,137**	**39,137**
Depreciation		
As at 1st April 2019	-	-
Depreciation charge for the year	**7,827**	**7,827**
As at 31st March 2020	**7,827**	**7,827**
Carrying amount	**31,310**	**31,310**
Total Carrying Amount of Right of use Assets	**272,634**	**272,558**

12.3 Right-of-use assets-Immovable Estate Assets

At the time of privatisation of Plantation Estates, all immovable assets in these estates have been taken into the books of the Company retroactive to 22 June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and threrefore, these assets have accounted in accordance with such standard with effect from 01 April 2019.

	Group/Company					
	Improvement to Land Rs.'000	**Mature Plantations Rs.'000**	**Buildings Rs.'000**	**Plant & Machinery Rs.'000**	**2020 Total Rs.'000**	**2019 Total Rs.'000**
Cost/ Revaluation						
*Revaluation as at 22.06.1992	9,084	243,838	63,826	12,007	**328,755**	328,755
As at 31 March	9,084	243,838	63,826	12,007	**328,755**	328,755
Accumulated Amortisation						
As at 1st April	7,464	185,681	63,826	12,007	**268,978**	266,705
Amortisation charge for the year	62	2,428	-	-	**2,490**	2,273
As at 31 March	7,526	188,109	63,826	12,007	**271,468**	268,978
Written down value						
As at 31 March	1,558	55,729	-	-	**57,287**	59,777

*Revaluation amount is arrived at after adjusting for assets handed over to Tea Smallholdings Development Authority.

13. A. TANGIBLE ASSETS OTHER THAN IMMATURE / MATURE PLANTATIONS

	Group				Company			
	Balance as at 01.04.2019 Rs.'000	Additions for the Year Rs.'000	Disposals during the Year Rs.'000	Balance as at 31.03.2020 Rs.'000	Balance as at 01.04.2019 Rs.'000	Additions for the Year Rs.'000	Disposals during the Year Rs.'000	Balance as at 31.03.2020 Rs.'000
Cost								
Buildings	503,810	-	-	**503,810**	503,810	-	-	**503,810**
Motor Vehicles	264,457	10,031	(16,082)	**258,406**	264,457	10,031	(16,082)	**258,406**
Plant & Machinery	1,147,902	16,761	(1,104)	**1,163,559**	662,543	16,420	(1,104)	**677,859**
Furniture & Fittings	12,349	21	-	**12,370**	12,349	21	-	**12,370**
Equipment & Tools	147,931	23,252	-	**171,183**	147,131	23,180	-	**170,311**
	2,076,449	50,065	(17,186)	**2,109,328**	1,590,290	49,652	(17,186)	**1,622,756**

	Balance as at 01.04.2019 Rs.'000	Charge for the Year Rs.'000	Accumulated depreciation on disposals Rs.'000	Balance as at 31.03.2020 Rs.'000	Balance as at 01.04.2019 Rs.'000	Charge for the Year Rs.'000	Accumulated depreciation on disposals Rs.'000	Balance as at 31.03.2020 Rs.'000
Accumulated Depreciation								
Buildings	155,740	12,671	-	**168,411**	155,740	12,671	-	**168,411**
Motor Vehicles	152,584	30,949	(16,082)	**167,451**	152,584	30,949	(16,082)	**167,451**
Plant & Machinery	590,094	39,332	(1,104)	**628,322**	419,378	23,151	(1,104)	**441,425**
Furniture & Fittings	9,335	557	-	**9,892**	9,335	557	-	**9,892**
Equipment & Tools	103,466	19,447	-	**122,913**	102,984	19,279	-	**122,263**
	1,011,219	102,956	(17,186)	**1,096,989**	840,021	86,607	(17,186)	**909,442**
Written Down Value	1,065,230			**1,012,339**	750,269			**713,314**

	Balance as at 01.04.2019 Rs.'000	Additions for the Year Rs.'000	Capitalised during the Year Rs.'000	Balance as at 31.03.2020 Rs.'000	Balance as at 01.04.2019 Rs.'000	Additions for the Year Rs.'000	Capitalised during the Year Rs.'000	Balance as at 31.03.2020 Rs.'000
Capital Work-in-Progress	8,791	26,396	(8,458)	**26,729**	8,449	26,396	(8,116)	**26,729**
Total Written Down Value	1,074,021			**1,039,068**	758,718			**740,043**

Note : The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the Company (22nd June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12.

No borrowing costs have been capitalised into Capital Work-in-Progress.

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the date of the Statement of Financial Position is Rs.465.3 Mn (2018/19-Rs. 483.4 Mn).

13. B. IMMATURE / MATURE PLANTATIONS - (BEARER BIOLOGICAL ASSET)

	Group/Company					
	Permanent Land Development Cost Rs.'000	Roads Rs.'000	Immature Plantations Rs.'000	Mature Plantations Rs.'000	2020 Total Rs.'000	2019 Total Rs.'000
Cost						
*As at 1st April	23,172	83,025	219,391	2,217,653	**2,543,241**	2,503,508
Additions	-	-	93,643	-	**93,643**	48,452
**Transfers to consumable	-	-	(15,846)	-	**(15,846)**	(5,885)
Adjustments	-	-	3,113	(3,113)	-	(2,834)
Transfers	-	-	(83,531)	83,531	-	-
As at 31st March	23,172	83,025	216,770	2,298,071	**2,621,038**	2,543,241
Accumulated Depreciation						
As at 1st April	12,138	82,074	-	683,484	**777,696**	710,448
Amortisation charge for the year	420	951	-	72,629	**74,000**	67,972
Adjustments	-	-	-	-	-	(724)
As at 31st March	**12,558**	**83,025**	-	**756,113**	**851,696**	**777,696**
Written Down Value						
As at 31st March	10,614	-	216,770	1,541,958	**1,769,342**	1,765,545

*The figures above are stated after adjusting for assets handed over to Tea Smallholdings Development Authority.

** Original decision to plant bearer plants changed by the management to consumable plants and therefore cost incurred on land preparation transferred to consumable biological assets.

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

The Company has decided to measure the bearer biological assets at cost using LKAS 16 – Property, Plant & Equipment.
Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalized during the period under Immature Plantations (2018/19 - Nil).

13. C. CONSUMABLE BIOLOGICAL ASSETS

TIMBER PLANTATIONS - MANAGED TREES

	Group/Company	
As at 31 March	2020 Rs.'000	2019 Rs.'000
As at 1 April	**273,159**	252,739
Increase due to development	**15,197**	7,885
Transfer From Immature Plantation	**15,846**	5,885
Gain/(loss) arising from changes in fair value less cost to sell attributable to physical change	**17,414**	11,125
Decrease due to harvest	**(15,380)**	(4,475)
As at 31 March	**306,236**	273,159

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The fair value of matured managed trees were ascertained in accordance with SLFRS 13. The valuation was carried by Messer's Sunil Fernando & Associates (Pvt) Ltd, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

13. C. 1. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS

	Group/Company	
	2020 Rs.'000	**2019 Rs.'000**
Change in fair value of consumable biological assets (Note 13 C)	**17,414**	11,125
Change in fair value of produce on bearer biological assets (Note 15)	**(4,067)**	(3,668)
	13,347	7,457

13. C. 2.INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Asset	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average.)		Relationship of Unobservable Inputs to Fair Value
			2020	**2019**	
Consumable Managed Biological Assets	DCF	Discounting Rate	17.50%	17.50%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	25-35 Years	25-35 Years	Lower the rotation period, the higher the fair value
		Volume at rotation	25-85 cu.ft	25-85 cu.ft	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs. 450/- to Rs. 9,000/-	Rs. 450/- to Rs. 9,000/-	The higher the price per cu. ft., the higher the fair value

Other key assumptions used in valuation

1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
2. The prices adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting yet the costs are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. The Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations are as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation as included in the consolidated accounts against his own assumptions.

It does, nevertheless, concern the directors that no estimate of fair value can ever be completely accurate. Moreover, in the case of the group's biological assets, small differences in valuation assumptions can have a quite disproportionate effect on results. Another concern is that, as shown from an international benchmark, there is currently no uniform approach within the plantation sector when it comes to defining the major variables, such as selling price and/or discount rates, in the DCF models resulting in the LKAS 41 values.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nil. (2018/2019-nil).

13. C. 3. Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Rs.'000	Rs.'000
Managed Timber	10%	-10%
As at 31 March 2020	21,443	(21,861)
As at 31 March 2019	19,929	(20,348)

Sensitivity Variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

	Rs.'000	Rs.'000
	1.50%	-1.50%
As at 31 March 2020	(2,048)	1,995
As at 31 March 2019	(1,858)	1,735

14. INVESTMENTS IN SUBSIDIARIES

Talawakelle Tea Estates PLC holds 3,519,000 (51%) ordinary shares of TTEL Hydro Power Company (Pvt) Ltd, and 3,060,000 (51%) ordinary shares of TTEL Somerset Hydro Power (Pvt) Ltd., and 14% redeemable cumulative preference shares of Rs.10/- each of TTEL Hydro Power Company (Pvt) Ltd. and TTEL Somerset Hydro Power (Pvt) Ltd. amounting to Rs. 53,108,300/= and Rs. 16,034,400/= respectively redeemable at the option of the investee.

	Company	
As at 31 March	**2020 Rs.'000**	**2019 Rs.'000**
Ordinary Shares		
TTEL Hydro Power Company (Pvt) Ltd	**35,190**	35,190
TTEL Somerset Hydro Power (Pvt) Ltd	**30,600**	30,600
	65,790	65,790
Preference Shares		
TTEL Hydro Power Company (Pvt) Ltd	**53,108**	53,108
TTEL Somerset Hydro Power (Pvt) Ltd	**16,034**	16,034
	69,143	69,143
Total Investment	**134,933**	134,933

Subsidiaries	**Principle Activity**
TTEL Hydro Power Company (Pvt) Ltd	Generates Hydro Power
TTEL Somerset Hydro Power (Pvt) Ltd	Generates Hydro Power

15. PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group/Company	
As at 31 March	**2020**	**2019**
	Rs.'000	**Rs.'000**
At the beginning of the year	**8,456**	12,124
Change in fair value less cost to sell	**(4,067)**	(3,668)
	4,389	8,456

Level 2 inputs were used when arriving above figures.

16. INVENTORIES

	Group		Company	
As at 31 March	**2020**	**2019**	**2020**	**2019**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Biological Assets - Nurseries	**14,457**	11,334	**14,457**	11,334
Biological Assets -Harvested Crop	**234,506**	379,302	**234,506**	379,302
Input Stocks, Consumables & spares	**56,203**	63,123	**54,089**	61,010
	305,166	453,759	**303,052**	451,646
Less : Provision for Slow Moving Stocks	**(1,344)**	(1,344)	**(1,344)**	(1,344)
	303,822	452,416	**301,708**	450,302

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
As at 31 March	**2020**	**2019**	**2020**	**2019**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Produce Debtors	**23,030**	82,763	**5,616**	78,446
Advances & Prepayments	**82,922**	87,197	**74,950**	78,708
Other Debtors	**49,169**	36,354	**49,169**	36,354
	155,121	206,314	**129,735**	193,508
Less: Provision for Doughtfull Debt	**(870)**	(2,620)	**(870)**	(2,620)
	154,251	203,694	**128,865**	190,888

18. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
As at 31 March		**2020**	**2019**	**2020**	**2019**
	Relationship	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Dipped Products PLC	Related Company	**826**	1,361	**826**	1,361
Martin Bauer Hayleys (Pvt) Ltd	Related Company	**-**	18	**-**	18
Horana Plantations PLC	Related Company	**865**	315	**865**	315
Kelani Valley Plantations PLC	Related Company	**2,090**	310	**2090**	310
Hayleys Power Ltd	Related Company	**76**	-	**-**	-
		3,857	2,004	**3,781**	2,004

19. SHORT TERM INVESTMENT

	Group		Company	
As at 31 March	**2020**	**2019**	**2020**	**2019**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Unit Trust	**184,325**	37,864	**184,325**	37,864
Saving Accounts	**29,644**	19,870	**29,644**	19,870
Call Deposits	-	29,220	-	11,720
Fixed Deposits	**898,553**	907,062	**898,553**	907,062
	1,112,522	994,016	**1,112,522**	976,516

20. STATED CAPITAL

	Group/Company	
As at 31 March	**2020**	**2019**
	No. of Shares	**No. of Shares**
Issued and Fully Paid Ordinary Shares		
Number of ordinary shares including one golden share held by the Treasury which has special rights	**23,750,001**	23,750,001
	Rs.'000	**Rs.'000**
Stated Capital including one Golden Share held by the Treasury which has special rights	**350,000**	350,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the Golden share are given in the Annual Report to the Board of Directors on the Affairs of the Company.

21. NON-CONTROLLING INTEREST

	Group	
	2020	**2019**
	Rs.'000	**Rs.'000**
TTEL Hydro Power Company (Pvt) Ltd	**95,919**	95,335
TTEL Somerset Hydro Power (Pvt) Ltd	**74,614**	81,493
	170,533	176,828

21.1 MATERIAL PARTLY OWNED SUBSIDIARIES

Summarised financial information of subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

	TTEL Hydro Power Company (Pvt) Ltd		**TTEL Somerset Hydro Power (Pvt) Ltd**	
	2020	**2019**	**2020**	**2019**
Non-Controlling Interests in %	**49**	49	**49**	49
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Accumulated Balance of Non-Controlling Interest	**95,919**	95,335	**74,614**	81,493

Summarised statement of profit or loss for the year ended 31 March	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Revenue	**29,200**	35,846	**23,101**	32,426
Cost of sales	**(23,105)**	(20,924)	**(15,771)**	(17,314)
Administrative expenses	**(3,109)**	(3,711)	**(5,973)**	(7,286)
Finance Income	**-**	-	**548**	184
Finance Cost	**(6)**	(838)	**(4)**	-
Profit/(loss) before tax	**2,980**	10,374	**1,901**	8,010
Income Tax	**(1,831)**	(835)	**(1,262)**	(1,472)
Profit/(loss) after tax	**1,149**	9,539	**639**	6,539
Attributable to owners	**586**	4,865	**326**	3,335
Attributable to non-controlling interests	**299**	4,674	**313**	3,204
Total Comprehensive income	**1,193**	9,541	**683**	6,562
Dividend paid to non-controlling interest	**-**	-	**7,214**	**1,855**

Summarised statement of financial position as at 31 March	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Current Assets	**28,200**	13,411	**25,893**	31,306
Non Current Assets	**186,181**	198,616	**127,291**	136,126
Current Liabilities	**16,594**	15,732	**4,915**	15,450
Non Current Liabilities	**1,551**	1,250	**1,035**	1,029
Total Equity	**196,236**	195,044	**147,234**	150,953
Attributable to :				
Equity holders of parent	**100,080**	99,472	**75,089**	76,986
Non-controlling interests	**80,457**	95,571	**60,366**	73,967

Summarised statement of cash flows for the year ended 31 March	TTEL Hydro Power Company (Pvt) Ltd		TTEL Somerset Hydro Power (Pvt) Ltd	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating cash flows	**4,500**	15,112	**(6,706)**	21,879
Investing cash flows	**(71)**	(71)	**207**	(423)
Financing cash flows	**-**	(16,124)	**(4,402)**	(4,402)
Net increase/(decrease) in cash & cash equivalents	**4,429**	(1,083)	**(10,901)**	17,054

22. INTEREST BEARING LOANS AND BORROWINGS

Group/Company	2020 Repayable within 1 year	2020 Repayable after one year less than five years	2020 Repayable after five years	2020 Sub Total over one year	2020 Total as at 31.03.2020	2019 Repayable within 1 year	2019 Repayable after one year less than five years	2019 Repayable after five years	2019 Sub Total over one year	2019 Total as at 31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
22.1 National Development Bank PLC	**3,492**	**13,097**	**-**	**13,097**	**16,589**	3,492	13,970	2,619	16,589	20,081
22.2 Tea Board Loan	**1,573**	**-**	**-**	**-**	**1,573**	18,951	993	-	993	19,944
	5,065	**13,097**	**-**	**13,097**	**18,162**	22,443	14,963	2,619	17,582	40,025

22.1 National Development Bank PLC

Group/Company	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total over one year	Total as at 2020	Total as at 2019	Rate of Interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	%	
Solar Project	3,492	13,097	-	13,097	16,589	20,081	6.3	72 Monthly installments commencing from February 2019
	3,492	13,097	-	13,097	16,589	20,081		

22.2 Tea Board Loan

Group/Company	Repayable within one year	Repayable after one year less than five years	Repayable after five years	Sub Total over one year	Total as at 2020	Total as at 2019	Rate of Interest	Terms of Repayment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	%	
Distress Loan	1,573	-	-	-	1,573	19,944	5	36 monthly installments commencing from May 2017
	1,573	-	-	-	1,573	19,944		

23. RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Provision for Retirement Benefit Obligations				
At the beginning of the year	**969,573**	811,824	**967,294**	809,992
Interest Cost	**100,225**	84,732	**100,225**	84,531
Current Service Cost	**74,523**	59,180	**74,013**	58,906
Gratuity Payments for the year	**(129,567)**	(83,062)	**(129,389)**	(83,062)
Actuarial (Gain) / Loss due to changes in financial assumptions	**3,523**	-	**3,562**	-
Actuarial (Gain) / Loss due to changes in experience	**5,887**	96,899	**5,950**	96,927
At the end of the year	**1,024,164**	969,573	**1,021,655**	967,294

According to the actuarial valuation report issued by the Actuarial & Management Consultants (Pvt) Ltd As at 31 March 2020, the actuarial present value of promised retirement benefits amounted to Rs.1,024,163,735 /-. If the Group 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. 1,110,811,070 /-.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The key assumptions used by actuary include the following.

	2020	2019
(i) Rate of Discount	**10% (per annum)**	11% (per annum)
(ii) Rate of Salary Increase		
Workers	**18% (every two years)**	20% (every two years)
Staff	**9% (per annum)**	10% (per annum)
(iii) Retirement Age		
Workers	**60 years**	60 years
Staff	**60 years**	60 years

The actuarial Present Value of Retirement Benefit Obligation is carried on annual basis.

The weighted average duration of the Retirement Benefit Obligation at the end of the reporting period is 5.37 years and 6.47 years for staff and workers respectively.

The following payments are expected from the Retirement Benefit Obligation in future years.

	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Within the next 12 months	**171,069**	141,751	**170,415**	141,202
Between 1-5 years	**371,194**	363,182	**370,207**	362,244
Between 5-10 years	**254,512**	250,680	**254,121**	250,263
Beyond 10 years	**227,389**	213,959	**226,912**	213,585
Total	**1,024,164**	969,573	**1,021,655**	967,294

23. RETIREMENT BENEFIT OBLIGATIONS CONTD.

Sensitivity Analysis - Salary/ Wage Escalation Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the rate of wage increment and the salary increment. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and salary has the following effect on the retirement benefit obligation.

Group	Workers		Staff	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of wage/salary increment in every two years / per annum	-1%	1%	-1%	1%
As at 31 March 2020	(26,101)	27,211	(7,731)	8,441
As at 31 March 2019	(21,159)	22,028	(7,230)	6,738

Company	Workers		Staff	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of wage/salary increment in every two years / per annum	-1%	1%	-1%	1%
As at 31 March 2020	(26,101)	27,211	(7,591)	8,285
As at 31 March 2019	(21,159)	22,028	(6,567)	7,151

Sensitivity Analysis - Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the discount rate. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of the discount rate has the following effect on the retirement benefit obligation.

Group	Workers		Staff	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of discount	-1%	1%	-1%	1%
As at 31 March 2020	54,950	(48,988)	7,740	(6,970)
As at 31 March 2019	52,579	(46,931)	6,150	(6,588)

Company	Workers		Staff	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of discount	-1%	1%	-1%	1%
As at 31 March 2020	54,950	(48,988)	7,596	(6,842)
As at 31 March 2019	52,579	(46,931)	6,573	(5,937)

24. DEFERRED INCOME

As at 31st March	Group/Company 2020 Rs.'000	2019 Rs.'000
Deferred Grants and Subsidies		
Balance at the beginning of the year	**144,826**	150,126
Less : Amortisation for the year	**(5,300)**	(5,300)
Balance at the end of the year	**139,526**	144,826

The Company has not received any funding during the year and received fundings in prior years are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies. Grants are amortised over the life of the assets for which they are being deployed.

25. LEASE LIABILITY

As at 31 March	Note	Group 2020 Rs.'000	2019 Rs.'000	Company 2020 Rs.'000	2019 Rs.'000
Lease liability on Right-of-Use asset- Land	25.1	**249,446**	186,353	**249,365**	186,353
Lease liability on Right-of-Use asset- Building	25.2	**33,197**	-	**33,197**	-
		282,643	186,353	**282,562**	186,353
25.1 Lease liability on Right-of-Use asset- Land					
Balance at the beginning of the year		**186,353**	187,174	**186,353**	187,174
Transition adjustment due to initial application of SLFRS 16		**64,510**	-	**64,430**	-
Accretion of Interest		**32,603**	24,333	**32,602**	24,333
Repayment during the year		**(34,020)**	(25,154)	**(34,020)**	(25,154)
Balance as at end of the year		**249,446**	186,353	**249,365**	186,353

25.1.1 The effect of adoption SLFRS 16 - Leases as at 01 April 2019 - Group

	Lease Liability Rs.'000	Right of Use Assets - Land Rs.'000	Retained Earnings Rs.'000
Balance as at 01 April 2019 (before intial application of SLFRS 16)	186,353	154,735	2,097,174
Transition adjustment due to initial application of SLFRS 16	64,510	96,128	31,618
Adjusted balance as at 01 April 2019 (at the intial application of SLFRS 16)	250,863	250,863	2,128,792

The effect of adoption SLFRS 16 - Leases as at 01 April 2019 - Company

	Lease Liability Rs.'000	Right of Use Assets - Land Rs.'000	Retained Earnings Rs.'000
Balance as at 01 April 2019 (before intial application of SLFRS 16)	186,353	154,735	2,054,825
Transition adjustment due to initial application of SLFRS 16	64,430	96,048	31,618
Adjusted balance as at 01 April 2019 (at the intial application of SLFRS 16)	250,783	250,783	2,086,443

25. LEASE LIABILITY CONTD.

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
25.1.2 Maturity analysis of lease liability as follows,				
Payable within one year				
Gross liability	**34,034**	25,154	**34,020**	25,154
Finance cost allocated to future periods	**(32,428)**	(24,226)	**(32,417)**	(24,226)
Net liability transferred to current liabilities	**1,606**	928	**1,603**	928
Payable within two to five years				
Gross liability	**136,362**	100,615	**136,080**	100,615
Finance cost allocated to future periods	**(127,504)**	(95,530)	**(127,298)**	(95,530)
Net liability	**8,858**	5,085	**8,782**	5,085
Payable after five years				
Gross liability	**680,398**	553,383	**680,398**	553,383
Finance cost allocated to future periods	**(441,417)**	(373,043)	**(441,417)**	(373,043)
Net liability	**238,981**	180,340	**238,981**	180,340
Net liability payable after one year	**247,839**	185,425	**247,763**	185,425

The base rental payable per year Rs.34,019,900/-.

The lease liability as at 01 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-Use Asset-Land" and "Lease Liability" has been enhanced. The Net Liability as at 31 March 2020 as follows:

	Group Rs.'000	Company Rs.'000
Gross Liability	850,794	850,498
Finance Charge	(601,348)	(601,132)
Net Liability	249,446	249,366

25. LEASE LIABILITY CONTD.

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

	2020 Rs.'000
As at 31 March 2019	-
Initial Recognition of Lease Liability as per SLFRS 16	**39,137**
As at 01 April 2019	**39,137**
Additions	-
Accretion of Interest	**4,556**
Payments during the year	**(10,496)**
Balance as at 31March 2020	**33,197**
Current Liability	**10,566**
Non Current Liability	**22,631**
Total Lease Liability as at 31 March 2020	**33,197**

LEASE LIABILITY

	Group Rs.'000	Company Rs.'000
Current Liability	12,172	12,168
Non Current Liability	270,471	270,394
Total Lease Liability as at 31 March 2020	282,643	282,562

26. TRADE AND OTHER PAYABLES

	Group		Company	
As at 31st March	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Trade Creditors	**38,678**	39,617	**34,650**	39,617
Dividend Payable	-	142,809	-	142,809
Accrued Expenses	**132,237**	183,951	**122,234**	175,205
Income Tax Payable	-	2,277	-	2,277
Others	**199,194**	248,177	**198,162**	248,177
	370,109	616,830	**355,046**	608,084

27. AMOUNTS DUE TO RELATED COMPANIES

		Group		Company	
As at 31 March	**Relationship**	**2020 Rs.'000**	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Hayleys PLC	Ultimate Parent	**11,948**	11,920	**11,948**	11,139
Hayleys Plantation Services (Pvt) Ltd	Parent Company	**1,953**	-	**1,953**	-
TTEL Hydro Power Co. (Pvt) Ltd	Subsidiary Company	-	-	**8,667**	3,474
Hayleys Power Ltd	Related Company	**1,014**	2,207	-	-
Hayleys Business Solutions International (Pvt) Ltd	Related Company	**107**	101	**107**	81
Mabroc Teas (Pvt) Ltd	Related Company	**22**	22	**22**	22
Hayleys Agriculture Holdings Limited	Related Company	**210**	-	**210**	-
Kelani Valley Plantations PLC	Related Company	**3,128**	-	**3,128**	-
Logiwiz Ltd	Related Company	**94**	-	**94**	-
		18,476	14,250	**26,129**	14,716

28. DIVIDENDS PAID

	Company 2020 Rs.'000	2019 Rs.'000
Dividend paid during the year		
Interim Dividend for 2018/19 - Rs. 6.00 per share	**142,500**	-
Final Dividend for 2017/18-Rs. 2.50 per share	-	59,375
	142,500	59,375

29. ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

Bank	Nature of Assets	Nature of Liability	2020 Facility Amount Rs. Mn	2020 Outstanding Amount Rs. Mn
Sampath Bank PLC	Hypothecation bond over stock & book debts for Rs. 45 Mn.	Over Draft	**40**	**0.04**
National Development Bank PLC	Fixed Deposits of Rs. 24 Mn with the letter of setoff.	Solar Loan	**21**	**16.6**
The Hongkong & Shanghai Banking Co.Ltd	Concurrent mortgage over stocks and debtors for Rs. 65 Mn.	Over Draft	**15**	**1.5**
Sri Lanka Tea Board	Tea Sales Proceeds	Term Loan	**53**	**1.6**

30. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date	Company 2020 Rs. (Mn)	2019 Rs. (Mn)
Approved by the Board & Contracted for	-	7
Approved by the Board & not Contracted for	**353**	377
	353	384

31. COMMITMENTS AND CONTINGENCIES

There are no known contingent liabilities exist as at the statement of financial position date, to be disclosed or adjusted in the financial statements.

32. EVENTS AFTER THE REPORTING PERIOD

COVID -19 Pandemic

The Government has identified the plantation sector as an essential service and encouraged the stakeholders to continue their operations during the period of lockdown. The Group continued its operations in the estates during the curfew days. Since the lockdown, the Colombo Tea Auctions have gone online and have seen an upward trend both in demand and price. This trend still continues and augurs well for the industry.

In order to meet the challenges created by the COVID -19 Pandemic, Talawakelle Tea Estates PLC has taken recommended measures to mitigate the effect of the COVID -19 virus on its day to day business operations by the guidelines issued by the government and health authorities and has been continuing its strategic business continuity plans.

33. RELATED PARTY DISCLOSURES

Transactions with related parties were made on relevant commercial terms with the respective parties. Details of Significant Related Party Disclosures are as follows.

33.1. Recurrent Transactions with the parent and ultimate parent company

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.'000) 2020	2019
Hayleys PLC	Ultimate Parent	Mr. A. M. Pandithage	Data Processing Services Secretarial Services , Office Rent & Management Salaries	**49,492**	55,050
Hayleys Plantation Services (Pvt) Limited	Parent	Mr. A. M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Dr. W. G. R. Rajadurai	Managing Agent's Fee (5% from Earnings before Interest, Tax, Depreciation and Amortisation.)	**-**	-
		Mr. D. S. Senaviratne (Resigned w.e.f 02/02/2020)	Reimbursement of Administration Expenses	**1,953**	1,909

The managing agent Hayleys Plantation Services (Pvt) Limited has waived the management fee hereafter with effect from 01/04/2014.

33.2. Transactions with the subsidiaries

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.'000) 2020	2019
TTEL Hydro Power Company (Pvt) Limited	Subsidiary	Mr. A. M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Dr. W. G. R. Rajadurai	Preference Share Dividends	**-**	-
TTEL Somerset Hydro Power (Pvt) Ltd	Subsidiary	Mr. A. M. Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Dr. W. G. R. Rajadurai	Preference and Ordinary Share Dividends	**7,508**	1,931

33.3 Recurrent Transactions with other related companies

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.'000) 2020	2019
Dipped Products PLC	Intermediary Ultimate Parent	Mr. A. M. Pandithage	Proceeds on latex supplies	**11,370**	12,884
Hayleys Travels (Pvt) Ltd	Affiliate	Mr. A. M. Pandithage	Providing of Air Ticketing Services	**1,550**	398
Hayleys Agriculture Holdings Limited.	Affiliate	Mr. A. M. Pandithage	Purchase of Equipment & Chemicals	**5,076**	8,473
Hayleys Agro Fertilizers (Pvt) Limited.	Affiliate	Mr. A. M. Pandithage	Purchase of Fertilizer	**76,273**	98,253
Mabroc Teas (Pvt) Ltd.	Affiliate	Mr. A. M. Pandithage Dr. W. G. R. Rajadurai	Sale of Teas	**172,376**	181,597

33.3 Recurrent Transactions with other related companies contd.

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amounts (Rs.'000) 2020	2019
Kelani Valley Plantations PLC	Affiliate	Mr. A.M. Pandithage Dr. W. G. R. Rajadurai	Head office maintenance cost		
			- Payments	**225**	3,888
			- Receipts	**2,908**	3,467
			Green Leaf Supplies		
			- Payments	**5,315**	-
			- Receipts	**-**	-
Hayleys Business Solutions International (Pvt) Ltd.	Affiliate	Mr. A. M. Pandithage	Payroll processing cost	**437**	490
Logiwiz Ltd	Affiliate	Mr. A. M. Pandithage	Providing of document Storing Service	**612**	650
Hayleys Agro Farms (Pvt) Ltd	Affiliate	Mr. A. M. Pandithage	Purchase of Chemicals	**-**	168
Hayleys Consumer Products (Pvt) Ltd	Affiliate	Mr. A. M. Pandithage	Purchase of Accessories	**32**	25
Hayleys Global Beverages (Pvt) Ltd	Affiliate	Mr. A. M. Pandithage Dr. W. G. R. Rajadurai	Reimbursement of Administration Expenses		
			- Receipts	**-**	2,111
Martin Bauer Hayleys (Pvt) Ltd	Affiliate	Mr. A. M. Pandithage	Reimbursement of Administration Expenses		
			- Receipts	**262**	1,483
Dilmah Ceylon Tea Co.(MJF)	Affiliate	Mr. Merrill J Fernando Mr. Malik J Fernando Ms. M. D. A. Perera	Sales of tea at auction	**143,087**	113,796
Horana Plantations PLC	Affiliate	Mr. A. M. Pandithage Dr. W. G. R. Rajadurai	Reimbursement of Administration Expenses		
			- Payments	**625**	7
			- Receipts	**-**	127
Hayleys Aventura (Pvt) Ltd	Affiliate	Mr. A.M. Pandithage	Purchase of VSD	**16**	1,195
Agro Technica Limited	Affiliate	Mr. A.M. Pandithage	Purchase of Chemical	**37**	58
Hayleys Advantis Limited	Affiliate	Mr. A.M. Pandithage	Payment of Freight Cost	**-**	67
Hayleys Lifescience (Pvt) Ltd	Affiliate	Mr. A.M. Pandithage	Purchase of ID Cards	**2**	30
Energynet (Pvt) Ltd	Affiliate	Mr. A.M. Pandithage	Purchase of Solar Panels	**7,725**	7,725
Singer (Sri Lanka) PLC	Affiliate	Mr. A.M. Pandithage Mr. M. H. Jamaldeen	Purchase of Computer Item	**2,719**	5,156
Uni-Dil Packaging Solutions Ltd	Affiliate	Mr. A.M. Pandithage	Purchase of Packing Materials	**16,200**	15,728
The Kingsbury PLC	Affiliate	Mr. A.M. Pandithage	AGM Expenses	**753**	125
Puritas Ltd	Affiliate	Mr. A.M. Pandithage	Purchase of Masks	**13**	-

33.4 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 9 & 33.1 to the Financial Statements.

Details of Directors and their spouses share holdings are given in the Annual Report of the Board of Directors of the Affairs of the Company.

34. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 9, 14, 18, 27 & 33 to the financial statements.

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

35.1. Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The TTE PLC Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

35.2. Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

35.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases 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.

TTE PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 23.0 Mn (2019 – Rs. 82.7 Mn).

35.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group held short term investments of Rs. 1,112.5 Mn as at 31st March 2020 (2019 – Rs. 994.0 Mn) which represents the maximum credit exposure on these assets.

35.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 53.3 Mn as at 31st March 2020 (2019 – Rs. 19.1 Mn) which represents its maximum credit exposure on these assets.

Sampath Bank PLC – AA– (lka)
Hatton National Bank PLC –AA- (lka)
Bank of Ceylon – AA+ (lka)
Hongkong and Shanghai Banking Corporation Ltd – AAA (lka)
Union Bank – BB+ (lka)
Seylan Bank PLC – A- (lka)
DFCC Bank PLC - AA- (lka)
National Development Bank PLC - A+ (lka)
Commercial Bank PLC - AA (lka)

35.3. Liquidity Risk

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

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

35.3. Liquidity Risk Contd.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31st March 2020	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest Bearing Loans & Borrowing	-	2,703	3,666	11,905	2,383	20,657
Bank Overdraft	3,102	-	-	-	-	3,102
Trade & Other Payables	-	212,813	152,297	-	-	370,110
	3,102	215,516	160,963	11,905	2,383	393,869
Company						
Interest Bearing Loans & Borrowing	-	2,703	3,666	11,905	2,383	20,657
Bank Overdraft	3,102	-	-	-	-	3,102
Trade & Other Payables	-	204,152	150,895	-	-	355,047
	3,102	206,855	154,561	11,905	2,383	378,806

As at 31st March 2019	On Demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	2 to 5 years Rs.'000	>5 years Rs.'000	Total Rs.'000
Group						
Interest Bearing Loans & Borrowing	-	6,153	18,032	20,114	-	44,299
Bank Overdraft	27,656	-	-	-	-	27,656
Trade & Other Payables	-	354,677	262,153	-	-	616,830
	27,656	360,830	280,185	20,114	-	688,785
Company						
Interest Bearing Loans & Borrowing	-	6,153	18,032	20,114	-	44,299
Bank Overdraft	27,656	-	-	-	-	27,656
Trade & Other Payables	-	349,649	258,435	-	-	608,084
	27,656	355,802	276,467	20,114	-	680,039

35.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits, available for sale investment & derivative financial instruments.

35.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group do not hold long term borrowings with floating interest rate as at the date of financial position (2019 - Rs. Nil).

35.4.2 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However, company does not hold any quoted shares as at the reporting date.

35.4.3 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	Group		Company	
	2020 Rs.'000	**2019 Rs.'000**	**2020 Rs.'000**	**2019 Rs.'000**
Interest bearing loans & borrowings				
Current portion	**5,065**	22,443	**5,065**	22,443
Payable After one year	**13,097**	17,582	**13,097**	17,582
Lease liability				
Current portion	**12,172**	928	**12168**	928
Payable After one year	**270,471**	185,425	**270,394**	185,425
Bank Overdraft	**3,102**	27,656	**3,102**	27,656
	303,907	254,034	**303,826**	254,034
Equity	**2,861,115**	2,641,935	**2,825,998**	2,599,583
Equity & debts	**3,165,022**	2,895,969	**3,129,824**	2,853,617
Gearing ratio	**10%**	9%	**10%**	9%

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31st March 2020 are disclosed below.

The funds borrowed by the Company and the Group are given in Note 22.

	Group Interest-Bearing Borrowings Rs.'000	Company Interest-Bearing Borrowings Rs.'000
Balance as at 01 April 2019	40,025	40,025
Net Cash flows from Financing Activities	(21,864)	(21,864)
Balance as at 31 March 2020	18,161	18,161

Investor Information

1. STOCK EXCHANGE

Interim Financial Statements of the 4th Quarter, for the year ended 31st March 2020, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. COMPOSITION OF THE ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2020

Number of shareholders as at 31st March 2020 is 13,544 (31st March 2019-13,468)

NO. OF SHARES HELD	RESIDENTS			NON-RESIDENTS			TOTAL		
	No.of Shareholders	*No.of Shares*	%	*No.of Shareholders*	*No.of Shares*	%	*No.of Shareholders*	*No.of Shares*	%
1 - 1,000	13,365	2,091,053	8.8044	9	3,123	0.0131	13,374	2,094,176	8.8175
1,001 - 10,000	134	421,708	1.7756	4	13,156	0.0554	138	434,864	1.8310
10,001 - 100,000	22	558,969	2.3535	1	25,000	0.1053	23	583,969	2.4588
100,001 - 1,000,000	6	1,280,211	5.3904	1	422,080	1.7772	7	1,702,291	7.1676
Over 1,000,000	2	18,934,700	79.7251				2	18,934,700	79.7251
	13,529	23,286,641	98.0490	15	463,359	1.9510	13,544	23,750,000	100.0000
CATEGORY									
Individuals	13,454	3,365,570	14.1708	13	16,279	0.0685	13,467	3,381,849	14.2394
Institutions	75	19,921,071	83.8782	2	447,080	1.8824	77	20,368,151	85.7606
	13,529	23,286,641	98.0490	15	463,359	1.9510	13,544	23,750,000	100.0000

Of the issued ordinary share capital, 98.04%, is held by residents of Sri Lanka.

3. PUBLIC HOLDING

Percentage of shares held by the public is 20.27% (2019-20.27%) held by 13,541 ordinary shareholders (2019-13,464).

4. MARKET VALUE

The market value of an ordinary shares of Talawakelle Tea Estates PLC was as follows:

	12 MONTHS ENDED 31.03.2020 Rs.	12 MONTHS ENDED 31.03.2019 Rs.	12 MONTHS ENDED 31.03.2018 Rs.
Highest	54.80 (05th April 2019)	59.90 (16th May 2018)	61.20 (01st November 2017)
Lowest	37.00 (13th March 2020)	42.50 (26th November 2018)	31.30 (24th April 2017)
Year end	39.90	48.70	54.50

Float - adjusted market capitalization - Rs. 192,083,587.50.

The Company complies with option 5 of the Listing Rules 7.13.1 (a) which requires a minimum public holding of 20% for a company having a float adjusted market capitalization of Less than Rs. 2.5 Bn.

Investor Information contd.

5. DIVIDEND PAYMENT

Interim dividend 2018/19 – Rs. 6.00 per share was paid on 18th April 2019.

6. SHARE TRADING

	12 MONTHS ENDED 31 MARCH 2020	12 MONTHS ENDED 31 MARCH 2019	12 MONTHS ENDED 31 MARCH 2018
No. of transactions	1,599	919	2358
No. of shares traded	747,303	717,864	2,436,347
Value of shares traded (Rs.)	35,862,101	36,928,261	129,214,524

7. TWENTY MAJOR SHAREHOLDERS

	NAME OF THE SHAREHOLDER	NO.OF SHARES AS AT 31.03.2020	%	NO.OF SHARES AS AT 31.03.2019	%
1.	HAYLEYS PLANTATION SERVICES (PRIVATE) LIMITED	17,750,000	74.74	17,750,000	74.74
2.	MERRILL J FERNANDO & SONS (PVT) LIMITED	1,184,700	4.99	1,184,700	4.99
3.	ANVERALLY AND SONS (PVT) LTD A/C NO 01	449,573	1.89	449,573	1.89
4.	SEZEKA LIMITED	422,080	1.78	422,080	1.78
5.	MR. G M WEERAKOON	335,625	1.41	285,747	1.20
6.	PEOPLE'S LEASING & FINANCE PLC/MR. K K SHUJEEVAN	158,197	0.67	31,976	0.13
7.	MRS. U D D N PERERA	117,609	0.50	72,119	0.30
8.	MR. N A WITHANA	112,100	0.47	112,100	0.47
9.	COCOSHELL ACTIVATED CARBON COMPANY LIMITED	107,107	0.45	107,107	0.45
10.	MR. D F G DALPETHADO & MRS. H F A K D FONSEKA	62,857	0.26	9,046	0.04
11.	VINGROWS BUSINESS SOLUTIONS (PVT) LTD	60,000	0.25	60,000	0.25
12.	CAPITAL TRUST HOLDINGS LIMITED	56,300	0.24	212,694	0.90
13.	MR. P A D SAMARASEKERA	53,400	0.22	53,400	0.22
14.	MR. K C VIGNARAJAH	43,700	0.18	48,800	0.21
15.	PEOPLE'S LEASING & FINANCE PLC /MR. L K N K KULAWARDENA	28,999	0.12	34,000	0.14
16.	SECRETARY TO THE TREASURY	28,444	0.12	28,444	0.12
17.	HARNAM HOLDINGS SDN BHD	25,000	0.11	25,000	0.11
18.	MRS. N D P GURUGE	25,000	0.11	25,000	0.11
19.	MR. A J KAHAGALAGE	22,750	0.10	24,485	0.10
20.	MR. P SOMADASA	21,177	0.09	15,015	0.06

Code of Best Practice on Corporate Governance and Listing Rules

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Section 1 – The Company			
A. Directors *Principle A.1 - The Board* The Company to be headed by an effective Board that directs, leads and controls it. As at 31.03.2020, the Board comprised 9 directors including the Chairman and the Managing Director who represent a broad spectrum of demographic attributes and characteristics. The diverse perspectives of directors allow for proper strategic oversight as well as robust deliberation during board meetings. The profiles of the directors are given on pages 18 to 21. The Board is principally responsible for directing and overseeing the affairs of the Company, balancing the interests of shareholders and stakeholders, and ensuring the Company's long-term economic, social and environmental sustainability			
A.1.1	Regular Board Meetings	Compliant	Unless the business exigencies demand the convening of additional special meetings, the Board meets at least on a quarterly basis. The frequency of Board meetings and the structure and process of submitting the information to the Board at these meetings have been agreed. The details of meetings of the Board and attendance of the members thereat are given on page 70. During the year, 4 Board meetings were held at which the Board devoted a substantial time in evaluating the information provided to it, including the Company's strategy, performance, risk profile, compliance with governance and other information required to be reported under this Section A.1.1
A.1.2	Role and responsibilities of the Board	Compliant	The Board is the highest decision-making body in the Company and is responsible for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The responsibilities and duties of the Board, which include those listed in this Section A.1.2, are documented and communicated to the Directors at the time of their appointment. The role of the Board is described on Page 67.
A.1.3	Compliance with laws and access to independent professional advice	Compliant	The Group Code of Business Conduct and Ethics emphasises the importance of compliance with all laws and regulations that are applicable to the Company and its operations. In order to preserve the independence of the Board and to strengthen the decision making process, the Directors are permitted to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Company
A.1.4	Access to advice and services of Company Secretary and insurance cover for the directors and key management personnel	Compliant	The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed and all Directors have access to the Company Secretary. The appointment or removal of the Company Secretary is a matter to be considered by the Board as a whole. The Directors and Officers liability insurance obtained by the ultimate parent of the Company, Hayleys PLC provides worldwide coverto indemnify all past, present and future Directors and Officers of the group.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
A.1.5	Independent Judgement	Compliant	Thus, all Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business. Details of Directors deliberations are contained in the minutes maintained by the Company Secretary.
A.1.6	Dedicate Adequate Time and Effort to Matters of the Board and the Company	Compliant	The Directors are committed to provide the required amount of time and attention towards the accomplishment of their duties for the duration of their tenure. Dates of regular Board meetings and regular Board Sub Committee meetings are scheduled well in advance and the relevant papers are circulated ensuring that the Directors are given adequate time to review the same and seek additional information or clarifications, if required. The details of meetings of the Board and sub-committees and attendance of the members thereat are given on page 70.
A.1.7	Director's right to call for resolutions	Compliant	The Directors are entitled to include matters and proposals in the agenda for Board meetings whenever they deem it is in the interest of the Company. However, no such instance occurred during the period under review.
A.1.8	Training for new and existing Directors	Compliant	Directors receive a significant bespoke induction programme with a range of information relating to the general aspects of directorship and matters specific to the industry when they first join the Board. Ongoing support and resources are provided to Board members as required, to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting Company or its business.

Principle A.2 - Chairman and the Chief Executive Officer (CEO)
The roles of the Chairman and the Chief Executive Officer of the Company are to be distinct and separate, ensuring the balance of power and authority.

A.2.1	Divisions of Responsibilities between the Chairman and CEO	Compliant	The Board ensures that the appointment of and delegation to management contribute to role clarity and effective exercise of authority and responsibility. Thus, roles of the Chairman and the Managing Director are clearly defined and are separated in line with best practices in order to maintain a balance of power and authority.

Principle A.3 - Chairman's Role
The Chairman is responsible for providing leadership to the Board and preserving order and facilitating the effective discharge of duties of the Board.

A.3.1.	Role of the Chairman	Compliant	The Chairman is responsible for leading the Board in discharging its duties effectively, and enhancing the Company's standards of corporate governance. The Chairman provides clear leadership to the Board with respect to the Company's long-term growth and strategy. . The Board members are of the view that the strong leadership of the Chairman is a key contributing factor to the effectiveness of the Board. The Chairman approved the agenda for each meeting in consultation with the Managing Director and the Company Secretary and ensured that all Board proceedings were conducted in a proper manner.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle A.4 - Financial Acumen ***The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.***			
A.4.1	Availability of sufficient financial acumen and knowledge	Compliant	Two Directors of the Board, including the Chairman of the Audit Committee, are Fellow Members of CA Sri Lanka ensuring sufficient financial acumen within the Board on matters of finance. In addition, all members of the Board possess experience in various aspects of financial management.
Principle A.5 - Board Balance ***Board to have a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the Board's decision-making.***			
A.5.1	Presence of Non-Executive Directors of sufficient calibre and number	Compliant	Six out of the nine Directors on the Board are non-executive directors facilitating an appropriate balance within the Board, which has been maintained throughout the financial year. The proportion of Non-Executive Directors on the Board ensures that the Board is able to exercise objective judgement on corporate affairs and the performance of management against Key Performance Indicators.
A.5.2	Presence of Independent Non-Executive Directors	Compliant	Three out of the Six non-executive directors are independent thus complying with the requirement of this Section A.5.1. that two or one-third of the non-executive directors should be independent.
A.5.3	Independence of Non-Executive Directors	Compliant	Two Independent Non-Executive Directors met the criteria for independence as set out in the applicable rules and regulations, including the Code and are deemed to be independent of management and free of business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	Annual declarations by Non-Executive Directors of their independence or non-independence	Compliant	Annual self-declarations were submitted by each non-executive director for 2019/20 declaring his/her status of independence in terms of the applicable rules and regulations.
A.5.5	Determination of the independence or non-independence of Non-Executive Directors	Compliant	Based on the self- declarations submitted by the directors of their independence, the Board determined that the following directors who were in office during 2019/20 were independent,
			(i) Dr N T Bogahalande (ii) Mr S L Athukorala (iii) Mr M H Jamaldeen
A.5.6	Alternate Directors	Compliant	Alternate Director appointed by Non-Executive Director is not an executive of the Company. Further, none of the Independent Director's have appointed an alternate as at the reporting date.
A.5.7 & A.5.8	Senior Independent Director	Compliant	The Managing Director and Chairman are not one and the same person. As such, there is no requirement to appoint a Senior Independent Director.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
A.5.9	Chairman to hold meetings with the Non-Executive Directors without the presence of Executive Directors	Compliant	As and when the need arises and at least once every year Chairman holds meetings with the Non Executive Directors without the presence of the Executive Directors.
A.5.10	Recording of Directors' concerns in Board Minutes	Compliant	The Directors' concerns pertaining to unresolved matters are discussed and recorded by the Company Secretary in the Board Minutes in sufficient detail. Further discussions on these matters are pursued at the next Board meeting with a view to resolving them. However, no such issues arose during the year under review.
Principle A.6 - Supply of Information ***The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.***			
A.6.1	Management's obligation to provide the Board with appropriate and timely information	Compliant	The Management ensures that the Board is provided with timely, accurate, relevant and comprehensive information before the Board meeting every month, with adequate time for them to review the same and prepare for discussions. The members of the Executive Management make presentations to Directors on important issues relating to financial performance, strategy, risk management, investment proposals, systems and procedures, where necessary. The Directors also have access to management to obtain further information or clarify any concerns they may have.
A.6.2	Board Papers and Agenda to be circulated seven days prior to meetings	Compliant	In order to ensure that the Directors have adequate time to study the papers and prepare themselves for constructive discussions at Board meetings, the Agenda and Board Papers are circulated at least seven days prior to Board meetings. Directors who are unable to attend a meeting is apprised of the proceedings of such meeting through formally documented minutes, which are also discussed at the next meeting and minutes of a meeting is ordinarily provided to Directors at least within two weeks after the meeting date.
Principle A.7 - Appointments to the Board ***There should be a formal and transparent procedure for the appointment of new Directors to the Board.***			
A.7.1	Availability of a formal and transparent procedure for new appointments through an established Nomination Committee	Compliant	The Nomination Committee of the parent company, Hayleys PLC acts as the Nomination Committee of the Company and makes recommendations to the Board on all new appointments of Directors. The composition of the Nomination Committee is given on Page 70.
A.7.2	Annual assessment of the Board-composition by the Nomination Committee	Compliant	During the annual self-evaluation process, the Board as a whole assesses its own composition to ascertain whether the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company and findings of these assessments are taken in to consideration in the appointment of new Directors.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
A.7.3	Disclosure of information to Shareholders upon appointment of new Directors	Compliant	All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange and subsequently through the Company's Annual Report.

Principle A.8- Re-election
All Directors should submit themselves for re-election at regular intervals.

A.8.1	Non Executive Directors are appointed for specified terms subject to re-election	Compliant	Non-Executive Directors are appointed for a specified term subject to re-election and to the provisions of the Companies Act relating to the removal of a director and their re-appointment is not automatic.
A.8.2	All Directors including Chairman to be subject to re-election at first opportunity after appointment and re-election at least every three years thereafter	Compliant	In terms of the Articles of Association of the Company, all Directors, including the Chairman, are subject to re-election by shareholders at the first opportunity after their appointment and to retirement by rotation thereafter at intervals of no more than three years. However, the Managing Director is not subject to retirement by rotation. The names of directors submitted for election or re-election are accompanied by a resume to enable shareholders to make informed decisions on such elections/re-elections.
A.8.3.	Reasons for resignations of Directors	Compliant	If and when a Director is resigning prior to the completion of his term of appointment, he/she provides the Board with a written communication thereon indicating his/her reasons for the resignation. Dr. S S S B D G Jayawardena and Mr. D S Seneviratne (retired) who resigned from the office of Director during the year under review submitted a written communication in compliance with the above.

Principle A.9 - Appraisal of Board Performance
Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.

A.9.1	Annual appraisal of Board Performance	Compliant	The Board annually appraises its own performance to ensure that it is discharging its responsibilities satisfactorily. This process requires each Director to fill a Performance Evaluation Questionnaire in line with the provisions of the Code.
A.9.2	Annual appraisal of the Board Committees	Compliant	The self-evaluation that is carried out by the Board includes an evaluation of the performance of the Board as a whole as well as of its committees.
A.9.3.	Review of Directors' contribution to and engagement with the Company at the time of their re-election	Compliant	The Nomination Committee of the parent company, Hayleys PLC which is responsible for making recommendations to the Board on all appointments of Directors, takes into account the overall contribution, participation and engagement of the individual directors when considering their re-appointments.
A.9.4	Disclosure of the method of appraisal of the Board and Board Sub Committee performance	Compliant	The Board evaluation process is carried out by the Remuneration Committee and other sub-committees of the parent company, Hayleys PLC in accordance with its mandate.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle A.10- Disclosure of Information in respect of Directors ***Shareholders should be kept advised of relevant details in respect of Directors.***			
A.10.1	Annual Report to disclose specified information regarding Directors	Compliant	Name, qualifications, expertise, brief profiles material business interests and key appointments are given on pages 18 to 22. Details of whether a Director is Executive, Non Executive / or Independent, Non Independent are given on page 70. Related Party Transactions are given on pages 135 to 137. Membership of Board Sub Committees and attendance at Board Meetings and Board Sub Committee meetings are given on page 70.
Principle A.1 - Appraisal of Chief Executive Officer (CEO) ***The Board should be required, at least annually to assess the performance of the CEO.***			
A.11.1	Set reasonable financial and non-financial targets to be met by the CEO (Managing Director in the case of the Company)	Compliant	The Board discusses and sets financial and non-financial targets to be achieved during the year by the Managing Director with reference to the short, medium and long term objectives of the Bank.
A.11.2	Evaluate performance of the CEO (Managing Director in the case of the Company) with reference to targets	Compliant	The performance of the Managing director is evaluated by the Board quarterly and at the end of each financial year to ascertain if the financial and non-financial targets set at the beginning of the financial year have been achieved and if not, the reasons and circumstances justifies the failure to achieve same.
B. DIRECTORS 'S REMUNERATION ***Principle B.1 - Remuneration Procedure*** ***The Company should establish a formal and transparent procedure for developing policy on both Executive and Non-Executive directors remuneration***			
B.1.1	Appointment of a Remuneration Committee	Compliant	The Remuneration Committee of Hayleys PLC, the parent company, acts as the remuneration committee of the Company and is responsible for the oversight of remuneration related policies and practices of the Company. The Committee makes recommendations to the Board within agreed Terms of Reference, on the Company's framework of remunerating the executive Directors.
B.1.2	Remuneration Committee to comprise exclusively Non Executive Directors	Compliant	The Remuneration Committee comprises four Non-Executive Directors three of whom including the Chairman are Independent Directors.
B.1.3	Requirement to list the Chairman and members of the Remuneration Committee in the Annual Report	Compliant	The composition of the Remuneration Committee is given on page 70.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
B.1.4	Remuneration for Non Executive Directors	Compliant	Within the limits set out in the Articles of Association, the Board of the parent company, Hayleys PLC collectively decides the remuneration of the Non-Executive Directors, including the members of the Remuneration and Nomination Committee. The Non-Executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.
B.1.5	Remuneration of Executive Directors	Compliant	The Remuneration Committee consults the Chairman on its proposals relating to the remuneration of other Executive Directors and is empowered to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.

Principle B.2 - The level and make up of Remuneration
The remuneration of executive and non-executive directors should be sufficient to attract and retain the services of Directors.

B.2.1& B.2.2	Remuneration for Executive Directors should attract, retain and motivate	Compliant	As determined by the Remuneration Committee within appropriate limits, the remuneration for Executive Directors are structured in a manner that reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.
B.2.3	Positioning Company remuneration levels relative to other companies	Compliant	The Remuneration Committee seeks to provide fair and equitable policies geared towards attracting, retaining and motivating employees which is a key element in the efficient operation of the Company's business. Such policies also capture sound personnel administration practice and maintenance of competitive remuneration and welfare packages to employees. Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.
B.2.4	Positioning Company remuneration levels relative to the Group	Compliant	The remuneration Committee is sensitive to remuneration and employment conditions of other companies within the Hayleys Group.
B.2.5	Performance related elements of remuneration for Executive Directors	Compliant	A performance related element of remuneration for Executive Directors has been implemented.
B.2.6	Executive share options	Not applicable	The Company does not have any executive share option schemes at present.
B.2.7	Designing schemes of performance related remuneration	Compliant	The Remuneration Committee follows the provisions set out in Schedule E to the Code in designing schemes of performance related remuneration.
B.2.7 & B.2.8	Compensation for early termination of employment of Directors	Not applicable	Special early termination clauses are not included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, any such compensation would be determined by the Board of Directors.
B.2.10	Levels of remuneration for Non-Executive Directors	Compliant	Non-Executive Directors are remunerated in line with market practices also taking into account the commitment and responsibilities of their role. However, they are not entitled to receive any performance based remuneration share options.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle B.3 - Disclosure of Remuneration			
The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.			
B.3.1	Composition of the Remuneration Committee, Remuneration Policy and Disclosure of Aggregate Remuneration Paid to Directors	Compliant	The composition of the Remuneration Committee is given on page 70. The aggregate remuneration paid to Executive and Non Executive Directors are given in Note 9 to the Financial Statements on page 115.
C. RELATIONS WITH SHAREHOLDERS			
Principle C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings			
The Board should use the AGM to communicate with shareholders.			
C.1.1	Notice of Meeting	Compliant	The Company understands the importance of communicating effectively with shareholders and are committed to the constructive use of the AGM for the Board, Chairman and Directors to meet with shareholders, hear their views and to answer their questions. Therefore, the Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM in compliance with the applicable statutes. The Annual Report for the year 2018/19 was submitted to the Colombo Stock Exchange on 30th May 2019 and was dispatched to all shareholders on the same day. The AGM was held on 24th June 2019.
C.1.2	Separate resolutions for each substantially separate Issue	Compliant	Separate resolutions are proposed on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately. The adoption of the Annual Report of the Board of Directors, the Financial Statements of the Company and the Report of the Auditors thereon are considered as a separate resolution.
C.1.3	Count proxy votes lodged	Compliant	The Bank has in place an effective mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against each resolution. As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution.
C.1.4	Availability of Board Sub Committee Chairperson at AGM	Compliant	The Chairman of the Board ensures that the Chairmen of Board sub-committees are present at the AGM to answer any query by shareholders. The Chairmen of the Board Sub committees were present at the previous years' AGM held on 24th June 2019.
C.1.5	Summary of procedures governing voting at the AGM	Compliant	The notice of meeting and related documents are circulated to the Shareholders 15 working days prior to the AGM. A summary of the procedures governing voting at the AGM is provided in the Proxy Form, which is circulated to shareholders together with the notice of meeting as mentioned above.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle C.2 - Communication with Shareholders ***The Board should implement effective communication with Shareholders.***			
C.2.1	Channel to reach all Shareholders of the Company	Compliant	The Company has many channels to reach its shareholders in order to disseminate timely information of which the primary channels are the Company's website and the CSE.
C.2.2	Policy and methodology for communication with Shareholders	Compliant	Any information that the Board considered as price sensitive is disseminated to the shareholders as necessary.
C.2.3	Implementation of the policy and methodology for communication with Shareholders	Compliant	Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders and are published through the CSE.
C.2.4	Contact person in relation to Shareholder matters	Compliant	Shareholders may bring up their concerns on communication with the Company Secretary.
C.2.5	Process to make all Directors aware of major issues and concerns of Shareholders	Compliant	The Chairman ensures that all Directors are aware of major issues and concerns of shareholders.
C.2.6	Identification of a person to be contacted on shareholder matters	Compliant	Shareholders may bring up their concerns either with the Company Secretary or the Chairman as appropriate.
C.2.7	Process of responding to Shareholder matters	Compliant	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. The Company Secretary maintains a dialogue with the shareholders to answer and to attend to all the correspondences.
Principle C.3 - Major and Material Transactions ***Directors should disclose to Shareholders all proposed material transactions which would materially alter the net asset position of the Company and Group if entered into.***			
C.3.1	Need to Disclose major and material transactions	Compliant	During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by the Code that required disclosure to the shareholders.
C.3.2	Compliance with disclosure and shareholder approval requirements under applicable rules and regulations	Compliant	The Company ensures compliance with all disclosure and shareholder approval requirements necessitated by various rules and regulations applicable to it if and when a major or material transaction is proposed to be entered into by the Company.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
D. ACCOUNTABILITY AND AUDIT *Principle D.1 - Financial Reporting* ***The Board is required to present a balanced and understandable assessment of the Company's financial position, performance and prospects.***			
D.1.1 & D.1.2	Interim reports, price-sensitive public reports, regulatory reports and statutory information requirements	Compliant	The Company has complied with the requirements of the Companies Act No.7 of 2007 in the preparation and presentation of its annual and interim financial statements in conformity with Sri Lanka Accounting Standards. During 2019/20, the interim accounts and annual financial statements were published on a timely basis and regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange on a timely basis during the year
D.1.3	Declarations by CEO and CFO	Compliant	Prior to approving the financial statements covering a particular financial period, the Board obtains the declaration of the Managing Director and the General Manager - Finance on their responsibility in respect of financial reporting. Managing Director's, Chief Executive Officer's and General Manager - Finance's Statement of Responsibility is given on page 83.
D.1.4	Declarations by Directors in the Directors' Report	Compliant	The declarations by the Directors as required by the Code are included in the Annual Report of the Board of Directors on the Affairs of the Company on Pages 77 to 81.
D.1.5	Responsibilities of the Board for the preparation and presentation of Financial Statements and Statement by the Auditors about their reporting responsibilities	Compliant	Statement on Directors' Responsibility for Financial Reporting is set out on Page 82. Auditors' responsibility over Financial Statements is covered in the Independent Auditors' Report on Pages 86 to 89. Directors' Statement on Internal Controls over Financial Reporting is set out on Pages 86 to 89.
D.1.6	Inclusion of a Management Discussion and Analysis in the Annual Report	Compliant	Management Discussion and Analysis is set out on Pages 33 to 54.
D.1.7	Notify Shareholders in case Net Assets of the Company fall below 50%	Not applicable	The situation has not arisen during the year 2019/20 and the likelihood of such a situation is remote. However, should such a situation arises, an EGM would be convened to keep the shareholders informed thereof.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
D.1.8	Disclosure of Related Party Transactions in the Annual Report	Compliant	each related party has submitted signed and dated quarterly declarations annually mentioning whether they have related party transactions with the Company as required under regulations applicable to the Company to comply with the disclosure requirements; The Company Secretary keeps a record of related party transactions and makes necessary disclosures accordingly; A record on related party and related party transactions is maintained by the Company to capture information to comply with the respective related party disclosure requirements imposed by SEC / Accounting Standards / Auditing Standards and similar regulations. Details of the Related Party Transactions Review Committee are disclosed in the Related Party Transactions Review Committee Report on Page 72. Details on related party transactions during 2019/20 are disclosed under Note 33 on Pages 135 to 137 in the Financial Statements.

Principle D.2 - Internal Controls
The Company should have a process of risk management and a sound system of internal control to safeguard Shareholders' investments and the Company's assets.

D.2.1	Annual review of internal controls	Compliant	The Board is responsible for formulating and implementing appropriate and adequate internal control systems and the Audit Committee has the responsibility to the Board to ensure that the system of internal controls are sufficient and effective. With the assistance of the Audit Committee, risks and controls are reviewed and monitored by the Board on quarterly basis to ensure relevance and effectiveness.
D.2.2	Directors' assessment of the risks facing the Company	Compliant	Details of the risks facing the Company and the measures taken to mitigate same are explained in the Risk Management Section on page 56 to 64.
D.2.3	Need for an internal audit function	Compliant	The Company has its own internal audit function over which the BAC has oversight and also employs independent professional accounting firms to complement the work done by them. Details on the internal audit function are set out in the Audit Committee Report on Page 71.
D.2.4	Audit Committee to review the process and effectiveness of risk management and internal controls	Compliant	The Audit Committee carries out reviews of the process and the effectiveness of risk management and internal controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
D.2.5	Responsibilities of Directors in maintaining a sound system of internal control and content of Statement of Internal Control	Compliant	Information on Directors' responsibility for maintaining a sound system of internal control is disclosed in the Directors Statement on Internal Controls over Financial Reporting on Page 82.

Principle D.3 - Audit Committee
Board should establish formal and transparent arrangements for selecting and applying accounting policies, financial reporting and internal control principles.

D.3.1	Composition of the Audit Committee	Compliant	Audit Committee consists of two Non-Executive Directors appointed by the Board and Chairman of the Committee is an Independent Director. The Company Secretaries Hayleys Group Services (Pvt) Ltd serves as its Secretary. The Managing Director and the Gerneral Manager - Finance attend meetings. The Chairman and other Executive Directors attend meetings by invitation. The input of the Statutory Auditors is obtained, where necessary. The Audit Committee supports the Group to achieve a balance between conformance and performance. The composition of the Audit Committee is disclosed on Page 70.
D.3.2	Terms of Reference of the Audit Committee	Compliant	The Audit Committee operates within clearly defined Terms of Reference approved by the Board. The duties and responsibilities of the Committee as set out in the said Terms of Reference are in line with the Code. The Terms of Reference of the Board Audit Committee is detailed in the Audit Committee Report on Page 71.
D.3.3.	Disclosures relating to the Audit Committee	Compliant	The report of the Audit Committee covering the information referred to in this Section D.3.3. is given on page 71.

Principle D.4 – Related Party Transactions Review Committee
Board should establish a procedure to ensure the proper management of related party transactions.

D.4.1	Definition of related parties and related party transactions	Compliant	The Company follows the definition set out in LKAS 24 in determining the related parties and related party transactions.
D.4.2	Related Party Transactions Review Committee	Compliant	The Related Party Transactions Review Committee of the parent company, Hayleys PLC, oversees the related party transactions of the Company.
D.4.3.	Terms of Reference of the Related Party Transactions Review Committee	Compliant	The Related Party Transactions Review Committee operates within clearly defined Terms of Reference approved by the Board of the parent company. The duties and responsibilities of the Committee as set out in the said Terms of Reference, are in line with the Code.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle D.5 - Code of Business Conduct and Ethics			
Companies must adopt a Code of Business Conduct and Ethics for Directors and key management personnel and must promptly disclose any waivers of the Code for Directors or others.			
D.5.1	Disclosures on the presence of a Code of Business Conduct and Ethics	Compliant	The Company is governed by the Group Code of Business Conduct and Ethics, "The Hayleys Way" which is applicable to Directors, other KMPs, and all other employees.
D.5.2	Identification and reporting of price sensitive information	Compliant	The Company has in place an effective mechanism for identification of information that could be perceived as price sensitive information and prompt disclosure of same to the relevant regulatory authorities.
D.5.3	Policy governing dealing in shares	Compliant	The Group Code of Business Conduct and Ethics, "The Hayleys Way" entails as part of it a comprehensive policy and processes governing dealings by the Directors, KMPs and employees in the shares of the Company.
D.5.4	Chairman's affirmation on compliance with the Code of Business Conduct and Ethics	Compliant	Compliant
Principle D.6 - Corporate Governance Disclosures			
The Directors should disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.			
D.6.1	Inclusion of a Corporate Governance Report in the Annual Report	Compliant	This report from pages 65 to 83 sets out the manner in and the extent to which the Company has complied with the Code.
SECTION 2 – SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
Principle E.1 - Shareholder Voting			
Institutional Shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.			
E.1.1	Regular and structured dialogue with shareholders	Compliant	Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of Talawakelle Tea Estates PLC has decided to hold the 28th Annual General Meeting (AGM) as a Hybrid Meeting on Thursday, 23rd July 2020 at 4.00 p.m., in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual/hybrid AGMs and on the assumption that no curfew will be in force on that date and that there would be no restrictions imposed by the authorities on conduct of meetings. Guidelines and the circulars are posted to all shareholders of the company. The Annual General Meeting (AGM) is used as as an effective channel to create a dialogue between the Shareholders and the Board of Directors. Therefore, the Company encourages all Shareholders to participate at AGMs and cast their votes. Additionally, the Company has an ongoing structured dialogues and meetings with institutional shareholders, where a wide range of relevant issues is discussed.

Code of Best Practice on Corporate Governance and Listing Rules contd.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle E.2 - Evaluation of Governance Disclosures			
When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.			
E.2.	Encourage institutional investors to give due weight to relevant governance arrangements	Compliant	Sufficient attention has been given to the interests of institutional investors and they are at liberty to give due weight when exercising their voting rights on resolutions relating to the Board structure and the composition.
F. OTHER INVESTORS			
Principle F.1 - Investing/Divesting Decisions			
F.1	Encourage individual shareholders to seek independent advice in investing or divesting decisions	Compliant	Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.
Principle F.2 - Shareholder Voting			
F.2	Encourage individual shareholders to participate in General Meetings and exercise voting rights	Compliant	Individual shareholders are encouraged to participate at general meetings and cast their votes. To achieve this purpose, the notices of meetings are dispatched to all shareholders within the prescribed time periods. Maximum of 30 shareholders can physically accesses to the meeting and all the other shareholders are given access virtually.
G. INTERNET OF THINGS AND CYBERSECURITY			
Principle G.1 – Internet of Things			
G.1	Process to identify connections to the Company's network and cybersecurity risks	Compliant	Hayleys Group's IT Usage Policy by which the Company is governed, comprehensively cover IT discipline, use of licensed software, closer monitoring of the usage of the internet, email and mail server and the use of antivirus and firewall servers and software.
Principle G.2 - Chief Information Security Officer			
G.2	Appointment of Chief Information Security Officer and cybersecurity risk management policy		The functions of the Chief Information Security Officer are delegated to the Head of Hayleys Group IT. The details relating to the policy on cybersecurity risk management can be found in Risk Management section from pages 56 to 64.
Principle G.3 - Cybersecurity Risk Management			
G.3	Board discussions on cybersecurity risk management		Risks relating to all IT matters including that arising from cybersecurity are discussed and assessed in detail by the Audit Committee and reported to the Board. Head of Hayleys Group IT also attends such discussions as and when required.

Reference to the Code	Corporate Governance Principle	Status of Compliance	Manner of compliance and implementation
Principle G.4 – Independent Reviews and Assurance			
G.4	Independent reviews and assurances to be carried out to ensure effectiveness of cybersecurity risk management		Audit Committee engages the services of independent/outsourced. Information Technology Auditors whenever they deem that expert advice is required. Review of Information Security has been carried out by the External auditors at the year end audit as well.
Principle G.5 – Identification of Cybersecurity Risks			
G.5	Disclosure in the Annual Report of the process of identifying cybersecurity risks		The manner in which cybersecurity risks are identified and mitigated are disclosed in Risk Management section from page 56 to 64 of this report.
H. SUSTAINABILITY REPORTING ***Principle H.1 – Environment, Society and Governance (ESG)*** ***The Company's Annual Report should contain sufficient information on ESG risks and opportunities.***			
H.1.1	Reporting on ESG relevance to business model and risks and opportunities	Compliant	The Company is one of the first few entities to champion ESG and ESG reporting. ESG principles are embedded in our business operations and considered in formulating our business and operational strategy and reported with a holistic view. Information required by this Section of the Code is given in the following sections: Management Discussion and Analysis on Pages 33 to 54. Governance and Risk Management on Pages 56 to 83.
Principle H.1.2– Environmental Factors			
H.1.2.1	Reporting on Environmental Governance	Compliant	Details on environmental governance measures are given on Pages 74 to 76 of this Report.
Principle H.1.3 – Social Factors			
H.1.3.1	Reporting on Social Governance	Compliant	Details on Social Governance practices of the Company are given on Pages 74 to 76 of this Report.
Principle H.1.4 – Governance			
H.1.4.1	Reporting on Governance Structures	Compliant	Details on governance structures of the Company are given on Page 66 of this Report.
Principle H.1.5 – Governance			
H.1.5.1	Board's Role on ESG Factors	Compliant	Details Board's role on ESG factors are given on Pages 65 to 66 of this Report.

10 Year Summary

	2019/20 Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000	**2015/16 Rs.'000	*2014/15 Rs.'000	2013 Rs.'000	2012 Rs.'000	**2011 Rs.'000	***2010 Rs.'000
Trading Summary										
Group revenue	**3,886,417**	4,025,913	4,061,310	3,334,494	3,434,579	4,761,101	3,646,837	3,318,149	2,744,505	3,002,624
Profit before taxation	**218,789**	483,681	616,828	266,388	186,546	286,380	236,786	231,283	(22,198)	169,200
Income tax expense	**(22,215)**	(70,966)	(69,262)	(24,906)	(42,696)	(18,919)	(37,215)	(4,585)	(10,532)	(4,691)
Profit after tax	**196,574**	412,715	547,567	241,482	143,850	267,461	199,571	226,698	(32,730)	164,509
Non-controlling interest	**876**	7,878	(870)	(7,713)	(28,122)	(28,165)	(26,038)	(10,748)	18,690	(17,071)
Profit attributable to owners of the parent	**195,698**	404,837	548,437	233,769	115,728	239,296	173,533	215,950	(51,420)	147,438
Fund Employed										
Stated capital	**350,000**	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Revenue reserve	**2,511,115**	2,291,935	2,172,318	1,723,744	1,330,415	1,336,757	1,148,363	1,005,405	782,115	892,909
Equity attributable to equity holders of the parent	**2,861,115**	2,641,935	2,522,318	2,073,744	1,680,415	1,686,757	1,498,363	1,355,405	1,132,115	1,242,909
Non-controlling interest	**170,534**	176,828	170,793	173,609	179,798	167,338	152,855	136,921	128,329	122,623
Lease liability	**282,643**	186,353	187,174	187,901	188,361	188,971	189,617	171,503	171,873	172,176
Interest bearing loans & borrowings (short and long-term)	**21,263**	67,681	176,018	225,322	364,201	501,556	666,006	724,417	920,554	764,400
Asset Employed										
Non -current assets	**3,456,053**	3,342,791	3,340,876	3,321,693	3,340,891	3,347,168	3,248,131	3,237,928	3,197,861	3,138,780
Current assets	**1,632,224**	1,679,708	1,384,270	814,914	581,541	718,037	798,662	620,040	532,418	482,681
Current liabilities net of borrowings	**(388,586)**	(631,080)	(548,688)	(391,605)	(285,346)	(368,452)	(394,373)	(358,488)	(297,388)	(317,746)
Retirement benefit obligation	**(1,024,164)**	(969,573)	(811,824)	(801,101)	(980,734)	(922,369)	(912,752)	(888,170)	(826,914)	(730,622)
Deferred tax liability	**(200,446)**	(204,222)	(158,206)	(127,898)	(92,475)	(63,145)	(41,869)	(12,772)	(26,574)	(20,511)
Deferred income	**(139,527)**	(144,826)	(150,126)	(155,426)	(151,102)	(166,617)	(190,958)	(210,292)	(226,532)	(250,474)
Capital Employed	**3,335,555**	3,072,797	3,056,303	2,660,576	2,412,775	2,544,622	2,506,841	2,388,246	2,352,871	2,302,108
Cash Flows										
Net cash inflow/(outflow) from operating activities	**505,211**	629,399	815,818	485,370	393,444	532,290	301,099	336,133	108,711	321,845
Net cash inflow/(outflow) from investing activities	**(119,142)**	(134,208)	(153,229)	(103,204)	(94,286)	(259,610)	(126,460)	(131,654)	(165,069)	(170,378)
Net Cash inflow/(outflow) from finance activities	**(208,747)**	(214,306)	(201,010)	(115,128)	(209,166)	(327,359)	(168,629)	(66,040)	(164,130)	(249,640)
Increase/(decrease) in cash & cash equivalents	**177,322**	280,884	461,579	267,038	89,992	(54,679)	6,010	138,439	(220,488)	(98,173)
Key Indicators										
EPS (basic) (Rs.)	**8.24**	17.05	23.09	9.84	4.87	10.08	7.31	9.09	(2.17)	6.21
Net assets per share (Rs.)	**120.47**	111.24	106.20	87.32	70.75	71.02	63.09	57.07	47.67	52.33
Market price per share (Rs.)	**39.90**	48.70	54.50	32.00	32.50	35.10	24.00	24.00	29.70	46.40
Price earning ratio (times)	**4.84**	2.86	2.36	3.25	6.67	3.49	3.28	2.64	-13.72	7.47
Current ratio (times)	**3.99**	2.46	2.20	1.70	1.23	1.16	1.28	1.16	0.88	1.17
Quick ratio (times)	**3.25**	1.34	1.48	0.92	0.54	0.46	0.31	0.25	0.25	0.38
Return on equity (%)	**6.84**	15.32	21.74	11.27	6.89	14.19	11.58	15.93	-4.14	12.73
Debt to equity (%)	**10.02**	9.01	13.49	18.39	29.70	37.3	51.8	60.0	86.7	65.80
Dividend per share (Rs.) - Company		6.00	6.50	2.00	-	3.00	3.00	2.50	-	2.50
Dividend payout ratio (times) - Company		0.35	0.28	0.20	-	0.31	0.41	0.27	-	0.40

* 15Month results, Restated - Statement of Financial Position

**Restated - Statement of Profit or Loss

*** Restated - Statement of Financial Position

Glossary

FINANCIAL TERMS

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

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
The harvested product of the entity's biological assets.

Harvest
Detachment of produce from a Biological Asset or the cessation of Biological Assets life processes.

Amortisation
The systematic allocation of depreciable amount of an intangible asset over its useful life.

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.

Consumable Biological Assets
Includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

Borrowings/Debt
Bank loans, overdrafts, long term loans, debentures, finance lease obligations and interest bearing liabilities.

Capital Employed
Shareholder's funds plus non controlling interests and debts.

Shareholders' Funds
Total of stated capital, capital reserves and revenue reserves.

Cash Equivalents
High liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of change in value.

Contingent Liability
A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. a probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

Current Ratio
Current assets divided by current liabilities.

Debt/ Equity Ratio
Debt as a percentage of shareholders funds and non controlling interests.

Deferred Taxation
The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

Dividends
Distribution of profits to holders of equity investments.

Dividend Pay Out
Dividend per share divided by Earnings per share.

EBIT
Abbreviation for Earnings Before Interest and Tax.

EBITDA
Abbreviation for Earnings Before Interest Tax Depreciation & Amortisation.

EBITDA Margin
EBITDA divided by Revenue.

Earnings per Share
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

COP
Cost of Production. This generally refers to the cost of producing a kilo of produce (Tea/ Rubber).

COS
Cost of Sale. The cost incurred on preparation to salable condition of the goods sold.

Crop
The total produce harvested over a given period of time. (Usually during a financial year).

Interest Cover
Consolidated profit before interest and tax over finance expenses.

IFRS
International Financial Reporting Standards.

SLFRS
Sri Lanka Financial Reporting Standards.

LKAS
Sri Lanka Accounting Standards.

SoRP
Statement of Recommended Practices.

Market Capitalisation
Number of shares in issue at the end of the period multiplied by the market price at the end of period.

Glossary contd.

Net Assets
Total assets less current liabilities less long term liabilities less non - controlling interests.

Net Assets per Share
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

Non Controlling Interest
Part of the net results of operations and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent Company.

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

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return on Equity (ROE)
Profits attributable to shareholders as a percentage of average shareholders' funds.

RETIREMENT BENEFITS

Present value of a retirement 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.

Current service cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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.

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.

Revenue Reserves
Reserves considered as being available for distributions and investments.

Segment
Constituent business units grouped in terms of nature and similarity of operations.

Working Capital
Capital required financing day-to-day operations (Current Assets less Current Liabilities).

UITF
Urgent Issue Tasks Force of The Institute of Chartered Accountants of Sri Lanka

NON-FINANCIAL TERMS

Biodiversity
The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Carbon Dioxide Sequestration
The capture of atmospheric carbon dioxide (CO2) in a solid material such as growing trees, other vegetation and soils or a carbon sink through biological or physical processes, such as photosynthesis.

Extent in bearing
The extent of land from which crop is being harvested. Also see “Mature Plantation”.

Ethical Tea Partnership (ETP)
ETP is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.

Field
A unit extent of land. Estates are divided into fields in order to facilitate management.

GSA
The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage etc.

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees. etc (Also see GSA).

HACCP
Hazard Analysis Critical Control Point System. A Scientific system which identifies, evaluates and control hazards which are significant for food safety.

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

Infilling
A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

ISO
International Organisation for Standardisation. A worldwide federation of national standard bodies.

ISO 22000
International Standard for Food Safety Management Systems (FSMS) released by ISO in September 2005.

Mature Plantation
The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

Rainforest Alliance (RA)
The Rainforest Alliance functions as the Secretariat of the SAN and administers its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.

Sustainable Agriculture Network (SAN)
SAN is a coalition of independent non-profit conservation organisations that promote the social and environmental sustainability of agricultural activities by developing standards. SAN promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards.

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 tree/bushes and replanting with new trees/bushes.

SDG
United Nations Sustainable Development Goals

Seedling Tea
Tea grown from a seed. (Also see VP Tea).

VP Tea
Vegetatively Propagated tea. i.e. Tea grown from a cutting of a branch of tea plant. (Also see "Seedling").

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

UNGC
United Nation Global Compact

UTZ
Means 'good" in Mayan Language Quiche. UTZ certified is a sustainability program for Coffee, Cocoa and tea. It trains farmers how to produce sustainably improving their quality of life, environment and products. UTZ certified is working towards making tea sector sustainable.

PHDT
Plantation Human Development Trust

NIPM
National Institute of Plantation Management

TRI
Tea Research Institution.

NGRS
National Green Reporting System - Sri Lanka.

ISO 26000 : 2010
Social Responsibility Standard

ISO 14064-1:2018
Greenhouse Gases Quantification and Reporting Standard

ISO 14001:2015
Environmental Management System

ISO 9001:2015
Quality Management System

ISO 50001:2011
Energy Management System

Corporate Information

Name of Company
Talawakelle Tea Estates PLC

Legal Form
Public Limited company
Incorporated in Sri Lanka on 22nd June 1992

Company Number
PQ 36

Financial Year End
31st March

Principal Line of Business
Cultivation and Manufacture of Black Tea

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

Directors
Mr. A M Pandithage - Chairman
Mr. W G R Rajadurai - Managing Director
Mr. S B Alawattegama - Chief Executive Officer (Appointed w.e.f 02/02/2020)
Mr. D S Seneviratne (Retired w.e.f 02/02/2020)
Mr. Merrill J Fernando
Mr. Malik J Fernando (Alternate - Mr.D C Fernando)
Dr. S S S B D G Jayawardena (Resigned w.e.f 09/05/2019)
Ms. M D A Perera
Dr. N T Bogahalande
Mr. S L Athukorala
Mr. M H Jamaldeen

Managing Agent
Hayleys Plantation Services (Private) Limited,
No. 400,Deans Road, Colombo 10, Sri Lanka.

Registered Office
No. 400, Deans Road, Colombo 10, Sri Lanka.

Head Office
No. 400, Deans Road, Colombo 10, Sri Lanka.
Telephone: (94-11) -2627754-5, 2697203
Fax : (94-11) -2627782
e-mail: tpl.tea@ttel.hayleys.com
website: www.talawakelleteas.com

Secretaries
Hayleys Group Services (Private) Limited
No. 400, Deans Road, Colombo 10, Sri Lanka.

Subsidiaries
TTEL Hydro Power Company (Pvt) Ltd
TTEL Somerset Hydro Power (Pvt) Ltd

Subsidiaries- Registered Office
No. 400, Deans Road, Colombo 10, Sri Lanka.

Subsidiaries - Head Office
No. 27-2 East Tower, World Trade Center, Colombo 10, Sri Lanka.

Bankers
Commercial Bank of Ceylon PLC
Sampath Bank PLC
National Development Bank PLC
Hatton National Bank PLC
Bank of Ceylon
Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank
Indian Bank
Union Bank of Colombo PLC
DFCC Bank PLC
Seylan Bank PLC

Auditors
M/s Ernst & Young
Chartered Accountants
No. 201,De Saram Place, Colombo 10, Sri Lanka.

Legal Advisors
M/s F J & G De Saram & Company
Attorneys-at-Law
No. 216,De Saram Place, Colombo 10, Sri Lanka.

Tax Advisors
M/s Ernst & Young
Chartered Accountants
No. 201,De Saram Place, Colombo 10, Sri Lanka.

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Notice of Meeting

Talawakelle Tea Estates PLC
Company No. PQ 36

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of Talawakelle Tea Estates PLC will be held at the Registered Office of the Company, No.400, Deans Road, Colombo 10, Sri Lanka, on Thursday, 23rd July 2020 at 4.00 p.m. and the business to be brought before the Meeting will be:

1) To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2020, with the Report of the Auditors thereon.

2) To re-elect Mr. S B Alawattegama , who has been appointed by the Board, since the last Annual General Meeting, a Director.

3) To re-elect Mr. M H Jamaldeen, who retires by rotation at the Annual General Meeting, a Director.

4) To re-elect Mr. Malik J Fernando, who retires by rotation at the Annual General Meeting, a Director.

5) To re-appoint Mr. Merrill J Fernando, who retires having attained the age of Ninety years and the Company has received special notice of the undernoted ordinary resolution in compliance with section 211 of the Companies Act No.07 of 2007 in relation to his re-appointment.

Ordinary Resolution

That, Merrill Joseph Fernando a retiring Director, who has attained the age of Ninety years be and is hereby re-appointed a Director in terms of Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of Seventy years referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director.

6) To authorise the Directors to determine contributions to charities for the year 2020/21.

7) To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young , who are deemed to have been reappointed as Auditors for the financial year 2020/21 in terms of Section 158 of the Companies Act No.07 of 2007.

8) To consider any other business of which due notice has been given.

Notes :

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at No. 400, Deans Road, Colombo 10, Sri Lanka or must be emailed to ttelagm@secretarial.hayleys.com not less than forty eight (48) hours before the time fixed for the Meeting.
2. Please refer the "Circular to Shareholders" dated 25th June 2020 and follow the instructions to join the meeting physically or virtually.

By Order of the Board
TALAWAKELLE TEA ESTATES PLC
Hayleys Group Services (Private) Limited
Secretaries

Colombo
30th June, 2020

Notes

Talawakelle
Tea Estates®