WATAWALA PLANTATIONS PLC

ANNUAL REPORT

2019/2020

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ABOUT THIS REPORT

This is our report setting out the performance for the financial year ended 31 March 2020. This Report includes the Financial Statements for the year, the Report of the Board of Directors and other statutory requirements.

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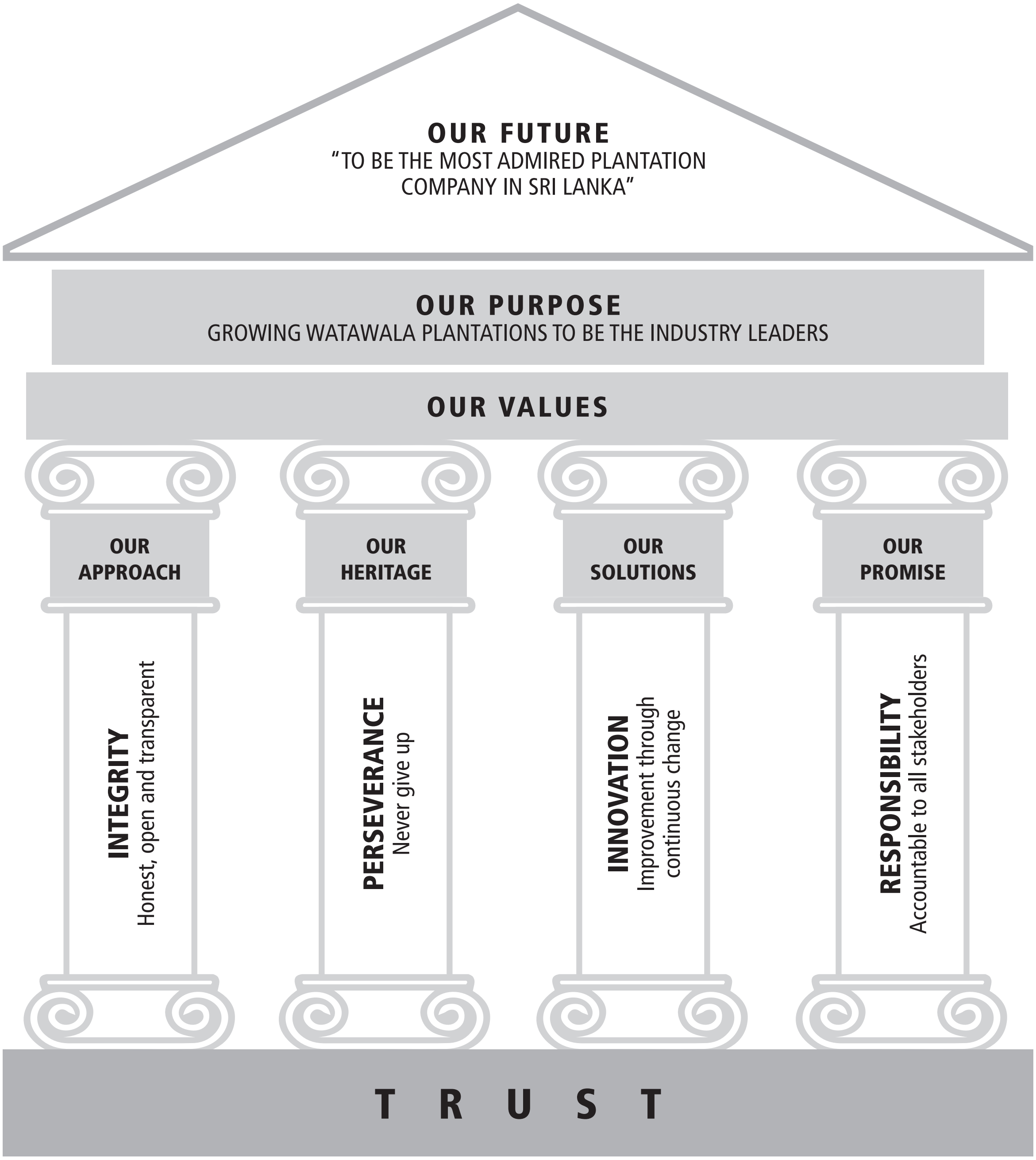
The following standards, frameworks, and guidelines were used in preparing the report to ensure regulatory compliance and incorporate best practice into our reporting processes.

- Companies Act No. 07 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Sri Lanka Financial Reporting Standards
- Code of Best Practice on Corporate Governance 2017

For inquiries about this report, please contact:

Mr Eranda Kapukotuwa
Manager Finance
Phone : +94 76 304 9689/+94 11 470 2490
email : eranda.kapukotuwa@sunshineholdings.lk

ABOUT WATAWALA PLANTATIONS



CHAIRMAN'S MESSAGE

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Dear Shareholders,

I am pleased to report to you on another successful year for Watawala Plantations. A year in which we had noteworthy achievements on many fronts; financial, operational and environmental. Our revenue from both the oil palm and the dairy businesses increased over the previous year, contributing to record a profit after tax of LKR 816 Mn.

Safeguarding the environment

It is noteworthy that these achievements were in spite of the many headwinds we faced during the year. There is much resistance to palm oil cultivation, especially on environmental grounds. The opposition is based on a perception that palm oil cultivation causes large scale deforestation and destruction of natural habitats. While this may have had some truth in the past in certain countries, it is a misconception in the Sri Lankan context. Our palm oil cultivation has always been done on arable land where other perennial crops, such as rubber, had been planted earlier.

Agricultural practices

Watawala has always been very environmentally conscious in its operations and practices sustainable palm oil cultivation. Sound agricultural practices have always been a cornerstone of our operations. We have also exercised great care to minimise any impact on flora and fauna. We are in the process of finalising our Sustainable Palm Oil Certification (RSPO), which demonstrates our commitment to environmental sustainability. Our estate management has also visited successful plantations overseas and has adopted best practices suitable for our conditions and in conformance with Round Table on Sustainable Palm Oil (RSPO) standards. During the year under review, one such visit was conducted by the RSPO Manager. We are also seeking certification of the Rain Forest Alliance, which is a network dedicated to fighting deforestation and climate change as well as creating economic opportunities and better working conditions for rural people. The certifications that are in the process of finalisation have been undertaken on an entirely voluntary basis. There has been no legislation or Government policy that makes it mandatory for us to do so. A plantations working group has also been studying the industry issues, and has made recommendations to the Government regarding sustainable palm oil cultivation. These are currently under study, and we await a favourable response from the Government.

In its agricultural practices, Watawala follows a balanced policy whereby we maximise land productivity while protecting nature. We carefully maintain and monitor soil fertility by testing and timely application of fertiliser. Harvesting intervals are monitored so as to pluck fresh fruit bunches at optimum ripeness. All precautions are taken in the use of chemicals so as to safeguard the environment. A sustainability team monitors all activities and takes corrective action in cases of any deviations from good practices. We are also constantly endeavouring to mechanise our operations with a view to increasing productivity. The plant and equipment of the mill was upgraded for capacity enhancement and to promote efficient affluent discharge.

Policy environment and price

Another obstacle we have to face is the uncertain policy environment, which hinders long-term planning. While there was formerly an acceptance of planting palm oil up to a certain acreage, a total ban has now been imposed on new palm oil cultivation, primarily on the grounds of objections based on environmental concerns. As it stands this appears to cover even replanting of old trees, for which we are seeking an exception. Import of seeds is also prohibited at the present moment.

Our price is heavily dependent on the international palm oil price which was somewhat volatile this year. The price surged after the COVID-19 pandemic, subsequent to slipping earlier in the year. There has also been an ad-hoc imposition of duties in 2019/20. Within limits, this is beneficial to us as it drives up the price of imported palm oil. However, there is a constraint as to how far we can increase our price, since there is a tipping point beyond which our buyers will be unable to bear the price. The wage increase that was first proposed in 2019 is also still in limbo. If implemented fully, this will make it extremely difficult for us to continue

CHAIRMAN'S MESSAGE

our operations profitably. We are making a great contribution to the economy by way of import substitution, and we have brought this to the attention of policy makers.

Labour and community relations

We have continued to have a good record in labour relations, and our employees' remuneration is higher than that of workers in tea and rubber plantations. Our labour is drawn from neighbouring villages, and this has brought about a degree of rural prosperity uplifting the living standards of those directly and indirectly involved in the eco-system. We have implemented village integration programmes which will promote greater harmony in our relations with the villagers and community at large. Several new programmes were initiated this year including the introduction of the sports development project to support Volleyball and Table Tennis development at school and regional level in the Udugama region as well as general welfare activity under the banner of our CSR brand, Watawala Kalana Mithuru Initiative amounting to 0ver LKR 8 Mn. Almost half of our employees are resident on the estates and we constantly strive to uplift the living standards of their families. Scholarships are provided to students passing the Ordinary Level examination and to those expecting to enter the University to motivate them to continue their studies. Scholarships to the value of LKR 300,000/- were awarded during 2019/20. We maintain our relationships with the local communities through meetings with village forums, local government agents and provincial councils.

Impact of COVID-19

The COVID-19 pandemic had a serious impact on our operations in March 2020. However the situation improved during April 2020 and we anticipate a return to near normalcy by June 2020. When commencing work, we have been extremely vigilant to keep to the safety guidelines and have been closely working with the local PHIs in this respect. Going forward we except to see more changes in our working practices in 2020/21; social distancing, sanitary precautions and arrangements for staff to work from home will have to become ingrained in our working culture.

Dairy – a successful initiative

The decision to divest the tea plantation in favour of the dairy business has proved to be a wise strategic move. The milk we produce is of very high quality and has an excellent reputation in the market. Our herds are nourished with scientifically determined feed supplements. The global experience has been, that with increasing standards of living there is a preference for fresh milk over powdered milk. The only cloud on the horizon is regarding the availability and price of feed. Feed is a major component of our cost and maize is the most important feed item. There is some uncertainty at the present time regarding the continued availability of imported maize. Other than this, the future augurs well for the dairy business. Local milk production and investments in the dairy industry are also greatly encouraged by the Government, in view of the resulting saving in foreign exchange.

The financial picture

Our total revenue for the year was LKR 3.3. Bn., of which LKR 2.7 Bn. was from palm oil and LKR 0.6 Bn. was from dairy. The palm oil revenue increased by 8% over that of 2018/19 while the revenue from dairy increased by 18%. The palm oil and dairy sales can be taken as approximately equal to our savings in foreign exchange for the country. Production of fresh fruit bunches increased by 5.4%. Efficiency in the palm oil mill was also increased by improving the oil extraction from the kernel. Total assets increased by 4% to LKR 6.9 Bn., while net assets increased by 17% to LKR 4.5 Bn. The ban on replanting the old trees is however a serious problem, which is bound to have a negative impact on our profitability in the years to come if it continues.

Looking ahead

Looking to the future, we need clarity on certain policy issues such as replanting and expansion of palm oil land to formulate definite strategies for the post COVID-19 era. How the pandemic will play out in the coming months is also an uncertain factor. We need to conduct more effective advocacy to communicate to all stakeholders the importance of palm oil cultivation to the economy and to correct misconceptions. Any legitimate environmental concerns need to be addressed in a scientific manner and practical solutions found. The fact that we are an import substitution industry should augur well for us in the present climate. At the time of writing there is an understandable uncertainty in the policy environment. However, as hopefully we will achieve some clarity in the coming months, we can look forward to a bright future for the Company.

Sunil G Wijesinha
Chairman

26 May 2020

BOARD OF DIRECTORS

	Mr Sunil G Wijesinha Chairman (Non-Executive/Independent) 71 years	**Mr G Sathasivam** Director (Non-Executive/Non-Independent) 73 years	**Mr V Govindasamy** Director* (Non-Executive/Non-Independent) 56 years
Qualifications/ Business experience	MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura. Fellow Member of the Chartered Institute of Management Accountants (UK). Fellow Member of the Institute of Management Services (UK). Associate Member of the Institution of Engineers, Sri Lanka.	Fifty-three years experience in pharmaceutical Industries and plantation. Initiated and spearheaded joint venture with TATA Group.	Holds an MBA from University of Hartford,USA. Bachelor of Science in Electrical Engineering, University of Hartford, USA. Fellow Member of the Institute of Certified Professional Managers of Sri Lanka.
Other key positions	**Chairman** Watawala Dairy Ltd. United Motors Lanka PLC RIL Property PLC SC Securities (Pvt) Ltd. Unimo Enterprises Ltd. UML Property Development Ltd. UML Heavy Equipment Ltd. **Director** BizEx Consulting (Pvt) Ltd. Sampath Centre Ltd.	**Chairman** Estate Management Services (Pvt) Ltd. **Director** Sunshine Holdings PLC Sunshine Healthcare Lanka Limited Healthguard Pharmacy Limited Sunshine Energy (Private) Limited Waltrim Energy Ltd. Waltrim Hydropower (Pvt) Limited Upper Waltrim Hydropower (Pvt) Ltd. Elgin Hydropower (Pvt) Ltd. Sky Solar (Pvt) Ltd. Lamurep Properties Limited Lamurep Investments Limited	**Group Managing Director** Sunshine Holdings PLC **Chairman/Director** Watawala Tea Ceylon Limited Sunshine Healthcare Lanka Limited Healthguard Pharmacy Limited TATA Communications Lanka Limited **Director** Softlogic Life Insurance PLC Watawala Plantations PLC Watawala Dairy Limited Sunshine Energy (Private) Limited Waltrim Energy Ltd. Waltrim Hydropower (Pvt) Limited Upper Waltrim Hydropower (Pvt) Ltd. Elgin Hydropower (Pvt) Ltd. Sky Solar (Pvt) Ltd. Sunshine Packaging Lanka (Pvt) Limited Estate Management and Services (Pvt) Limited Tal Lanka Hotels PLC
Board meeting attendance	4/4	3/4	4/4
Audit Committee attendance	3/4	–	–
Related Party Transactions Review Committee	2/4	–	–

* *Mr V Govindasamy has ceased to be the Managing Director of the Company and his nature of Directorship has changed from Executive/Non-Independent Director to Non-Executive/Non-Independent Director with effect from 1 April 2020.*

BOARD OF DIRECTORS

Mr N B Weerasekera Director (Non-Executive/Independent) 60 years	**Mr A N Fernando** Director (Non-Executive/Independent) 74 years	**Mr M S Mawzoon** Director (Non-Executive/Non-Independent) 50 years	**Mr P Karunagaran** Director (Resigned w.e.f. 3 April 2020) (Non-Executive/Non-Independent) 50 years
35+ years in Business Management and Finance. Fellow Member of The Chartered Institute of Management Accountants, UK. MA in Economics from University of Colombo. BSc (Hons) in Physics from the University of Peradeniya.	Holds an MBA in Finance, Industrial and Corporate Strategy from IMD Business School, Lausanne, Switzerland. Fellow Member of The Institute of Chartered Accountants of Sri Lanka. Former Precedent Partner KPMG Sri Lanka.	Twenty nine years experience in various business industries.	Holds a BSc. in Chemical Engineering from University of Wisconsin. Over 15 years experience in the Agribusiness industry.
Director Affno Virtual Market (Pvt) Ltd.		**Managing Director** Pyramid Wilmar (Pvt) Ltd. Pyramid Wilmar Oils & Fats (Pvt) Ltd. Pyramid Lanka (Pvt) Ltd. **Director** Wressle Holdings (Pvt) Ltd. Joyspree Lanka Holdings (Pvt) Ltd. Shangri-La Hotels Lanka (Pvt) Ltd. Shangri-La Investments Lanka (Pvt) Ltd. Pyramid Wilmar Plantations (Pvt) Ltd. Watawala Dairy Limited Watawala Tea Ceylon Limited Perennial Real Estate Lanka	**Director** Pyramid Wilmar (Pvt) Ltd. Pyramid Wilmar Oils & Fats (Pvt) Ltd. Joyspree Lanka Holdings (Pvt) Ltd. Pyramid Wilmar Plantations (Pvt) Ltd.
4/4	4/4	4/4	0/4
4/4	4/4	0/4	–
4/4	4/4	0/4	–

BOARD OF DIRECTORS

	Mr H D Abeywickrama Director (Appointed w.e.f. 3 April 2020) (Non-Executive/Independent) 60 years	**Mr M T Siddique** Director (Appointed w.e.f. 3 April 2020) (Non-Executive/Non-Independent) 31 years	**Mr M R Rao** Director (Appointed w.e.f. 3 April 2020) (Non-Executive/Non-Independent) 69 years
Qualifications/ Business experience	Graduate of the Air Command and Staff College at Air University, Maxwell Air Force Base, Alabama, USA. Graduate of the Royal College of Defence Studies, London UK. Master of Arts degree in International Studies from King's College, the University of London. Master of Science degree in Management from the Kotalawala Defence University, Sri Lanka.	Holds a Bachelor of Arts Honours in Finance, Accounting and Management from the University of Nottingham.	Fellow Member of the Institute of Chartered Accountants of India. Commerce graduate from Mumbai University.
Other key positions	**Director** Sunshine Holdings PLC Susnhine Energy (Private) Ltd. Waltrim Energy Ltd. Elgin Hydropower (Pvt) Ltd. Upper Waltrim Hydropower (Pvt) Ltd. Waltrim Hydropower (Pvt) Ltd. Sky Solar (Pvt) Ltd. Sunshine Healthcare Lanka Ltd. Healthguard Pharmacy Ltd. Sunshine Packaging Lanka Ltd.	**Director** Pyramid Holdings (Pvt) Ltd. Melsta Gama Private Limited Pyramid Gama Private Limited PREH Properties Perennial Real Estate Lanka	**Director** Pyramid Lanka Pyramid Wilmar Perennial Real Estate Lanka PREH Properties
Board meeting attendance	–	–	–
Audit Committee attendance	–	–	–
Related Party Transactions Review Committee	–	–	–

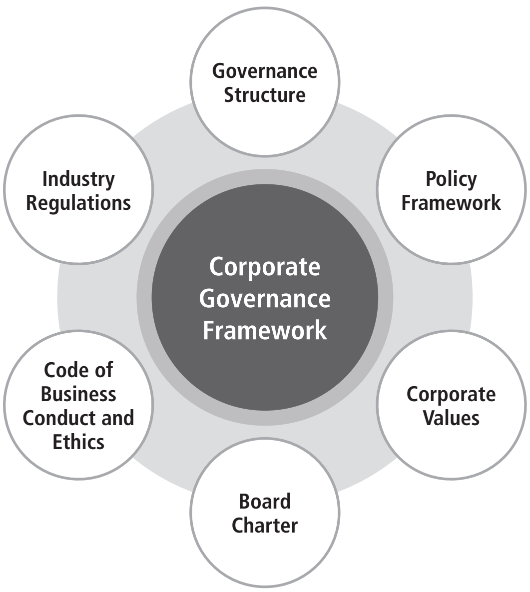
CORPORATE GOVERNANCE

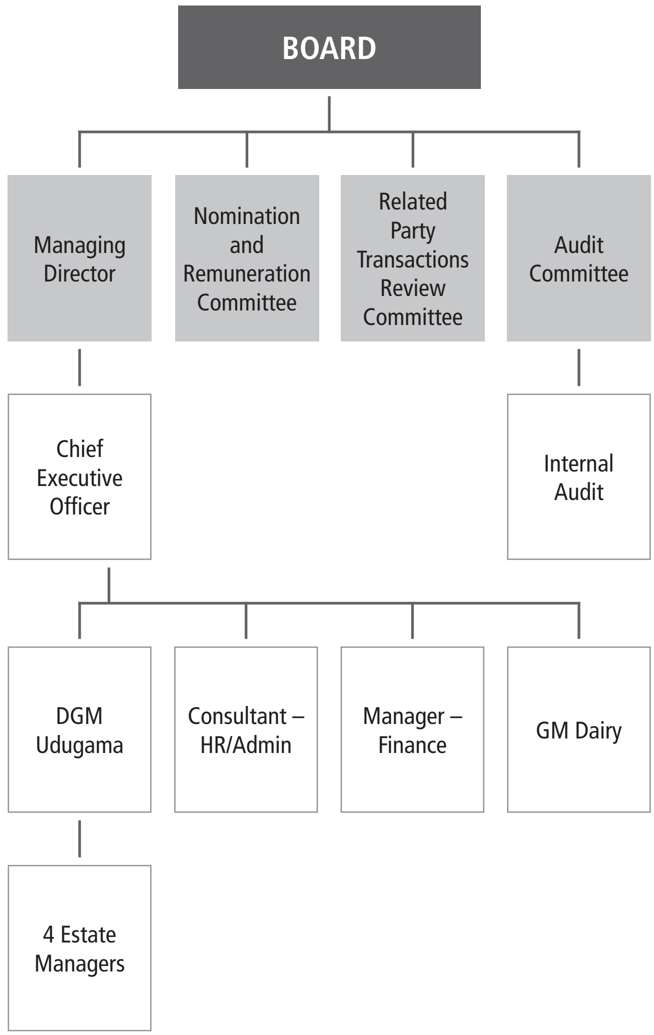
Corporate Governance Framework

The Board is responsible for setting in place a governance framework for driving sustainable growth. The governance framework, underpinned by regulatory requirements as listed in the adjacent column, and internal policies, is regularly reviewed to adapt to internal developments and reflect best practice.

The Executive Committee (Ex-Com) assists in the decision-making process and is headed by the Managing Director. The second level of Ex-Com known as the Regional Ex-Com has been developed to cascade information to the Region and to provide insights to the Ex-Com, enhancing deliberations. The Board delegates functions warranting greater attention, to the Audit Committee, Nomination and Remuneration Committee and Related Party Transactions Review Committee with oversight responsibility for same, enabling the Board to allocate sufficient time to matters within its scope.

The Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, which forms the basis for this report.





CORPORATE GOVERNANCE

The Board of Directors

The Company's business and operations are managed under the supervision of the Board, which consists of members with experience and knowledge in the areas of business, in which the Company is engaged, with specific acumen in terms of commercial, financial and/or technical expertise.

Board Responsibilities and Rights

The Board has the following powers to execute its responsibilities.

Strategic Direction

The Board provides vision, strategic direction and stewardship to the institution whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

Business performance

Reviews business results on a regular basis and guides the management by giving appropriate direction in achieving its goals.

Management of risks

In consultation with the Audit Committee, a risk management system was developed which is periodically reviewed. Review of risk management is depicted on pages 22 and 23 of this report. Further, the Audit Committee report is also given on page 29.

Financial performance of the Company

The Board meets at a minimum, once in three months to review the financial performance of the Company. The Quarterly Financial Statements are reviewed by the Audit Committee before recommending them to the Board of Directors for adoption and release to the public. Final dividends and interim dividends are considered and recommended by the Board of Directors.

Investor rights and relations

The Company communicates periodically with its shareholders through the quarterly reports. The Annual Report provides a comprehensive assessment of the Company's performance during the year.

Audit

An independent statutory audit is carried out annually and the appointment of Auditors for the ensuing year is recommended to the shareholders at the Annual General Meeting.

Budget

The Board is responsible for approval of annual budgets, capital budgets and new projects.

Corporate governance

Monitoring and reviewing corporate governance in accordance with the best practice framework issued by The Institute of Chartered Accountants of Sri Lanka.

Board balance

The Company maintains a Board balance of executive, Non-executive and Independent Directors as required under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group.

Composition of the Board

The Board consists of seven (7) members, six (6) of whom are Non-Executive Directors (including the Chairman). Three (3) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are:

Mr Sunil G Wijesinha

Mr N B Weerasekera

Mr A N Fernando

Composition and attendance at meetings

The Board met quarterly to discharge its duties effectively. In addition, special Board Meetings are also held whenever necessary. Four (4) Board meetings and the Annual General Meeting for the year ended 31 March 2019 were held in the financial year ended 31 March 2020. The attendance of Directors at these meetings were as follows:

Name of Director	Number of Meetings	%
Mr Sunil G Wijesinha	5/5	100
Mr G Sathasivam	4/5	80
Mr V Govindasamy	5/5	100
Mr N B Weerasekera	5/5	100
Mr P Karunagaran*	0/5	0
Mr A N Fernando	5/5	100
Mr M S Mawzoon	5/5	100

**Mr P Karunagaran retired from the Board w.e.f. 3 April 2020.*

Agenda and Board papers are sent seven (7) days before the meeting, allowing members sufficient time to review same. Chairman sets the Board agenda, assisted by the MD. Care is taken to ensure that the Board spends sufficient time considering matters critical to the Company's success, as well as compliance and administrative matters.

The Chairman met informally with the Non-Executive Directors during the year and feedback was provided to the MD by the Chairman.

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Director shall put the resolution to be decided in a meeting.

All Board minutes are circulated to members, and formally approved at the subsequent Board meeting, Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes. Directors have access to the past Board papers and minutes in case of need via electronic means at all times.

Executive Committee and Regional Executive Committee meet monthly to review performance against the strategic plan and budgets, identifying matters requiring intervention and escalation to Board.

Other Business Commitments and Conflicts of Interests

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. Directors declare their outside business interests at appointment and quarterly thereafter. The Company Secretary maintains a register of Directors' interests, which is tabled to the Board annually. The Register is available for inspection in terms of the Companies Act. Key appointments of the directors are included in their profiles on pages 06 to 08. Related party transactions are given in Note 36 to the Financial Statements.

Roles of Chairman and Managing Director (MD)

The role of Chairman is separate from that of the MD as detailed in the Board Charter, in line with best practices in Corporate Governance ensuring that no one Director has unfettered power and authority. The Chairman is an Independent Non-Executive Director while the MD is an Executive Director appointed by the Board.

The Chairman is an Independent Non-Executive Director who leads the Board ensuring that it works effectively and acts in the best interest of the Company.

MD is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company.

Chairman's Responsibilities	MD's Responsibilities
Setting the ethical tone for the Board and Company.	Appointing and ensuring proper succession planning of the executive team, and assessing their performance.
Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary and the MD.	Developing the Company's strategy for consideration and approval by the Board.
Building and maintaining stakeholder trust and confidence.	Developing and recommending to the Board budgets supporting the Company's long-term strategy.
Ensuring effective participation of all Board members during Board meetings. Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and NED.	Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and corporate governance principles.
Monitoring the effectiveness of the Board and assessing individual performance of Directors.	Establishing an organisational structure for the Company which is appropriate for the execution of strategy.
	Ensuring a culture that is based on the Company's values.
	Ensuring that the Company operates within the approved risk appetite.

Board Access to Information and Resources

Directors have unrestricted access to management and organisation information, as well as the resources required to carry out their duties and responsibilities, independently and effectively. Members of the Corporate Management make regular presentations with regard to the business environment and in relation to Group operations. The Company has appointed F J & G De Saram and Nithya Partners as their legal consultants. Access to independent professional advice, co-ordinated through the Company Secretary, is available to Directors at the Company's expense.

Directors Independence

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board based on annual declarations submitted by NEDs.

CORPORATE GOVERNANCE

Induction and ongoing Training for Directors

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the estate, palm oil factory premises and dairy farm. The Board of Directors recognise the need to keep abreast of current developments affecting the sector both globally and locally with reference to regulatory changes and the country's economy. They undertake training and professional attending seminars/workshops/conferences, participating as speakers at events, using web based learning resources and reading regulatory updates etc.

Appraisal of Managing Director

Performance of the Managing Director is evaluated annually at year end by the Board against predetermined criteria aligned to the short, medium, and long-term objectives of WATA and agreed with the MD at the beginning of the year. Remuneration is revised based on performance.

Appointment, Re-election and Resignation

Directors are appointed by the shareholders at the Annual General Meeting (AGM), following a formal and transparent process. Appointments are made based on recommendations made by the Board of Directors. The Nomination and Remuneration Committee makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof. In compliance with the Articles of Association of the Company, 1/3 of the Non-Executive Directors will retire from office on a rotational basis at each AGM. The Nomination and Remuneration Committee recommends the Directors for re-election, and approval by the Board, having assessed the Board's skill and knowledge composition in meeting the strategic demands of the Company. A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for re-election at the next AGM. Appointments/resignations are communicated to the CSE. Appointment communications include a brief résumé of the Director.

Directors' Remuneration

The objectives of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to direct the Group successfully. In the case of the Executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set in the Company's annual budget and plans, and from returns provided to shareholders. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The Nomination and Remuneration Committee recommends to the Board the frameworks of the Executive Director's remuneration and the remuneration package for the Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the Executive Director. The Director's remuneration is disclosed in Note 9 of the Financial Statements.

Delegation of Board Authority – Board Committees

The Board in discharging its duties, has established various Board Committees. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the Code of Best Practice on Corporate Governance. The Group has three Board Subcommittees:

- Audit Committee
- Nomination and Remuneration Committee
- Related Party Transactions Review Committee

However, the Board of Directors is collectively responsible for the decisions taken on the recommendations of Board Subcommittees.

Audit Committee

The Audit Committee provides an oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, review the work of the internal audit function and ensures that the external auditor carries out its statutory duties in an independent and objective manner, It also assists the Board in ensuring a sound system of internal control. The Committee has full access to the Auditors both Internal and External who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the External Auditors without any executives present except for the Secretaries, at least once a year. The Report on the Audit Committee is presented on page 29 and the duties of the Audit Committee are included therein.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee reviews the Board composition to ensure Board balance and adequacy of skills and experiences among the members of the Board. It recommends any new appointments to the Board.

The Nomination and Remuneration Committee also recommends to the Board, the remuneration policy and the remuneration to be paid to each Executive Director. The Remuneration Committee reviews the Group's remuneration policy and the remuneration packages of executive employees of the Group.

Related Party Transactions Review Committee

The Committee exercises oversight on behalf of the Board, that all Related Party Transactions (RPTs, other than those exempted by the Colombo Stock Exchange Listing Rules on the RPTs) are carried out and disclosed in a manner consistent with the Colombo Stock Exchange Listing Rules.

Membership of Board Subcommittees are listed below:

	Nomination and Remuneration Committee	Audit Committee	Related Party Transactions Review Committee
Executive			
Mr V Govindasamy			
Independent Non-Executive			
Mr Sunil G Wijesinha	✓	✓	✓
Mr N B Weerasekera	✓	✓	✓
Mr A N Fernando	✓	✓	✓
Non-Independent Non-Executive			
Mr G Sathasivam	✓		
Mr P Karunagaran*			
Mr M S Mawzoon		✓	✓

**Resigned w.e.f. 3 April 2020*

Financial Acumen

The Board comprises a Senior Chartered Accountant and two Fellow Members of the Chartered Institute of Management Accountants (UK). All of them serve as members of the Audit Committee and the Related Party Transactions Review Committee.

Supply of Information

Directors are provided with quarterly reports on performance, minutes of quarterly meetings and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

Company Secretaries

The services and advice of the Company Secretaries are made available to Directors as necessary. The Company Secretaries keep the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. Corporate Services (Private) Limited having their registered office at No. 216, De Saram Place, Colombo 10 are the Company Secretaries since 1 December 2019.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the Group's budget for the ensuring year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

Internal Control

The Board is responsible for the Company's internal controls and for reviewing their effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

Code of Conduct and Ethics

The Company's Code of Conduct sets out the standard of conduct expected of all employees. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics/ Standard of Conduct by any Director or employee of the WATA.

Disclosure of Major Transactions

During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007.

Relations with Shareholders

Engagement with shareholders and potential investors is a key element of good corporate governance. The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided, to avoid the creation of a false market.

Communication with Stakeholders

Shareholders are provided with quarterly Financial Statements and the Annual Report which the Group considers as its principal communication with them and other stakeholders. These reports are provided to the

CORPORATE GOVERNANCE

Colombo Stock Exchange. Shareholders may bring up concerns they have, either with the Chairman or any Director as appropriate. Watawala Plantations PLC's website *www.watawalaplantations.lk* serves to provide a wide range of information on the Group. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the Company has complied with the requirements of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Financial Reporting Standards.

Constructive use of Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to shareholders and provides an opportunity for shareholders' views to be heard. Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to attend the AGM. A separate resolution is proposed for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. An effective mechanism to count all proxies lodged on each resolution is maintained. The Board is mindful of their accountability to shareholders. At the AGM, the Board provides an update to shareholders on the Company's performance and shareholders ask questions and vote on resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, appointment of Directors and auditors and other matters requiring special resolutions. The Board Chairman, MD and Board members particularly Chairmen of the sub-committees are present and available to answer questions. All Shareholders are encouraged to participate at the AGM and exercise their voting rights. Details of votes cast against a resolution are made available at the AGM and subsequently posted on the company website, as soon as practicable.

Corporate Governance Disclosure

The Company has published quarterly Financial Statements with the necessary explanatory notes as required by the rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration is promptly disclosed to the public.

Compliance with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka in 2017

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the Company	Complied	Profile of the Board.	06
	A 1.1	Regular Board meetings	Complied	Composition and attendance.	10
	A 1.2	Responsibilities	Complied	Board Responsibility.	10
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors.	24
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders.	13
	A 1.5	Bring Independent judgement on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of WATA Group has obtained professional advice for certain matters during the year and coordinated through the Company Secretaries.	11
	A 1.6	Dedicate adequate time and effort to Board matters sufficient time to review Board Pack	Complied	Other Business Commitments and conflicts of interest.	11
	A 1.7	Calls for resolutions by at least 1/3rd of Directors	Complied	Composition and Attendance at Meetings.	10
	A 1.8	Board induction and Training	Complied	Induction and on-going training for Directors.	12

CORPORATE GOVERNANCE

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
Chairman and Managing Director (MD)	A 2	Chairman and MD's division of responsibilities to ensure a balance of power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the Group and acts as an independent Non-Executive Director. The MD executes powers given by the Chairman and the Board to run the operation.	11
	A 2.1	Combining roles of Chairman and MD	N/A		
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The chairman is responsible for conducting meetings effectively and he preserves order and implements board decisions taken.	11
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both executive and Non-Executive Directors, their contribution for the benefit of the Group, balance of power between Executive and Non-Executive Directors and control of Group's affairs and communicate to stakeholders.	11
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial Acumen	13
Board Balance	A 5	Board Balance	Complied	Board Composition	10
	A 5.1	Non-Executive Directors	Complied	Six (6) out of Seven (7) are Non-Executive Directors	10
	A 5.2	Independent Non-Executive Directors	Complied	Three (3) out of Six (6) Non-Executive Directors are independent.	10
	A 5.3	Independent Non-Executive Directors	Complied	All independent Non-Executive Directors are in fact free of any business with the Group and are not involved in any activity that would affect to their independence.	11
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed.	11
	A 5.5	Determination of independence of the Directors	Complied	The independence of Directors is determined based on declarations submitted by the Non-Executive Directors.	11
Supply of Information	A 6.1	Provide appropriate and timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the Board meeting.	13
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the Board meeting are provided well before the meeting date.	11
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Appointment, re-election and resignation.	12
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Appointment, re-election and resignation.	12
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Appointment, re-election and resignation.	12
	A 7.3	Disclosure of New Board member profile and interests	Complied	Appointment, re-election and resignation.	12
Re-election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Appointment, re-election and resignation.	12
Resignation	8.3	Resignation of Directors prior to completion of his appointed term	Complied	Appointment, re-election and resignation.	12

CORPORATE GOVERNANCE

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
Appraisal of Board performance	A 9 – 9.3	Existence of Board evaluation methods and execution	Not Complied	A formal appraisal is not conducted.	
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors, Directors' interests, Board meeting attendance, Board committee memberships.	Complied	Profile of the Board.	06
Appraisal of MD	A 11 – 11.2	Appraisal of the MD against the set strategic targets.	Complied	Appraisal of the MD.	12
Directors' Remuneration	B 1	Establishment of the Remuneration Committee.	Complied	The Nomination and Remuneration Committee Report.	32
	B 1 – 1.3	Membership of the remuneration committee to be disclosed and should only comprise Non-Executive Directors.	Complied	Discussed under subcommittees.	32
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration.	Complied	Discussed under subcommittees.	32
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings.	Complied	Constructive use of Annual General Meeting (AGM).	14
	C 1.1	Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	14
	C 1.2	Separate resolution to be proposed for each item.	Complied	The Company propose a separate resolution at the AGM on each significant issue.	111
	C 1.4	Heads of Board subcommittees to be available to answer queries.	Complied	Subcommittee Chairmen are present at the AGM.	14
	C 1.5	Summary of procedures governing voting at General Meetings to be informed.	Complied	Circulated through Notice of the Annual General Meeting.	111
Major Transactions	C 3 – 3.2	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets.	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange and the Company website.	13
Accountability and Audit	D 1.1	Balanced Annual Report.	Complied	Communication with shareholders.	13
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	Complied	Communication with shareholders.	13
	D 1.3	CEO/MF Declaration.	Complied	Chief Executive officer's and Manager Finance's Finance Responsibility Statement.	27
	D 1.4	Directors Report declaration.	Complied	Annual Report of the Board of Directors on the Affairs of the Company.	24

CORPORATE GOVERNANCE

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
	D 1.5	Financial reporting statement on board responsibilities.	Complied	Statement of Directors' Responsibility.	28
	D 1.7	Net Assets < 50%.	Complied	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	–
	D 1.8	Related Party Transaction report.	Complied	Other Business Commitments and conflicts of interest.	11
Risk Management and Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee.	29
	D 2.2	Confirm assessment and risks identified and mitigated.	Complied	Risk Management.	22
	D 2.3	Internal Audit Function.	Complied	Report of the AC.	29
	D 2.4	Board responsibilities for disclosure.	Complied	Directors' Statement on Internal Control.	24-26
	D 2.5	Directors responsibility on internal control system.	Complied	Directors' Statement on Internal Control.	24-26
Audit Committee	D 3.1	Audit Committee composition.	Complied	Composition of Audit Committee.	29
	D 3.2	Terms of reference, duties and responsibilities.	Complied	Clearly documented to Audit Committee charter.	29
Related Party Transactions review Committee	D 4	Composition, Terms of reference, duties and responsibilities.	Complied	Related Party Transactions Review Committee report.	31
Code of Business Conduct and Ethics	D 5	Company must adopt code of conduct.	Complied	Code of Conduct and Ethics.	13
	D 5.1	Board declaration for compliance with Code.	Complied	Code of Conduct and Ethics.	13
	D 5.2	Price sensitive information.	Complied	Relations with Shareholders.	13
	D 5.3	Monitor Share purchase by Directors/KPI.	Complied	Other Business Commitments and conflicts of interest.	11
	D 5.4	Chairman's statement.	Complied	Code of Conduct and Ethics.	13
Corporate Governance Disclosures	D 6	Company adheres to established principles and practices of good Corporate governance.	Complied	Corporate Governance Report.	09
Institutional and other investors	E/F	Institutional and other investors.	Complied	Relations with Shareholders.	13
Cyber Security	G	Internet of things and Cyber security.	Complied	Cyber Security.	–
Sustainable Reporting	H	Environment, Society and Governance.	Complied	Sustainable Reporting.	–

CORPORATE GOVERNANCE

Levels of Compliance with the Colombo Stock Exchange's Listing Rules Section 07 – Rules on Corporate Governance are given in the following table.

Subject	Rule No.	Applicable requirement	Compliance status	Details	Page No.
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors.	Complied	Six (6) out of Seven (7) Directors are Non-Executive Directors.	10
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent.	Complied	Three (3) out of Six (6) Non-Executive Directors are independent.	10
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ Non-Independence in the prescribed format.	Complied	Non-Executive Directors have submitted these declarations.	11
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report.	Complied	Please refer page 06.	
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a director is independent, if criteria specified for independence is not met.	Complied	Given on page 10 under the heading of Board balance.	
Disclosure relating to Directors	7.10.3 (c)	A brief resume of each director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Profile of Directors.	06
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Colombo Stock Exchange.	Complied	Brief resumes have been provided to the Colombo Stock Exchange.	06
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee.	Complied	Remuneration Committee comprises of Mr G Sathasivam Mr A N Fernando Mr S G Wijesinha Mr N B Weerasekera	32
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive Directors a majority of whom will be independent.	Complied	All members are Non-Executive and Three (3) out of Four (4) are independent.	32
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the CEO and the Executive Directors, if any.	Complied	As above.	32

CORPORATE GOVERNANCE

Subject	Rule No.	Applicable requirement	Compliance status	Details	Page No.
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee.	Complied	Please refer page 32.	
		Statement of Remuneration Policy.	Complied	Please refer page 32.	
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Note 9 to the Financial Statements.	
Audit Committee	7.10.6	The Company shall have an Audit Committee.	Complied	Please refer Report of the Audit Committee on page 29.	
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be independent.	Complied	Three (3) out of Four (4) Directors are Independent Non-Executive Directors.	29
		Non-Executive Directors shall be appointed as the Chairman of the Committee.	Complied	Chairman of the Committee is an Independent Non-Executive Director.	29
		Managing Director and Chief Financial Officer should attend Audit Committee meetings.	Complied	Managing Director and Chief Financial Officer attend meetings by invitation.	29
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied	Three (3) members are Qualified Accountants.	12
Audit Committee functions	7.10.6 (b)	Should be as outlined in the Section 7.10 of the Listing Rules.	Complied	The terms of reference of the Audit Committee have been ratified by the Board.	29
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	a. Names of the Directors comprising the Audit Committee.	Complied	Please refer page 29.	
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Please refer Audit Committee Report on pages 29.	
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions.	Complied	Please refer Audit Committee Report on pages 29.	

COMPLIANCE REPORT – FINANCE

From 1 April 2019 to 31 March 2020

Reporting institute	Subject	Responsibility	Deadline	Complied (Yes/No)	Remarks	
CSE/SEC	1. Quarterly Financial Report with continuing listing requirement and disclosure	Head of Finance	Q1– 15 Aug. 2019 Q2– 15 Nov. 2019 Q3– 15 Feb. 2020 Q4– 03 Sep. 2020	Yes	Q1 2019/20 Publish on 5 Aug. 2019 Q2 2019/20 Publish on 7 Nov. 2019 Q3 2019/20 Publish on 12 Feb. 2019 Q4 2019/20 Publish on 26 May 2020	
Department of Inland Revenue	2. VAT payment	Head of Finance	15 of following month	Yes	Apr. – 15 May 2019 May – 14 Jun. 2019 Jun. – 15 Jul. 2019 Jul. – 15 Aug. 2019 Aug. – 12 Sep. 2019 Sep. – 14 Oct. 2019	Oct. – 14 Nov. 2019 Nov. – 13 Dec. 2019 Dec. – 14 Jan. 2020 Jan. – 14 Feb. 2020 Feb. – 13 Mar. 2020 Mar. – 29 Apr. 2020
	3. VAT return	Head of Finance	31 of following month ending quarter	Yes	Q1 – 29 Jul. 2019 Q2 – 31 Oct. 2019	Q3 – 31 Jan. 2020 Q4 – Before 15 Jul. 2020
	4. NBT payment	Head of Finance	20 of following month	Yes	Apr. – 18 May 2019 May – 20 Jun. 2019 Jun. – 15 Jul. 2019 Jul. – 15 Aug. 2019	Aug. – 12 Sep. 2019 Sep. – 14 Oct. 2019 Oct. – 14 Nov. 2019 Nov. – 13 Dec. 2019
	5. NBT return	Head of Finance	20 of following month ending quarter	Yes	Q1– 15 Jul. 2019 Q2– 18 Oct. 2019 Q3– 17 Jan. 2020	
	6. PAYE payments	Head of Finance	15 of following month	Yes	Outsourced to MSL and funds have been remitted on time.	
	7. ESC payments	Head of Finance	20 of following month ending quarter	Yes	Q1 – 18 Jul. 2019 Q2 – 17 Oct. 2019 Q3 – 20 Jan. 2020	
	8. ESC return	Head of Finance	20 April of following financial year	–	Extended to 15 July 2020	
	9. Stamp duty	Head of Finance	15 of following month ending quarter	Yes	Related only for salaries and funds have been remitted.	
	10. WHT payment	Head of Finance	15 of following month	Yes	Apr. – 15 May 2019 May – 14 Jun. 2019 Jun. – 15 Jul. 2019 Jul. – 15 Aug. 2019 Aug. – 12 Sep. 2019	Sep. – 15 Oct. 2019 Oct. – 14 Nov. 2019 Nov. – 13 Dec. 2019 Dec. – 14 Jan. 2020
	11. WHT certificate issue to supplier	Head of Finance	30 day of following month	Yes	On time	
	12. WHT/PAYE return	Head of Finance	30 April of following financial year	Yes	Extended to 15 Jul. 2020	
	13. Income tax payment – quarterly	Head of Finance	Within 45 days from ending quarter	Yes	14 May 2019 15 Aug. 2019	15 Nov. 2019 15 May 2020
	14. Filling of income tax estimate	Head of Finance	Within 45 days from ending quarter	Yes	14 May 2019 15 Aug. 2019	15 Nov. 2019 Extended to 15 Jul. 2020
	15. Filling of income tax return	Head of Finance	30 November of following financial year	Yes	On time	
	16. Assessment/default notices	Head of Finance	On given dates	Yes	N/A	

COMPLIANCE REPORT – FINANCE

Reporting institute	Subject	Responsibility	Deadline	Complied (Yes/No)	Remarks
Department of Labour	17. EPF payments	Head of Finance	30 of the following month	Yes	Funds have been remitted
ETF Board	18. ETF payments	Head of Finance	30 of the following month	Yes	Funds have been remitted
Department of Labour	19. Gratuity payment	Head of Finance	Within one month of retirement	Yes	–
SLAASMB	20. Annual audited accounts	Head of Finance	Within six (6) months-end of the financial year	LY – Yes	CY – To be submitted before 30 Sep. 2020
Chairman and Board of Directors	21. Board approval taken for any new projects/ investments etc.	Head of Finance/ CEO	Relevant papers to be delivered to Directors seven (7) days prior to the Board meeting	Board minutes	
	22. Directors interest			Yes	
Company and Subsidiaries	23. RPT compliance	Head of Finance	Relevant papers to be delivered to committee members seven (7) days prior to the Board meeting	Yes	
Documents requirement	24. Annual report and other filling	Head of Finance/ Secretary	Relevant papers to be delivered to Directors seven (7) days prior to the Board meeting	Yes	
	25. Compliance with condition in bank facility agreements	Head of Finance/ Secretary		Yes	
	26. Labour regulations, OT, leave, safety and other relevant reports	Head of Finance/ Secretary		Yes	
	27. Corporate governance and codes	Head of Finance/ Secretary		Yes	
	28. Compliance with Company's Articles of Associations	Head of Finance/ Secretary		Yes	

RISK MANAGEMENT

Watawala Plantations PLC and its Subsidiary have given due consideration to its risk management process in order to progress towards achievement of its goals and objectives. Risk management under the two forms of risks, namely Strategic and Operational, is regularly reviewed to ensure the related risks are minimised where the complete elimination is not possible. No business that does not face any risk can be found in the world. Irrespective of the nature and the size of the business, risk is inevitable in doing business. In broad, such risk factors can be two-fold, systematic risk and unsystematic risk. Systematic risk is the risk which cannot be diversified or avoided. On the other hand the unsystematic risk represents the risk unique to the respective business operation which in turn could be mitigated or avoided with risk management activities.

The following are the highlights of the key risks and the associated risk mitigating activities of the WATA Group:

Category of risk	Related risk	Risks description	Implication/consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
Strategic	**Climate change**	Unfavourable weather patterns, especially droughts, impact harvests.	• Lower yields leading to lower productivity and value to shareholders	• Follow sustainable agricultural Practices • Effective implementation of RSPO recommendations • Conservation of environment and water resources
	Natural disasters	Loss resulting from extreme weather patterns or man-made disasters.	• Impact on employees' safety, health and well-being • Damage to biological assets • Business disruption and Consequential losses	• Adequate Insurance covers • Regular assessment of exposures by insurance agents • Rigorous health and safety measures in place through certification requirements • Regular fire drills and availability of fire extinguishers for all types of fires
	Volatility of palm oil prices	Price volatility arises mainly from global crude palm oil market forces and import duty on crude palm oil.	• Possible revenue shortfalls against the budgets	• Diversification of agribusiness • Continuous monitoring of global CPO prices • Monitor conditions which would affect government decisions to revise import duty • Forward contracts with buyers • Improve productivity
	Social pressure	Various groups oppose palm oil expansion and cultivation hindering the organic growth.	• Opportunity cost inhibits growth	• Public awareness campaigns • Village integration programs • RSPO certification • Engagement with pressure groups
	Government policy on oil palm expansion	Changes in government policy from current drive to increase import substitution activity for edible oils to suspension, red tape etc on account of CEA concerns and social pressure.	• Inability to replace ageing palms on time resulting in lower yield and crop	• Engagement with government agencies • Implementation of CEA report on oil palm by Plantation Ministry was challenged by way of writ application in Court of Appeal • FR petition has filed to challenge the CEA report in Supreme Court by the Planters' Association of Ceylon

RISK MANAGEMENT

Category of risk	Related risk	Risks description	Implication/consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
Operational	**Labour related risk**	Risks arising from unionised labour, political motivations, need for change, dearth of skilled labour and low productivity.	• Labour unrest • Industrial action • Lower productivity • Impact of biannual wage negotiations	• Training and development • Incentive schemes to achieve targets • Grievance handling procedure • Engagement with unions • Consultative committee
	Environmental impact of operations	Environmental impact from factory/mill operations stemming from emissions, effluents and waste.	• Loss of business reputation • Negative impact on social license • Potential litigation	• Good manufacturing practices • Solid waste used as manure • Treatment of effluents • Maintaining facultative ponds • Follow RSPO guidelines
	Misappropriation of assets	Theft, misappropriation of assets and misstatements of financial statements.	• Loss of resources • Damage to corporate image	• Sound internal controls • Effective internal audits • Sound control environment
	Dairy business risks	Fluctuating fresh milk price, adaptability of foreign cows, unpredictability of calving patterns, availability of feed and water etc.	• Lower yields • Revenue variations • High operations costs • Cash flow issues • Environmental issues	• Securing genetically superior animals • Nutritious feed formula • Slurry management plan • Water reservoirs • Staff training
	Land conditions and availability	Ground conditions or soils not conducive for cultivation such as degraded land, increased acidity, steep terrain etc. for a higher yield of oil palm.	• Lower yield per hectare • Negative impact on revenues and profit	• Soil mapping • Site specific application of fertiliser • Implementation of International agri consultants recommendations

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

The Board of Directors of Watawala Plantations PLC takes pleasure in presenting its Annual Report to the shareholders for the financial year ended 31 March 2020, together with the audited financial statements of the Company, consolidated financial statements of the Group for the said year and the Auditor's Report on those financial statements, conforming to the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE). The Report is also guided by the recommended best practices on Corporate Governance.

Watawala Plantations PLC is a public limited liability company incorporated in Sri Lanka in 1992 under the previous Companies Act No. 17 of 1982 and re-registered as required under the provisions of the Companies Act No. 07 of 2007. The re-registration number of the Company is PQ 65.

The issued shares of the Company were listed on the Main Board of the Colombo Stock Exchange in Sri Lanka in 1997.

The Registered Office and Head Office of the Company is located at No. 60, Dharmapala Mawatha, Colombo 03, Sri Lanka.

The Financial Statements were reviewed and approved by the Board of Directors on 26 May 2020.

Statutory Disclosures

Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
The nature of the business of the Company and the Group	Section 168 (1) (a)	About Us	45
Financial statements for the accounting period completed and signed in accordance with Section 152	Section 168 (1) (b)	The Financial Statements of the Company and the Group for the year ended 31 March 2020 duly signed by the Manager Finance and two Directors	40
Auditor's report on the Financial Statements of the Company and the Group	Section 168 (1) (c)	Independent Auditors' Report	34-37
Any change in accounting policies made during the accounting period	Section 168 (1) (d)	Note 3 to the Financial Statements – Changes in Accounting Policies	46
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Note 36 to the Financial Statements – Related Party Transactions	94
Remuneration and other benefits of Directors during the accounting period	Section 168 (1) (f)	Note 9 to the Financial Statements – Expenses by Nature	63
Total amount of donations made by the Company or the Group during the accounting period	Section 168 (1) (g)	The Group did not make any donations for the year under review	–
Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Section 168 (1) (h)	Board Profiles	06
Amounts payable by the Company to the person or firm holding office as Auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm;	Section 168 (1) (i)	Note 9 to the Financial Statements – Expenses by Nature	63
Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Section 168 (1) (j)	The Company's Auditors during the period under review were Messrs KPMG, Chartered Accountants The auditors do not have any relationship or interest with the Company or Group other than that of an Auditor	30
Signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)		26

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

In addition to the above, the following information is disclosed. The details are provided within notes to the Annual Report, which form an integral part of the Annual Report of the Board of Directors.

Disclosure	Note reference	Page
Principal activities and significant changes to the nature of business	About us Watawala Plantations PLC holds 100% direct stake in Watawala Tea Australia Pty Ltd. and 100% in Watawala Dairy Ltd. The principal activities of the Group during the year under review were cultivation, manufacture and sale of palm oil, and dairy farming	45
Review of operations and future developments	Chairman's Message Audited Financial Statements	04 34-105
Financial Statements	The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange	34-105
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	28
Significant accounting policies	Note 3 and 4 to the Financial Statements – Summary of Significant Accounting Policies and Significant Accounting Policies	46-58
Going concern	Note 2 to the Financial Statements – Going concern	45
Income	Note 5 and 6 the Financial Statements – Gross income	59-62
Financial results and appropriations	Statement of Profit or loss Statement of Comprehensive Income Statement of Financial Position Statement of Changes in Equity Statement of Cash Flows	38 39 40 41-42 43-44
Stated capital and reserves	Statement of Changes in Equity	41-42
Dividend on ordinary shares	Note 12 to the Financial Statements – Dividends paid	65
Taxation	Note 10 to the Financial Statements – Income tax expense Note 31 to the Financial Statements – Deferred income tax liability	64 91
Capital expenditure	The total capital expenditure on purchase and construction of property, plant and equipment and expenditure incurred on immature plantations by the Group and the Company as at 31 March 2020 amounted to LKR 360 Mn. and LKR 316 Mn. respectively (2018/19 Group: LKR 765 Mn. and Company: LKR 430 Mn.). Details are given in Notes 14, 15, 16 and 17 to the Financial Statements The capital expenditure approved and contracted for and not contracted for as at reporting date are given in Note 34 to the Financial Statements on page 93 – Capital Commitments	66-78
Property, plant and equipment	Note 14 to the Financial Statements – Property, plant and equipment	66
Statutory payments	The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date	20
Events after the reporting date	Notes 37 to the Financial Statements – Events occurring after the reporting period	96
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary. Particulars of entries in the interest register are set out in Note 36 to the Financial Statements	94-96

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

Disclosure	Note reference	Page
Historical information	Information relating to earnings, dividend, net assets and market capitalisation is given in the Historical Financial Information, investor ratios on pages 106 to 108.	106
Shareholdings	Shareholders and Investors Information	106
Equitable treatment to shareholders	The Company has always ensured that all shareholders are treated equitably	10
Environmental protection	To the best of knowledge of the Board, the Group has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.	22
Directors' interests in transactions	Notes 36 to the Financial Statements – Related Party Transactions The Related Party Transactions have been complied with Rule 9.3.2 of the Listing Rules and the code of Best practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.	94
Directors' emoluments	Board and executive remuneration	63
Corporate governance	Corporate Governance Report	09
Directors' meetings	Corporate Governance Report	09
Risk management and internal control	Risk management and internal control	22
Insurance and indemnity	Pursuant to a decision of the Board, the Company obtained an insurance policy to cover Directors' and Officers' liability	–

Notice of Annual General Meeting

The 27th Annual General Meeting of the Company is convened on 26 June 2020, at 2.30pm, at "Jasmine Room" of the Bandaranaike Memorial International Conference Hall (BMICH) Bauddhaloka Mawatha, Colombo 07. The Notice of the 27th Annual General Meeting is enclosed.

Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

V Govindasamy
Director

Sunil G Wijesinha
Chairman

Corporate Services (Pvt) Ltd
Secretaries, Watawala Plantations PLC

26 May 2020

DIRECTORS' AND MANAGER – FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of the Watawala Plantations PLC are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information is reclassified wherever necessary to comply with the current presentation.

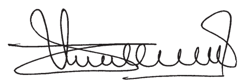
The significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and Manager – Finance of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements give a true and fair view of the state of affairs, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated, and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their report is given on pages 34 to 37 of this Annual Report.

The Audit Committee of the Company meets periodically with the internal audit team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company.



V Govindasamy
Director

Eranda Kapukotuwa
Manager – Finance

26 May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

The Directors consider that in preparing the Financial Statements on pages 38 to 105 the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimated that all accounting standards, which they consider to be applicable, are followed.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and which will enable them to ensure that Financial Statements comply with the Companies Act No. 07 of 2007.

The Directors are generally responsible for taking such steps that are reasonably for them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are confident that they discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the statement of financial position date, are paid or where relevant, provided for.

By Order of the Board.

V Govindasamy
Director

Sunil G Wijesinha
Chairman

26 May 2020

REPORT OF THE AUDIT COMMITTEE

Role of the Audit Committee

The terms of reference "Charter" provides a clear understanding of the Committee's role, structure, processes, and membership requirements. This conveys the framework for the Committee's organisation and responsibilities that can be referred to by the Board, committee members, Management, and External and Internal Auditors. The Audit Committee reviews the Charter quarterly and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

Composition

The Audit Committee comprises the following four (4) members, three (3) of whom, including the Chairman, are Independent Non-Executive Directors.

A N Fernando – Chairman *(Independent, Non-Executive Director)*

S G Wijesinha *(Independent, Non-Executive Director)*

N B Weerasekera *(Independent, Non-Executive Director)*

M S Mawzoon *(Non-Independent, Non-Executive Director)*

Profiles of the members are given on pages 06 to 08. Corporate Advisory Services (Pvt) Limited (first 3 meetings) and Corporate Services (Pvt) Limited (Last Meeting) function as the secretaries to the Audit Committee.

Meetings and Minutes

The number of meetings the Committee holds is influenced by its objectives and scope of activities, and the size and nature of the business.

The Audit Committee met four times during the year.

Members and attendance at meetings held during the year ended 31 March 2020 are given below:

A N Fernando	4/4
S G Wijesinha	3/4
N B Weerasekera	4/4
M S Mawzoon	0/4

The Chief Executive Officer and Manager-Finance shall normally attend meetings of the Audit Committee. The Head of Internal Audit also attended these meetings by invitation. On the invitation of the Audit Committee, the Engagement Partner of the Company's External Auditors, Messrs KPMG attended two committee meetings.

The Audit Committee shall report to the Board.

Responsibilities

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

Tasks of the Audit Committee

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2020.

Financial Reporting

Reviewed the quarterly and year-to-date financial results of the Group and the relevant announcements to Colombo Stock Exchange (CSE), focusing particularly on significant changes to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.

Reviewed the annual report and the annual audited Financial Statements of the Company and the Group prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the Sri Lanka Financial Reporting Standards, the provisions of Companies Act No. 7 of 2007, listing requirements of Colombo Stock Exchange and any other relevant legal and regulatory requirements.

In the review of the annual audited Financial Statements, the Committee discussed with the Chief Executive Officer, Manager-Finance and External Auditor the significant accounting policies, estimates and judgements applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the Financial Statements.

Internal Control and Risk Management and Internal Audit

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 22 and 23.

REPORT OF THE AUDIT COMMITTEE

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls and of the internal audit function. During the year, it reviewed and approved the annual internal audit plan prepared taking into consideration the required controls and risks attached to different areas of operation. It also reviewed the reports from the internal audit team summarising the audit findings and recommendations and describing actions taken by Management to address any shortfalls. It reviewed the level and nature of outstanding audit weaknesses and invited Management to the Committee to further understand progress where it felt it was necessary.

External Audit

Reviewed with the External Auditors their audit scope, audit strategy, and audit plan for the year and their proposed fees for the statutory audit.

Reviewed the external audit reports and areas of concern highlighted in the Management Letter including Management's responses to the findings of the External Auditors.

Discussed with External Auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group.

Assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Group and prior to the appointment of the External Auditors for provision of any non-audit services. The Audit Committee also received report from the External Auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 20 May 2020 recommended that they be reappointed as Auditors. A resolution to reappoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Regulatory Compliance

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Chief Executive Officer along with the Manager – Finance submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Group was in compliance with mandatory statutory requirements.

Audit Committee Effectiveness

The Committee prepares and reviews with the Board an annual performance evaluation of the Committee. The findings of the review ensure that the Board is satisfied that the Committee is operating effectively, and meeting all applicable legal and regulatory requirements.

Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Group's assets are safeguarded and the financial position of the Group is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommends to the Board of Directors that the Financial Statements as submitted be approved.

On behalf of the Audit Committee;

A N Fernando
Chairman – Audit Committee

26 May 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition of the Committee

Related Party Transactions Review Committee was established in accordance with the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange. Related Party Transactions Review Committee comprised three (3) Independent Non-Executive Directors, namely, Messrs A N Fernando (Chairman), S G Wijesinha and N B Weerasekera.

Policies and procedures adopted for reviewing the related party transactions:

The Committee reviewed all related party transactions except for the following transactions:

1. Recurrent, routine transactions which are of trading or revenue nature
2. Payment of dividend, issue of securities
3. Grant of options and the issue of securities pursuant to the exercise of options under an employee share option scheme.
4. A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the Company at the time of the transaction
5. Directors fees and remuneration and employment remuneration

Either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The Committee established guidelines for the Senior Management to follow, for recurrent related party transactions, in its ongoing dealings with the related parties. At the year end, the Committee carried out a review and assessed ongoing relationships with the related parties to determine whether they are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.

The Committee also determined whether to obtain the approval of the Board of Directors for a related party transaction considering the factors such as the impact of the proposed transaction on the independence of the Directors and whether related party transaction requires immediate market disclosure.

It was also ensured that Committee members did not have any conflict of interest with regard to the proposed related party transactions.

Meetings

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

A N Fernando	4 of 4 meetings
S G Wijesinha	2 of 4 meetings
N B Weerasekera	4 of 4 meetings
M S Mawzoon	0 of 4 meetings

Meeting and Minutes

Corporate Advisory Services (Pvt) Limited (first 3 meetings) and Corporate Services (Pvt) Limited (last meeting) act as the Secretaries to the Related Party Transaction Review Committee. The minutes of the Related Party Transactions Review Committee approved by the said Committee are circulated and agreed by the Board of Directors.

Statement of Compliance

The Committee has reviewed the related party transactions during the financial year and communicated the comments/observations to the Board of Directors. Information complied as required under Section 9 of the Listing Rules are presented under Note 36 to the Financial Statements.

On behalf of the Related Party Transactions Review Committee,

A N Fernando
Chairman – Related Party Transactions Review Committee

26 May 2020

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

Terms of Reference

The Charter determines the terms of reference for the Nomination and Remuneration Committee. The Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, members of the Executive Committee, and setting the broad parameters of remuneration for senior executives across the Group.

Composition

The Committee is made up of four Directors namely

G Sathasivam – *(Non-Executive, Non-Independent)*

A N Fernando – *(Non-Executive, Independent)*

S G Wijesinha – *(Non-Executive, Independent)*

N B Weerasekera – *(Non-Executive, Independent)*

Corporate Services (Pvt) Limited acts as the Secretaries to the Nomination and Remuneration Committee. The minutes of the Nomination and Remuneration Committee approved by the said Committee is circulated and affirmed by the Board of Directors.

Remuneration Policy

The Group's remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Group's objectives and create value for our shareholders.

A significant portion of executives' total potential remuneration is performance related in order to drive the right behaviour to optimise Group performance. Stretch targets are set for the plantation managers on a quarterly basis in the context of prevailing market conditions in which it operates. The remuneration packages which are linked to individual performances are aligned with the Group's short-term and long-term strategy.

Remuneration levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, business unit and overall performance of the Group and market practices.

The Committee continues to provide analysis and advice to ensure key management personnel remuneration is competitive in the marketplaces. The Committee has the authority to seek external independent professional advice on matters within its purview.

Non-Executive Directors' Fees

Non-Executive Directors receive fees for services on Board and Board Committees. Non-Executive Directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Non-Executive Directors are recommended by the Nomination and Remuneration Committee to the Board for their approval, after considering input from the Executive Directors.

The Directors emoluments are disclosed on Note 9 to the Financial Statements.

On behalf of the Nomination and Remuneration Committee;

G Sathasivam
Chairman – Nomination and Remuneration Committee

26 May 2020

FINANCIAL CALENDAR

1. Interim quarterly reports

Listing Rule: Submission of unaudited interim financial statements to CSE as per Listing Rule.

Period	Listing Rules	**Date of released 2019/20**	Date of released 2018/19
01st Quarter	Within 45 days of the end of quarter	5 August 2019	8 August 2018
2nd Quarter	Within 45 days of the end of quarter	7 November 2019	7 November 2018
3rd Quarter	Within 45 days of the end of quarter	12 February 2020	12 February 2019
4th Quarter	Within 60 days of the end of quarter	26 May 2020	29 May 2019

2. Audited Financial Statements

Listing Rule: Submission of audited financial statements within five months from year ended.

Meeting	Financial year	Date of released	AGM
13th Annual General Meeting	2005/06	19 May 2006	12 June 2006
14th Annual General Meeting	2006/07	30 May 2007	22 June 2007
15th Annual General Meeting	2007/08	14 June 2008	7 July 2008
16th Annual General Meeting	2008/09	15 June 2009	14 July 2009
17th Annual General Meeting	2009/10	11 June 2010	7 July 2010
18th Annual General Meeting	2010/11	16 June 2011	8 July 2011
19th Annual General Meeting	2011/12	12 June 2012	6 July 2012
20th Annual General Meeting	2012/13	17 June 2013	9 July 2013
21st Annual General Meeting	2013/14	5 June 2014	30 June 2014
22nd Annual General Meeting	2014/15	8 June 2015	30 June 2015
23rd Annual General Meeting	2015/16	9 June 2016	30 June 2016
24th Annual General Meeting	2016/17	5 June 2017	29 June 2017
25th Annual General Meeting	2017/18	4 June 2018	28 June 2018
26th Annual General Meeting	2018/19	6 June 2019	27 June 2019
27th Annual General Meeting	2019/20	3 June 2020	26 June 2020

INDEPENDENT AUDITOR'S REPORT

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
: +94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF WATAWALA PLANTATIONS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Watawala Plantations 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 31 March 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies set out on pages 38 to 105.

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 31 March 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 judgement, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Measurement of Bearer Biological Assets

Refer to the significant accounting policies in Note 3.5.3 and explanatory in Notes 16 and 17.2 to the Financial Statements.

Risk description

The Group has reported bearer biological assets amounting to LKR 2,722 Mn. and biological assets livestock carried at fair value amounting to LKR 695 Mn. as at 31 March 2020.

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

INDEPENDENT AUDITOR'S REPORT (CONTD.)

The biological assets livestock include cattles which are measured at fair value less cost to sell. The management has used internally developed discounted cash flow method to calculate the fair value of the Group's biological assets as at the reporting date. The calculation of the fair value of biological assets involves significant degree of judgements, particularly in respect of expected production, market prices of raw milk, expected costs and discounting factor.

We considered measurement of biological assets as a key audit matter due to the magnitude of the value of bearer biological assets and significant management judgement involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of livestock biological assets involved significant assumptions and judgements in determining the fair value which could be subject to error or potential management bias.

Our audit procedures included for bearer biological assets;

- Understanding the process of immature to mature transfer and testing the design, implementation and operating effectiveness of key internal controls in relation to bearer biological assets.
- Obtaining schedules of costs incurred and capitalised under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Physical verification of fields on sample basis and cross checking with the classification of immature and mature plantations.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year were consistent with the Company accounting policy and industry norms.

Our audit procedures included for livestock biological assets;

- Understanding the process of valuation and testing the design and operating effectiveness of the key controls relation to the valuation of livestock.
- Challenging the methodologies adopted in the valuation of livestock with reference to the requirements of the prevailing accounting standards.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average milk production, selling price of milk, average cost per cow, weight and selling price of the cattles in evaluating the appropriateness of the valuation methodology and discount rate used.
- Evaluating the accuracy, completeness and reasonableness of the data and inputs used for the valuation of livestock and evidence for physical verification of cows during the year.
- Comparing the discount rate, normal life cycle of a milking cow, milking yield per lactation with available industry data.
- Evaluating the adequacy of the Group's disclosures in the financial statements regarding the degree of judgement and estimation involved and the sensitivity of the assumptions and estimates.

2. Valuation of Retirement Benefit Obligations

Refer to the significant accounting policies in Note 3.5.6.2 and explanatory Note 29 of the Financial Statements.

Risk Description

The Group has recognised retirement benefit obligation of LKR 278 Mn. as at 31 March 2020. The retirement benefit obligations of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligations requires significant judgement and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Management engaged an independent actuary to assist them in the computation of the retirement benefit obligations.

We considered the computation of the retirement benefit obligations to be a key audit matter due to the magnitude of the amounts recognised in the Financial Statements as well as estimation uncertainty involved in determining the amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Management.
- Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist.
- Challenging the key assumptions used in the valuation, in particular the discount rate, inflation rate, future salary increases and mortality rates.
- Evaluating the accuracy, completeness and reasonableness of the employee data used for the calculation of retirement benefit obligations.
- Comparing the discount rate, inflation rate, mortality rate and future pension increases to market available data.
- Assessing the adequacy of the disclosures made to the financial statements in accordance with the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTD.)

3. The impact of estimate uncertainty related to COVID-19 disclosures

Refer to the Note 38 of the Financial Statements.

Risks Description

Following the spread of global pandemic COVID-19 in the country, the Group/Company was facing implications including, temporary restrictions in the level of business operations and may have potential implications due to delays in settlements and credit risk.

Note 38 in the Financial Statements, describes the impact of COVID-19 outbreak to the current year financial statements and the preliminary assessment carried out by the Board of Directors on the potential future implications of COVID-19 outbreak on the Group's future prospects, performance and liquidity position for financial year ending 31 March 2021.

The Board will continue to monitor the economic conditions and its impact on the business operations and take mitigation actions to minimise the potential impacts and business continuity

We identified the disclosure of estimation uncertainty and implications of COVID-19 as a key audit matter because the assessment involves consideration of future events which are inherently uncertain, and effect of those differences may impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgement in assessing future projections.

Our audit procedures included;

- Obtaining the Company's revised budget and cash flow projections for the year ending 31 March 2021 and inquiring the management plans to monitor credit risk, liquidity risk and the exchange rate risk and assessing the reasonability of the Management plans highlighted with limited information available as at reporting date.
- Evaluating the appropriateness of the assumptions used for the estimates and assessing whether the estimates reflected the latest economic conditions pursuant to the COVID-19 outbreak and reviewing the overall performance of the Group for the month ended 30 April 2020 against the revised budget for the said month.
- Inspecting the availability of the credit facility arrangements for the Group to manage the liquidity on a short-term and long-term basis assessing the implication of these on the Group's liquidity;
- Assessing the adequacy of the financial statements disclosures in relation to the impact of the uncertainty of COVID-19 with the limited information available as at the audit report date.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our Auditor's Report thereon.

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

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

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

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

In preparing the Financial Statements, management is responsible for assessing the 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

INDEPENDENT AUDITOR'S REPORT (CONTD.)

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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 3029.

KPMG

Chartered Accountants

Colombo,
Sri Lanka

26 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31 March	Note	2020	2019	2020	2019
Revenue	5	3,326,800	3,081,760	2,743,634	2,588,459
Cost of sales		(2,041,076)	(1,941,278)	(1,383,852)	(1,279,111)
Gross profit	5	**1,285,724**	**1,140,482**	**1,359,782**	**1,309,348**
Other income	6	102,043	118,305	71,954	56,641
Gain/(loss) on changes in fair value of biological assets	7	16,503	(21,968)	10,880	2,101
Administrative expenses		(238,185)	(200,355)	(227,645)	(191,698)
Operating profit		**1,166,085**	**1,036,464**	**1,214,971**	**1,176,392**
Finance income	8	10,433	18,741	25,875	49,576
Finance costs	8	(184,419)	(133,209)	(80,079)	(45,410)
Net Finance Income/(Costs)		**(173,986)**	**(114,468)**	**(54,204)**	**4,166**
Profit before income tax	9	**992,099**	**921,996**	**1,160,767**	**1,180,558**
Income tax expenses	10	(175,599)	(158,985)	(175,686)	(159,009)
Profit for the year		**816,500**	**763,011**	**985,081**	**1,021,549**
Profit is attributable to:					
Equity holders of the parent		831,559	837,495	985,081	1,021,549
Non-controlling interests		(15,059)	(74,484)	–	–
		816,500	**763,011**	**985,081**	**1,021,549**
Basic earnings per share (LKR)	**11**	**4.10**	**4.17**	**4.86**	**5.08**

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Consolidated Financial Statements of the Group set out on pages 45 to 105.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(All amounts in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31 March	Note	**2020**	2019	**2020**	2019
Profit for the year		816,500	763,011	985,081	1,021,549
Items that will not be reclassified to profit or loss					
Actuarial loss on retirement benefit obligations	29	(11,976)	(26,124)	(11,782)	(21,674)
Deferred tax on actuarial loss	31	1,649	3,034	1,649	3,034
Total other comprehensive expense for the year (net of tax)		**(10,327)**	**(23,090)**	**(10,133)**	**(18,640)**
Total comprehensive income for the year		**806,173**	**739,921**	**974,948**	**1,002,909**
Total comprehensive income attributable to:					
– Equity holders of the parent		821,232	815,818	974,948	1,002,909
– Non-controlling interest		(15,059)	(75,897)	–	–
		806,173	**739,921**	**974,948**	**1,002,909**

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Consolidated Financial Statements of the Group set out on pages 45 to 105.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Sri Lankan Rupees thousands)

		Group		Company	
As at 31 March	Note	2020	2019	2020	2019
Assets					
Non-current assets					
Right-to-use of land	13	241,440	77,120	235,459	70,898
Property, plant and equipment	14	2,173,402	2,200,469	695,786	667,751
Intangible assets	15	23,533	24,925	18,224	18,839
Bearer biological assets	16	2,722,149	2,673,393	2,615,292	2,546,832
Biological assets – Consumable	17.1	31,657	38,356	–	–
Biological assets – Livestock	17.2	695,538	662,620	–	–
Investment fund	18	343,725	312,051	343,725	312,051
Investment in subsidiaries	19	–	–	1,868,242	627,352
Investment in debenture	20	–	–	–	174,088
Total non-current assets		**6,231,444**	**5,988,934**	**5,776,728**	**4,417,811**
Current assets					
Inventories	21	151,314	143,089	105,851	100,790
Biological assets – Produce on bearer plants	17.3	41,797	31,271	41,711	30,831
Trade and other receivables	22	302,533	313,198	259,639	258,619
Loan given to related company	23	–	–	200,195	222,259
Amount due from related Companies	24	73,902	21,918	100,225	21,918
Cash and cash equivalents	25	186,553	204,001	185,147	199,064
Total current assets		**756,099**	**713,477**	**892,768**	**833,481**
Total assets		**6,987,543**	**6,702,411**	**6,669,496**	**5,251,292**
Equity and liabilities					
Capital and reserves					
Stated capital	26	511,848	460,000	511,848	460,000
Retained earnings		4,086,294	3,275,437	4,516,370	3,543,722
Equity attributable to the equity holders of the parent		**4,598,142**	**3,735,437**	**5,028,218**	**4,003,722**
Non-controlling interests		–	187,074	–	–
Total equity		**4,598,142**	**3,922,511**	**5,028,218**	**4,003,722**
Non-current liabilities					
Interest bearing borrowings	27	572,748	1,111,324	208,450	63,382
Lease Liability to – SLSPC and JEDB	28	242,897	125,976	242,897	125,976
Retirement benefit obligations	29	278,340	242,717	243,760	211,653
Deferred income and capital grants	30	142,550	193,105	46,157	48,515
Deferred tax liability	31	379,335	376,417	379,335	376,417
Total non-current liabilities		**1,615,870**	**2,049,539**	**1,120,599**	**825,943**
Current liabilities					
Interest bearing borrowings	27	190,987	144,483	98,723	33,890
Lease liability to – SLSPC and JEDB	28	1,078	2,911	1,078	2,911
Trade and other payables	32	316,613	411,150	270,199	351,463
Amount due to related Companies	33	321	27,614	321	–
Current tax liabilities		52,560	33,450	52,560	33,363
Bank overdrafts	25	211,972	110,753	97,798	–
Total current liabilities		**773,531**	**730,361**	**520,679**	**421,627**
Total liabilities		**2,389,401**	**2,779,900**	**1,641,278**	**1,247,570**
Total equity and liabilities		**6,987,543**	**6,702,411**	**6,669,496**	**5,251,292**

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Consolidated Financial Statements of the Group set out on pages 45 to 105.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Eranda Kapukotuwa
Manager – Finance
26 May 2020
Colombo

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

V Govindasamy
Director

Sunil G Wijesinha
Chairman

STATEMENT OF CHANGES IN EQUITY – GROUP

(All amounts in Sri Lankan Rupees thousands)

	Note	Stated capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 April 2018		460,000	2,911,785	3,371,785	262,971	3,634,756
Profit for the year		–	837,495	837,495	(74,484)	763,011
Actuarial loss on retirement benefit obligations		–	(24,711)	(24,711)	(1,413)	(26,124)
Deferred tax on actuarial loss on retirement benefit obligations		–	3,034	3,034	–	3,034
Total comprehensive income for the year		**–**	**815,818**	**815,818**	**(75,897)**	**739,921**
Transactions with owners of the Company, recognised directly in equity						
Dividends paid		–	(452,166)	(452,166)	–	(452,166)
Total transactions with owners		**–**	**(452,166)**	**(452,166)**	**–**	**(452,166)**
Balance at 31 March 2019		**460,000**	**3,275,437**	**3,735,437**	**187,074**	**3,922,511**
Balance at 1 April 2019		460,000	3,275,437	3,735,437	187,074	3,922,511
Adjustment due to initial application of SLFRS 16	3.1	–	57,989	57,989	–	57,989
Adjusted balance as at 1 April 2019		**460,000**	**3,333,426**	**3,793,426**	**187,074**	**3,980,500**
Profit for the year			831,559	831,559	(15,059)	816,500
Actuarial loss on retirement benefit obligations		–	(11,976)	(11,976)	–	(11,976)
Deferred tax on actuarial loss on retirement benefit obligations		–	1,649	1,649	–	1,649
Total comprehensive income for the year		**–**	**821,232**	**821,232**	**(15,059)**	**806,173**
Transactions with owners of the Company, recognised directly in equity						
Acquisition of NCI without a change in control	19.1	–	(8,075)	(8,075)	(172,015)	(180,090)
Scrip dividend issued	26	51,848	(60,289)	(8,441)	–	(8,441)
Total transactions with owners		**51,848**	**(68,364)**	**(16,516)**	**(172,015)**	**(188,531)**
Balance at 31 March 2020		**511,848**	**4,086,294**	**4,598,142**	**–**	**4,598,142**

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Consolidated Financial Statements of the Group set out on pages 45 to 105.

STATEMENT OF CHANGES IN EQUITY – COMPANY

(All amounts in Sri Lankan Rupees thousands)

	Note	Stated capital	Retained earnings	Total equity
Balance at 1 April 2018		460,000	2,992,979	3,452,979
Profit for the year		–	1,021,549	1,021,549
Actuarial loss on retirement benefit obligations		–	(21,674)	(21,674)
Deferred tax on actuarial loss on retirement benefit obligations		–	3,034	3,034
Total comprehensive income for the year		**–**	**1,002,909**	**1,002,909**
Transactions with owners of the Company, recognised directly in equity				
Dividends paid		–	(452,166)	(452,166)
Total transactions with owners		**–**	**(452,166)**	**(452,166)**
Balance at 31 March 2019		**460,000**	**3,543,722**	**4,003,722**
Balance at 1 April 2019		460,000	3,543,722	4,003,722
Adjustment due to initial application of SLFRS 16	3.1	–	57,989	57,989
Adjusted balance as at 1 April 2019		**460,000**	**3,601,711**	**4,061,711**
Profit for the year		–	985,081	985,081
Actuarial loss on retirement benefit obligations		–	(11,782)	(11,782)
Deferred tax on actuarial loss on retirement benefit obligations		–	1,649	1,649
Total comprehensive income for the year		**–**	**974,948**	**974,948**
Transactions with owners of the Company, recognised directly in equity				
Scrip dividend issued	26	51,848	(60,289)	(8,441)
Total transactions with owners		**51,848**	**(60,289)**	**(8,441)**
Balance at 31 March 2020		**511,848**	**4,516,370**	**5,028,218**

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Consolidated Financial Statements of the Group set out on pages 45 to 105.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31 March	Note	2020	2019	2020	2019
Cash flows from operating activities					
Profit before taxation		992,099	921,996	1,160,767	1,180,558
Adjustments for:					
Depreciation and amortisation	9	324,199	271,498	229,576	193,101
Provision for retirement benefit obligations	9.1	45,936	44,698	39,757	38,638
Profit on disposal of property, plant and equipment	6	(2,669)	(13,810)	(3,140)	(11,779)
Profit on sale of rubber trees	6	(7,747)	(33,105)	(7,747)	(33,105)
Write-off of consumable biological assets		–	7	–	–
Loss on fair valuation of consumable biological assets	7	6,656	(397)	–	–
Gain on fair valuation of produce on bearer plants	7	(10,526)	(2,128)	(10,880)	(2,101)
Fair value loss on convertible debenture	6	–	–	(3,236)	3,236
Gain on fair valuation of livestock	7	(12,633)	24,493	–	–
Write-off of ESC receivables		4,625	–	–	–
Income from investment fund	6	(31,674)	(23,456)	(31,674)	(23,456)
Amortisation of capital grants	6	(50,555)	(50,554)	(2,358)	(2,357)
Net finance costs/(income)	8	173,986	114,468	54,204	(4,166)
Profit before working capital changes		**1,431,697**	**1,253,710**	**1,425,269**	**1,338,569**
Changes in working capital					
– Inventories		(8,225)	148,741	(5,061)	90,998
– Trade and other receivables		6,040	78,007	(1,020)	68,777
– Amount due from related companies		(51,984)	(11,607)	(78,307)	(40,161)
– Amount due to related companies		(27,293)	27,614	321	
– Trade and other payables		(94,537)	(19,424)	(81,264)	(10,014)
Cash generated from operations		**1,255,698**	**1,477,041**	**1,259,938**	**1,448,169**
Interest paid	8	(149,210)	(133,209)	(44,870)	(45,410)
Interest received	8	10,433	18,741	10,432	49,576
Income tax paid		(160,363)	(141,483)	(160,363)	(141,111)
Retirement benefit obligations paid	29	(22,289)	(22,086)	(19,432)	(19,789)
		(321,429)	**(278,037)**	**(214,233)**	**(156,734)**
Net cash generated from operating activities		**934,269**	**1,199,004**	**1,045,705**	**1,291,435**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

		Group		Company	
For the year ended 31 March	Note	2020	2019	2020	2019
Cash flows from investing activities					
Additions to property, plant and equipment	14	(122,766)	(277,434)	(103,165)	(121,071)
Addition to intangible assets	15	(4,306)	(5,364)	(3,913)	–
Additions to Bearer biological assets	16	(208,928)	(323,191)	(208,928)	(308,992)
Proceeds from sale of rubber trees	6	7,747	33,105	7,747	33,105
Proceeds from disposal of biological assets (Livestock)	17	3,836	11,694	–	–
Proceeds from sale of property, plant and equipment		3,864	14,878	3,140	11,978
Proceeds from sale of consumable biological assets	17	43	–	–	–
Additions to livestock	17	(24,121)	(159,205)	–	–
Acquisition of NCI	19.1	(180,090)	–	(180,090)	–
Loan given to related parties	23	–	–	(235,969)	(201,029)
Investment in a debentures		–	–	–	(160,000)
Net cash used in investing activities		**(524,721)**	**(705,517)**	**(721,178)**	**(746,009)**
Cash flows from financing activities					
Dividends paid		–	(452,166)	–	(452,166)
Proceeds from borrowings	27	6,992	250,000	6,992	–
Repayment of borrowings	27	(499,064)	(333,613)	(407,091)	(33,894)
Repayment of SLSPC and JEDB lease	28	(36,143)	(8,136)	(36,143)	(8,136)
Net cash used in financing activities		**(528,215)**	**(543,915)**	**(436,242)**	**(494,196)**
(Decrease)/increase in cash and cash equivalents		**(118,667)**	**(50,428)**	**(111,715)**	**51,230**
Cash and cash equivalents at the beginning of year		93,248	143,676	199,064	147,834
Cash and cash equivalents at the end of year	25	**(25,419)**	**93,248**	**87,349**	**199,064**

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Consolidated Financial Statements of the Group set out on pages 45 to 105.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lankan Rupees thousands)

1. Reporting Entity

1.1 Domicile and legal form

Watawala Plantations PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Public Corporations or Government Owned business undertaking into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at No. 60, Dharmapala Mawatha, Colombo 03. The Plantations are situated in the Udugama, Galle District in the Southern Province.

The Consolidated Financial Statements of the Group as at and for the year ended 31 March 2020 comprise the Financial Statements of the Company and its subsidiaries Watawala Dairy Ltd. and Watawala Tea Australia (Pty) Ltd. (together referred to as the "Group").

1.2 Principal activities and nature of operations

The Company is primarily engaged in cultivation, manufacture and sale of crude palm oil. Its subsidiaries Watawala Dairy Ltd. and Watawala Tea Australia (Pty) Ltd. are engaged in dairy farming and promoting branded tea in Australia respectively.

1.3 Parent and ultimate parent enterprise

The parent of the Watawala Plantations PLC is Estate Management Services (Private) Limited and ultimate parent company is Sunshine Holdings PLC.

2. Basis of Preparation

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, together with the notes to the Financial Statements and Significant Accounting Policies which have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements, except information on Cash Flows, have been prepared following the accrual basis of accounting.

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 26 May 2020.

2.3 Basis of measurement

The Consolidated Financial Statements have been prepared on historical cost basis except for the following material items in the Statement of Financial Position:

- Consumable Biological Assets are measured at fair value less costs to sell per LKAS 41 – "Agriculture".
- Liability for Retirement Benefit Obligation is recognised as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19 – "Employee Benefits'.
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41 – "Agriculture".

2.4 Functional and presentation currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees which is the Group's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless stated otherwise.

2.5 Presentation of Financial Statements

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

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1 – "Presentation of Financial Statements". Financial assets and financial liabilities are offset and the net amount report in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on net basis, or to realise the assets and settle the liability simultaneously.

2.7 Going concern

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

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID-19 on the Group and appropriateness of the use of the going concern basis. Refer Note 38 to the Financial Statements for impact of COVID-19 on the Financial Statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

2.8 Use of Estimates and Judgements

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

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

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

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

Note 14 – Tangible assets other than biological assets

Note 17 – Consumable biological assets

Note 28 – Lease liability to SLSPC/JEDB

Note 29 – Retirement benefit obligations

Note 31 – Deferred tax liability

2.9 Determination of fair values

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

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

Level 1 : inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

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

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

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

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

2.10 Fair value of non-financial assets

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

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

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

The 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.

3. Significant Accounting Policies

Except for the changes mentioned, all the accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.1 Changes in accounting policies

The Group initially applied SLFRS 16 – "Leases" from 1 April 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group Financial Statements.

The following changes in accounting policies are reflected in Group's financial statements for the year ended 31 March 2020.

The Group has adopted SLFRS 16 – "Leases" using the modified retrospective approach from 1 April 2019 and therefore the comparative information has not been restated and continues to be reported under LKAS 17 – "Leases" and IFRIC 4 – "Determining Whether an Arrangement Contains a Lease".

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

The effect of initially applying this standard mainly attributed to the following:

– recognition of right-of-use assets
– recognition of corresponding lease liabilities

SLFRS 16 – "Leases"

The Group has adopted SLFRS 16 with a date of initial application of 1 April 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied SLFRS 16 using the modified retrospective approach, under which the Right-of-use asset is measured to be equal to lease liability as at 1 April 2019 without restating comparative information. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under LKAS 17. Under SLFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.5.1.5.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

Accounting treatment by lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognises right-of-use assets and lease liabilities for the leases – i.e., these leases are on-balance sheet.

a. Leases classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

– their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application or
– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all the leases.

The Group used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

– Applied a single discount rate to a portfolio of leases with similar characteristics.
– Adjusted the right-of-use assets by the amount of LKAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

b. Leases previously classified as finance leases

For leases that were classified as finance leases under LKAS 17, the carrying amount of the right-of-use asset and the lease liability as at 1 April 2019 are determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

c. Impacts on financial statements

On transition to SLFRS 16, there was a material impact on the Group's financial statements from leases of JEDB/SLSPC estates handed over to the Group for a period of 49 years as at 1 April 2019.

Policy applicable before 1 April 2019

The leasehold rights to the land on all these estates have been taken into the books of the Company as at 18 June 1992 immediately after formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist, D R Wickramasinghe, just prior to the formation of the Company.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of The Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

Policy applicable on 1 April 2019 (Transition)

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has analysed the provisions in the prevailing SoAT and the way forward in that context and withdrawn the SoAT going forward and replace with the guidance for initial application of SLFRS 16 at the transition. Application of this guideline by the companies which followed the SoAT issued by CA Sri Lanka is treated as a change in the accounting policies due to issuance of SLFRS 16 and therefore this guideline is prepared to help the transition of such companies consistently.

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Accordingly the Group elects to apply not to restate comparative information, instead the Group shall recognise the cumulative effect of initial application of SLFRS 16 as an adjustment to the opening balance of retained earnings as at the date of initial application. On transition to SLFRS 16, the Group increased the carrying amount of right-of-use asset by LKR 174,011 and lease liabilities by LKR 116,022. The Leases incremental borrowing rate applied to lease liabilities as at 1 April 2019 was 11.3%.

Impact on statement of financial position

Group	Right to use of asset	Lease liability
Closing balance under SoAT	70,898	128,887
Impact due to initial application of SLFRS 16	174,011	116,022
Opening balance under SLFRS 16 initial application as at 1 April 2019	244,909	244,909

Impact on statement of changes in equity

	Retained earnings	
	Company	Group
Opening balance as at 1 April 2019	3,543,722	3,275,437
Impact due to initial application of SLFRS 16	57,989	57,989
Opening balance under SLFRS 16 initial application as at 1 April 2019	3,601,711	3,333,426

3.2 Basis of consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its Subsidiaries for the year ended 31 March 2020.

3.2.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, based on are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.2.3 Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer. The Executive Committee of the Company assesses the financial performance and position of the Company and its subsidiaries and makes strategic decisions.

3.4 Foreign currency translations

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

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

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

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

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

3.5 Assets and bases of their valuation

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realised in cash, during the normal operating cycle of the Group's business, or within one year Notes to the consolidated financial statements from the reporting date, whichever is shorter. Assets other than current assets are those which the Group intends to hold beyond a period of one year from the reporting date.

3.5.1 Property, plant and equipment

3.5.1.1 Recognition and measurement

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

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

3.5.1.2 Owned assets

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

3.5.1.3 Land development costs

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

3.5.1.4 Capital work-in-progress

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

3.5.1.5 Leases

The Group has early adopted SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 3.1.

Policy applicable from 1 April 2019

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflater, the Group shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities a an adjustment to the right-of-use asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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Policy applicable before 1 April 2019

Assets obtained under the finance lease, which effectively transfer to the Group substantially, all risks and benefits incidental to the ownership of the leased assets, are treated as if they have been purchased outright and are capitalised at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception, less accumulated depreciation and accumulated impairment losses.
The principal/capital elements payable to the lessor are shown as liability/obligation.

Assets held under the finance lease are amortised over the shorter of the lease period or the useful life of equivalent owned assets, unless ownership is not transferred at the end of the leased period.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Lease payments (excluding costs for services such as insurance and maintenance) paid under operating leases are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

3.5.1.6 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

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

3.5.1.7 Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 – "Borrowing Costs".

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.5.1.8 Depreciation and amortisation

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

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

Company	Freehold assets (Years)	Leasehold assets (Years)
Right-to-use-of land	–	53
Improvements to land	–	30
Vested other assets	–	30
Buildings	40	25
Plant and machinery	13	13
Equipment	8	–
Computer equipment	4	–
Computer software	6	–
Furniture and fittings	10	–
Motor vehicles	5	5
Sanitation, water, and electricity	20	20
Roads and bridges	40	40
Fences and security lights	3	–
Mini hydro plants	–	10

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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Group

Watawala Dairy Limited

Freehold assets are depreciated using similar rates as the parent entity. The right to use land and assets acquired from Watawala Plantations PLC are depreciated over the shorter of useful life or the remaining period of the lease.

Residual values of these assets and useful lives are reviewed and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.5.1.9 Derecognition

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

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

3.5.2 Intangible assets

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

3.5.2.1 Software

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

Asset category	Useful life
Enterprise resource planning system	6 years

3.5.3 Biological assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include palm oil, tea, cinnamon and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets) and livestock of cattle.

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

3.5.3.1 Recognition and measurement

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

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property, Plant and Equipment".

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (Age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

The live stock are initially measured at cost and subsequently fair valued at each reporting date.

3.5.3.2 Bearer Biological assets

The costs of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting, fertilising and so on incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on Bearer Biological assets (Palm oil, Tea, Cinnamon and Rubber fields) which comes into bearing during the year, is transferred to mature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income.

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3.5.3.3 Infilling Cost on Bearer Biological assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation.

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

3.5.3.4 Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads.

3.5.3.5 Depreciation

Mature Plantations (Replanting and New Planting) are depreciated on a straight-line basis over the expected period of their commercial harvesting.

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

	Freehold assets (Years)	Leasehold assets (Years)
Tea	33	30
Rubber	20	20
Palm oil	20	20
Cinnamon	30	–
Caliandra	15	–
Grass	5	–
Coconut	33	–

No depreciation is provided for Immature Plantations.

3.5.3.6 Consumable Biological assets

The fair value of timber trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber applied to expected timber content of a tree at maturity.

The main variables in DCF model are as follows:

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

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

3.5.3.7 Livestock

Livestock are measured at their fair value less estimated cost to dispose with any change therein recognised in statement of profit or loss and other comprehensive income. Estimated costs to dispose includes all costs that would be necessary to dispose the asset such as transport cost, commission etc. Fair value of livestock is determined on yield basis valuation which considers the present value of net cash flows expected to be generated throughout the lactation lifecycle of the cattle. The expected net cash flows are discounted using a risk adjusted discounted rate.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services are expensed as incurred. The cost of purchase of cattle plus transportation charges are capitalised as part of livestock.

3.5.3.8 Non-harvested produce crop on Bearer Biological assets

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

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

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For the valuation of the produce, the Company uses value of unharvested fresh fruit bunches (FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers and the value of the unharvested green leaves is measured using the bought-leaf rate (current month) less cost of harvesting and transport.

3.5.4 Financial instruments

3.5.4.1 Recognition and initial measurement

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

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

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

a. Business model assessment:

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

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

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3.5.4.2 Financial liabilities

Financial liabilities – Classification, subsequent measurement and gains and losses.

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

3.5.4.3 Derecognition

Financial assets

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

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.5.4.4 Offsetting

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

3.5.4.5 Impairment – Financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and debt investments measured at FVOCI
- The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be higher credit rating.

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

Twelve month ECLs are the portion of ECLs that result from default events that are possible within the 12-months after the reporting date (or a shorter period if the expected life of the instrument is less than 12-months).

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

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Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

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

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

Write-off

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

3.5.4.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5.5 Liabilities and provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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3.5.6 Employee benefits

3.5.6.1 Defined contribution plans

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

- Employees Provident Fund (EPF)/Estate Staff's Provident Society (ESPS)/Ceylon Planter's Provident Society (CPPS)
- The Group and employee collectively contribute 12% and 8% respectively on the salary of each employee to the each of the contribution plans
- Employees Trust Fund (ETF)
- The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.5.6.2 Retirement benefit obligations

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No. 34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standards 19 – "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs Actuarial and Management Consultants (Private) Limited as at 31 March 2020.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of five (5) years continued services.

The liability is not externally funded.

3.5.7 Inventories

3.5.7.1 Agricultural produce harvested from biological assets

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

3.5.7.2 Agricultural produce after further processing

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

3.5.7.3 Input material, consumables and spares

Valued at actual cost on weighted average basis.

3.5.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the statement of cash flows.

3.5.9 Contingent liabilities

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

3.5.10 Deferred income

Government grants and subsidies

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

Grants related to property, plant and equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related property, plant and equipment. Grants received for forestry are initially deferred and credited to statement of profit or loss and other comprehensive income immediately the related blocks of trees are harvested.

3.6 Statement of profit or loss and other comprehensive income

For the purpose of presentation of the statement of profit or loss and other comprehensive income, the Directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 – "Presentation of Financial Statements".

3.6.1 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue it transfers control over a product or service to a customer.

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(All amounts in Sri Lankan Rupees thousands)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The following specific criteria are used for the purpose of recognition of revenue;

Group revenue principally comprises sale of Palm Oil and Fresh Milk. Revenue is recognised point in time as the products are provided. The Company considers sales and delivery of products as one performance obligation and recognises revenue when it transfers control to the customer.

Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

3.6.1.1 Sale of goods

Revenue from the sale of goods is recognised when the identified performance obligations are satisfied i.e the Company transfers control over a good or services to a contract. Revenue is measured based on the consideration specified in a contract with a customer.

3.6.1.2 Interest income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as FVTOCI, the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

3.6.1.3 Gain and losses on disposal

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

3.6.2 Operating expenses

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the statement of profit or loss and other comprehensive income in arriving at the profit/(loss) for the year.

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

3.6.3 Finance cost

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

3.6.4 Income tax expense

Income tax expense comprising current and deferred tax. Income tax expense is recognised in statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.6.4.1 Current taxes

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

3.6.4.2 Deferred taxation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.7 Statement of cash flows

The statement of cash flows has been prepared using the indirect Method. Interest paid is classified as operating cash flows, interest received and dividends received are classified as investing cash flows while dividend paid and Government grants received are classified as financing cash flows for the purpose of presentation of the statement of cash flows.

3.8 Segmental reporting

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

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

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and Liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible. The activities of the segments are described in Note 5 to the Financial Statements on pages 59 to 61.

3.9 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether or not a price is being charged. A detailed Related Party Transaction analysis is presented in Note 36.

3.10 Earnings per share

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

3.11 Events after the reporting date

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

4. New Accounting Standards issued but not Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1 January 2020. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

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

Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards

These amendments are effective 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

Definition of a business (Amendments to SLFRS 3)

These amendments are effective 1 January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

Definition of material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of "material" across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

5. Segmental Analysis by Principal Activities

The analysis of performance by the principal activities, is as follows:

5.1 Revenue

5.1.1 Revenue streams

		Group		Company	
Year ended 31 March	Note	**2020**	2019	**2020**	2019
Revenue from contracts with customers – sale of goods		3,326,800	3,081,760	2,743,634	2,588,459
Total Gross Revenue	5.1.2	**3,326,800**	**3,081,760**	**2,743,634**	**2,588,459**

5.1.2 Major products

	Group		Company	
Year ended 31 March	**2020**	2019	**2020**	2019
Revenue				
Tea	67,395	72,734	67,395	72,734
Palm oil and allied products	2,675,317	2,468,460	2,676,239	2,468,460
Exports	–	47,265	–	47,265
Dairy farming	584,088	493,301	–	–
	3,326,800	**3,081,760**	**2,743,634**	**2,588,459**
Gross profit/(loss)				
Tea	4,672	1,780	4,672	1,780
Palm oil	1,362,601	1,301,219	1,355,110	1,301,219
Exports	–	6,349	–	6,349
Dairy farm	(81,549)	(168,866)	–	–
	1,285,724	**1,140,482**	**1,359,782**	**1,309,348**

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business. There are no distinguishable components to be identified as geographical segments for the Group. The business segments are reported based on the Group management and reporting structure.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

5.1.3 Performane Obligations

Information about the Group's performance obligations are summarized as follows;

Type of product/ services	Nature and timing of satisfaction of performance obligation	Revenue recognition under SLFRS 15
Plantation		
Sale of plantation produce	The Company is selling Green Leaf to customers after placing a sales order and revenue from tea is recognized at the time of dispatching the respective order.	Revenue from sale of other crops are recognized 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.
Dairy farming		
Fresh Milk	Customer obtains the control of Fresh Milk after the customer acknowledgement at the dispatch point.	Revenue from fresh milk is recognized 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.

5.2 Segmental analysis by principal activities – Company

	Palm oil		Other		Total	
Year ended 31 March	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	2,676,239	2,468,460	67,395	119,999	2,743,634	2,588,459
Gross profit	1,355,110	1,301,219	4,672	8,129	1,359,782	1,309,348
Other income	–	–	82,834	58,742	82,834	58,742
Administrative expenses	(227,645)	(187,165)	–	(4,533)	(227,645)	(191,698)
Operating profit	**1,127,465**	**1,114,054**	**87,506**	**62,338**	**1,214,971**	**1,176,392**
Net finance (costs)/income	(54,204)	6,907	–	(2,741)	(54,204)	4,166
Profit before tax	**1,073,261**	**1,120,961**	**87,506**	**59,597**	**1,160,767**	**1,180,558**
Tax expense	(164,089)	(150,665)	(11,597)	(8,344)	(175,686)	(159,009)
Profit for the year	**909,172**	**970,296**	**75,909**	**51,253**	**985,081**	**1,021,549**
Other comprehensive Income						
Actuarial loss on gratuity	(11,782)	(21,674)	–	–	(11,782)	(21,674)
Deferred tax on actuarial loss on gratuity	1,649	3,034	–	–	1,649	3,034
Total other comprehensive loss	**(10,133)**	**(18,640)**	**–**	**–**	**(10,133)**	**(18,640)**
Total comprehensive income for the year	**899,039**	**951,656**	**75,909**	**51,253**	**974,948**	**1,002,909**
Segment assets	6,419,909	4,988,727	249,587	262,565	6,669,496	5,251,292
Segment liabilities	1,593,899	1,185,191	47,379	62,379	1,641,278	1,247,570
Other segment items						
Capital expenditure	313,704	408,560	2,302	21,503	316,006	430,063
Depreciation	212,395	180,861	7,731	9,519	220,126	190,380
Amortisation	8,978	2,585	472	136	9,450	2,721

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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5.3 Segmental analysis by principal activities – Group

	Palm oil		Dairy		Other		Inter segment adjustments		Total	
Year ended 31 March	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	2,676,239	2,468,460	584,088	493,301	67,395	119,999	(922)	–	3,326,800	3,081,760
Gross (loss)/profit	1,355,110	1,301,219	(86,030)	(168,866)	4,672	8,129	11,972	–	1,285,724	1,140,482
Other operating income	–	–	50,922	42,486	82,834	58,742	(15,210)	(4,891)	118,546	96,337
Administrative expenses	(227,645)	(187,165)	(10,540)	(7,181)	–	(4,533)	–	(1,476)	(238,185)	(200,355)
Operating profit/(loss)	**1,127,465**	**1,114,054**	**(45,648)**	**(133,561)**	**87,506**	**62,338**	**(3,238)**	**(6,367)**	**1,166,085**	**1,036,464**
Net finance (costs)/income	(54,204)	6,907	(119,782)	(101,063)	–	(2,741)	–	(17,571)	(173,986)	(114,468)
Profit before tax	**1,073,261**	**1,120,961**	**(165,430)**	**(234,624)**	**87,506**	**59,597**	**(3,238)**	**(23,938)**	**992,099**	**921,996**
Tax	(164,089)	(150,665)	87	–	(11,597)	(8,344)	–	24	(175,599)	(158,985)
Profit for the year	**909,172**	**970,296**	**(165,343)**	**(234,624)**	**75,909**	**51,253**	**(3,238)**	**(23,914)**	**816,500**	**763,011**
Other comprehensive Income										
Actuarial loss on gratuity	(11,782)	(21,674)	(194)	(4,450)	–	–	–	–	(11,976)	(26,124)
Deferred tax on actuarial loss on gratuity	1,649	3,034	–	–	–	–	–	–	1,649	3,034
Total other comprehensive loss	**(10,133)**	**(18,640)**	**(194)**	**(4,450)**	**–**	**–**	**–**	**–**	**(10,327)**	**(23,090)**
Total comprehensive income for the year	**899,039**	**951,656**	**(165,537)**	**(239,074)**	**75,909**	**51,253**	**(3,238)**	**(23,914)**	**806,173**	**739,921**
Segment assets	4,281,036	4,988,727	2,456,920	2,158,923	249,587	262,565			6,987,543	6,702,411
Segment liabilities	1,368,354	1,185,191	973,668	1,753,611	47,379	62,379			2,389,401	2,779,900
Other segment items										
Capital expenditure	313,704	408,560	44,109	335,131	2,302	21,503			360,115	765,194
Depreciation	212,395	180,861	94,382	78,159	7,731	9,519			314,508	268,539
Amortisation	8,978	2,585	241	238	472	136			9,691	2,959

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6. Other Income

		Group		Company	
Year ended 31 March	Note	**2020**	2019	**2020**	2019
Profit on disposal of property, plant and equipment		2,669	13,810	3,140	11,779
Amortisation of capital grants	30	50,555	50,554	2,358	2,357
Sale of rubber trees		7,747	33,105	7,747	33,105
Rent income		3,136	3,658	3,136	3,658
Income from increase in net assets value in the investment fund	18	31,674	23,456	31,674	23,456
Fair value loss on convertible debenture	20	–	–	3,236	(3,236)
Income/loss from sundry operations		6,262	(6,278)	20,663	(14,478)
		102,043	**118,305**	**71,954**	**56,641**

7. Gain/(Loss) on Changes in Fair Value of Biological Assets

	Group		Company	
Year ended 31 March	**2020**	2019	**2020**	2019
Fair value gains on produce on bear plants	10,526	2,128	10,880	2,101
Fair value gains/(loss) on consumable biological assets	(6,656)	397	–	–
Fair value gain or loss on livestock	12,633	(24,493)	–	–
	16,503	**(21,968)**	**10,880**	**2,101**

8. Net Finance Income/(Costs)

	Group		Company	
Year ended 31 March	**2020**	2019	**2020**	2019
i. Finance costs				
– Interest on Tea Board loan	(11,369)	(628)	(11,369)	(628)
– Interest on bank loan	(121,538)	(91,969)	(31,467)	(13,847)
– Interest on bank overdrafts	(15,233)	(9,635)	(2,034)	(1,285)
– Interest on lease liability to SLSPC/JEDB	(35,209)	(29,650)	(35,209)	(29,650)
– Interest on finance lease liabilities-other	(1,070)	(1,327)	–	–
	(184,419)	(133,209)	(80,079)	(45,410)
ii. Finance income				
– Interest income on debenture	–	–	3,476	17,324
– Interest income on related party loan	–	–	11,967	14,358
– Interest income on short-term bank deposits	10,433	18,741	10,432	17,894
	10,433	**18,741**	**25,875**	**49,576**
Net finance Income/(Costs)	**(173,986)**	**(114,468)**	**(54,204)**	**4,166**

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9. Profit Before Income Tax

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

		Group		Company	
Year ended 31 March	Note	**2020**	2019	**2020**	2019
Auditors' remuneration					
– Audit		1,750	1,575	1,400	1,300
– Audit related		96	300	96	300
– Non-audit		1,010	956	1,010	876
Amortisation					
– Right to use of land		9,691	2,959	9,450	2,721
Depreciation					
– Immovable leased assets		49	49	49	49
– Amortisation intangible assets		5,698	5,283	4,528	4,528
– Property, plant and equipment		148,589	124,095	75,081	64,714
– Biological assets – bearer		148,788	139,112	129,084	108,465
Directors' emoluments		3,867	2,782	3,114	2,024
Staff costs	9.1	910,654	778,484	812,304	703,698

9.1 Staff costs

		Group		Company	
Year ended 31 March	Note	**2020**	2019	**2020**	2019
Wages and salaries		792,100	658,775	706,109	602,731
Defined contribution plan		52,116	53,011	45,936	40,329
Defined benefit plan	29	45,936	44,698	39,757	38,638
Workers' profit share bonus		20,502	22,000	20,502	22,000
		910,654	**778,484**	**812,304**	**703,698**

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10. Income Tax Expenses

		Group		Company	
Year ended 31 March	Note	**2020**	2019	**2020**	2019
Income Tax charge for the year	10.1	171,119	134,297	171,119	134,356
Over provision with respect of previous years		(87)	–	–	–
Deferred tax recognised in the income statement	31	4,567	24,688	4,567	24,653
Taxes charge in statement of profit/loss		175,599	158,985	175,686	159,009
Deferred tax recognised in other comprehensive income		(1,649)	(3,034)	(1,649)	(3,034)
Taxes included in total comprehensive income		173,950	155,951	174,037	155,975

Tax is calculated using tax rates enacted for the year of assessment. The profits from agricultural activities are taxed at 14%. The profits from other activities are taxed at 28%, Export of bulk and packeted teas are taxed at 14%.

Watawala Dairy Limited enjoys a tax exemption period of five years from the year in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier, under Section 17 (2) of the Board of Investment of Sri Lanka Law No. 4 of 1978 and in accordance with the provisions of the Inland Revenue Act No. 24 of 2017. After the expiration of the tax exemption period, the profit and income of the Company shall be charged at the rate of twenty percent (20%) for any year of assessment immediately succeeding the last date of the tax exemption period during which the profit and income of the entity is exempted from income tax.

10.1 Reconciliation of accounting profit to taxable income

	Group		Company	
Year ended 31 March	**2020**	2019	**2020**	2019
Profit before taxation	**992,099**	**921,996**	**1,160,767**	**1,180,558**
Less: Income from other sources	(38,580)	(65,739)	(37,874)	(49,577)
Add: Disallowable expenses	475,674	346,758	373,806	252,758
Less: Allowable expenses	(675,130)	(859,383)	(385,575)	(473,627)
Adjusted profit for the year	**754,063**	**343,632**	**1,111,124**	**910,112**
Add: Income from other sources	94,314	65,739	94,314	49,577
Total statutory/Taxable income	**848,377**	**409,371**	**1,205,438**	**959,689**
Income tax expense				
Tax at 14%	165,460	134,297	165,460	134,356
Tax at 24%	5,659	–	5,659	–
	171,119	**134,297**	**171,119**	**134,356**

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11. Earnings Per Share

Basic earnings per share has been calculated by dividing the profit for the year attributable to ordinary shareholders of the Group/Company by the weighted average number of ordinary shares outstanding during the year and it is calculated as follows:

	Group		Company	
Year ended 31 March	**2020**	2019	**2020**	2019
Net profit attributable to shareholders **(LKR '000)**	831,559	837,495	985,081	1,021,549
Weighted average number of ordinary shares in issue (Nos. thousands)	202,499	200,963	202,499	200,963
Basic earnings per share **(LKR)**	4.10	4.17	4.86	5.08

12. Dividends Per Share

	Group and Company	
Year ended 31 March	**2020**	2019
Interim dividend		
Interim dividend paid per share LKR 2.00	–	401,925
Final dividend		
Final dividend proposed and paid LKR 0.25	–	50,241
Scrip dividend*		
Issued during the year	60,289	–
	60,289	**452,166**
Number of ordinary shares (Nos. thousand)	200,963	200,963
Dividend paid per share (LKR)	0.30	2.25

** 2,346,078 ordinary voting shares of the Company were listed with effect from 29 August 2019, pursuant to a scrip dividend in the proportion of 1:85.65894058.*

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13. Right to Use of Land

As at 31 March	Note	Group 2020	Group 2019	Company 2020	Company 2019
Cost					
Capitalised value (18 June 1992)		156,822	156,822	144,234	144,234
Impact due to initial application of SLFRS – 16	3.1	174,011	–	174,011	–
As at 31 March		**330,833**	**156,822**	**318,245**	**144,234**
Accumulated amortisation					
As at 1 April		79,702	76,743	73,336	70,615
Charge for the year		9,691	2,959	9,450	2,721
As at 31 March		**89,393**	**79,702**	**82,786**	**73,336**
Carrying value					
As at 31 March		**241,440**	**77,120**	**235,459**	**70,898**

The leases of JEDB/SLSPC estates handed over to the Company for a period of 53 years have all been executed. The leasehold rights to the land on all these estates have been taken into the books of the Company as at 18 June 1992 immediately after formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist, Mr D R Wickramasinghe, just prior to the formation of the Company.

The Group has applied SLFRS – 16 with a date of initial application of 1 April 2019. As a result the Group has changed its accounting policy for Leases as detailed in Note 3.1 of accounting policies in these Financial Statements.

14. Property, Plant and Equipment

As at 31 March	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Immovable estate assets on finance lease (other than land)	14.1.1 and 14.1.2	916	965	880	929
Property, plant and equipment	14.2.1 and 14.2.2	2,172,486	2,199,504	694,906	666,822
		2,173,402	**2,200,469**	**695,786**	**667,751**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

14.1.1 Immovable estate assets on finance lease (other than land) – Group

	Improvements to land	Other vested assets	Roads and bridges	Water supply	Buildings	Mini-hydro power plant	Machinery	Total
Cost								
As at 1 April 2018	1,135	1,201	5	89	35,894	1,042	23,208	62,574
As at 1 April 2019	1,135	1,201	5	89	35,894	1,042	23,208	62,574
As at 31 March 2020	**1,135**	**1,201**	**5**	**89**	**35,894**	**1,042**	**23,208**	**62,574**
Accumulated amortisation								
As at 1 April 2018	973	349	5	89	35,894	1,042	23,208	61,560
Charge for the year	38	11	–	–	–	–	–	49
As at 31 March 2019	**1,011**	**360**	**5**	**89**	**35,894**	**1,042**	**23,208**	**61,609**
As at 1 April 2019	1,011	360	5	89	35,894	1,042	23,208	61,609
Charge for the year	38	11	–	–	–	–	–	49
As at 31 March 2020	**1,049**	**371**	**5**	**89**	**35,894**	**1,042**	**23,208**	**61,658**
Net carrying value								
As at 31 March 2020	**86**	**830**	**–**	**–**	**–**	**–**	**–**	**916**
As at 31 March 2019	**124**	**841**	**–**	**–**	**–**	**–**	**–**	**965**

a. Assets in estates that are held under leasehold right to use have been taken into books of the Company retrospectively from 18 June 1992. For this purpose the Board of Directors of the Company decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company.

14.1.2 Immovable estate assets on finance lease (other than land) – Company

	Improvements to land	Other vested assets	Water supply	Buildings	Machinery	Total
Cost						
As at 31 March 2018	1,135	1,088	89	33,192	23,163	58,667
As at 1 April 2019	1,135	1,088	89	33,192	23,163	58,667
As at 31 March 2020	**1,135**	**1,088**	**89**	**33,192**	**23,163**	**58,667**
Accumulated amortisation						
As at 1 April 2018	973	272	89	33,192	23,163	57,689
Charge for the year	38	11	–	–		49
As at 31 March 2019	**1,011**	**283**	**89**	**33,192**	**23,163**	**57,738**
As at 1 April 2019	1,011	283	89	33,192	23,163	57,738
Charge for the year	38	11	–	–	–	49
As at 31 March 2020	**1,049**	**294**	**89**	**33,192**	**23,163**	**57,787**
Net carrying value						
As at 31 March 2020	**86**	**794**	**–**	**–**	**–**	**880**
As at 31 March 2019	**124**	**805**	**–**	**–**	**–**	**929**

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(All amounts in Sri Lankan Rupees thousands)

14.1.2 Immovable estate assets on finance lease (other than land) – Company (Contd.)

a. Assets in estates that are held under leasehold right to use have been taken into books of the Company retrospectively from 18 June 1992. For this purpose, the Board of Directors of the Company decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company.

14.2.1 Property, plant and equipment – Group

	Buildings	Capital work-in- progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2018	945,070	253,871	290,331	901,431	87,902	6,955	20,596	206,912	2,713,068
Adjustments	(22,013)	11,085	–	1,051	–	–	(339)	199	(10,017)
Additions during the year	–	176,207	20,334	39,865	10,585	960	1,585	27,898	277,434
Transfer during the year	428,427	(435,687)	–	–	–	–	–	7,260	–
Disposals made during the year	–	–	(14,643)	–	–	–	–	–	(14,643)
As at 31 March 2019	**1,351,484**	**5,476**	**296,022**	**942,347**	**98,487**	**7,915**	**21,842**	**242,269**	**2,965,842**
As at 1 April 2019	1,351,484	5,476	296,022	942,347	98,487	7,915	21,842	242,269	2,965,842
Additions during the year	35,093	1,135	43,065	32,528	5,968	3,249	134	1,594	122,766
Transfer during the year	1,270	(1,270)	–	–	–	–	–	–	–
Disposals made during the year		–	(2,914)	(7,560)	–	–	–	–	(10,474)
As at 31 March 2020	**1,387,847**	**5,341**	**336,173**	**967,315**	**104,455**	**11,164**	**21,976**	**243,863**	**3,078,134**
Accumulated depreciation									
As at 1 April 2018	70,333	–	133,952	398,049	34,170	4,209	5,686	19,436	665,835
Adjustments	–	–	–	(2,963)	(2,469)	(2,889)	(1,696)	–	(10,017)
Charge for the year	28,449	–	22,269	57,132	7,138	1,067	1,182	6,858	124,095
Disposals made during the year	–	–	(13,575)	–	–	–	–	–	(13,575)
As at 31 March 2019	**98,782**	**–**	**142,646**	**452,218**	**38,839**	**2,387**	**5,172**	**26,294**	**766,338**
As at 1 April 2019	98,782	–	142,646	452,218	38,839	2,387	5,172	26,294	766,338
Charge for the year	35,482	–	39,733	54,011	7,895	2,186	1,685	7,597	148,589
Disposals made during the year	–	–	(2,882)	(6,397)	–	–	–	–	(9,279)
As at 31 March 2020	**134,264**	**–**	**179,497**	**499,832**	**46,734**	**4,573**	**6,857**	**33,891**	**905,648**
Net carrying value									
As at 31 March 2020	**1,253,583**	**5,341**	**156,676**	**467,483**	**57,721**	**6,591**	**15,119**	**209,972**	**2,172,486**
As at 31 March 2019	**1,252,702**	**5,476**	**153,376**	**490,129**	**59,648**	**5,528**	**16,670**	**215,975**	**2,199,504**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

14.2.2 Property, plant and equipment – Company

	Buildings	Capital work-in- progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2018	234,974	21,182	203,812	620,878	28,669	6,030	13,763	78,846	1,208,154
Adjustments	1,291	(12,219)	–	1,051	–	–	(339)	199	(10,017)
Additions during the year	–	11,427	65,586	40,643	2,104	621	390	300	121,071
Transfer during the year	16,183	(16,183)	–	–	–	–	–	–	–
Disposals made during the year	–	–	(13,014)	–	–	–	–	–	(13,014)
As at 31 March 2019	**252,448**	**4,207**	**256,384**	**662,572**	**30,773**	**6,651**	**13,814**	**79,345**	**1,306,194**
As at 1 April 2019	252,448	4,207	256,384	662,572	30,773	6,651	13,814	79,345	1,306,194
Additions during the year	22,122	1,135	43,065	32,528	1,239	2,942	134	–	103,165
Disposals made during the year	–	–	(2,844)	(6,175)	–	–	–	–	(9,019)
As at 31 March 2020	**274,570**	**5,342**	**296,605**	**688,925**	**32,012**	**9,593**	**13,948**	**79,345**	**1,400,340**
Accumulated depreciation									
As at 1 April 2018	47,875	–	115,751	385,160	22,394	3,893	5,495	16,922	597,490
Adjustments	–	–	–	(2,963)	(2,469)	(2,889)	(1,696)	–	(10,017)
Charge for the year	5,906	–	18,978	36,427	807	826	439	1,331	64,714
Disposals made during the year	–	–	(12,815)	–	–	–	–	–	(12,815)
As at 31 March 2019	**53,781**	**–**	**121,914**	**418,624**	**20,732**	**1,830**	**4,238**	**18,253**	**639,372**
As at 1 April 2019	53,781	–	121,914	418,624	20,732	1,830	4,238	18,253	639,372
Charge for the year	6,384	–	31,353	32,658	633	1,890	892	1,271	75,081
Disposals made during the year	–	–	(2,844)	(6,175)	–	–	–	–	(9,019)
As at 31 March 2020	**60,165**	**–**	**150,423**	**445,107**	**21,365**	**3,720**	**5,130**	**19,524**	**705,434**
Carrying value									
As at 31 March 2020	**214,405**	**5,342**	**146,182**	**243,818**	**10,647**	**5,873**	**8,818**	**59,821**	**694,906**
As at 31 March 2019	**198,667**	**4,207**	**134,470**	**243,948**	**10,041**	**4,821**	**9,576**	**61,092**	**666,822**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

14.2.3 The gross carrying values of fully depreciated property, plant and equipment as at 31 March are as follows:

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Motor vehicles	120,425	82,221	120,425	82,221
Plant and machinery	239,475	147,301	239,475	147,301
Equipment	25,706	15,215	25,706	15,215
Computer	3,036	2,771	3,036	2,771
Furniture and fittings	3,216	3,053	3,216	3,053
Others	8,290	7,671	8,290	7,671
	400,148	**258,232**	**400,148**	**258,232**

15. Intangible Assets

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Cost				
As at 1 April	37,823	32,459	30,928	30,928
Addition during the year	4,306	5,364	3,913	–
As at 31 March	**42,129**	**37,823**	**34,841**	**30,928**
Accumulated amortisation				
As at 1 April	12,898	7,615	12,089	7,561
Amortisation during the year	5,698	5,283	4,528	4,528
As at 31 March	**18,596**	**12,898**	**16,617**	**12,089**
Net carrying value as at 31 March	**23,533**	**24,925**	**18,224**	**18,839**

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(All amounts in Sri Lankan Rupees thousands)

16. Bearer Biological Assets

	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Group										
On lease (Note 16.1)	–	–	5,118	–	5,118	1,653	9,391	5,458	–	16,502
Investments after formation of the Company (Note 16.2)	2,349,129	76,418	148,320	143,164	2,717,031	2,261,523	79,171	154,948	161,249	2,656,891
As at 31 March	**2,349,129**	**76,418**	**153,438**	**143,164**	**2,722,149**	**2,263,176**	**88,562**	**160,406**	**161,249**	**2,673,393**

	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Company										
On lease (Note 16.1)	–	–	1,104	–	1,104	1,653	9,391	1,444	–	12,488
Investments after formation of the Company (Note 16.2)	2,349,129	76,418	110,519	78,122	2,614,188	2,261,523	79,171	115,335	78,315	2,534,344
As at 31 March	**2,349,129**	**76,418**	**111,623**	**78,122**	**2,615,292**	**2,263,176**	**88,562**	**116,779**	**78,315**	**2,546,832**

16.1 On lease

Group	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
As at 1 April	31,667	95,376	22,388	–	149,431	31,667	95,376	22,388	–	149,431
As at 31 March	**31,667**	**95,376**	**22,388**	**–**	**149,431**	**31,667**	**95,376**	**22,388**	**–**	**149,431**
Amortisation										
As at 1 April	(30,014)	(85,985)	(16,930)	–	(132,929)	(29,029)	(74,685)	(16,591)	–	(120,305)
Amortisation for the year	(1,653)	(9,391)	(340)	–	(11,384)	(985)	(11,300)	(339)	–	(12,624)
As at 31 March	**(31,667)**	**(95,376)**	**(17,270)**	**–**	**(144,313)**	**(30,014)**	**(85,985)**	**(16,930)**	**–**	**(132,929)**
Net carrying amount	**–**	**–**	**5,118**	**–**	**5,118**	**1,653**	**9,391**	**5,458**	**–**	**16,502**

Company	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
As at 1 April	31,667	95,376	10,185	–	137,228	31,667	95,376	10,185	–	137,228
As at 31 March	**31,667**	**95,376**	**10,185**	**–**	**137,228**	**31,667**	**95,376**	**10,185**	**–**	**137,228**
Amortisation										
As at 1 April	(30,014)	(85,985)	(8,741)	–	(124,740)	(29,029)	(74,685)	(8,402)	–	(112,116)
Amortisation for the year	(1,653)	(9,391)	(340)	–	(11,384)	(985)	(11,300)	(339)	–	(12,624)
As at 31 March	**(31,667)**	**(95,376)**	**(9,081)**	**–**	**(136,124)**	**(30,014)**	**(85,985)**	**(8,741)**	**–**	**(124,740)**
Net carrying amount	**–**	**–**	**1,104**	**–**	**1,104**	**1,653**	**9,391**	**1,444**	**–**	**12,488**

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(All amounts in Sri Lankan Rupees thousands)

16.2 Investments after formation of the Company

		Group		Company	
As at 31 March	Note	**2020**	2019	**2020**	2019
Immature plantations	16.2.1	636,090	508,133	637,009	509,052
Mature plantations	16.2.2	2,061,118	2,131,853	1,957,356	2,008,387
Growing crop nurseries	16.2.3	19,823	16,905	19,823	16,905
As at 31 March		**2,717,031**	**2,656,891**	**2,614,188**	**2,534,344**

16.2.1 Immature plantations

Group	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Cost										
As at 1 April	490,099	14,345	–	3,689	508,133	574,411	28,997	44,758	43,143	691,309
Write-off during the year	–	–	–	–	–	–	–	(2,018)	–	(2,018)
Additions during the year	203,708	–	–	2,302	206,010	306,221	–	–	14,312	320,533
Transfers from nurseries during the year	–	–	–	–	–	–	–	21	77	98
Transfers to mature plantations during the year	(73,374)	(3,176)	–	(1,503)	(78,053)	(390,533)	(14,652)	(42,761)	(53,843)	(501,789)
As at 31 March	**620,433**	**11,169**	**–**	**4,488**	**636,090**	**490,099**	**14,345**	**–**	**3,689**	**508,133**

Company	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Cost										
As at 1 April	490,099	14,345	–	4,608	509,052	574,411	28,997	35,174	44,062	682,644
Additions during the year	203,708	–	–	2,302	206,010	306,221	–	–	113	306,334
Transfers from nurseries during the year	–	–	–	–	–	–	–	21	77	98
Transfers to mature plantations during the year	(73,374)	(3,176)	–	(1,503)	(78,053)	(390,533)	(14,652)	(35,195)	(39,644)	(480,024)
As at 31 March	**620,433**	**11,169**	**–**	**5,407**	**637,009**	**490,099**	**14,345**	**–**	**4,608**	**509,052**

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(All amounts in Sri Lankan Rupees thousands)

16.2.2 Mature plantations

Group	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Cost										
As at 1 April	2,427,525	113,726	249,861	163,189	2,954,301	2,036,992	122,590	207,100	109,346	2,476,028
Transfer in during the year	73,374	3,176	–	1,503	78,053	390,533	14,652	42,761	53,843	501,789
Disposal During the year	–	–	–	–	–	–	(23,516)	–	–	(23,516)
As at 31 March	**2,500,899**	**116,902**	**249,861**	**164,692**	**3,032,354**	**2,427,525**	**113,726**	**249,861**	**163,189**	**2,954,301**
Depreciation										
As at 1 April	(673,006)	(48,900)	(94,913)	(5,629)	(822,448)	(573,344)	(68,532)	(73,141)	(4,459)	(719,476)
Charge for the year	(119,020)	(2,753)	(6,628)	(20,387)	(148,788)	(99,662)	(3,884)	(21,772)	(1,170)	(126,488)
Disposal during the year	–	–	–	–	–	–	23,516	–	–	23,516
As at 31 March	**(792,026)**	**(51,653)**	**(101,541)**	**(26,016)**	**(971,236)**	**(673,006)**	**(48,900)**	**(94,913)**	**(5,629)**	**(822,448)**
Net carrying amount	**1,708,873**	**65,249**	**148,320**	**138,676**	**2,061,118**	**1,754,519**	**64,826**	**154,948**	**157,560**	**2,131,853**

	2020					2019				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Company										
Cost										
As at 1 April	2,427,525	113,726	158,943	79,336	2,779,530	2,036,992	122,590	123,748	39,692	2,323,022
Transfer in during the year	73,374	3,176	–	1,503	78,053	390,533	14,652	35,195	39,644	480,024
Disposal During the year	–	–	–	–	–	–	(23,516)	–	–	(23,516)
As at 31 March	**2,500,899**	**116,902**	**158,943**	**80,839**	**2,857,583**	**2,427,525**	**113,726**	**158,943**	**79,336**	**2,779,530**
Depreciation										
As at 1 April	(673,006)	(48,900)	(43,608)	(5,629)	(771,143)	(573,344)	(68,532)	(39,859)	(4,459)	(686,194)
Charge for the year	(119,020)	(2,753)	(4,816)	(2,495)	(129,084)	(99,662)	(3,884)	(3,749)	(1,170)	(108,465)
Disposal during the year	–	–	–	–	–	–	23,516	–	–	23,516
As at 31 March	**(792,026)**	**(51,653)**	**(48,424)**	**(8,124)**	**(900,227)**	**(673,006)**	**(48,900)**	**(43,608)**	**(5,629)**	**(771,143)**
Net carrying amount	**1,708,873**	**65,249**	**110,519**	**72,715**	**1,957,356**	**1,754,519**	**64,826**	**115,335**	**73,707**	**2,008,387**

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16.2.3 Growing crop nurseries

As at 31 March	Group 2020	Group 2019	Company 2020	Company 2019
As at 1 April	16,905	12,327	16,905	14,345
Additions during the year	2,918	4,676	2,918	2,658
Transfers to immature plantations during the year	–	(98)	–	(98)
As at 31 March	**19,823**	**16,905**	**19,823**	**16,905**

i. Investments in bearer plants since the formation of the Company have been classified as shown above and mainly includes tea and palm oil plantations. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with LKAS 16 – "Property, plant and equipment".

ii. The immature plants are classified as mature plants when they are ready for commercial harvesting.

17. Biological Assets

17.1 Consumable biological assets – Group

As at 31 March	Nursery	Immature plantations	Mature plantations	Total
Cost/Fair value				
As at 31 March 2018	7	31,300	6,659	37,966
Transfers from immature to mature	–	(6,568)	6,568	–
Write-off during the year	(7)	–	–	(7)
Gain arising from changes in fair value less cost to sell	–	–	397	397
As at 31 March 2019	**–**	**24,732**	**13,624**	**38,356**
Transfers from immature to mature	–	(24,732)	24,732	–
Decrease due to harvest/disposal	–	–	(43)	(43)
Loss arising from changes in fair value less cost to sell	–	–	(6,656)	(6,656)
As at 31 March 2020	**–**	**–**	**31,657**	**31,657**

17.1.1 Measurement of fair value

The valuation of consumable biological assets was carried by Mr Weerasinghe Chadrasena, an independent Incorporated Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31 March 2020 has been prepared based on the physically verified timber statistics provided by the Group.

The future cash flows are determined by reference to current timber prices.

a. The fair value measurement for the consumable biological assets has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

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(All amounts in Sri Lankan Rupees thousands)

b. Level 3 fair value

Breakdown of total gains and losses recognised in respect of Level 3 fair value of consumable biological assets.

	Group	
Year ended 31 March	**2020**	2019
Gain/(Loss) included in profit or loss for the year	(6,656)	397
Total gain/(Loss)	**(6,656)**	**397**

c. Valuation techniques and significant unobservable inputs used

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31 March 2020.

Type	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 4 years.	**Discounted cash flows** The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis . Expected cash flows are discounted using a risk-adjusted discount rate of 14.0% (2019: 14.5%).	**Determination of timber content** Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age. Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. **Determination of price of timber** Trees have been valued as per the current timber prices per cubic metre based on the industry average prices logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a. Cost of obtaining approval of felling. b. Cost of felling and cutting into logs. c. Cost of transportation. d. Sawing cost. e. Cost of sale. f. Exclusion of trees located in restricted area specialized in the circular No. 2019/01 dated on 6 November 2019 issued by the Ministry of Plantation Industries. **Risk-adjusted discount rate** 2020 – 14.0% (2019: 14.5%)	The estimated fair value at the time of harvesting each specific species is sensitive to the following variables: – the estimated timber content – the estimated timber prices per cubic metre – the estimated selling related costs – the estimated maturity age – the risk-adjusted discount rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

17.1.2 Sensitivity analysis

Sensitivity variation on sales price

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	-10%	2020	+10%
Timber	28,492	31,657	34,823
Total	**28,492**	**31,657**	**34,823**

Sensitivity variation on discount rate

Values as appearing in the statement of financial position are sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	-1%	2020	+1%
Timber	32,880	31,657	30,504
Total	**32,880**	**31,657**	**30,504**

17.2 Biological assets – Livestock

Livestock is measured on initial recognition at each reporting date at its fair value less point of sale costs. Fair value of livestock is determined at the best available estimates for livestock with similar attributes. Any gain or loss arising on initial recognition of livestock at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs is included in statement of income in the period in which it arises.

	Group	
As at 31 March	2020	2019
As at 1 April	662,620	539,602
Decrease due to disposal	(3,836)	(11,694)
Additions during the year	24,121	159,205
Change in fair value less cost to sell	12,633	(24,493)
As at 31 March	**695,538**	**662,620**

As at 31 March 2020 livestock comprised 1,267 cattle (2019 – 1,285 cattle).

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

17.2.1 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of bearer biological asses livestock as well as the significant unobservable inputs used for the valuation as at 31 March 2020.

Type	Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock Livestock comprises cattle	**Discounted cash flows** The valuation model considers present value of future net cash flows expected to be generated by the cattle based on lactation-wise annual milking averages and costs incurred. Expected cash flows are discounted using a risk-adjusted discount rate of 19.36% (2019: 15.5%).	**Determination of selling price** Selling price has been determined based on the market prices. **Determination of cost per cow** Cost per cow has been determined based on the adjusted cost during the year. **Determination of discount factor** Risk adjusted discount rate of 19.36% has been use for the valuation. **Determination of yield** Yield has been determined based on the actual milk production in each lactation.	The estimated fair value would increase/(decrease): – the estimated milking prices were higher/(lower) – the estimated yield per cow were higher/(lower) – the risk-adjusted discount rate were higher/(lower)

17.2.2 Sensitivity analysis

The fair value measurements of livestock have been categorised as Level 3 fair value based on assumptions used.

Sensitivity analysis

Sensitivity variation on sales price

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for livestock show that an increase or decrease by 10% of the estimated future selling price has the following effect on the fair value of biological assets:

	-10%	**2020**	+10%
Livestock	463,452	695,538	927,623
Total	**463,452**	**695,538**	**927,623**

Sensitivity variation on cost

Values as appearing in the statement of financial position are sensitive to cost changes with regard to the average cost applied. Simulations made for livestock show that an increase or decrease by 10% of the estimated future cost has the following effect on the fair value of biological assets:

	-10%	**2020**	+10%
Livestock	862,149	695,538	528,926
Total	**862,149**	**695,538**	**528,926**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

Sensitivity variation on discount rate

Values as appearing in the statement of financial position are sensitive to changes of the discount rate applied. Simulations made for livestock show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the fair value of biological assets:

	-1%	2020	+1%
Livestock	709,767	695,538	681,801
Total	**709,767**	**695,538**	**681,801**

Sensitivity Variation on yield

Values as appearing in the statement of financial position are sensitive to changes of the discount rate applied. Simulations made for livestock show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the fair value of biological assets:

	-1%	2020	+1%
Livestock	654,835	695,538	736,594
Total	**654,835**	**695,538**	**736,594**

17.3 Biological assets

Biological assets – Produce on bearer plants

	Group		Company	
As at 31 March	2020	2019	2020	2019
As at 1 April	31,271	29,143	30,831	28,730
Fair value of growing crops	10,526	2,128	10,880	2,101
As at 31 March	**41,797**	**31,271**	**41,711**	**30,831**

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

Tea – Three days crop (50% of 6 days cycle)

Oil palm – Five days crop (50% of 10 days cycle)

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea Commisioner's formula for bought leaf and the value of unharvested fresh fruit bunches (FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers.

18. Investment Fund

	Group and Company	
As at 31 March	2020	2019
As at 1 April	312,051	288,595
Fair value gain for the year	31,674	23,456
As at 31 March	**343,725**	**312,051**

The fund managed by Guardian Fund Management Limited, comprises mainly quoted shares, unit trust, investment of listed debentures and fixed term deposits. The average yield for the year was 12.31% (2019 – 12.80%).

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

The Net asset value of the Investment fund comprise of following financial instrument as at 31 March.

	Group and Company	
As at 31 March	2020	2019
Instrument type		
Investment in quoted shares	20,269	20,948
Investment in debentures	183,966	183,743
Investment in fixed deposit	119,956	78,539
Investment in Unit Trust	13,861	24,552
Cash at bank	3,266	343
Sales proceed receivable	–	3,493
Interest receivable	927	1,441
Dividend receivable	219	26
Purchases awaiting settlement	–	(678)
Debenture WHT payable	–	(356)
Income tax recoverable on FD	1,261	–
	343,725	**312,051**

19. Investments in Subsidiaries

				Company	
As at 31 March	Note	Percentage Holding	Number of Shares	2020	2019
Watawala Tea Australia (Pty) Limited		100%	7,500	852	852
Watawala Dairy Limited	19.1	100%	91,350,002	1,867,390	626,500
				1,868,242	**627,352**

Summarised financial information of material subsidiary (Watawala Dairy Limited)

As at 31 March	2020	2019
Non-current assets	2,369,270	2,418,873
Current assets	87,650	100,050
Total assets	**2,456,920**	**2,518,923**
Non-current liabilities	495,272	1,223,595
Current liabilities	478,396	530,016
Total liabilities	**973,668**	**1,753,611**
Revenue	584,088	493,301
Loss for the year	(165,343)	(234,624)
Total comprehensive expense for the year	(165,537)	(239,074)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

19.1 Acquisition of Non-controlling Interests

In May 2019, the Group acquired an additional 31.75% interest in Watawala Dairy Limited, increasing its ownership from 68.25% to 100%. The carrying amount of Watawala Dairy Limited's net assets in the Group Consolidated Financial Statements on the date of the acquisition was LKR 541,779,000.

	2020
Carrying amount of NCI acquired (541,779 x 31.75%)	172,015
Consideration paid to NCI	180,090
Decrease in equity attributable to owners of the Group	**8,075**

20. Investment in Debenture

	Company	
As at 31 March	2020	2019
As at 1 April	**174,088**	–
Debenture granted during the year	–	160,000
Interest accrued during the year	3,476	17,324
Fair value gain/(loss) recognised during the year	3,236	(3,236)
Transfer of investment as a part of additional purchase consideration paid to subsidiary	(180,800)	–
As at 31 March	**–**	**174,088**

The Company has invested in a three (3) year convertible debenture on 1 June 2018 at 13% amounting to LKR 160,000,000 (face value) and the maturity value of amounting LKR 230,863,600 of Watawala Dairy Limited. The instrument has classified as fair value through profit or loss as per SLFRS 9 – "Financial Instruments".

Subsequently Watawala Dairy Limited excercised the option of these debentures and converted the same to stated capital LKR 180,800,000., thus no carrying value as at 31 March 2020.

a. Fair value hierarchy

The fair value measurements of Convertible Debenture have been categorised as Level 3 fair value based on assumptions used.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

21. Inventories

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Produce stock	39,160	40,334	38,925	40,125
Raw materials, spares and consumables	112,154	102,755	66,926	60,665
	151,314	**143,089**	**105,851**	**100,790**

22. Trade and Other Receivables

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Trade receivables	27,829	31,192	–	5,236
Employee advances	19,932	20,844	17,129	18,971
Prepayments and advances	97,442	116,309	88,263	102,001
Taxes recoverable – net	119,106	119,257	119,064	116,749
Other receivables	38,224	25,596	35,183	15,662
	302,533	**313,198**	**259,639**	**258,619**

i. Taxes receivable represents value added tax claimable on export inputs and withholding taxes paid at source on interest income.

ii. Employee advances are recovered from payroll within 10 months.

23. Loan given to Related Company

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
As at 1 April	–	–	222,259	10,000
Loan granted during the year	–	–	235,969	201,029
Interest accrued during the year	–	–	11,967	11,230
Loan transferred as a part of additional purchase consideration paid to subsidiary	–	–	(270,000)	–
As at 31 March	**–**	**–**	**200,195**	**222,259**

The Company has granted short term loans which is repayable on demand to Watawala Dairy Limited at an interest rate of AWPLR + 0.5%.
Related company loans stated above are unsecured and the settlement occurs in cash on the date of maturity.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

24. Amounts due from Related Companies

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Trade receivables				
Pyramid Lanka (Private) Limited	73,468	21,918	73,468	21,918
Other receivables				
Watawala Dairy Limited	–	–	26,323	–
Watawala Tea Ceylon Limited	311	–	311	–
Sunshine Tea Private Limited	123	–	123	–
	73,902	**21,918**	**100,225**	**21,918**

25. Cash and Cash Equivalents

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Cash at bank	32,669	60,838	31,648	56,654
Cash in hand	688	882	303	325
Short term bank deposits	153,196	142,281	153,196	142,085
	186,553	**204,001**	**185,147**	**199,064**

For the purposes of the cash flows statement, the year end cash and cash equivalents comprise of the following:

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Bank overdrafts	(211,972)	(110,753)	(97,798)	–
Cash and bank balances	186,553	204,001	185,147	199,064
	(25,419)	**93,248**	**87,349**	**199,064**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

26. Stated Capital

	Group and Company	
	2020	2019
203,308,634 ordinary shares including one (1) golden share	460,000	460,000
Issued of scrip dividend	51,848	–
As at 31 March	**511,848**	**460,000**

26.1 Movement in stated capital

	Group and Company	
	2020	2019
As at 1 April	**200,962,556**	**200,962,556**
Issue of scrip dividend	2,346,078	–
Balance as at 31 March	**203,308,634**	**200,962,556**

The Board of Directors of the Company resolved to issue scrip dividends by capitalising revenue reserves at a meeting held on 29 August 2019. The Company issued LKR 0.30 (cents thirty) per share for the existing 200,962,556 shares at the time of issue of scrip dividend.

The Golden Shareholder

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights:

i. The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantation Corporation. (JEDB/SLSPC)

ii. The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.

iii. The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks written notice.

iv. The Company will be required to submit a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60-days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90-days of the end of the each fiscal year.

v. The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

27. Interest-bearing Borrowings

27.1 Movement of borrowings during the year:

Group	Lease	Tea Board	Term loan	As at 31 March 2020 Total	2019 Total
As at 1 April	8,535	3,522	1,243,750	1,255,807	1,339,420
Obtained during the year	–	6,992	–	6,992	250,000
Repaid during the year	(1,973)	(5,441)	(491,650)	(499,064)	(333,613)
	6,562	**5,073**	**752,100**	**763,735**	**1,255,807**

Company	Tea Board	Term loan	As at 31 March 2020 Total	2019 Total
As at 1 April	3,522	93,750	97,272	131,166
Term loan acquired as a part of additional purchase consideration paid to subsidiary	–	610,000	610,000	–
Obtained during the year	6,992	–	6,992	–
Repaid during the year	(5,441)	(401,650)	(407,091)	(33,894)
	5,073	**302,100**	**307,173**	**97,272**

27.2 Analysis of borrowings by year of repayment

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Repayable within one year				
Term loans	183,650	141,450	93,650	31,250
Tea Board	5,073	2,640	5,073	2,640
Lease	2,264	393	–	–
	190,987	**144,483**	**98,723**	**33,890**
Repayable after one year				
Term loans	568,450	1,102,300	208,450	62,500
Tea Board	–	882	–	882
Lease	4,298	8,142	–	–
	572,748	**1,111,324**	**208,450**	**63,382**
Total borrowings	**763,735**	**1,255,807**	**307,173**	**97,272**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

27.3 Lender-wise summery

Group	Outstanding liability 2019/2020			Outstanding liability 2018/2019		
	Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayable within one year	Repayable after one year	Balance as at 31 March 2019
Hatton National Bank PLC	31,250	31,250	62,500	91,250	362,500	453,750
Hatton National Bank PLC – Lease	2,264	4,298	6,562	393	8,142	8,535
State Bank of India	90,000	360,000	450,000	45,000	495,000	540,000
People's Bank	62,400	177,200	239,600	5,200	244,800	250,000
Tea Board loan	5,073	–	5,073	2,640	882	3,522
	190,987	**572,748**	**763,735**	**144,483**	**1,111,324**	**1,255,807**

Company	Outstanding liability 2019/2020			Outstanding liability 2018/2019		
	Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayable within one year	Repayable after one year	Balance as at 31 March 2019
Hatton National Bank PLC	31,250	31,250	62,500	31,250	62,500	93,750
People's Bank	62,400	177,200	239,600	–	–	–
Tea Board loan	5,073	–	5,073	2,640	882	3,522
	98,723	**208,450**	**307,173**	**33,890**	**63,382**	**97,272**

27.3.1 Hatton National Bank PLC

Group

Purpose: To fund the acquisition of part of the herd, herd transport, construction of the buildings of Watawala Dairy Limited.

Year	Original amount	Interest rate % p.a.	Outstanding liability 2019/2020			Outstanding liability 2018/2019			Repayment terms
			Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	
2017/ 2018	360,000	AWPLR + 1.25%	–	–	–	60,000	300,000	360,000	To be paid in 12 equal biannual instalments of LKR 30 Mn. after a grace period of 18 months.
Subtotal	**360,000**		–	–	–	**60,000**	**300,000**	**360,000**	

Security: Registered primary concurrent floating mortgage bond and corporate guarantee from Watawala Plantations PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

Purpose: To purchase a lorry with chasis

			Outstanding liability 2019/2020			Outstanding liability 2018/2019			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayment terms
2017/ 2018	10,907	14%	2,264	4,298	6,562	393	8,142	8,535	60 equal monthly instalments commencing from October 2017
Subtotal	**10,907**		**2,264**	**4,298**	**6,562**	**393**	**8,142**	**8,535**	

Security: Absolute ownership of the leased vehicle

Purpose: To finance replanting

			Outstanding liability 2019/2020			Outstanding liability 2018/2019			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayment terms
2014	250,000	AWPLR + 0.5%	31,250	31,250	62,500	31,250	62,500	93,750	96 equal monthly instalments commencing from April 2014
Subtotal	**250,000**		**31,250**	**31,250**	**62,500**	**31,250**	**62,500**	**93,750**	

Security: Unsecured

27.3.2 State Bank of India

Purpose

To finance the construction of the dairy farm of Watawala Dairy Limited.

			Outstanding liability 2019/2020			Outstanding liability 2018/2019			
Year	Original amount	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2020	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayment terms
2017/ 2018	540,000	AWPLR – 0.25%	90,000	360,000	450,000	45,000	495,000	540,000	To be paid in 12 equal biannual instalments of LKR 45 Mn. after a grace period of 24 months.
Subtotal	**540,000**		**90,000**	**360,000**	**450,000**	**45,000**	**495,000**	**540,000**	

Security: Primary concurrent mortgage Free hold building, immovable and movable plant and machinery and primary concurrent mortage over biological assets (Livestock) located at Lonach Estate, Watawala. Corporate guarantee from Watawala Plantations PLC for Watawala Dairy Limited on 68% of loan exposure.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

27.3.3 People's Bank

Purpose

To finance the import of cattles for Watawala Dairy Ltd.

			Outstanding liability 2019/2020			Outstanding liability 2018/2019			
Year	Original amount	Interest rate % p.a.	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2020**	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayment terms
2018/ 2019	250,000	AWPLR +2%	62,400	177,200	239,600	5,200	244,800	250,000	To be paid in 48 monthly instalments of LKR 5.2 Mn. after a 12 months grace period
Subtotal	**250,000**		**62,400**	**177,200**	**239,600**	**5,200**	**244,800**	**250,000**	

Loan was transferred to Watawala Plantations PLC subsequently as a part of purchase consideration made on stated capital of Watawala Dairy Limited.
Security Corporate guarantee from Watawala Plantations PLC

27.3.4 Tea Board

Purpose

For replanting and working capital financing

				Outstanding liability 2019/2020			Outstanding liability 2018/2019			
Year	Loan number	Original amount	Interest rate % p.a.	**Repayable within one year**	**Repayable after one year**	**Balance as at 31 March 2020**	Repayable within one year	Repayable after one year	Balance as at 31 March 2019	Repayment terms
2016/ 2017	1	38,000	0.41%	882	–	882	2,640	882	3,522	36 equal monthly instalments commencing from August 2017
2019/ 2020	2	6,992	0%	4,191	–	4,191	–	–	–	10 equal monthly instalments commencing from December 2019
Subtotal		**44,992**		**5,073**	**–**	**5,073**	**2,640**	**882**	**3,522**	

Security: Unsecured

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28. Lease liability to SLSPC and JEDB

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Lease liability				
Balance as at 1 April	128,887	216,563	128,887	216,563
Adjustments related to prior years	–	3,097	–	3,097
Less: paid during the year	–	(8,136)	–	(8,136)
Impact due to initial application of SLFRS 16	116,022	–	116,022	–
	244,909	**211,524**	**244,909**	**211,524**
Balance as at 1 April (Finance charge allocated to future periods)	–	87,974	–	87,974
Interest charges for the year	35,209	(5,337)	35,209	(5,337)
Less: Lease payments made during the year	(36,143)	–	(36,143)	–
Net lease liability	**(934)**	**82,637**	**(934)**	**82,637**
	243,975	128,887	243,975	128,887

	2020		2019	
As at 31 March	**Current**	**Non-current**	Current	Non-current
Gross liability	1,078	242,897	8,136	203,388
Less: Interest in suspense	–	–	(5,225)	(77,412)
Net liability to lessor	**1,078**	**242,897**	**2,911**	**125,976**

Leasehold rights can be analysed as follows:

	Total	0-1 years	2-5 years	More than 5 years
Analysis of lease liability				
As at 31 March 2020	**243,975**	**1,078**	**6,248**	**236,649**
As at 31 March 2019	**128,887**	**2,911**	**12,252**	**113,724**

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	Total	0-2 years	2-5 years	More than 5 years
Maturity analysis of contractual undiscounted cash flows				
As at 31 March 2020	903,575	72,286	108,429	722,860
Amounts recognised in statement of profit or loss and other comprehensive income				
Interest on lease liability	35,209	–	–	–
Expenses relating to short-term leases	–	–	–	–
Expenses relating to leases of low-value assets, excluding short term leases of low value assets	–	–	–	–
Amount recognised in statement of cash flows				
Total cash outflows for leases	36,143	–	–	–

The annual lease rent payable by the Company with effect from 18 June 1996 in respect of all estates is LKR 20.32 Mn. (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying LKR 20.32 Mn. by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of LKR 29.04 Mn. In September 2010, as per the Cabinet Decision the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic rental payments over the remaining tenure of the lease.

The Group has applied SLFRS – 16 with a date of initial application of 1 April 2019. As a result the Group has changed its accounting policy for Leases as detailed in Note 3.1 of Accounting Policies detailed in these Financial Statements.

29. Retirement benefit obligations

The movement in the retirement benefit obligation over the year is as follows:

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
As at 1 April	242,717	193,981	211,653	171,130
Current service cost for the year	16,810	16,141	14,358	12,709
Interest cost for the year	29,126	28,557	25,399	25,929
Actuarial loss for the year	11,976	26,124	11,782	21,674
Benefits paid for the year	(22,289)	(22,086)	(19,432)	(19,789)
At 31 March	**278,340**	**242,717**	**243,760**	**211,653**

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The charge to the statement of profit or loss and other comprehensive income is as follows:

	Group		Company	
For the year ended 31 March	**2020**	2019	**2020**	2019
Current service cost	16,810	16,141	14,358	12,709
Interest cost	29,126	28,557	25,399	25,929
Total included in the staff cost	**45,936**	**44,698**	**39,757**	**38,638**
Actuarial loss recognised in the statement of other comprehensive income	**11,976**	**26,124**	**11,782**	**21,674**

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2020 by Mr M Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 "Employee Benefits".

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

i.	Rate of interest	10.5% p.a. (2019 – 12%)
ii.	Rate of salary increase	
	– Estate workers	25% every three years
	– Estate staff	25% every three years and 2% per annum.
	– Estate management and head office staff	7.5% every year
iii.	Retirement age	Estate staff : 60 years Head Office Staff : 55 years
iv.	The Company will continue in business as a going concern	
v.	Number of employees	
	– Company	1,592 (2019 – 1,603)
	– Group	1,872 (2019 – 1,896)

Sensitivity analysis

In order to illustrate the significance of the salary/wage escalation rate and the discount rate assumed in this valuation as at 31 March 2020, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

Group

Discount rate	Salary/Wage escalation rate	Present value of defined benefit obligation		
		Staff	Workers	Total
One percentage point increase	As given above	77,412	181,610	259,022
One percentage point decrease	As given above	88,152	212,210	300,362
As given above	One percentage point increase	87,695	200,845	288,540
As given above	One percentage point decrease	77,732	191,037	268,769

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Company

Discount rate	Salary /Wage escalation rate	Present value of defined benefit obligation Staff	Workers	Total
One percentage point increase	As given above	74,280	152,619	226,899
One percentage point decrease	As given above	84,461	178,484	262,945
As given above	One percentage point increase	84,010	168,872	252,882
As given above	One percentage point decrease	74,599	160,607	235,206

30. Deferred income and capital grants

	Group		Company	
	2020	2019	**2020**	2019
Cost				
As at 1 April	335,283	335,283	94,299	94,299
Balance at 31 March	335,283	335,283	94,299	94,299
Accumulated amortisation				
As at 1 April	142,178	91,624	45,784	43,427
Amortisation during the year	50,555	50,554	2,358	2,357
Balance as 31 March	**192,733**	**142,178**	**48,142**	**45,784**
Carrying value as at 31 March	**142,550**	**193,105**	**46,157**	**48,515**

Funds have been received from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centers are also included above. The amounts spent have been capitalised under the relevant property, plant and equipment category. The capital grants are amortised on a straight-line basis over the useful life of the respective asset.

Watawala Dairy Limited received 800 cows from the Government of Sri Lanka at a concessionary price under an agreement to develop the local dairy industry. The grant represents the difference between the cost incurred by the government in importing cattle and the subsidised price paid by the Company to acquire the cattle.

31. Deferred Tax Liability

	Group		Company	
	2020	2019	**2020**	2019
As at 1 April	376,417	354,763	376,417	354,798
Recognised in statement of profit or loss	4,567	24,688	4,567	24,653
Recognised in other comprehensive income	(1,649)	(3,034)	(1,649)	(3,034)
As at 31 March	**379,335**	**376,417**	**379,335**	**376,417**

Deferred tax is calculated for the temporary differences between carrying value and tax written down value of non current assets and liabilities as analysed by each taxable activity.

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The reconciliation of tax effect arising from the temporary differences related to carrying amounts of assets and liabilities of the statement of financial position is as follows:

As at 31 March	2020		2019	
	Temporary difference	**Tax effect**	Temporary difference	Tax effect
Group				
Property plant and equipment	(393,786)	(55,130)	(431,420)	(60,399)
Biological assets – bearer	(2,614,188)	(365,986)	(2,517,439)	(352,442)
Net lease liability	8,521	1,193		
Retirement benefit obligations	243,760	34,126	211,654	29,632
Capital grants	46,157	6,462	48,515	6,792
	(2,709,536)	**(379,335)**	**(2,688,690)**	**(376,417)**
Company				
Property plant and equipment	(393,786)	(55,130)	(431,420)	(60,399)
Biological assets – bearer	(2,614,188)	(365,986)	(2,517,439)	(352,442)
Net lease liability	8,521	1,193		
Retirement benefit obligations	243,760	34,126	211,654	29,632
Capital grants	46,157	6,462	48,515	6,792
	(2,709,536)	**(379,335)**	**(2,688,690)**	**(376,417)**

Deferred tax assets and liabilities are measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No. 24 of 2017 effective from 1 April 2018, the Group has used effective rate of 14% as at 31 March 2020 (2019 – 14%).

32. Trade and Other Payables

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Trade payables	85,865	119,168	50,989	79,433
Employee related dues	46,905	66,555	41,663	60,385
Provisions and accruals	156,542	138,471	153,522	131,723
Retention payable	3,730	1,330	–	–
WHT payable	–	56,315	–	56,315
Sundry contractors estate	–	16,160	–	16,160
Other payables	23,571	13,151	24,025	7,447
	316,613	**411,150**	**270,199**	**351,463**

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33. Amount Due to Related Companies

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Sunshine Healthcare Limited	321	–	321	–
Hatton Plantations PLC	–	5,364	–	–
Duxton Asset Management Limited	–	22,250	–	–
	321	**27,614**	**321**	**–**

34. Commitments

There are no material commitments as at the reporting date where require disclosures in the Financial Statements.

35. Contingent liabilities

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Bank guarantees	16,394	17,844	6,394	17,844
Corporate guarantees	367,200	–	367,200	1,150,000
	383,594	**17,844**	**373,594**	**1,167,844**

Bank guarantees – Group

Bank guarantee of LKR 10 Mn. to Ceylon Grain Elevators PLC.
Bank guarantee of LKR 6.4 Mn. to Tax Appeals Commission.

Bank guarantees – Company

Bank guarantee of LKR 6.4 Mn. to Tax Appeals Commission.

Corporate guarantees have been issued in favour of several banks on behalf of Watawala Dairy Limited, for the loans obtained by Watawala Dairy Limited.

There are no litigations against the Group as at the reporting date which would have a material impact on the financial position of the Group.

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36. Related party disclosures

36.1 Transactions with Related Parties

				Transaction amount		Balance as at 31 March	
Name of the Company	Nature of relationship	Name of Directors	Nature of transaction	**2020**	2019	**2020**	2019
Pyramid Lanka (Pvt) Ltd.	Affiliate	Mr M S Mawzoon	Sales	2,005,247	2,004,234	73,468	21,918
		Mr P Karunagaran	Settlements	(1,953,697)	(1,992,627)	–	–
Watawala Tea Ceylon Limited	Affiliate	Mr Vish Govindasamy	Purchase of goods	(39)	(34)	311	–
		Mr M S Mawzoon	Service income	1,005	1,150	–	–
		Mr L Ramanayake	Settlements	(655)	(1,116)	–	–
Sunshine Tea (Pvt) Ltd	Affiliate	Mr G Sathasivam	Purchases	–	(7,485)	123	–
			Service cost	(3,077)	(864)	–	–
			Settlements	2,954	8,349	–	–
Sunshine Holdings PLC	Parent	Mr Vish Govindasamy	Service cost	(90,163)	(70,476)	–	–
		Mr G Sathasivam	Sale of tea settlements	90,163	70,476	–	–
Watawala Diary Limited	Subsidiary	Mr Sunil G Wijesinha	Debenture	–	160,000	226,518	399,347
		Mr Vish Govindasamy	Debenture interest	3,476	17,324	–	–
		Mr M S Mawzoon	Loan	235,969	211,029	–	–
			Interest	11,967	14,358	–	–
			Purchases	(8,413)	(49,279)	–	–
			Loan transferred for purchase of shares in the subsidiary	(270,000)	–	–	–
			Settlements of debenture	(180,800)	–	–	–
			Settlements	34,972	45,915	–	–

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Name of the Company	Nature of relationship	Name of Directors	Nature of transaction	Transaction amount 2020	Transaction amount 2019	Balance as at 31 March 2020	Balance as at 31 March 2019
Hatton Plantations PLC*	Affiliate	Mr Vish Govindasamy	Purchase of goods and services	–	(113)	6,231	(5,364)
		Mr Sunil Wijesinha		–	–	–	–
		Mr G Sathasivam		–	–	–	–
		Mr A N Fernando	Sales	–	7,000	–	–
		Mr M S Mawzoon	Purchase of fixed assets	–	(1,600)	–	–
		Mr L Ramanayake		–	–	–	–
		Mr N S Weerasekera		–	–	–	–
		Mr P Karunagaran	Sales	–	31,296	–	–
			Lease income	–	1,250	–	–
			Purchases	–	2,935	–	–
			Fund transferred	–	(44,785)	–	–
Sunshine Healthcare Lanka Limited	Affiliate	Mr Vish Govindasamy	Reimbursement expenses	(321)	–	(321)	–
		Mr G Sathasivam		–	–	–	–
Duxton Asset Management (Private) Limited	Affiliate	Mr J D Sheehy	Consultation fees	–	(22,250)	–	(22,250)
		Mr J P Shopov	Consultation fees paid	22,250	–	–	–

**Hatton Plantations PLC ceased to be a related party w.e.f. 29 May 2019 upon the disposal of investment.*

The Company carries out transactions with related parties on an arms length basis.

The Directors have disclosed the nature of their interests in contracts and proposed contracts with the Company at meetings of the Directors.

36.2 Transactions with Key Management Personnel

Key management personnel include the Board of Directors and the Executive Committee of the Group/Company. The compensation paid or payable to key management personnel as follows:

Year ended 31 March	Group 2020	Group 2019	Company 2020	Company 2019
Salaries and other short-term employee benefits	16,932	13,748	16,179	12,990

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36.3 Major transactions with related parties

The following recurrent and non-recurrent related party transactions were taken place during the year ended 31 March 2020 in the course of business where the aggregate value of series of recurrent transactions exceeds 10% of gross revenue and the non-recurrent transactions exceeds 10% of equity or 5% of total assets as per the financial statements for the year ended 31 March 2020.

Name of the related party	Relationship	Nature of the recurrent transactions	Aggregate value of related party recurrent transactions during the financial year	Aggregate value of related party recurrent transactions as a percentage of group revenue/assets
Pyramid Lanka (Pvt) Ltd	Affiliate	Sales	2,160,080	79.00%
Watawala Dairy Limited	Subsidiary	Debenture/loan/interest	1,060,800	15.90%

The above transactions were reported to the Board and the Related Party Review Committee of the Company during the year.

37. Events after the reporting date

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements except for the following.

37.1 Material changes in ownership of the Group

On 15 May 2020, Sunshine Wilmar (Private) Limited (SWPL) has acquired 74.24% stake of Watawala Plantations PLC (WATA) from Estate Management Services (Pvt) Ltd (EMSPL) for the purchase consideration of LKR 3,019 Mn. As a result of this transaction, Sunshine Wilmar (Private) Limited has become immediate parent of Watawala Plantations PLC.

37.2 Final dividend declared

The Board of Directors of the Company has declared a final dividend of LKR 3.00 per share for the financial year ended 31 March 2020.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend.

In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2020.

37.3 Impact on COVID-19

On 11 March 2020 the World Health Organization declared the COVID-19 as an Global Pandemic Situation. The pandemic has been significantly affected to the Sri Lanka economy as well as the Company's business environment. The situation has started well before the financial year end, and has been continue so far effecting the many aspects of the country.

The Company has considered this as an adjusting event and has evaluated and determined the extent of the development after the reporting date also in the current reporting period. All relevant and adequate adjustments have been incorporated in financial statements.

38. Directors Assessment on Going Concern

As disclosed in Note 37.3 on 11 March 2020, the World Health Organization declared the coronavirus outbreak as a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, the Sri Lankan Government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the "lockdown" of certain areas in the Country.

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The Group has taken various precautionary measures to protect employees and workmen, their families, and the eco system in which they interact, while at the same time ensuring business continuity. As a step in this direction and taking into account the directives issued by the Government of Sri Lanka, the Group has carried out operations in limited manner during the lockdown period. Further deferment of Capital expenditures, cancellation of company events, restructuring of overheads, deferment of staff bonus payments, reduction in salaries of senior management during the period were several measures taken by the Group to conserve cash during the lockdown period.

The Group has been closely monitoring the impact of the development of COVID-19 on the business operations. Despite many challenges, the Group being in essential service sector has recommenced all operations which were temporarily suspended on 20 March 2020 and have been operational at a reduced scale based on curfew timelines in certain zones. The Group is regularly monitoring the situation and operations are being increased up to full capacity level in a phased manner.

Further, the Group possess sufficient capital and has adequate bank facilities to operate and fund its working capital requirements. The Palm oil business was operated at subpar capacity due to labour shortages as a result of lockdown towards end of the current financial year. Nevertheless, the Dairy business has been operating at normal capacity. Over the next few months from April 2020 onward, the Management expect the Palm oil sector to recover to normal levels with the lifting of curfew. Further, dairy sector will continue at current scale of operations and support local production and import substitution.

The Board of Directors has carried out a preliminary assessment over future business plan after incorporating the potential impact of COVID-19 outbreak, and is of the view that the COVID-19 outbreak may not have significant impact on the business continuity of the Group. The Board will continue to monitor the economic conditions and its impact on the business operations and take mitigation actions to minimize the potential impacts and business continuity.

39. Financial risk management

Financial risk factors

The Group is exposed to a variety of financial risks. These include market risks, credit risks, and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Based on our economic outlook and the Group's exposure to these risks, the Board of Directors approves various risk management strategies from time to time.

i. Interest rate risk

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from the borrowings. The fluctuation in the Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Group analyses the interest rate exposure on a dynamic basis monitoring AWPLR.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group as follows:

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Variable rate instruments				
Financial assets				
Loan given to related party	–	–	200,195	222,259
	–	**–**	**200,195**	**222,259**
Financial liabilities				
Interest bearing borrowings	763,735	1,255,807	307,173	97,272
Bank overdrafts	211,972	110,753	97,798	–
	975,707	**1,366,560**	**404,971**	**97,272**

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Capital management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Total liabilities	2,389,401	2,779,900	1,641,278	1,247,570
Less: Cash and cash equivalents	(186,553)	(204,001)	(185,147)	(199,064)
Net debt	**2,202,848**	**2,575,899**	**1,456,131**	**1,048,506**
Total equity	4,598,142	3,922,511	5,028,218	4,003,722
Net debt to equity ratio (%)	47.9	65.7	29.0	26.2

ii. Price risks

The Group is exposed to the commodity price risk of mainly tea and palm oil. The Group monitors commodity price and inventory levels to minimise the impact. Further, forward sales agreements are entered into to minimise the exposure.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers. Credit control assess the credit quality of the customers taking into account its financial position, past performance and other factors. Credit limits are set and the utilisation of credit limits is regularly monitored. The credit quality of financial assets are disclosed in Note 22.

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Group		Company	
As at 31 March	**2020**	2019	**2020**	2019
Trade receivables	27,829	31,192	–	5,236
Employee advances	19,932	20,844	17,129	18,971
Other receivables	38,224	25,596	35,183	15,662
Amounts due from related companies	73,902	21,918	100,225	21,918
Investment in debenture	–	–	–	174,088
Loan given to related party	–	–	200,195	222,259
Balances with banks	185,865	203,119	184,844	198,739
	345,752	**302,669**	**537,576**	**656,873**

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The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 March 2020:

Group	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit Impaired
31 March 2020				
Past due (0-60 days)	100	27,829	–	No
Past due (61-120 days)	–	–	–	No
Past due (121-364 days)	–	–	–	No
More than 1 year	–	–	–	No
	–	**27,829**	**–**	
31 March 2019				
Past due (0-60 days)	100	31,192	–	No
Past due (61-120 days)	–	–	–	No
Past due (121-364 days)	–	–	–	No
More than 1 year	–	–	–	No
	–	**31,192**	**–**	

Company	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit Impaired
31 March 2020				
Past due (0-60 days)	100	–	–	No
Past due (61-120 days)	–	–	–	No
Past due (121-364 days)	–	–	–	No
More than 1 year	–	–	–	No
	–	**–**	**–**	
31 March 2019				
Past due (0-60 days)	100	5,236	–	No
Past due (61-120 days)	–	–	–	No
Past due (121-364 days)	–	–	–	No
More than 1 year	–	–	–	No
	–	**5,236**	**–**	

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Liquidity risk

Cash flow forecasting is performed in the Group which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration, the Group's debt financing plans.

The table below analyses the Group's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Group	Carrying amount	Contractual cash flows	12 Months or less	2-3 years	4-5 years	More than 5 years
31 March 2020						
Non-derivative financial liabilities						
Interest bearing borrowings	763,735	763,735	190,987	392,748	180,000	–
Trade and other payables	316,613	316,613	316,613	–	–	–
Amounts due to related companies	321	321	321	–	–	–
Lease liability to SLSPC and JEDB	243,975	903,575	36,143	72,286	72,286	722,860
Bank overdraft	211,972	211,972	211,972	–	–	–
	1,536,616	**2,196,216**	**756,036**	**465,034**	**252,286**	**722,860**
31 March 2019						
Non-derivative financial liabilities						
Interest bearing borrowings	1,255,807	1,255,807	144,483	493,066	403,278	214,980
Trade and other payables	411,150	411,150	411,150	–	–	–
Amounts due to related companies	27,614	27,614	27,614	–	–	–
Lease liability to SLSPC and JEDB	128,887	900,976	34,653	69,306	69,306	727,711
Bank overdraft	110,753	110,753	110,753	–	–	–
	1,934,211	**2,706,300**	**728,653**	**562,372**	**472,584**	**942,691**

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Company	Carrying amount	Contractual cash flows	12 Months or less	2-3 years	4-5 years	More than 5 years
31 March 2020						
Non-derivative financial liabilities						
Interest bearing borrowings	307,173	307,173	98,723	208,450	–	–
Trade and other payables	270,199	270,199	270,199	–	–	–
Amount due to related company	321	321	321	–	–	–
Lease liability to SLSPC and JEDB	243,975	903,575	36,143	72,286	72,286	722,860
Bank overdraft	97,798	97,798	97,798			
	919,466	**1,579,066**	**503,184**	**280,736**	**72,286**	**722,860**
31 March 2019						
Non-derivative financial liabilities						
Interest bearing borrowings	97,272	97,272	33,890	63,382	–	–
Lease liability to SLSPC and JEDB	128,887	900,976	34,653	69,306	69,306	727,711
Trade and other payables	351,463	351,463	351,463	–	–	–
	577,622	**1,349,711**	**420,006**	**132,688**	**69,306**	**727,711**

iv. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance when this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management and summaries are submitted to the Senior Management of the Group.

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(All amounts in Sri Lankan Rupees thousands)

40. Fair values of financial instruments

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

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Group							
As at 31 March 2020	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment fund	343,725	–	–	343,725	–	343,725	–	343,725
	343,725	**–**	**–**	**343,725**	**–**	**343,725**	**–**	**343,725**
Financial assets not measured at fair value								
Trade and other receivables	–	302,533	–	302,533	–	–	302,533	302,533
Amounts due from related party	–	73,902	–	73,902	–	–	73,902	73,902
Cash at banks and in hand	–	186,553	–	186,553	–	186,553	–	186,553
	–	**562,988**	**–**	**562,988**	**–**	**186,553**	**376,435**	**562,988**
Total financial assets	**343,725**	**562,988**	**–**	**906,713**	**–**	**530,278**	**376,435**	**906,713**
Financial liabilities not measured at fair value								
Interest bearing borrowings	–	763,735	–	763,735	–	763,735	–	763,735
Trade and other payables	–	316,613	–	316,613	–	–	316,613	316,613
Amount due to related parties	–	321	–	321	–	–	321	321
Lease liability to SLSPC and JEDB	–	243,975	–	243,975	–	–	243,975	243,975
Bank overdrafts	–	211,972	–	211,972	–	211,972	–	211,972
	–	**1,536,616**	**–**	**1,536,616**	**–**	**975,707**	**560,909**	**1,536,616**
Total financial liabilities	**–**	**1,536,616**	**–**	**1,536,616**	**–**	**975,707**	**560,909**	**1,536,616**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

As at 31 March 2019	Group							
	Held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Fair value
Financial assets measured at fair value								
Investment fund	312,051	–	–	312,051	–	312,051	–	312,051
	312,051	**–**	**–**	**312,051**	**–**	**312,051**	**–**	**312,051**
Financial assets not measured at fair value								
Trade and other receivables	–	313,198	–	313,198	–	–	313,198	313,198
Amounts due from related party	–	21,918	–	21,918	–	–	21,918	21,918
Cash at banks and in hand	–	204,001	–	204,001	–	204,001	–	204,001
	–	**539,117**	**–**	**539,117**	**–**	**204,001**	**335,116**	**539,117**
Total financial assets	**312,051**	**539,117**	**–**	**851,168**	**–**	**516,052**	**335,116**	**851,168**
Financial liabilities not measured at fair value								
Interest bearing borrowings	–	1,255,807	–	1,255,807	–	1,255,807	–	1,255,807
Lease liability to SLSPC and JEDB	–	128,887	–	128,887	–	–	128,887	128,887
Trade and other payables	–	411,150	–	411,150	–	–	411,150	411,150
Amount due to related company	–	27,614	–	27,614	–	–	27,614	27,614
Bank overdrafts	–	110,753	–	110,753	–	110,753	–	110,753
Total financial liabilities	**–**	**1,934,211**	**–**	**1,934,211**	**–**	**1,366,560**	**567,651**	**1,934,211**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

	Company							
As at 31 March 2020	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment fund	343,725	–	–	343,725	–	343,725	–	343,725
	343,725	**–**	**–**	**343,725**	**–**	**343,725**	**–**	**343,725**
Financial assets not measured at fair value								
Trade and other receivables	–	259,639	–	259,639	–	–	259,639	259,639
Loans given to related party	–	200,195	–	200,195	–	–	200,195	200,195
Amounts due from related party	–	100,225	–	100,225	–	–	100,225	100,225
Cash at banks and in hand	–	185,147	–	185,147	–	185,147	–	185,147
	–	**745,206**	**–**	**745,206**	**–**	**185,147**	**560,059**	**745,206**
Total financial assets	**343,725**	**745,206**	**–**	**1,088,931**	**–**	**528,872**	**560,059**	**1,088,931**
Financial liabilities not measured at fair value								
Interest bearing borrowings	–	307,173	–	307,173	–	307,173	–	551,148
Lease Liability to SLSPC and JEDB	–	243,975	–	243,975	–	–	243,975	487,950
Trade and other payables	–	270,199	–	270,199	–	–	270,199	270,199
Amount due to related parties	–	321	–	321	–	–	321	321
Bank overdrafts	–	97,798	–	97,798	–	97,798	–	97,798
	–	**919,466**	**–**	**919,466**	**–**	**404,971**	**514,495**	**1,407,416**
Total financial liabilities	**–**	**919,466**	**–**	**919,466**	**–**	**404,971**	**514,495**	**1,407,416**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(All amounts in Sri Lankan Rupees thousands)

	Company							
As at 31 March 2019	Held for trading	Loans and receivables	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Fair value
Financial assets measured at fair value								
Investment fund	312,051	–	–	312,051	–	312,051	–	312,051
Investment in Debenture	174,088	–	–	174,088	–	174,088	–	174,088
	486,139	**–**	**–**	**486,139**	**–**	**486,139**	**–**	**486,139**
Financial assets not measured at fair value								
Trade and other receivables	–	258,619	–	258,619	–	–	258,619	258,619
Loans given to related party	–	222,259	–	222,259	–	–	222,259	222,259
Amounts due from related party	–	21,918	–	21,918	–	–	21,918	21,918
Cash at banks and in hand	–	199,064	–	199,064	–	199,064	–	199,064
	–	**701,860**	**–**	**701,860**	**–**	**199,064**	**502,796**	**701,860**
Total financial assets	**486,139**	**701,860**	**–**	**1,187,999**	**–**	**685,203**	**502,796**	**1,187,999**
Financial liabilities not measured at fair value								
Interest bearing borrowings	–	97,272	–	97,272	–	97,272	–	97,272
Lease Liability to SLSPC and JEDB	–	128,887	–	128,887	–	–	128,887	128,887
Trade and other payables	–	351,463	–	351,463	–	–	351,463	351,463
Total financial liabilities	**–**	**577,622**	**–**	**577,622**	**–**	**97,272**	**480,350**	**577,622**

SHAREHOLDERS' AND INVESTORS' INFORMATION

Stock Exchange Listing

The issued ordinary shares of Watawala Plantations PLC are listed with the Colombo Stock Exchange (CSE) Sri Lanka.

Shareholder information

As at 31 March	2020	2019
Total numbers of shareholders	15,487	15,582
Total numbers of shares	203,308,634	200,962,556

31 March 2020

Number of shareholders	Holdings	Total holdings %
7,547	1 – 1,000 shares	48.73
7,785	1,001 – 10,000 shares	50.27
132	10,001 – 100,000 shares	0.85
17	100,001 – 1000,000 shares	0.11
6	Over 1,000,000	0.04
15,487		**100.00**

Analysis of shareholders

	31 March 2020			31 March 2019		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Individuals	15,406	36,376,952	17.89	15,503	47,630,590	23.70
Institutions	81	166,931,682	82.11	79	153,331,966	76.30
Total	**15,487**	**203,308,634**	**100.00**	**15,582**	**200,962,556**	**100.00**

Public shareholdings

	Requirement by CSE	As at 31 March 2020	Comply with CSE Rule 7.13.1 (a)	Requirement by CSE	As at 31 March 2019	Comply with CSE Rule 7.13.1 (a)
Option	5	5	Yes	5	5	Yes
Float adjusted market capitalisation (LKR)	Less than LKR 2,500,000,000/-	1,047,446,077	Yes	Less than LKR 2,500,000,000/-	957,707,157	Yes
The percentage of shares held by the public	20%	25.76%	Yes	20%	25.76%	Yes
Number of shareholders representing public holding	500	15,484	Yes	500	15,579	Yes

SHAREHOLDERS' AND INVESTORS' INFORMATION

Shareholder trading information for last five years

	2020	2019	2018	2017	2016
Highest price (LKR)	28.00	30.60	36.10	24.50	25.50
Lowest price (LKR)	17.40	18.00	24.00	17.70	17.00
As at 31 March (Last traded price) (LKR)	20.00	18.50	28.90	24.40	19.30
Number of transactions	2,048	1,565	3,727	2,482	2,771
Number of shares traded	13,068,014	1,772,579	12,910,765	9,597,690	4,802,621
Value of shares traded (LKR)	249,968,553	46,989,188	405,774,447	201,817,372	110,934,319

Investor ratios and other information

	2020	2019	2018	2017	2016
Earnings per share (LKR)	5.00	5.08	4.52	5.20	2.60
Dividend per share (LKR)	0.30	2.25	1.60	1.50	0.75
Dividend pay out (%)	6	44	35	29	29
Net asset per share (LKR)	24.73	19.92	17.18	24.33	20.20
Number of Shares as at 31 March	203,308,634	200,962,556	200,962,556	236,666,671	236,666,671
Market Capitalisation (LKR)	4,066,172,680	3,717,807,286	5,807,817,868	5,774,666,772	4,567,666,750

SHAREHOLDERS' AND INVESTORS' INFORMATION

Twenty (20) largest shareholders as at 31 March

Name	2020 Number of shares held	2020 %	2019 Number of shares held	2019 %
1. Estate Management Services (Private) Ltd.	150,937,043	74.24	149,195,309	74.24
2. Sampath Bank PLC/Seylan Bank PLC/Dr T Senthilverl	23,999,896	11.80	23,576,097	11.73
3. K C Vignarajah	2,173,784	1.07	2,148,684	1.07
4. Deutsche Bank AG Singapore A/C 2 (DCS CLT ACC for Deutsche Bank AG Singapore – PWM WM Client)	1,281,399	0.63	1,365,459	0.68
5. Vyjayanthi & Company Limited	1,011,674	0.50	1,000,000	0.50
6. N Muljie	559,354	0.28	552,900	0.28
7. M I Abdul Hameed	354,085	0.17	350,000	0.17
8. S Vignarajah	261,831	0.13	258,811	0.13
9. Cocoshell Activated Carbon Company (Private) Limited	254,604	0.13	251,666	0.13
10. Union Investments Private Ltd.	220,881	0.11	218,333	0.11
11. Best Real Invest Co Services (Private) Limited	162,843	0.08	160,964	0.08
12. C M Holdings PLC	143,320	0.07	141,667	0.07
13. Adamjee Lukmanjee & Sons (Pvt) Ltd.	118,502	0.06	117,135	0.06
14. D C D L S D Perera	116,342	0.06	115,000	0.06
15. M P R Silva	114,039	0.06	–	–
16. M M Hashim	111,486	0.05	100,000	0.05
17. M N Aththas	107,320	0.05	–	–
18. K G M Pieris	106,141	0.05	104,917	0.05
19. Al-Haj S M M Hussain Charitable Trust	101,167	0.05	100,000	0.05
20. M M Hashim	101,167	0.05	96,208	0.05
21. M H M Nazeer	101,167	0.05	100,000	0.05
Subtotal	**182,338,045**	**89.69**	**179,953,150**	**89.55**
Others	20,970,589	10.31	21,009,406	10.45
Total	**203,308,634**	**100.00**	**200,962,556**	**100.00**

GLOSSARY

ACCOUNTING POLICIES
The specific principles, bases, conventions, rules, and practices adopted by an enterprise in preparing and presenting financial statements

WATA
CSE identification code for the Company

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period

GSA
The Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

NSA
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

COP
The Cost of Productions. This generally refers to the cost of producing per kilo of produce (Tea /Rubber/Palm Oil)

CPO
Crude Palm Oil

AMORTISATION
The systematic allocation of the depreciable amount of an intangible asset over its useful life

EBITDA
Earning before interest, tax, depreciation, and amortisation

VALUE ADDITIONS
The quantum of wealth generated by the activities of the Company and its application

EARNING PER SHARE – EPS
Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend

ENTERPRISE VALUE – EV
Market capitalisation plus debt, minority interest and preferred shares minus total cash and cash equivalents

ENTERPRISE MULTIPLE – EM
Enterprise value (EV) divided by Earnings before Interest Tax Depreciation and Amortisation (EBITDA)

MARKET VALUE ADDED – MVA
Shareholders' funds divided by the market value of shares

PRICE EARNINGS RATIO – PE
Market price of a share divided by earnings per share

MARKET CAPITALISATION
Number of shares issued multiplied by the market value of each share at the year end

NET ASSETS
Sum of fixed assets and current assets less total liabilities

NET ASSETS PER SHARE
Net assets at the end of the period divided by the number of ordinary shares in issues

RETURN ON EQUITY
Attributable profits divided by average shareholders' funds

INTEREST COVER
Profit before tax plus interest charges divided by interest charges

DIVIDEND COVER
Profit attributable to shareholders divided by gross dividend

DIVIDEND PAYOUT
Profit paid out to shareholders as dividends as a percentage of profits made during the year

RELATED PARTIES
Parties who could control or significantly influence the financial and operating policies of the Company

CONTINGENT LIABILITIES
Conditions or situations at the balance sheet date, the financial effects of which are to be determined by future events, which may or may not occur

IUCN
International Union for Conservation of Nature

PHDT
Plantation Human Development Trust

GLOSSARY

WORKING CAPITAL
Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions

TOTAL BORROWINGS
Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse

NET BORROWINGS
Total borrowings less liquid funds

CASH EQUIVALENTS
Liquid investments with original maturities of three months or less

CURRENT RATIO
Current assets divided by current liabilities

DEBT TO EQUITY RATIO
Borrowing divided by equity

GEARING RATIO
Interest bearing capital divided by total capital (interest bearing and non-interest bearing)

TURNOVER PER EMPLOYEE
Consolidated turnover of the Company for the year divided by the number of employees employed at the year end

EXTENT IN BEARING
The extent of land. From which crop is being harvested. Also see "Immature Plantation"

CROP
The total produce harvested during a financial year

IMMATURE PLANTATIONS
The extent of plantation that is under-development and is not being harvested

MATURE PLANTATIONS
The extent of plantation from which crop is being harvested. Also see "Extent in Bearing"

IN FILLING
A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested

REPLANTING
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes

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

ISO
International Standards Organisation

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

5S
A Japanese management technique on the organisation of the workplace. 5s stands for Seiri (Sorting), Seiton (Organising), Seiso (Cleaning), Seiketso (Standardisation), Shitsuke (Sustenance)

YoY : Year on year

FFB : Fresh Fruit Bunches (Palm oil)

ROCE : Return on Capital Employed

CAPEX : Capital Expenditure

NED : Non-Executive Director

RPTRC : Related Party Transactions Review Committee

NRC : Nomination and Remuneration Committee

AC : Audit Committee

RSPO : Roundtable on Sustainable Palm Oil

NOTICE OF MEETING

Notice is hereby given that the Twenty-Seventh (27th) Annual General Meeting of Watawala Plantations PLC will be held at "Jasmine Room" Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Friday, 26 June 2020 at 2.30pm and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31 March 2020 with the Report of the Auditors thereon.
2. To declare a final dividend of LKR 3.00 per share as recommended by the Directors.
3. To propose the following resolution as an ordinary resolution for the appointment of Mr A N Fernando who has reached the age of 74 years.

Ordinary resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A N Fernando who has reached the age of 74 years prior to this Annual General Meeting and that he be reappointed"

4. To propose the following resolution as an ordinary resolution for the appointment of Mr G Sathasivam who has reached the age of 73 years.

Ordinary resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr G Sathasivam who has reached the age of 73 years prior to this Annual General Meeting and that he be reappointed"

5. To propose the following resolution as an ordinary resolution for the appointment of Mr S G Wijesinha who has reached the age of 71 years.

Ordinary resolution

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr S G Wijesinha who has reached the age of 71 years prior to this Annual General Meeting and that he be reappointed"

6. To reappoint Mr Harsha Duminda Abeywickrama as per Article 28 (2) of the Articles of Association who has been appointed by the Board since the last Annual General Meeting, as a Director.
7. To reappoint Mr Madhu Ramachandra Rao as per Article 28 (2) of the Articles of Association who has been appointed by the Board since the last Annual General Meeting, as a Director.
8. To reappoint Mr Mohamed Thanveer Siddique as per Article 28 (2) of the Articles of Association who has been appointed by the Board since the last Annual General Meeting, as a Director.
9. To re-elect Mr N B Weerasekera who retires by rotation at the Annual General Meeting, as a Director as per Article 30 of the Articles of Association.
10. To appoint Messrs KPMG, (Chartered Accountants) as Auditors of the Company and authorise the Directors to determine their remuneration.
11. To authorise the Directors to determine contributions to Charities.

By order of the Board

Corporate Services (Private) Limited
Secretaries

26 May 2020
Colombo

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

FORM OF PROXY

I/We .... of ....

being a member/members of Watawala Plantations PLC, hereby appoint ....

.... or failing him, Mr S G Wijesinha (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the twenty-seventh (27th) Annual General Meeting of the Company to be held on Friday, 26 June 2020 at 2.30pm and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31 March 2020 with the Report of the Auditors thereon.		
2. To declare a final dividend of LKR 3.00 per share as recommended by the Directors.		
3. To pass an ordinary resolution to reappoint Mr A N Fernando who has reached the age of 74, as a Director.		
4. To pass an ordinary resolution to reappoint Mr G Sathasivam who has reached the age of 73, as a Director.		
5. To pass an ordinary resolution to reappoint Mr S G Wijesinha who has reached the age of 71, as a Director.		
6. To reappoint Mr H D Abeywickrama who was appointed during the year, as a Director.		
7. To reappoint Mr M R Rao who was appointed during the year, as a Director.		
8. To reappoint Mr M T Siddique who was appointed during the year, as a Director.		
9. To re-elect Mr N B Werasekera who retires by rotation at the Annual General Meeting, as a Director.		
10. To reappoint Messrs KPMG, (Chartered Accountants) as Auditors of the Company and authorise the Directors to determine their remuneration.		
11. To authorise the Directors to determine contributions to Charities.		

Dated this ……..……………..day of …………..........................……………2020.

....
Signature of Shareholder

....
Shareholder's NIC

....
Proxy holder's NIC

(a) A proxy need not be a member of the Company

(b) Instructions regarding completion appear overleaf

FORM OF PROXY

Instruction as to completion of the Form of Proxy

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company at No. 60, Dharmapala Mawatha, Colombo 03 not less than 48 hours before the time of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all the details are eligible.
3. Please indicate with an "X" in the space provided how your proxy to vote on each resolution. If no indication is given, the proxy, in his discretion, will vote, as he thinks fit.
4. In the case of the Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5. In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office No. 60, Dharmapala Mawatha, Colombo 03 for registration.

CORPORATE INFORMATION

Name of the Company

Watawala Plantations PLC

Legal form

A public company with limited liability registered under Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange.

Date of Incorporation

18 June 1992

Registration No.

PQ 65

Accounting year

31 March

Directors

S G Wijesinha – Chairman
G Sathasivam (Alternate – S G Sathasivam)
V Govindasamy
A N Fernando
M S Mawzoon
N B Weerasekera
P Karunagaran (Alternate – T Sidique) (Resigned w.e.f. 3 April 2020)
H D Abeywickrama (Appointed w.e.f. 3 April 2020)
M T Siddique (Appointed w.e.f. 3 April 2020)
M R Rao (Appointed w.e.f. 3 April 2020)

Chief Executive Officer

Binesh N Pananwala

Secretaries and Registrars

Corporate Services (Private) Limited
No. 216, de Saram Place,
Colombo 10
Phone: +94 11 460 5100

Auditors

KPMG (Chartered Accountants)
No. 32A, Sir Mohomad Macan Markar Mawatha,
Colombo 03

Bankers

Standard Chartered Bank Ltd.
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
State Bank of India
MCB Bank Ltd.
Nations Trust Bank PLC
Seylan Bank PLC
National Development Bank PLC

Lawyers

FJ & G de Saram (Attorneys-at-Law)
No. 216, de Saram Place,
Colombo 10

Nithya Partners (Attorneys-at-Law)
97A, Galle Road,
Colombo 03

Registered Office

No. 60, Dharmapala Mawatha,
Colombo 03,
Sri Lanka
Phone : +94 11 470 2400
Fax : +94 11 471 6365
Email : watawala@sunshineholdings.lk
Web : www.watawalaplantations.lk

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www.watawalaplantations.lk

Watawala Plantations PLC
60, Dharmapala Mawatha, Colombo 03,
Sri Lanka

a sunshine enterprise